

SEALED AIR CORP/DE  
Form 10-K  
February 25, 2011

**Table of Contents**

**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, 2010**

**Or**

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

**For the transition period from            to**

**Commission file number 1-12139**

**SEALED AIR CORPORATION**

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

**Delaware**

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

**65-0654331**

*(I.R.S. Employer  
Identification Number)*

**200 Riverfront Boulevard,  
Elmwood Park, New Jersey**

*(Address of principal executive offices)*

**07407-1033**

*(Zip Code)*

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

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

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

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

**None**

Edgar Filing: SEALED AIR CORP/DE - Form 10-K

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

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

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

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

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

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

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

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

As of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2010, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$3,206,000,000, based on the closing sale price as reported on the New York Stock Exchange.

There were 159,305,507 shares of the registrant's common stock, par value \$0.10 per share, issued and outstanding as of January 31, 2011.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant's definitive proxy statement for its 2011 Annual Meeting of Stockholders, to be held on May 18, 2011, are incorporated by reference into Part III of this Form 10-K.

---

**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Table of Contents**

**PART I**

<u>Item 1.</u>	<u>Business</u>	1
<u>Item 1A.</u>	<u>Risk Factors</u>	10
	<u>Cautionary Notice Regarding Forward-Looking Statements</u>	17
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	17
<u>Item 2.</u>	<u>Properties</u>	18
<u>Item 3.</u>	<u>Legal Proceedings</u>	18
<u>Item 4.</u>	<u>(Removed and Reserved)</u>	19
	<u>Executive Officers of the Registrant</u>	19

**PART II**

<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
<u>Item 6.</u>	<u>Selected Financial Data</u>	24
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	57
<u>Item 9.</u>	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	120
<u>Item 9A.</u>	<u>Controls and Procedures</u>	120
<u>Item 9B.</u>	<u>Other Information</u>	120

**PART III**

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	121
<u>Item 11.</u>	<u>Executive Compensation</u>	121
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	121
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	121
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	121

**PART IV**

<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	122
<u>Signatures</u>		128
<u>EX-10.45</u>		
<u>EX-10.48</u>		
<u>EX-12.1</u>		
<u>EX-21</u>		
<u>EX-23.1</u>		
<u>EX-31.1</u>		
<u>EX-31.2</u>		
<u>EX-32</u>		
<u>EX-101 INSTANCE DOCUMENT</u>		
<u>EX-101 SCHEMA DOCUMENT</u>		
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>		

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

**Table of Contents**

**PART I**

**Item 1. Business**

For over fifty years, Sealed Air Corporation has been a leading global innovator and manufacturer of a wide range of packaging and performance-based materials and equipment systems that serve an array of food, industrial, medical and consumer applications. As a leading provider in the applications we serve, we differentiate ourselves through our:

extensive global reach, by which we leverage our strengths across our 52-country footprint;

expertise in packaging sales, service, engineering and food science;

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

technology leadership with an emphasis on proprietary technologies; and

total systems offering that includes specialty materials, equipment systems and services.

Our operations generate approximately 54% of our revenue from outside the United States and approximately 16% of our revenue from developing regions. These developing regions are Africa, Central and Eastern Europe, China, Commonwealth of Independent States, India, Latin America, Middle East and Southeast Asia.

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

**Our Business Strategies**

Our business is growth oriented, with goals of 5% to 6% average annual organic sales growth (volume and product price/mix) and a 15% operating profit margin by the 2012/2013 timeframe.

The key strategic priorities developed to achieve these goals are:

*Innovation leadership with ongoing solution and service development:* We continue to expand our presence in both existing and new end market applications by focusing on innovative solutions that bring measurable value to our customers and to end-consumers. Our distinctive systems approach accommodates ongoing innovation in differentiated materials, products and equipment systems, as well as integrated packaging solutions and other services.

*Growth in developing regions:* With an international focus and extensive geographic footprint, we will leverage our broad portfolio and strengths in innovation to grow in developing regions. Urbanization, global trade, increased protein consumption and the conversion to safe and hygienic packaged goods are key secular trends present in developing regions.

*Focus on cash flow and return on assets:* We focus on generating substantial operating cash flow so that we may continue investing in innovative research and development in the business and its strategies, and return capital to stockholders.

*Optimize processes and operations to maximize profitability:* We are focused on deriving greater supply chain efficiencies by leveraging scale, optimizing processes and reducing complexity and costs.

*Sustainability:* Our global Smartlife™ initiative highlights our focus and dedication to responsible management of our business, to minimizing risks and being good stewards of the environment and to the communities we live in and serve. We focus on source reduction, recyclability and the growing use of

## **Table of Contents**

renewable content, as well as efficient use of energy and other resources through the entire life cycle of our products: from in-house manufacturing through to the waste stream.

*Develop our people:* A core strength is our people. We will grow our business through ongoing development of key skills in a diverse workforce that abides by our Code of Conduct.

## **Segments**

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

Our reportable segments are:

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

Our Other category includes:

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

Information concerning our reportable segments, including net sales, depreciation and amortization, operating profit and assets, appears in Note 3, Segments .

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

We offer a broad range of solutions across leading brands worldwide. Approximately 60% of our total net sales in each of the three years ended December 31, 2010 were in our food businesses, while approximately 30% of our total net sales were in our industrial packaging businesses (Protective Packaging segment and Specialty Materials business). The balance of our net sales has been primarily in our Medical Applications business.

### ***Food Packaging***

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

Our Food Packaging segment offerings include:



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

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

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

packaging trays; and

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

**Table of Contents**

Some of our more recent product offerings in this segment are:

Oven Ease™ ovenable bag for bone-in or boneless meat and poultry products;

Cryovac Roboloader® system, which combines a product-detecting conveyor, which measures a product's width, and, using a robotic arm, selects and opens the corresponding bag for the product's size from one of up to six dispensing units;

PakFormance™ integrated packaging solutions systems combining hardware, software, equipment and services that give food processors control and oversight of the food packaging process;

Multi-Seal® package, an easy open and reclosable deli package;

Freshness Plus® oxygen scavenging systems and odor scavenging materials;

Cryovac Grip & Tear® bags, easy-open end-seal bags for fresh meats, poultry, and smoked and processed products;

Cryovac® BL145 and BL175 automatic loaders for roll-serrated bags and equipment systems for rollstock form fill shrink materials, which provide labor saving opportunities for fresh meat and smoked and processed meat applications; and

Cryovac® CNP310 heavy bags for post-packaging pasteurization of smoked and processed products.

***Food Solutions***

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

Our Food Solutions segment offerings include:

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

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

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

packaging solutions for produce, bakery goods and pizza, including our Cryovac PizzaFresh® offering;

Entapack® intermediate bulk container products, which are used in the food, beverage and industrial processing industries for storage and transportation of primarily liquid material;

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

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

related packaging equipment systems, including vertical pouch packaging systems and vacuum chamber systems.

Some of our more recent new product offerings in this segment are:

Cryovac® BDF® Soft, a high performance barrier over-wrap film;

Cryovac® Darfresh® Ultra, an extended shelf life skin packaging system;

**Table of Contents**

Cryovac® Flavour Mark™ packaging materials and systems for shelf stable applications;

Cryovac® Permolid™ lid materials for applications requiring high oxygen transmission; and

Cryovac® new generation Darfresh® XT, a high performance skin top web.

*Outsourced Products*

Approximately 17% of the products we sell in this segment are fabricated by other manufacturers and are referred to as outsourced products. The largest category of outsourced products is foam and solid plastic trays and containers fabricated in North America, Europe and Asia. We also outsource the manufacture of selected equipment. We have strategically opted to use third-party manufacturers for technically less complex products in order to offer customers a broader range of solutions. We have benefited from this strategy with increased net sales and operating profit requiring minimal capital expenditures. See *Outsourced Products*, included in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, for further information. Our Food Packaging and Protective Packaging segments also sell outsourced products, but they represent a much smaller percent of their revenue.

*Protective Packaging*

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

Our Protective Packaging segment offerings include:

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

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

Shanklin® and Opti® shrink packaging equipment systems;

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

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

polyolefin film;

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

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

Korrvu® suspension and retention packaging;

inflatable packaging systems, including our Fill-Air® inflatable packaging system, which converts rolls of polyethylene film into continuous perforated chains of air-filled cushions, our Fill-Air® RF system, which consists of a compact, portable inflator and self-sealing inflatable plastic bags, which is also available in a

**Table of Contents**

fully automated model, and our NewAir I.B.<sup>®</sup> Express packaging system, which provides on-site, on-demand Barrier Bubble<sup>®</sup> cushioning material;

PriorityPak<sup>®</sup> system, a high-speed product containment and protective packaging solution with advanced sensor technology, used for mail order and internet fulfillment applications;

systems that convert some of our packaging materials, such as air cellular cushioning materials, thin polyethylene foam and paper, into sheets of a pre-selected size and quantity; and

FillTeck<sup>™</sup> line of equipment and materials marketed by us for applications requiring on-site production of high performance, air-filled, quilted cushioning material.

Some of our more recent product offerings in this segment are:

Cryovac<sup>®</sup> CT-301<sup>®</sup>, CT-501<sup>™</sup>, and CT-701<sup>™</sup> ultra-thin high performance polyolefin shrink films;

Cryovac<sup>®</sup> 360 Shrink Sleeve films sold to converters for shrink labeling and shrink bundling applications in a wide variety of industrial and consumer goods;

Instapak Complete<sup>®</sup> foam-in-bag packaging system, a compact bench-mounted system that incorporates advanced continuous foam tube technology;

Instapak<sup>®</sup> RC45 foam containing 25% renewable content, our first renewable content Instapak<sup>®</sup> foam formulation;

Bubble Wrap<sup>®</sup> Brand Recycled Grade containing a minimum of 50% pre-consumer recycled content the highest recycled content air cellular cushioning;

Fill-Air Cyclone<sup>®</sup> inflatable packaging system, which produces high volume void fill packaging materials from a compact footprint;

FasFil<sup>™</sup> packaging system, which creates void-fill pads from 100% recycled paper;

PakNatural<sup>™</sup> loosefill, which is sourced from a renewable material that offers better cushioning performance while remaining cost competitive; and

Korrvu<sup>®</sup> Hybrid retention packaging represents a new design that is more efficient and economical to employ, especially with low profile electronics.

***Other***

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

***Specialty Materials***

Our Specialty Materials business seeks to expand our product portfolio and core competencies into specialized and non-packaging applications and new market segments. We sell specialty materials products primarily to fabricators

and manufacturers encompassing a wide array of businesses and end uses.

Our Specialty Materials offerings include:

Ethafoam<sup>®</sup>, Stratocell<sup>®</sup> and Cellu-Cushion<sup>®</sup> family of foams, which are available in a variety of densities and colors and with a wide range of performance characteristics, including low abrasion, anti-static, formable, moisture barrier, gas barrier, printable, shrinkable and adhesive applications;

foams, films and composites for non-packaging markets, including transportation, construction, sports and leisure, and personal care;

temperature controlled supply chain products, including our TurboTag<sup>®</sup> system, a temperature monitoring product for pharmaceutical, biological and food industry customers; and

**Table of Contents**

super-insulation products utilizing thermal insulation in the form of vacuum insulated panels that provide energy efficiency for specialized packaging, such as aerospace, pharmaceutical and biological applications, and non-packaging applications.

Two of our newest products in this category are our Ethafoam® HRC (High Recycled Content) polyethylene foam, containing a minimum of 65% pre-consumer recycled content, and our Ethafoam® MRC (Maximum Recycled Content) Polyethylene foam, containing 100% pre-consumer recycled content.

*Medical Applications*

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

Our medical applications offerings include:

flexible films, tubing and connectors for use in the manufacture of bags and pouches for a wide variety of medical applications including ostomy, IV and solution drug therapies, and medical devices;

custom designed, rigid thermoformed packaging materials for medical devices and technical products; and

equipment to seal thermoformed trays to lidding materials.

*New Ventures*

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

**Foreign Operations**

We operate through our subsidiaries and have a presence in the United States and in the 51 other countries listed below, enabling us to distribute our products in 77 countries.

**Americas**

Argentina  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica

**Europe, Middle East and Africa**

Austria  
Belgium  
Czech Republic  
Denmark  
Finland  
France

Netherlands  
Norway  
Poland  
Portugal  
Romania  
Russia

**Asia-Pacific**

Australia  
China  
India  
Indonesia  
Japan  
Malaysia



Ecuador	Germany	South Africa	New Zealand
Guatemala	Greece	Spain	Philippines
Mexico	Hungary	Sweden	Singapore
Peru	Ireland	Switzerland	South Korea
Uruguay	Israel	Turkey	Taiwan
Venezuela	Italy	Ukraine	Thailand
	Luxembourg	United Kingdom	Vietnam

In maintaining our foreign operations, we face risks inherent in these operations, such as currency fluctuations, inflation and political instability. 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. Other risks attendant to our foreign

## **Table of Contents**

operations are set forth in Part I, Item 1A, Risk Factors, of this Annual Report on Form 10-K, which information is incorporated herein by reference. Financial information showing net sales and total long-lived assets by geographic region for each of the three years ended December 31, 2010 appears in Note 3, Segments, which information is incorporated herein by reference. We maintain programs to comply with the various laws, rules and regulations related to the protection of the environment that we may be subject to in the many countries in which we operate. See Environmental Matters, below.

## **Employees**

As of December 31, 2010, we had approximately 16,100 employees worldwide. Approximately 6,800 of these employees were in the U.S., with approximately 100 of these employees covered by collective bargaining agreements. Of the approximately 9,300 employees who were outside the U.S., approximately 6,300 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 they are employed. We believe that our employee relations are satisfactory.

## **Marketing, Distribution and Customers**

At December 31, 2010, we employed approximately 2,300 sales, marketing and customer service personnel throughout the world who sell and market our products to and through a large number of distributors, fabricators, converters, e-commerce and mail order fulfillment firms, and contract packaging firms as well as directly to end-users such as food processors, foodservice businesses, supermarket retailers, pharmaceutical companies, medical device manufacturers and other manufacturers.

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

To assist our marketing efforts for our protective packaging products and to provide specialized customer services, we operate 35 industrial package design and development laboratories worldwide within our 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 packaging requirements of each customer.

We operate five equipment design centers in three countries that focus on equipment and parts design and innovation to support the development of comprehensive systems solutions. We also provide field technical services to our customers worldwide. These services include system installation, integration and monitoring systems, repair and upgrade, operator training in the efficient use of packaging systems, qualification of various consumable and system combinations, and packaging line layout and design.

Our Medical Applications business offers two cleanroom contract assembly and packaging facilities in two countries, as well as a packaging validation lab. We also operate two equipment and medical device packaging labs in two countries that support customers package design needs and packaging equipment systems.

We have no material long-term contracts for the distribution of our products. In 2010, no customer or affiliated group of customers accounted for 10% or more of our consolidated net sales.

## **Seasonality**

Historically, net sales in our food businesses have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Our Protective Packaging segment has tended to also be slightly lower in the first quarter and higher during the back-to-school season in the mid-third quarter and through the fourth quarter due to the holiday shopping season.

## **Table of Contents**

### **Competition**

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

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

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

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

### **Raw Materials**

Our principal raw materials are polyolefin and other petrochemical-based resins and films, and paper and wood pulp products. These raw materials represent approximately one-third of our consolidated cost of goods sold. We also purchase corrugated materials, cores for rolls of products such as films and Bubble Wrap® brand cushioning, inks for printed materials, and blowing agents used in the expansion of foam packaging products. In addition, we offer a wide variety of specialized packaging equipment, some of which we manufacture or have manufactured to our specifications, some of which we assemble and some of which we purchase from suppliers.

The raw materials for our products generally have been readily available on the open market and in most cases are available from several suppliers. However, we have some sole-source suppliers, and the lack of availability of supplies could have a material negative impact on our business. Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers in the future. These factors could lead to increased prices for our raw materials, curtailment of supplies and allocation of raw materials by our suppliers. We source some materials used in our packaging products from materials recycled in our manufacturing operations or obtained through participation in recycling programs.

### **Sourcing**

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

## **Table of Contents**

### **Research and Development Activities**

We maintain a continuing effort to develop new products and improve our existing products and processes, including developing new packaging and non-packaging applications using our intellectual property. From time to time, we also acquire and commercialize new packaging and other products or techniques developed by others. Our research and development projects rely on our technical capabilities in the areas of food science, materials science, package design and equipment engineering. We spent \$88 million in 2010, \$81 million in 2009 and \$86 million in 2008 on research and development.

### **Patents and Trademarks**

We are the owner or licensee of an aggregate of over 2,500 United States and foreign patents and patent applications, as well as an aggregate of over 3,000 United States and foreign trademark registrations and trademark applications that relate to many of our products, manufacturing processes and equipment. We believe that our patents and trademarks collectively provide a competitive advantage. As such, each year we continue to file, in the aggregate, an average of 200 United States and foreign patent applications and 200 United States and foreign trademark applications. None of our reportable segments is dependent upon any single patent or trademark alone. Rather, we believe that our success depends primarily on our sales and service, marketing, engineering and manufacturing skills and on our ongoing research and development efforts. We believe that the expiration or unenforceability of any of our patents, applications, licenses or trademark registrations would not be material to our business or consolidated financial position.

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

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

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

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

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

**Table of Contents**

**Available Information**

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

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