

News Release



PACTIV

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PACTIV ANNOUNCES 15% INCREASE IN EARNINGS PER SHARE

LAKE FOREST, Ill-April 27, 2000-Pactiv Corporation (NYSE: PTV) today reported first-quarter 2000 net income from continuing operations of \$29 million, or \$0.17 per share, compared with \$6 million, or \$0.03 per share, in the first quarter of 1999. Excluding the impact of unusual items, which included restructuring in 1999 and gain on the sale of a business in 2000, the company recorded earnings per share from continuing operations of \$0.15 in the first quarter versus \$0.13 last year, an increase of 15%.

Sales in the first quarter of \$686 million were up 8% from last year after adjusting for the negative impact of foreign currency exchange and divestitures. Operating income increased to \$84 million in the first quarter from \$45 million a year ago. Adjusting for unusual items, operating income was up 6%, to \$78 million (11.4% of sales), from \$74 million (11.1% of sales) in the first quarter of 1999, as significant overhead cost reductions and selling price increases more than offset continued escalation in resin costs. Both polyethylene and polystyrene resin cost increases are being driven by capacity shortages and oil price movement. Pactiv has taken, and will continue to take, pricing actions to pass on these cost increases as they occur.

"We are pleased with the volume growth in our businesses and the improvement in operating income, despite dramatic escalation in resin costs," said Richard L. Wambold, chairman and chief executive officer. "During the second half of last year, we saw gross margin decline approximately 4 percentage points from historical levels as resin costs increased. While the first quarter was negatively impacted, aggressive overhead reductions drove our bottom line above last year's results. Short term, our focus on margin improvement will continue and as resin costs return to more normal levels, we expect to see a substantial improvement in profitability. Longer term, we are confident that through a combination of supply contracts and our asset redeployment plan, we can substantially reduce the impact of resin cost swings on our business."

continued

In the first quarter of 2000, Pactiv continued its focus on growth, reducing overhead, and lowering debt by selling underperforming or non-strategic assets, as summarized below:

- Strategic, high-margin product lines continue to see good growth.
- Reduced selling, general and administrative costs to \$67 million, or 9.8% of sales, in the first quarter versus \$98 million, or 14.7% of sales, last year.
- Repurchased 5.6 million shares of Pactiv common stock for \$46 million through April 25, 2000. This is part of the repurchase program announced in the first quarter of 2000, which authorizes the company to purchase up to \$100 million of the company's common stock.
- Reduced debt levels to \$1.7 billion, or 52.2% of total capitalization, from \$2.1 billion at the end of 1999. Debt was reduced using the approximately \$400 million in proceeds from the sale of Pactiv's 85% stake in Packaging Corporation of America (PCA).
- Exited the industrial metal sales business, providing the company with a \$5 million pretax gain on the sale.

Referring to selling, general and administrative costs, Mr. Wambold added, "Looking forward, we believe that full year SG&A will average approximately 11.5% of sales, or three percentage points under last year's spending level."

Net income for the quarter was \$163 million, or \$0.97 per share, comprised of \$29 million (\$0.17 per share) from continuing operations and \$134 million (\$0.80 per share) from discontinued operations related to the sale of the majority of the company's stake in PCA. The company incurred a \$205 million net loss (\$1.23 per share) in the first quarter of 1999, which consisted of: 1) income from continuing operations of \$6 million (\$0.03 per share), which included restructuring charges of \$0.10 per share, 2) loss from discontinued operations totaling \$172 million (\$1.03 per share), principally related to the sale of the company's containerboard business, 3) cumulative effect of change in accounting principle of \$32 million (charge), or \$0.19 per share, and 4) extraordinary loss of \$7 million (\$0.04 per share).

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Business Segment Results

Consumer and Foodservice/Food Packaging

First-quarter sales for the Consumer and Foodservice/Food Packaging unit were \$478 million, up 4% from first quarter 1999 and 7% from a year ago when adjusted to reflect divestitures.

First-quarter operating income for the segment of \$59 million was down, as expected, from \$64 million last year principally because of higher material costs, partially offset by selling price adjustments. Increased freight costs, driven by fuel surcharges, and startup costs at the company's Mexican molded fiber facility approximately offset the one-time gain on the sale of Pactiv's industrial metal sales business. Operating margin in the first quarter showed improvement from the fourth quarter of 1999, advancing to 11.3% from 9.6%, reflecting lower overhead costs, but lagged the 13.9% level achieved in the first quarter of 1999, when resin costs were low.

First-quarter sales of \$208 million for the Protective and Flexible Packaging segment increased slightly compared with the first quarter of 1999. Excluding the negative effect of foreign-currency fluctuations and businesses divested in late 1999, first-quarter sales increased 11% from 1999.

Sales growth was driven by the company's global Protective Packaging businesses, whose sales in the quarter increased by 12% in North America and 8% in Europe, excluding foreign-currency exchange effects.

Operating income for this segment was \$10 million in the quarter compared with \$19 million last year. The decline in operating income was caused primarily by a reduction in spread between product selling prices and resin/raw material costs and the negative impact of foreign exchange. Price increases have been announced effective May 1 and June 1. The objective for Protective over the past two years has been to establish a strong global market position. Having made significant progress on this objective, the company intends to grow with the market and place stronger emphasis on increasing margins and earnings.

Note: Attached are financial statements which provide details of the company's first-quarter 2000 performance.

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Pactiv Corporation, headquartered in Lake Forest, Ill., is a leading provider of advanced packaging solutions for the consumer, foodservice/food packaging and protective/flexible packaging markets.

The specialty packaging leader currently operates 85 facilities in 17 countries around the world. For more information about Pactiv, log on to the company's web site at www.pactiv.com.

Several statements in this press release are forward looking and are identified by the use of forward-looking words and phrases, such as "expect to see", "will take effect", "will continue", "are confident that", "can substantially reduce", "looking forward", "will average" and "we believe". These forward-looking statements are based on current expectations of the Company (including its subsidiaries). Because forward looking statements involve risks and uncertainties, the Company's plans, actions and actual results could differ materially. Where, in any forward-looking statement, the Company or its management expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or will be achieved or accomplished. Among the factors that could cause plans, actions and results to differ materially from current expectations are: (i) the general political, economic and competitive conditions in markets and countries where the Company and its subsidiaries operate, including currency fluctuations and other risks associated with operating in foreign countries; (ii) governmental actions, including the ability to receive regulatory approvals and the timing of such approvals; (iii) change in capital availability or costs; (iv) results of analysis regarding plans and strategic alternatives; (v) changes in consumer demand and prices, including decreases in demand for the Company's products and the resulting negative impact on its revenues and margins from such products; (vi) the cost of compliance with changes in regulations, including environmental regulations; (vii) workforce factors such as strikes or labor interruptions; (viii) material substitutions and increases in the costs of raw materials; (ix) the ability of the Company and its subsidiaries to integrate operations of acquired businesses quickly and in a cost-effective manner; (x) new technologies; (xi) changes by the Financing Accounting Standards Board or other accounting regulatory bodies of authoritative generally accepted accounting principles or policies; and (xii) the timing and occurrence (or non-occurrence) of transactions and events which may be subject to circumstances beyond the company's control.

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Pactiv Corporation
Statement of Income (Loss)
(Unaudited)

(In millions, except per-share data)

Three months ended March 31	2000 (Consolidated)	1999 (Combined)
Sales	\$686	\$666
Costs and expenses		
Cost of sales (excluding depreciation and amortization)	497	444
Depreciation and amortization	45	48
Selling, general & administrative	67	98
Other (income) expense, net	-7	2
Operating income before restructuring	84	74
Restructuring charges	-	29
Operating income	84	45
Interest expense, net	34	36
Income tax expense	21	3
Income from continuing operations	29	6
Income (loss) from discontinued operations, net	134	(172.00)
Extraordinary loss, net	-	(7.00)
Cumulative effect of change in accounting principle, net	-	(32.00)
Net income (loss)	\$163	(\$205)
Earnings (loss) per share		
Income from continuing operations before restructuring	\$0.17	\$0.13
Restructuring	-	(0.10)
Income from continuing operations	0.17	0.03
Income (loss) from discontinued operations	0.8	(1.03)
Extraordinary loss	-	(0.04)
Cumulative effect of change in accounting principle	-	(0.19)
Net earnings (loss)	\$0.97	(\$1.23)
Average common shares outstanding (diluted)	167.8	167.2

Pactiv Corporation
Statement of Financial Position
(Unaudited)

<u>(In millions)</u>	31-Mar-00 (Consolidated)	31-Dec-99 (Consolidated)
Assets		
Current assets		
Cash and temporary cash investments	\$11	\$12
Accounts and notes receivable	340	351
Inventories	450	429
Other	71	74
Total current assets	872	866
Property, plant, and equipment, net	1,369	1,396
Other assets		
Goodwill and intangibles, net	971	981
Pension assets	974	941
Other	189	209
Total other assets	2,134	2,131
Net assets of discontinued operations	50	195
Total assets	\$4,425	\$4,588
Liabilities and shareowners' equity		
Current liabilities		
Short-term debt, including current maturities		
of long-term debt	\$25	\$325
Accounts payable	213	265
Other	360	330
Total current liabilities	598	920
Long-term debt	1,655	1,741
Other liabilities	642	557
Minority interest	21	20
Shareowners' equity	1,509	1,350
Total liabilities and shareowners' equity	\$4,425	\$4,588

Pactiv Corporation

Operating Results by Segment Excluding Restructuring

(\$ in millions)

Three months ended March 31	Consumer & Foodservice/ Food Packaging		Flexible & Protective Packaging	
	2000	1999	2000	1999
Sales	\$478	\$459	\$208	\$207
Operating Income	59	64	10	19

Other

Continuing Operations Before Restructuring

Three months ended March 31	2000	1999	2000	1999
Sales	\$ -	\$ -	\$686	\$666
Operating Income	15	(9)	84	74