

News Release



PACTIV

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PACTIV ANNOUNCES SECOND-QUARTER RESULTS

EPS OF \$0.24 VS. FIRST CALL CONSENSUS ESTIMATE OF \$0.21, SOLID GROWTH CONTINUES, MARGINS IMPROVING

LAKE FOREST, Ill – July 19, 2000 – Pactiv Corporation (NYSE: PTV) today reported second-quarter 2000 net income from continuing operations of \$39 million, or \$0.24 per share, compared with \$46 million, or \$0.28 per share, in the second quarter of 1999.

Sales in the second quarter of \$769 million were up 4.2% from last year, and up 10.2% after adjusting for the negative impact of foreign-currency exchange and divestitures. Operating income increased to \$102 million in the second quarter from \$99 million a year ago. Despite significantly higher raw material costs, the second-quarter's operating margin of 13.3% nearly matched year-ago levels due to continued pricing actions and cost structure improvements implemented since the company's spin-off last November. Gross margin improved 1.7 percentage points, to 29.3%, compared with the first quarter of 2000.

"Pactiv's performance in the quarter clearly demonstrates the company's ability both to meet its growth objectives and make solid progress in recovering raw material cost increases," said Richard L. Wambold, chairman and chief executive officer. "Pactiv will continue to take this balanced approach to insure long-term volume and margin growth."

In the second quarter of 2000, Pactiv continued to focus on its key objectives:

- Growth: sales of strategic, high-margin products grew at or above the 5-6% target range,
- Margin Recovery: prices rose an average of 4 percentage points over first-quarter 2000, reclaiming ground lost to resin cost increases,
- SG&A: 1999 restructuring continued to yield impressive results. SG&A was 10.5% of sales versus 14.9% last year,

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- Share Repurchase: year to date through July 18, the company has purchased 11.4 million shares for \$96 million as part of the \$100 million stock repurchase program announced in the first quarter of 2000.

Net income for the quarter was \$39 million, or \$0.24 per share, compared with \$55 million, or \$0.33 per share, in the second quarter of 1999. Year-ago net income was comprised of \$46 million, or \$0.28 per share, from continuing operations, and \$9 million, or \$0.05 per share, from discontinued paperboard operations, and also benefited from an unusually low tax rate of 31% compared with a 42% rate in the current period.

Business Segment Results

Consumer and Foodservice/Food Packaging

Second-quarter sales for the Consumer and Foodservice/Food Packaging unit were \$570 million, up 6.5% from second quarter 1999, or 10.8% when adjusted to reflect divestitures.

Second-quarter operating income for the segment was \$76 million compared with \$88 million last year when resin costs were unusually low. Operating margin in the second quarter showed improvement from the first quarter of 2000, advancing to 13.3% from 11.3%, before gains from asset dispositions in the first quarter. Operating margin improved because of pricing actions, but lagged the level achieved in the second quarter of 1999.

Pactiv's Hefty Consumer Products business saw low double-digit volume growth versus a year ago, especially in Hefty® tableware and, importantly, in Hefty® waste bags, which recently earned the number one market share position in the grocery, mass merchant and drug store category.

The Foodservice/Food Packaging business continues to benefit from the growth in the market for meals prepared outside the home. Second-quarter sales volume of foodservice products grew in line with Pactiv's 5-6% objective, benefiting from the introduction of nine new products this year. The company also continues to make progress in executing its "one-stop shopping" strategy, which today allows distributors in 40% of the country to place a single order for multiple products nationwide and to receive a consolidated shipment from a single regional distribution center. This improved service capability will be expanded to 80% of the country by year-end 2000, with full coverage to be provided in 2001.

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The market for “case ready” meat packaging continues to show promise. The company’s ActiveTech™ low-oxygen system, which provides up to 30-day shelf life, continues to gain acceptance with packers. Pactiv will soon conduct a commercial test of a new high-oxygen ActiveTech™ product. This system relies on the same equipment as the low-oxygen system and will allow a packer to flexibly and cost efficiently move to either technology depending on the end use requirements.

Protective and Flexible Packaging

Second-quarter sales of \$199 million for the Protective and Flexible Packaging segment declined 2% compared with the second quarter of 1999. Excluding the negative effect of foreign-currency fluctuations and businesses divested in late 1999, second-quarter sales increased 8.9%, driven primarily by growth in the company’s global Protective Packaging business.

Operating income for this segment was \$10 million in the quarter compared with \$23 million last year. The primary cause of the decline was the substantial increase in resin and other raw material costs. A North American price increase was implemented May 1 and a second price increase became effective July 1. The negative impact of foreign-currency exchange, the loss of income from divestitures and inefficiencies associated with plant consolidations and start up also contributed to the decline.

In European Flexible Packaging, sales of medical products, especially in the surgical-drape product line, were very strong. The company’s Propyflex, non-PVC intravenous fluid bag, winner of a Medical Design Excellence Award (MDEA), also saw very strong sales growth, in large part due to the introduction of the product in the Asian market. In Protective Packaging, sales of the Pactiv Air 3000™ cushioning system continue to grow globally.

Note: Attached are financial statements which provide details of the company’s second-quarter and year-to-date 2000 performance.

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.

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Several statements in this press release are forward looking and are identified by the use of forward-looking words and phrases, such as “will continue”, “will be expanded”, “continue to see”, “continues to show”, “continue to gain”, “continue to make progress”, “will be”, and “will be provided”. 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)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	(Consolidated)	(Combined)	(Consolidated)	(Combined)
Sales	\$ 769	\$ 738	\$ 1,455	\$ 1,404
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	543	480	1,040	924
Depreciation and amortization	45	46	90	94
Selling, general, and administrative	81	110	148	208
Other (income) expense, net	(2)	3	(9)	5
	<u>667</u>	<u>639</u>	<u>1,269</u>	<u>1,231</u>
Operating income before restructuring	102	99	186	173
Restructuring charges	-	-	-	29
	<u>102</u>	<u>99</u>	<u>186</u>	<u>144</u>
Operating income	102	99	186	144
Interest expense, net	33	32	67	68
Income tax expense	29	21	50	24
Minority interest	1	-	1	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Income from continuing operations	39	46	68	52
Income (loss) from discontinued operations, net	-	9	134	(163)
Extraordinary loss, net	-	-	-	(7)
Cumulative effect of change in accounting principle, net	-	-	-	(32)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32)</u>
Net income (loss)	<u>\$ 39</u>	<u>\$ 55</u>	<u>\$ 202</u>	<u>\$ (150)</u>
Earnings (loss) per share				
Income from continuing operations	\$ 0.24	\$ 0.28	\$ 0.41	\$ 0.31
Income (loss) from discontinued operations	-	0.05	0.82	(0.98)
Extraordinary loss	-	-	-	(0.04)
Cumulative effect of change in accounting principle	-	-	-	(0.19)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.19)</u>
Net earnings (loss)	<u>\$ 0.24</u>	<u>\$ 0.33</u>	<u>\$ 1.23</u>	<u>\$ (0.90)</u>
Average common shares outstanding (diluted)	162.4	167.5	164.9	167.3

Pactiv Corporation
Condensed Statement of Financial Position
(Unaudited)

(In millions)

	<u>June 30,</u> <u>2000</u>	<u>December 31,</u> <u>1999</u>
	(Consolidated)	(Consolidated)
Assets		
Current assets		
Cash and temporary cash investments	\$ 10	\$ 12
Accounts and notes receivable	396	351
Inventories	441	429
Other	<u>71</u>	<u>74</u>
Total current assets	<u>918</u>	<u>866</u>
Property, plant, and equipment, net	1,364	1,396
Other assets		
Goodwill and intangibles, net	953	981
Pension assets	1,006	941
Other	<u>176</u>	<u>209</u>
Total other assets	<u>2,135</u>	<u>2,131</u>
Net assets of discontinued operations	<u>49</u>	<u>195</u>
Total assets	<u><u>\$ 4,466</u></u>	<u><u>\$ 4,588</u></u>
Liabilities and shareowners' equity		
Current liabilities		
Short-term debt, including current maturities of long-term debt	\$ 20	\$ 325
Accounts payable	219	265
Other	<u>343</u>	<u>330</u>
Total current liabilities	<u>582</u>	<u>920</u>
Long-term debt	1,740	1,741
Other liabilities	644	557
Minority interest	21	20
Shareowners' equity	<u>1,479</u>	<u>1,350</u>
Total liabilities and shareowners' equity	<u><u>\$ 4,466</u></u>	<u><u>\$ 4,588</u></u>

Pactiv Corporation
Operating Results by Segment Before Restructuring (a)
(\$ in millions)

	Consumer & Foodservice/ Food Packaging		Flexible & Protective Packaging	
	2000	1999	2000	1999
Three months ended June 30,				
Sales	\$ 570	\$ 535	\$ 199	\$ 203
Operating Income	76	88	10	23

	Other		Continuing Operations Before Restructuring	
	2000	1999	2000	1999
Three months ended June 30,				
Sales	\$ -	\$ -	\$ 769	\$ 738
Operating Income	16	(12)	102	99

	Consumer & Foodservice/ Food Packaging		Flexible & Protective Packaging	
	2000	1999	2000	1999
Six months ended June 30,				
Sales	\$ 1,048	\$ 994	\$ 407	\$ 410
Operating Income	135	152	20	42

	Other		Continuing Operations Before Restructuring	
	2000	1999	2000	1999
Six months ended June 30,				
Sales	\$ -	\$ -	\$ 1,455	\$ 1,404
Operating Income	31	(21)	186	173

(a) Excludes restructuring charges in the first quarter of 1999 of \$29 million.