

News Release



PACTIV

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PACTIV ANNOUNCES SHARP INCREASE IN THIRD-QUARTER NET INCOME OPERATING MARGINS UP SIGNIFICANTLY, CASH FLOW STRONG

LAKE FOREST, Ill – October 26, 2000 – Pactiv Corporation (NYSE: PTV) today reported third-quarter 2000 net income from continuing operations of \$38 million, or \$0.24 per share, up sharply from \$4 million, or \$0.01 per share, last year. Net income in 1999 was comprised of \$4 million, or \$0.01 per share, from continuing operations, and \$8 million, or \$0.05 per share, from discontinued paperboard operations. Third-quarter 1999 net income was adversely impacted by an abnormally high tax rate of 87 percent related to the repatriation of overseas earnings in connection with Pactiv's November 4, 1999, spin-off from Tenneco, Inc. Last year's third quarter earnings per share would have been \$0.10 if calculated using the current tax rate of 42 percent.

Sales in the third quarter were up 4.5 percent after adjusting for the impact of unfavorable foreign currency exchange, divestitures, and discontinued product lines. The increase was driven primarily by core product growth in the Consumer and Foodservice/Food Packaging segment. Reported sales of \$730 million were 3.2 percent lower than last year.

Operating income in the third quarter of \$100 million rose 45 percent from \$69 million in the third quarter of 1999. Despite significantly higher raw material costs, third-quarter operating margin of 13.8 percent exceeded 1999's level of 9.1 percent as a result of pricing actions and the impact of cost improvements implemented since the company's spin-off. Gross margin continued to improve, increasing 0.7 percentage points to 30.0 percent compared with the second quarter of 2000. SG&A expense at 10.1 percent of sales was almost five percentage points below the comparable 1999 level.

"Our primary objective in 2000 has been to increase margins and reshape Pactiv to reflect its true earnings potential," said Richard L. Wambold, Pactiv's chairman and chief executive officer. "We are very pleased with the strong sequential improvement in gross margin which increased 2.4 percentage points since the first quarter. In the third quarter we again saw positive results from our continuing efforts to recover raw material cost increases and reduce other costs," Wambold continued.

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As a result of strong cash flow in the quarter, total debt declined to \$1.7 billion, down \$89 million from second-quarter levels and \$395 million from year-end 1999. In addition, the company has completed its \$100 million stock repurchase program in which it repurchased 11.7 million shares at an average cost of \$8.50 per share.

Business Segment Results

Consumer and Foodservice/Food Packaging

Third-quarter sales for the Consumer and Foodservice/Food Packaging unit rose 5.4 percent when adjusted to reflect divestitures and discontinued product lines. Sales were strong in Hefty[®] consumer products and foodservice disposables. Third-quarter operating income for the segment of \$72 million increased 33 percent compared with \$54 million last year. Operating margin in the third quarter advanced to 13.5 percent from 10.2 percent in the third quarter of 1999 and 13.2 percent in the second quarter of 2000 as a result of pricing actions taken to offset higher resin costs and the continued pruning of low-margin business.

Hefty[®] waste bags continued to post very strong sales and retained the number one market-share position in the grocery, mass merchant, and drug store category. In Foodservice/Food Packaging, execution of the company's "one-stop shopping" strategy continued in the third quarter with the opening of a new regional distribution center in Covington, Georgia. Distributors in 55 percent of the country can now place a single order for multiple products and receive a consolidated shipment from a single regional distribution center, resulting in improved customer-service levels and lower company inventories. This improved service capability will be expanded to 80 percent of the country in the fourth quarter with the opening of a Midwest distribution center. Full nationwide coverage will be provided in 2001.

Protective and Flexible Packaging

Third-quarter sales increased 2.2 percent excluding the unfavorable effect of foreign currency exchange and businesses divested in late 1999. Operating income was \$12 million in the quarter compared with \$19 million last year but, as expected, showed improvement over the \$10 million earned in the second quarter of 2000. Third-quarter operating margin was 6 percent, up from the second-quarter level of 4.9 percent, as pricing actions began to offset prior-period raw material cost increases.

"Our actions to address performance in this segment began in North America in the second quarter, and we are beginning to see the related benefits. As we discussed last quarter, our focus is on regaining margin lost to resin cost increases. Additional actions to enhance operating efficiencies in both North America and Europe will be initiated later this year," Wambold explained.

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Year-to-Date Results

For the nine-month period, Pactiv's net income from continuing operations increased significantly to \$106 million, or \$0.65 per share, from \$56 million, or \$0.33 per share, in 1999. Adjusting for the impact of unfavorable foreign currency exchange, divestitures, and discontinued product lines, year-to-date sales rose 7.9 percent.

Nine-month reported net income was \$240 million, or \$1.47 per share, which was comprised of \$106 million, or \$0.65 per share, from continuing operations and \$134 million, or \$0.82 per share, from discontinued operations. For the same period in 1999, the company incurred a net loss of \$138 million, or \$0.83 per share, which represented the net of income from continuing operations of \$56 million, or \$0.33 per share, loss from discontinued operations of \$155 million, or \$0.93 per share, an extraordinary loss of \$7 million, or \$0.04 per share, and loss from a change in accounting principle of \$32 million, or \$0.19 per share. Reported sales for the first nine months of 2000 increased slightly, to \$2.2 billion, versus 1999.

Outlook

With respect to fourth-quarter earnings, the company remains comfortable with its previous guidance of about \$0.26 per share. Looking toward 2001, the company reaffirms its previously stated goal of increasing earnings per share in the 12- to 15-percent range.

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", "beginning to see", "reaffirm...increasing earnings", "looking forward", "will be", "will be initiated", 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

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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.

Pactiv Corporation, a \$3.0 billion company, 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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Pactiv Corporation
Statement of Income (Loss)
(Unaudited)

(In millions, except per-share data)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	(Consolidated)	(Combined)	(Consolidated)	(Combined)
Sales	\$ 730	\$ 754	\$ 2,185	\$ 2,158
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	511	526	1,551	1,450
Depreciation and amortization	45	47	136	141
Selling, general, and administrative	74	113	221	321
Other (income) expense, net	-	(1)	(9)	4
	<u>630</u>	<u>685</u>	<u>1,899</u>	<u>1,916</u>
Operating income before restructuring	100	69	286	242
Restructuring charges	-	-	-	29
Operating income	100	69	286	213
Interest expense, net	34	38	101	106
Income tax expense	28	27	78	51
Minority interest	-	-	1	-
Income from continuing operations	38	4	106	56
Income (loss) from discontinued operations, net	-	8	134	(155)
Extraordinary loss, net	-	-	-	(7)
Cumulative effect of change in accounting principle, net	-	-	-	(32)
Net income (loss)	<u>\$ 38</u>	<u>\$ 12</u>	<u>\$ 240</u>	<u>\$ (138)</u>
Earnings (loss) per share				
Income from continuing operations	\$0.24	\$ 0.01	\$0.65	\$ 0.33
Income (loss) from discontinued operations	-	0.05	0.82	(0.93)
Extraordinary loss	-	-	-	(0.04)
Cumulative effect of change in accounting principle	-	-	-	(0.19)
Net earnings (loss)	<u>\$ 0.24</u>	<u>\$ 0.06</u>	<u>\$ 1.47</u>	<u>\$ (0.83)</u>
Average common shares outstanding (diluted)	158.3	167.7	162.9	167.5

Pactiv Corporation
Condensed Statement of Financial Position
(Unaudited)

(In millions)

	September 30, 2000	December 31, 1999
	<u>(Consolidated)</u>	<u>(Consolidated)</u>
Assets		
Current assets		
Cash and temporary cash investments	\$ 23	\$ 12
Accounts and notes receivable	366	351
Inventories	432	429
Other	<u>74</u>	<u>74</u>
Total current assets	<u>895</u>	<u>866</u>
Property, plant, and equipment, net	<u>1,341</u>	<u>1,396</u>
Other assets		
Goodwill and intangibles, net	941	981
Pension assets	1,039	941
Other	<u>168</u>	<u>209</u>
Total other assets	<u>2,148</u>	<u>2,131</u>
Net assets of discontinued operations	<u>53</u>	<u>195</u>
Total assets	<u><u>\$ 4,437</u></u>	<u><u>\$ 4,588</u></u>
Liabilities and shareowners' equity		
Current liabilities		
Short-term debt, including current maturities of long-term debt	\$ 14	\$ 325
Accounts payable	224	265
Other	<u>359</u>	<u>330</u>
Total current liabilities	<u>597</u>	<u>920</u>
Long-term debt	1,657	1,741
Other liabilities	657	557
Minority interest	21	20
Shareowners' equity	<u>1,505</u>	<u>1,350</u>
Total liabilities and shareowners' equity	<u><u>\$ 4,437</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 September 30,				
Sales	\$ 532	\$ 534	\$ 198	\$ 220
Operating Income	72	54	12	19

	Other		Continuing Operations Before Restructuring	
	2000	1999	2000	1999
Three months ended September 30,				
Sales	\$ -	\$ -	\$ 730	\$ 754
Operating Income	16	(4)	100	69

	Consumer & Foodservice/ Food Packaging		Flexible & Protective Packaging	
	2000	1999	2000	1999
Nine months ended September 30,				
Sales	\$ 1,580	\$ 1,528	\$ 605	\$ 630
Operating Income	207	206	32	61

	Other		Continuing Operations Before Restructuring	
	2000	1999	2000	1999
Nine months ended September 30,				
Sales	\$ -	\$ -	\$ 2,185	\$ 2,158
Operating Income	47	(25)	286	242

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