

# News Release



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## **PACTIV POSTS SALES INCREASE OF 15 PERCENT IN SECOND QUARTER**

LAKE FOREST, Ill. – July 22, 2008 – For the quarter ended June 30, 2008, Pactiv Corporation (NYSE: PTV) today announced that income from continuing operations was \$64 million, or \$0.49 per share, compared with \$69 million, or \$0.52 per share, in 2007. Excluding a charge of \$0.01 per share related to a restructuring program announced in January, second quarter earnings per share were \$0.50. Sales rose 15 percent to \$951 million from \$828 million, primarily reflecting the inclusion of sales of Prairie Packaging, which was acquired in June 2007, as well as 3-percent favorable pricing.

“Our performance in the quarter was very good, particularly in an environment of rapidly escalating raw material costs and uncertain consumer demand. Having reached the one-year anniversary of the Prairie acquisition, we are on track with our growth and operational integration plans and have set the stage for additional progress in the second half and 2009. Our second price increase this year in the Foodservice/Food Packaging segment was effective in June, and we announced an additional price increase in that segment, as well as in our Consumer segment, that will be effective later in the third quarter to mitigate the expected impact of significantly higher resin costs,” said Richard L. Wambold, Pactiv’s chairman and chief executive officer.

Gross margin was 26.0 percent compared with 29.0 percent last year and even with the first quarter of 2008. The decline primarily reflected unfavorable spread (the difference between selling prices and raw material costs), as well as the negative impact of higher energy costs on logistics and operating expenses. Operating margin was 13.6 percent compared with 15.5 percent last year. Excluding the restructuring charge, operating margin was 13.8 percent.

Free cash flow in the quarter was a use of \$8 million compared with a source of \$29 million last year. The difference resulted from higher investment in new capacity and working capital, principally related to the expansion of cups and cutlery product lines.

For the six-month period, income from continuing operations was \$99 million, or \$0.75 per share, compared with \$126 million, or \$0.94 per share, last year. Excluding a charge of \$0.08 per share related to the restructuring program announced in January, six-month earnings per

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share were \$0.83. Sales of \$1.76 billion rose 17 percent compared with \$1.51 billion. Gross margin was 26.0 percent versus 29.6 percent. Operating margin was 11.8 percent compared with 15.3 percent last year. Excluding the restructuring charge, operating margin was 12.7 percent. Year-to-date free cash flow was a use of \$6 million compared with a source of \$47 million in 2007.

## **Business Segment Results**

### **Hefty® Consumer Products**

Second quarter sales rose 16 percent to \$358 million from \$308 million, reflecting 4-percent favorable pricing and a 12-percent volume increase. The volume growth primarily was the result of strong growth in tableware from the inclusion of acquisition sales, as well as good organic growth.

Operating income was \$61 million compared with \$58 million last year as higher volume and lower advertising and promotion expense offset unfavorable spread. Operating margin was 17.0 percent compared with 18.8 percent last year. Excluding the restructuring charge, second quarter operating income was \$63 million and operating margin was 17.6 percent.

For the six-month period, sales of \$648 million rose 17 percent from \$555 million. Operating income was \$91 million compared with \$112 million last year. Operating margin was 14.0 percent versus 20.2 percent in 2007. Excluding the restructuring charge, six-month operating income was \$98 million and operating margin was 15.1 percent.

### **Foodservice/Food Packaging**

Second quarter sales of \$593 million increased 14 percent from \$520 million last year, reflecting 3-percent favorable pricing, 10-percent volume growth, and 1-percent favorable foreign exchange. The volume increase primarily was related to the inclusion of Prairie Packaging sales. Overall, the cup business is growing very well, while volume in other product lines is holding reasonably steady in a difficult economic environment.

Operating income was \$68 million, even with last year, as higher volume and pricing was offset by higher raw material and energy costs. Operating margin was 11.5 percent compared with 13.1 percent in 2007.

For the six-month period, sales of \$1.11 billion increased 17 percent from \$950 million. Operating income was \$115 million versus \$118 million in 2007. Operating margin was 10.4 percent compared with 12.4 percent. Excluding the restructuring charge, six-month operating income was \$123 million and operating margin was 11.1 percent.

### **Outlook**

The outlook excludes restructuring charges. The third quarter EPS outlook is a range of \$0.32 to \$0.40, reflecting the potential impact of a multitude of announced resin cost increases in all types of resin as a result of higher energy costs. Pactiv has announced price increases to mitigate these higher costs; however, the

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price increases will not be fully effective until the fourth quarter. The full year EPS outlook has been lowered to a range of \$1.58 to \$1.74, from earlier guidance of \$1.85 to \$2.05, which did not anticipate resin cost increases above the April 2008 levels. The low end of the range assumes all the announced resin cost increases are implemented as scheduled by the resin suppliers. The high end of the range assumes a portion of the announced increases will not be implemented. The full year outlook includes non-cash pension income of \$49 million pretax, \$31 million after tax, or \$0.23 per share.

Full year 2008 sales are expected to grow between 12 percent and 14 percent. SG&A expense is estimated to be between \$280 million and \$290 million, down from the previous estimate of \$300 million to \$310 million. The 2008 tax rate is expected to be 36.5 percent. Free cash flow for 2008 is anticipated to be in a range of \$140 million to \$160 million, down from the earlier outlook of \$180 million to \$215 million due to lower earnings and the impact of higher raw material costs on working capital. Depreciation and amortization expense is expected to be approximately \$185 million, capital expenditures are estimated to be approximately \$150 million, and the cash tax rate is estimated to be approximately 25 percent.

### **Other**

This press release includes certain non-GAAP financial measures. A reconciliation of the non-GAAP financial measures to GAAP is shown in the attached "Regulation G GAAP Reconciliations" or in the attached "Operating Results by Segment".

### **Cautionary Statements**

This press release includes certain "forward-looking statements" such as those in the Outlook section, as well as "we announced an additional price increase.....help mitigate the impact of significantly higher resin costs....". A variety of factors may cause actual results to differ materially from these expectations including a slowdown in economic growth, changes in the competitive market, increased cost of raw materials, and changes in the regulatory environment.

More detailed information about these and other factors is contained in the Company's Annual Report on Form 10-K at page 21 filed with the Securities and Exchange Commission as revised and updated by Forms 10-Q and 8-K as filed with the Commission.

### **Company Information**

Pactiv Corporation (NYSE: PTV) is a leader in the consumer and foodservice/food packaging markets it serves. With 2007 sales of \$3.3 billion, Pactiv derives more than 80 percent of its sales from market sectors in which it holds the No. 1 or No. 2 market-share position. Pactiv's Hefty<sup>®</sup> brand products include waste bags, slider storage bags, disposable tableware, and disposable cookware. Pactiv's foodservice/food packaging offering is one of the broadest in the industry, including both custom and stock products in a variety of materials. For more information, visit [www.pactiv.com](http://www.pactiv.com).

**Pactiv Corporation**  
**Consolidated Statement of Income**

(In millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
<b>Sales</b>	\$ 951	\$ 828	\$ 1,759	\$ 1,505
<b>Costs and expenses</b>				
Cost of sales (excluding depreciation and amortization)	704	588	1,302	1,059
Depreciation and amortization	46	39	92	75
Selling, general, and administrative	70	73	141	139
Other expense	-	-	-	1
<b>Operating income before restructuring and other</b>	131	128	224	231
Restructuring and other	2	-	16	-
<b>Operating income</b>	129	128	208	231
<b>Other income/(expense)</b>				
Interest income	-	1	1	3
Interest expense, net of capitalized interest	(27)	(20)	(54)	(38)
<b>Income before income taxes and minority interest</b>	102	109	155	196
Income tax expense	38	39	56	69
Minority interest	-	1	-	1
<b>Income from continuing operations</b>	64	69	99	126
Discontinued operations, net of tax	(3)	1	(4)	1
<b>Net income</b>	<u>\$ 61</u>	<u>\$ 70</u>	<u>\$ 95</u>	<u>\$ 127</u>
Average common shares outstanding (diluted)	132.0	132.3	132.1	133.0
<b>Earnings per share</b>				
Income from continuing operations before restructuring and other	\$ 0.50	\$ 0.52	\$ 0.83	\$ 0.94
Restructuring and other, net of tax	(0.01)	-	(0.08)	-
<b>Income from continuing operations</b>	0.49	0.52	0.75	0.94
Discontinued operations, net of tax	(0.03)	0.01	(0.03)	0.01
<b>Net income</b>	<u>\$ 0.46</u>	<u>\$ 0.53</u>	<u>\$ 0.72</u>	<u>\$ 0.95</u>
<b>Gross margin (before deprec. &amp; amort.)</b>	<b>26.0%</b>	<b>29.0%</b>	<b>26.0%</b>	<b>29.6%</b>
<b>Operating margin</b>				
Excluding restructuring and other	<b>13.8%</b>	<b>15.5%</b>	<b>12.7%</b>	<b>15.3%</b>
Restructuring & other	<b>-0.2%</b>	<b>0.0%</b>	<b>-0.9%</b>	<b>0.0%</b>
Including restructuring and other	<b>13.6%</b>	<b>15.5%</b>	<b>11.8%</b>	<b>15.3%</b>

**Pactiv Corporation**  
**Consolidated Statement of Financial Position**

(In millions)

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
<b>Assets</b>		
Current assets		
Cash and temporary cash investments	\$ 53	\$ 95
Accounts and notes receivable	358	273
Inventories	436	369
Other	<u>57</u>	<u>60</u>
Total current assets	<u>904</u>	<u>797</u>
Property, plant, and equipment, net	1,262	1,264
Other assets		
Goodwill	1,134	1,123
Intangible assets, net	410	423
Other	<u>232</u>	<u>158</u>
Total other assets	<u>1,776</u>	<u>1,704</u>
<b>Total assets</b>	<u><u>\$ 3,942</u></u>	<u><u>\$ 3,765</u></u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable	\$ 199	\$ 162
Other	<u>284</u>	<u>298</u>
Total current liabilities	<u>483</u>	<u>460</u>
Long-term debt	1,555	1,574
Pension and postretirement benefits	153	147
Other liabilities	373	345
Minority interest	13	13
Shareholders' equity	<u>1,365</u>	<u>1,226</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>\$ 3,942</u></u>	<u><u>\$ 3,765</u></u>

**Pactiv Corporation**  
**Consolidated Statement of Cash Flows**

(In millions)

Six months ended June 30,

	<u>2008</u>	<u>2007</u>
<b>Operating activities</b>		
Net income	\$ 95	\$ 127
Less results from discontinued operations	(4)	1
Income from continuing operations	<u>99</u>	<u>126</u>
Adjustments to reconcile income from continuing operations		
to cash provided (used) by continuing operations		
Depreciation and amortization	92	75
Deferred income taxes	19	10
Restructuring and other	11	-
Noncash pension income	(25)	(25)
Noncash compensation expense	9	4
Working capital	(130)	3
Other	(5)	6
Cash provided (used) by operating activities - continuing operations	70	199
Cash provided (used) by operating activities - discontinued operations	(6)	(6)
<b>Cash provided (used) by operating activities</b>	<u>\$ 64</u>	<u>\$ 193</u>
<b>Investing activities</b>		
Expenditures for property, plant, and equipment	(86)	(52)
Net proceeds from sales of assets	-	1
Acquisitions of businesses and assets	-	(1,021)
<b>Cash provided (used) by investing activities</b>	<u>\$ (86)</u>	<u>\$ (1,072)</u>
<b>Financing activities</b>		
Issuance of common stock	2	18
Purchase of common stock	(2)	(100)
Issuance of long-term debt	-	498
Retirement of long-term debt	-	(99)
Revolving credit facility borrowings	-	425
Revolving credit facility payments	(20)	-
Other	(2)	31
<b>Cash provided (used) by financing activities</b>	<u>\$ (22)</u>	<u>\$ 773</u>
Effect of foreign-currency exchange rate changes on cash and temporary cash investments	2	1
<b>Increase (decrease) in cash and temporary cash investments</b>	<u>(42)</u>	<u>(105)</u>
Cash and temporary cash investments, January 1	95	181
<b>Cash and temporary cash investments, June 30</b>	<u>\$ 53</u>	<u>\$ 76</u>

**Pactiv Corporation**  
**Operating Results by Segment**

(In millions)

	<u>Consumer</u>	<u>Foodservice / Food Packaging</u>	<u>Other</u>	<u>Total</u>
<b><u>Three months ended June 30, 2008</u></b>				
Sales	\$ 358	\$ 593	\$ -	\$ 951
Operating income (loss) before restructuring and other	\$ 63	\$ 68	\$ -	\$ 131
Restructuring and other	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Operating income (loss)	<u>\$ 61</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 129</u>
Operating margin				
Excluding restructuring and other	17.6%	11.5%		13.8%
Restructuring and other	<u>-0.6%</u>	<u>0.0%</u>		<u>-0.2%</u>
Including restructuring and other	<u>17.0%</u>	<u>11.5%</u>		<u>13.6%</u>
<b><u>Three months ended June 30, 2007</u></b>				
Sales	\$ 308	\$ 520	\$ -	\$ 828
Operating income (loss)	\$ 58	\$ 68	\$ 2	\$ 128
Operating margin	18.8%	13.1%		15.5%
<b><u>Six months ended June 30, 2008</u></b>				
Sales	\$ 648	\$ 1,111	\$ -	\$ 1,759
Operating income (loss) before restructuring and other	\$ 98	\$ 123	\$ 3	\$ 224
Restructuring and other	<u>7</u>	<u>8</u>	<u>1</u>	<u>16</u>
Operating income (loss)	<u>\$ 91</u>	<u>\$ 115</u>	<u>\$ 2</u>	<u>\$ 208</u>
Operating margin				
Excluding restructuring and other	15.1%	11.1%		12.7%
Restructuring and other	<u>1.1%</u>	<u>0.7%</u>		<u>0.9%</u>
Including restructuring and other	<u>14.0%</u>	<u>10.4%</u>		<u>11.8%</u>
<b><u>Six months ended June 30, 2007</u></b>				
Sales	\$ 555	\$ 950	\$ -	\$ 1,505
Operating income (loss)	\$ 112	\$ 118	\$ 1	\$ 231
Operating margin	20.2%	12.4%		15.3%

**Pactiv Corporation**  
**Regulation G GAAP Reconciliations**

**Income from Continuing Operations and Earnings per Share**

(In millions, except per-share amounts)

	Three months ended June 30,		Six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Income from continuing operations - GAAP basis</b>	\$ 64	\$ 69	\$ 99	\$ 126
Adjustments (net of tax) to exclude:				
Restructuring and other charges	1	-	10	-
<b>Income from continuing operations excluding restructuring and other charges <sup>(a)</sup></b>	<u>\$ 65</u>	<u>\$ 69</u>	<u>\$ 109</u>	<u>\$ 126</u>
Average common shares outstanding (diluted)	132.0	132.3	132.1	133.0
<b>Diluted earnings per share</b>				
<b>EPS from continuing operations - GAAP basis</b>	\$ 0.49	\$ 0.52	\$ 0.75	\$ 0.94
Adjustments (net of tax) to exclude:				
Restructuring and other charges	0.01	-	0.08	-
<b>EPS from continuing operations excluding restructuring and other charges <sup>(a)</sup></b>	<u>\$ 0.50</u>	<u>\$ 0.52</u>	<u>\$ 0.83</u>	<u>\$ 0.94</u>

**Free Cash Flow**

(In millions)

	Three months ended June 30,		Six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Cash flow provided by operating activities from continuing operations - GAAP basis</b>	\$ 41	\$ 157	\$ 70	\$ 199
Capital expenditures - continuing operations	(39)	(28)	(86)	(52)
(Increase) decrease in asset securitization program	(10)	(100)	10	(100)
<b>Free cash flow <sup>(b)</sup></b>	<u>\$ (8)</u>	<u>\$ 29</u>	<u>\$ (6)</u>	<u>\$ 47</u>

(a) In accordance with generally accepted accounting principles (GAAP), income from continuing operations and reported earnings per share include the after-tax impact of restructuring and other charges. The company's management believes that by adjusting income from continuing operations and reported earnings per share to exclude the effect of these infrequently occurring, non-operational items, the resulting income from operations and earnings per share present a more meaningful, operationally-oriented depiction of company performance. The company's management excludes these items from income from continuing operations and earnings per share when evaluating operating performance and, along with other factors, in determining management compensation.

(b) Free cash flow is defined as cash flow from operating activities excluding the change in our asset-securitization-program balance, less capital expenditures, all of which are calculated in accordance with GAAP. We believe that free cash flow provides a useful measure of our liquidity. We use free cash flow as a measure of cash available to fund early or required debt retirement and incremental investments such as, but not limited to, acquisitions and share repurchases. However, free cash flow has limitations, in that it does not represent residual cash flow available for discretionary expenditures. Some of our expenditures are mandatory. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

**Pactiv Corporation**  
**Regulation G GAAP Reconciliation**  
**Outlook for 2008**

<b>Diluted earnings per share</b>	<b>Three months ended September 30, 2008</b>		<b>Twelve months ended December 31, 2008</b>	
	<u>Low estimate</u>	<u>High estimate</u>	<u>Low estimate</u>	<u>High estimate</u>
<b>EPS from continuing operations - GAAP basis</b>	<b>\$ 0.34</b>	<b>\$ 0.42</b>	<b>\$ 1.52</b>	<b>\$ 1.68</b>
Adjustments (net of tax) to exclude:				
Restructuring and other charges	(0.02)	(0.02)	0.06	0.06
<b>EPS from continuing operations excluding restructuring and other charges <sup>(a)</sup></b>	<b>\$ 0.32</b>	<b>\$ 0.40</b>	<b>\$ 1.58</b>	<b>\$ 1.74</b>

(In millions)	<b>Twelve months ended December 31, 2008</b>	
	<u>Low estimate</u>	<u>High estimate</u>
<b>Cash flow provided by operating activities from continuing operations - GAAP basis</b>	<b>\$ 280</b>	<b>\$ 300</b>
Capital expenditures - continuing operations	(150)	(150)
(Increase) decrease in asset securitization program	10	10
<b>Free cash flow <sup>(b)</sup></b>	<b>\$ 140</b>	<b>\$ 160</b>

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(b) Free cash flow is defined as cash flow from operating activities excluding the change in our asset-securitization-program balance, less capital expenditures, all of which are calculated in accordance with GAAP. We believe that free cash flow provides a useful measure of our liquidity. We use free cash flow as a measure of cash available to fund early or required debt retirement and incremental investments such as, but not limited to, acquisitions and share repurchases. However, free cash flow has limitations, in that it does not represent residual cash flow available for discretionary expenditures. Some of our expenditures are mandatory. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

**Pactiv Corporation**  
**Second Quarter 2008 Earnings Release / Conference Call of July 23, 2008**  
**Regulation G Reconciliation**

*In millions of dollars, except percent and per share*

<b>Net debt</b>	<u>As of 6/30/2008</u>	<u>As of 6/30/2007</u>
Short-term debt, including current maturities of long-term debt	\$ -	\$ -
Long-term debt	1,555	1,699
Total debt	1,555	1,699
Cash and temporary cash investments	(53)	(76)
Net debt	<u>\$ 1,502</u>	<u>\$ 1,623</u>
<b>Net debt to capitalization</b>		
	<u>As of 6/30/2008</u>	<u>As of 6/30/2007</u>
Net debt (see above)	\$ 1,502	\$ 1,623
Minority interest	13	12
Shareholders' equity	1,365	938
Capitalization	<u>\$ 2,880</u>	<u>\$ 2,573</u>
Net debt to capitalization	52.2%	63.1%
<b>EBITDA</b>		
	<u>Three months ended</u>	
	<u>6/30/2008</u>	<u>6/30/2007</u>
Operating income - US GAAP basis	\$ 129	\$ 128
Restructuring	2	-
Interest income	-	1
Share of income of joint ventures	-	-
Depreciation and amortization	46	39
EBITDA	<u>\$ 177</u>	<u>\$ 168</u>
Sales	\$ 951	\$ 828
EBITDA percent of sales	18.6%	20.3%
<b>EBITDA</b>		
	<u>Twelve months ended</u>	
	<u>6/30/2008</u>	<u>6/30/2007</u>
Operating income - US GAAP basis	\$ 449	\$ 434
Restructuring	16	-
Interest income	3	6
Share of income of joint ventures	-	2
Depreciation and amortization	183	148
EBITDA	<u>\$ 651</u>	<u>\$ 590</u>
Sales	\$ 3,507	\$ 2,992
EBITDA percent of sales	18.6%	19.7%
<b>Leverage (debt to EBITDA)</b>		
	<u>Twelve months ended</u>	
	<u>6/30/2008</u>	<u>6/30/2007</u>
EBITDA (see above)	\$ 651	\$ 590
	<u>As of 6/30/2008</u>	<u>As of 6/30/2007</u>
Short-term debt, including current maturities of long-term debt	\$ -	\$ -
Long-term debt	1,555	1,699
Total debt	<u>\$ 1,555</u>	<u>\$ 1,699</u>
Leverage (total debt divided by EBITDA)	2.39	2.88
<b>Interest coverage (EBITDA to interest)</b>		
	<u>Twelve months ended</u>	
	<u>6/30/2008</u>	<u>6/30/2007</u>
EBITDA (see above)	\$ 651	\$ 590
Interest expense, net of interest capitalized	\$ 112	\$ 75
Interest coverage (EBITDA divided by interest expense)	5.81	7.87