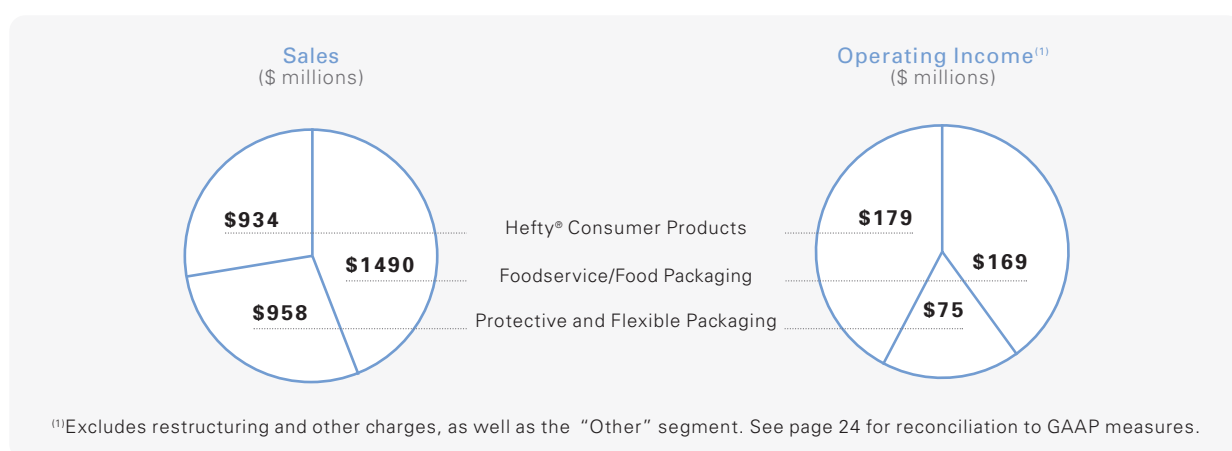


operations review

2004 Operating Segment Results



Pactiv Corporation is a leader in the specialty packaging industry, recognized for innovation and new product development, the breadth and depth of its product lines, brand strength, distribution and channel access, and a commitment to continuous productivity improvement and industry cost leadership.

These strengths are significant, and the key to the company's growth and progress is its ability to apply them to address emerging market needs through three customer-oriented operating divisions: Hefty® Consumer Products, Foodservice/Food Packaging, and Protective and Flexible Packaging.

In all of these segments, Pactiv is focused on three strategic objectives: growing sales internally and through accretive acquisitions, strengthening margins and competitive position through a range of product development and productivity-improvement programs, and creating incremental value for shareholders through prudent use of free cash flow.

Hefty® Consumer Products

28% of sales

Sales Grew 5%
Leader in Product Innovation
Leverage Hefty® Brand Strength



Sales Hefty® is one of the nation's most trusted and respected brands, and a leader in every segment of the consumer market in which it competes: drawstring waste bags, disposable tableware, food storage and freezer bags, and disposable cookware.

2004 sales totaled \$934 million, up 5% from 2003, driven by a 5% volume increase. Operating income* declined 8% from the prior year, resulting in a 19.2% operating margin*, compared with 22% in 2003. While operating profit and margin were lower than in 2003, performance was strong in an exceptionally demanding environment, marked by significant increases in the cost of raw materials. Pricing actions, successful new product introductions, and continued productivity gains allowed us to turn in solid results in 2004.

Innovation The Hefty® brand extended its leadership with the introduction of a number of products, including Hefty® HandySaks™, convenient bags for on-the-go cleanup; Hefty® Strong and Spill Resistant plates, disposable foam plates designed for everyday use; and Hefty® Ultra Flex™ waste bags, our strongest bag, introduced with national advertising featuring martial-arts icon Jackie Chan. In 2004, we also developed and set the stage for the 2005 launch of Hefty® Serve 'n Store™ tableware. New product introductions and line extensions are an important ongoing focus for our Hefty® business and account for approximately half of the segment's strong sales growth.

In addition to investing in our product pipeline, we also are supporting our new product efforts with increased marketing support, designed to enhance our competitive position and drive growth in higher-margin product lines. In 2005, we expect to invest an incremental \$45 million to \$55 million net in advertising and promotion to support the introduction of key new products and drive future sales and profits.

Productivity Improvement In 2004, our focus on efficiency and productivity improvement allowed us to reduce conversion costs. Reducing direct manufacturing and logistics costs are important elements of our overall strategy to remain cost competitive.

*For reconciliation to GAAP, see page 24 for operating income and page 55 for operating margin.

Hefty® Serve 'n Store™ products are equally comfortable for serving at the table or storing in the refrigerator.

Everyday Plates & Bowls Party Plates & Bowls



Hefty® Serve 'n Store™ Tableware Hefty® Serve 'n Store™ tableware can truly handle a FULL plate of mealtime tasks: serving, storing food in the refrigerator, and with Hefty® Serve 'n Store™ Everyday tableware, microwave reheating. It will change how people serve, store, and prepare their food every day. First, it's a great everyday plate — big, strong, and soak-proof. And, Serve 'n Store™ plates and bowls feature innovative, interlocking rims that allow them to be snapped together to become storage containers — every plate is a lid, and every lid is a plate.

Hefty® Serve 'n Store™ Everyday Tableware This innovation has tested extremely well with consumers. That's because it is perfectly designed for today's busy lifestyles. Hefty® Serve 'n Store™ Everyday tableware makes it simple to serve a meal anytime, store leftovers without fuss in a truly disposable container, and later reheat, and serve again with no extra dishes or cleanup. These plates and bowls significantly simplify consumers' mealtime activities, all at a price that makes convenience affordable.

Hefty® Serve 'n Store™ Everyday tableware is designed with flexibility and convenience in mind. Plates and bowls of the same size can be connected to form a variety of different size containers, as illustrated on the next page.

Hefty® Serve 'n Store™ Party Tableware Accent the perfect special occasion with Hefty® Serve 'n Store™ Party tableware, which offers a colorful way to entertain and features easy-grip handles for convenient carrying. These festive red and blue plastic plates and bowls are perfect for serving or eating, and then turn into "to-go" containers for sending leftovers home with guests.

Like Hefty® Serve 'n Store™ Everyday products, Party plates and bowls are also designed with interlocking rims, so each item connects to its own size, and are available in red or blue 9-inch and 10-inch plates and 18-ounce bowls.

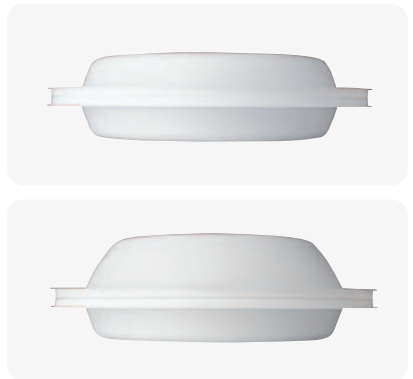
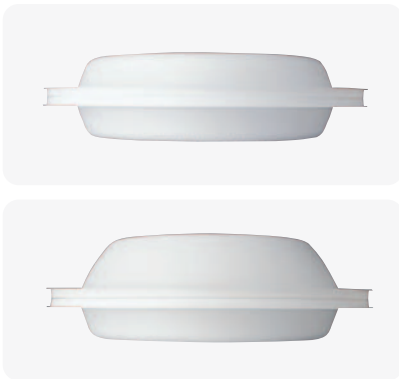
1 Remarkable New Feature,
3 Ways to Bring Convenience to your Kitchen,
10 Product Solutions



serve

store

microwave



Foodservice/Food Packaging

44% of sales

Sales Rose 9%
“One-Stop” Supplier
Broadest Product Line in the Industry



Pactiv is a leading provider to the foodservice, supermarket, and food packaging markets, producing and selling the industry's broadest product line in North America. These products include plastic containers; clamshells and trays; packer/processor packaging; and ovenable paperboard, aluminum, molded fiber, and other products used by the supermarket, foodservice, and restaurant industries.

2004 sales totaled \$1.49 billion, up 9% from a year earlier. Volume increased 5% from 2003, while pricing accounted for 4% of the sales gain. Operating income* for 2004 declined by 5% from the previous year, while operating margin* was 11.3%, compared with 12.9% in 2003. Despite difficult operating conditions marked by a significant increase in the cost of raw materials, sales and volume growth outpaced industry average levels.

Portfolio Management New product development and a focus on high-margin product lines are central to our growth efforts in this business. We introduced a significant portion of the industry's new foodservice products over the past three years, and approximately 10% of this segment's sales currently come from products developed or introduced between 2002 and 2004. In 2004 alone, we introduced more than 40 new products, which included new packaging for leading fast-food restaurant chains, among them Wendy's and Taco Bell. We continued to target strategic acquisition candidates and, in March 2005, we acquired Newspring Industrial Corp., providing us with injection molding capability and products for the growing foodservice market.

Our goal is to become a true one-stop supplier, providing our customers with both the broadest product line in the industry and the best service to help them optimize the cost of their supply chains. In 2004, we were recognized as a top strategic supplier by several foodservice industry leaders. Going forward, we intend to expand our customer and channel-specific emphasis with an intensified focus on customers and distributors who can benefit most from our focus on customer service. Our goal is to grow consistently and strategically with the leaders in the foodservice and food packaging industries, as we work to become the low total-cost producer in our industry.

*For reconciliation to GAAP, see page 24 for operating income and page 55 for operating margin.

Protective and Flexible Packaging

28% of sales

Sales Rose 9%
Making Service a Competitive Advantage
Expanded Position in Inflatable Packaging



Composed of eight businesses that hold strong market positions in North America and Europe, Protective and Flexible Packaging products include air cushioning, air padded mailers, foam, Hexacomb® kraft honeycomb, flexible packaging, and hospital supplies.

2004 sales rose 9% from 2003, to \$958 million. Operating income* for 2004 rose 27%, while operating margin* increased to 7.8% from 6.7% in 2003. Our focus in this business is on improving profitability, and we are continuing to make progress.

The segment's performance improvement reflected our restructuring program, coupled with improved demand in our North American market. These positives were partly offset by significant increases in the cost of raw materials.

Given the improved results in this business from our restructuring efforts, we expect continued improvement in sales and margins as the global economy recovers.

Growth Some segments of this business continue to benefit from the stronger U.S. economy. Additionally, we are driving sales growth worldwide through product development and channel expansion. In 2004, we continued to expand our position in inflatable packaging by building on the success of the Pactiv Air® 5000 system in North America and introducing the Pactiv Air® 6000 and 9000 models in Europe.

Productivity Improvement As a result of restructuring programs implemented from 2000 to 2002, our businesses now operate in an integrated manner, leveraging shared assets, capabilities, and best practices.

Quality and Service We continue to focus on service as a competitive advantage. In 2004, this business continued to improve on-time fill rates, sharpened its value proposition and sales focus, and bolstered its marketing expertise. These actions, in turn, drove margin gains during the year, and are expected to drive further gains in sales and profitability as the economy improves and demand strengthens.

*For reconciliation to GAAP, see page 24 for operating income and page 55 for operating margin.

Product Overview

HEFTY® CONSUMER PRODUCTS

Hefty® Waste Bags

Ultra Flex™ Bags, Kitchen Fresh® Bags, The Gripper® Bags, Cinch Sak® Bags, HandySaks™ Bags, EasyFlaps® Bags, HandleSak® Bags, TwistTie Bags, SteelSak® Bags, Basics® Bags, Renew® Bags, Scrap Bags, Compactor Bags

Hefty® OneZip® Products

Storage Bags, Freezer Bags, Sandwich Bags, Jumbo Bags, Seasonal Bags, School Bags

Hefty® Tableware

Serve 'n Store™ Everyday & Party Plates/Bowls, Hefty® Easy Grip™ Cups, Strong & Spill Resistant Plates, Everyday Bowls/Trays, Hearty Meals™ Extra Strong & Deep Plates, ElegantWare® Plates/Bowls, Classic Impressions® Plates, Holiday Prints Plates/Bowls/Cups, Heavy Duty Paper Plates, Supreme™ Plates, SuperWeight™ Plates, Hinged-Lid Containers

Hefty® Pals Products

Zoo Pals® Plates, Zoo Pals® Bowls, Zoo Pals® Funtensils™ Cutlery, Zoo Pals® Fun Slider Bags, Merry Pals® and Sports Pals® Plates

Baggies® Products

Storage Bags, Sandwich Bags

Hefty® EZ Foil™ Products

SupeRoaster® Roasters, EZ Elegance® Pans, EZ Occasions™ Pans, Party Colors® Pans, CaterWare® Serving Trays, Fiesta™ Pans, Crown Classic® and Crown Oval® Roasters

Kordite® Products

Drawstring and Twist Tie Bags, Plastic and Foam Plates / Cups

FOODSERVICE/FOOD PACKAGING

Bakery Packaging

Cakes, Pies, Cookies, Loaf Cakes & Bread, Pastries, Breakfast Foods

Deli Packaging

Deli Salads, Food Away From Home, Hot Case Products, Cold Case Products

Produce Packaging

Cut Produce, Whole Produce

Carry-Out Packaging

Cold Ready-To-Eat, Hot Ready-To-Eat, Ovenable, Dual-Ovenable, Microwaveable, Catering, Box Lunch, Handled Containers, Beverage Cups, Film/Foil Wraps, Clear Display Packaging, Cup Carriers, Dual Color Containers, Hot Cups, Cold Cups

Packer / Processor

Bakery, Frozen Foods, Meat Products, Egg, Agriculture, Dual-Ovenable, Slide-Rite® Zipper Bags, ActiveTech® Modified Atmosphere Packaging, Extended Shelf Life Trays, Confectionery Products

Meats & Fish

Plastic Meat Trays & Pads, Molded Fiber Meat Trays & Pads, Foam Meat Trays and Pads

Dine-In Packaging

Back of Premise, Table Service, Quick Service, Self Service/Cafeteria, Institutional

Food Away From Home Cold Ready-To-Eat, Hot Ready-To-Eat, Ovenable, Dual-Ovenable, Microwaveable

PROTECTIVE AND FLEXIBLE PACKAGING

Air Cushioning

Astro-Cell® Air Cushioning Sheet and Plus Sheet, Astro-Suprabubble® Air Cushioning, Astro-Cell® Anti-Static Air Cushioning, Pactiv Air® Systems, Pactiv Air® 2000 Inflatable Pouch, EZ Bubble-Out™ Bags-on-a-Roll

Mailers

Hefty Express® Mailers, Gator-Pak™ Mailers, Pad Kraft® Mailers, Air-Kraft® Mailers, Armor-Lite® Mailers, Friendly Foam® Mailers, Mailmiser® Mailers, Bag-in-Bag® Mailers, Rigi Kraft® Mailers, FoamKraft® Mailers

GreenGuard® Building Products

Insulation Board, PLYGOOD® Ultra Sheathing, Fanfold Underlayment, Classic Wrap/Value Wrap/UltraWrap Housewrap, RainDrop® Housewrap, Waterproofing Protection Board, Roofing Recovery Board, Sill Sealer, Contractor Tape, Condensation Board

Engineered Foams

PolyPlank® PLK Foam Plank, PolyPlank® MDL® Dual-Density Laminated Plank, PolyPlank® LAM Laminated Plank, PropaFoam®

Foam Cushioning, Proflex® Profiles, Nopaplank® Foam Plank, PolyLam® Multi-Density Laminated Plank

Hexacomb® Honeycomb

Honeycomb Die-Cuts, Pallets, Void Fill Honeycomb, Transportation Structure, Structural Honeycomb

Medical & Flexible Packaging

Secu-Drape® Sterile OR Drapes, Gowns and Sets, Stand-up Pouches for Retail Packaging, Barrier Films for Food Packaging, Printed and Laminated Film for Retail Packaging, Shrink and Stretch Sleeves, Wrap-around Labels, Sterilizable and Boilable Films and Bags, Bags with and without Re-Closure System

Sheet Foam

MicroFoam® Protection, MicroFoam® Cohesive Protection, Astro-Foam™ Protection, Sleevit® Protection, Micro-Tuff Protection, Laminated Product Protection, Furniture Guard® Foam Cushioning, Orca™ Wrap, Astro-Sheeteer™ System and Furniture Systems, Edge Foam® Edge Protectors, Prop-X® Polypropylene Foam