

## Hefty® Consumer Products

### 37% of Sales

The Hefty® brand is one of the nation's most widely recognized consumer brands. Our products include a full line of Hefty® waste bags, OneZip® slider storage bags, disposable tableware, and disposable cookware. Hefty® products provide convenience and help simplify consumers' everyday lives.

### Financial Results

- Sales grew 10% in 2006, to \$1.1 billion.
- Operating income was \$195 million, 74% higher than 2005.
- Operating margin increased to 18.0%, from 11.3% in 2005.

### Business Drivers

In 2006, we increased our investment in consumer marketing across virtually the entire Hefty® line, reinforcing what makes our brand important to consumers – Hefty® strength and dependability. Our consumers' willingness to pay for branded quality, combined with productivity improvements, lower new product launch expenses, and an improved mix of higher margin products, translated into improved margin performance. Our Hefty® product line can be found in virtually all channels: grocery stores, mass merchandisers, club stores, dollar stores, drug stores, and more.

The Consumer business realized solid sales growth across most of its product lines in 2006, including Hefty® OneZip® slider bags and Hefty® Easy Grip® party cups, which also expanded distribution. We are well positioned with strategic customers across the Hefty® line and will continue to work to strengthen these relationships.

In the fourth quarter 2006, we teamed with United States airports to provide more than two million quart-size OneZip® bags to passengers at security checkpoints, enabling them to comply with security carry-on guidelines for air travel.

Consumer research helps us anticipate and meet consumer needs. In early 2007, we introduced Hefty® OneZip® Travel Bags, which meet U.S. airport security guidelines for liquid carry-on items, providing improved convenience for air travelers. We also introduced Hefty® OneZip® Big Bags, oversized zip-top slider storage bags – great for storing, protecting, or transporting larger items or multiple items – that provide a clear view of items for improved convenience.

We are managing the cost side of the business by implementing "lean" principles and programs. Already we have seen improvements across the supply chain, as we focused on replenishing what we have sold rather than producing to a forecast. We have reduced inventories, while improving customer service. Further opportunities are plentiful.

We will continue to seek opportunities to build the business, growing and extending our product lines, and using research and targeted marketing to better and more efficiently reach consumers. These are all part of our goal to add value by making everyday tasks – from packing lunch, to cooking and serving food, to packing for vacation, to managing the trash in your kitchen or garage – easier and more efficient.

## Product Overview

### Hefty® Consumer Products

#### Hefty® Waste Bags

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

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#### Hefty® Tableware

Serve 'n Store® Everyday Plates/Bowls, Easy Grip® Party Cups/Plates/Bowls, Everyday Plates, Hearty Meals™ Plates, ElegantWare® Plates/Bowls, Holiday Prints Plates/Cups, Supreme™ Plates, Super Weight™ Plates, Hinged-Lid Containers

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#### Hefty® OneZip® Products

Storage Bags, Freezer Bags, Jumbo Bags, Big Bags, Travel Bags, Sandwich Bags, Seasonal Bags

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#### Hefty® Pals Products

Zoo Pals® Plates/Bowls/Cups/Funtensils® Cutlery, Merry Pals® and Sports Pals® Plates

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#### Hefty® EZ Ovenware™ Products

EZ Ovenware™ Pans

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#### Hefty® EZ Foil® Products

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

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#### Kordite® Products

Drawstring and Twist Tie Bags, Plastic and Foam Plates/Cups, Storage Slider Food Bags, Freezer Slider Food Bags

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#### Diamond® Products

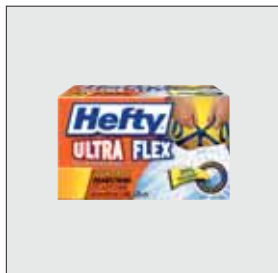
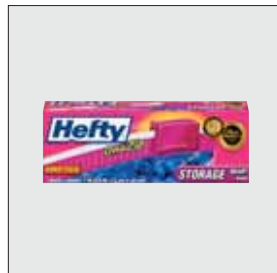
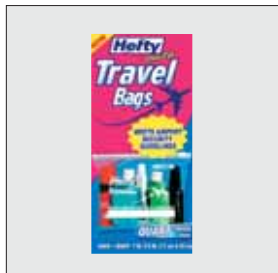
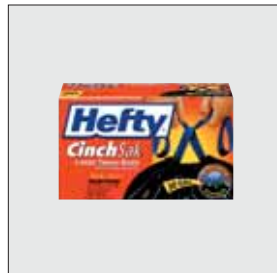
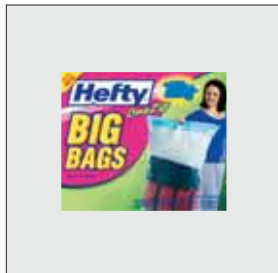
Deluxe Paper Plates

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#### Baggies® Products

Storage Bags, Sandwich Bags

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## Foodservice/Food Packaging

### 63% of Sales

Pactiv is a leading supplier to the foodservice, supermarket, restaurant, and food processing markets, producing and selling a broad product line that provides convenience to consumers who increasingly choose prepared foods. Our products include containers, trays, and other packages made from a variety of materials, including plastic, molded fiber, ovenable paperboard, and aluminum.

### Financial Results

- Sales increased 4% in 2006, to \$1.83 billion.
- Operating income grew to \$244 million, an increase of 31% from 2005.
- Operating margin was 13.3%, compared with 10.5% in 2005.

### Business Drivers

We are committed to partnering with customers as a supplier of both custom and stock packaging solutions, and as a provider of excellent service. In 2006, we increased sales with our largest customers, even in the face of sluggish industry performance. Pactiv again introduced a significant portion of the industry's new foodservice products, including the Newspring TE-tainer™ and In-Mold Labeling. The TE-tainer™ provides foodservice operators with a new way to offer products with tamper-free confidence, while In-Mold Labeling technology provides customers with image-enhancing packaging graphics that are part of the container.

We began to introduce “lean” principles and tools in our operating facilities to drive continuous efficiency improvements and eliminate waste. “Lean” has begun to help us identify opportunities and accelerate productivity across our supply chain.

With the addition of new tooling, our network of plants can now satisfy customer needs predominantly on a regional basis. In 2006, on-time deliveries to our customers reached an all-time high. Our case-fill rate (a measure of customer order fulfillment) was over 99% and we delivered more product per truckload. In addition, we added more products to our “one-stop-shopping” value proposition, allowing customers to receive more of our products on a single truck. Our employees delivered this while achieving excellent safety and environmental performance.

Overall, our focus remains on growth by identifying and meeting changing customer needs. We identify and capitalize on market segmentation opportunities, expand in profitable growth materials and products, and assemble the proper supply chain to support each segment. Our innovative product solutions, regional manufacturing self-sufficiency, and operational discipline will enable us to continue to deliver increased sales and productivity. We will continue to listen to our customers and provide product and technology innovations to build on our market-leading positions.

## Product Overview

### Foodservice/Food Packaging

#### Bakery Packaging

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

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#### Deli Packaging

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

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#### Produce Packaging

Cut Produce, Whole Produce

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#### 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, Leak Resistant Containers

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#### Packer/Processor

Bakery, Frozen Foods, Meat Products, Egg, Agriculture, Dual-Ovenable, Slide-Rite® Advanced Closure System, ActiveTech® Modified Atmosphere Packaging, Extended Shelf Life Trays, Confectionery Products, Shelf Stable Packaging, Tamper Evident Packaging, Printed Deli Products

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#### Meats and Fish

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

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#### Dine-In Packaging

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

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#### Food Away From Home

Cold Ready-To-Eat, Hot Ready-To-Eat, Ovenable, Dual-Ovenable, Microwaveable

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#### GreenGuard® Building Products

Insulation Board, Housewrap and Moisture Management Accessories for the Residential and Commercial Construction Markets

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