

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 13, 2008

PREGIS HOLDING II CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

333-130353-04
(Commission File Number)

20-3321581
(I.R.S. employer
Identification Number)

**1650 Lake Cook Road
Deerfield, Illinois 60015**
(Address of principal executive offices)

Registrant's telephone number, including area code: **(847) 597-2200**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

TABLE OF CONTENTS

[Item 2.02 Results of Operations and Financial Condition](#)

[Item 9.01 Financial Statements and Exhibits](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[EX-99.1](#)

Table of Contents

Item 2.02 Results of Operations and Financial Condition

On November 13, 2008, Pregis Corporation issued an earnings release announcing its financial results for the quarter ended September 30, 2008. A copy of the earnings release is furnished as Exhibit 99.1 to this Form 8-K.

Item 9.01 Financial Statements and Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|-----------------------|--|
| 99.1 | Earnings Release of Pregis Corporation dated November 13, 2008, announcing financial results for the quarter ended September 30, 2008. |

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 13, 2008

PREGIS HOLDING II CORPORATION

By: /s/ D. Keith LaVanway

Name: D. Keith LaVanway

Title: Vice President and
Chief Financial Officer

[Table of Contents](#)

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 99.1 | Earnings Release of Pregis Corporation dated November 13, 2008 announcing financial results for the quarter ended September 30, 2008. |



Press Release

For Immediate Release

Contacts:

Keith LaVanway
847-597-9353
klavanway@pregis.com
Leslie Braun
847-597-9328
lbrown@pregis.com

PREGIS ANNOUNCES THIRD QUARTER 2008 FINANCIAL RESULTS

Deerfield, IL, November 13, 2008 — Pregis Corporation, a leading international manufacturer, marketer, and supplier of protective packaging products and specialty packaging solutions, today announced its financial results for the third quarter of 2008.

The Company's net sales in the third quarter were \$265.2 million, an increase of 8.2% over net sales of \$245.2 million in the third quarter of 2007. Excluding the impact of favorable foreign currency translation and sales from an acquisition made in the fourth quarter of 2007, the quarter's net sales increased 2.5% compared to the prior year quarter.

Gross profit margin, as a percent of net sales, was 22.4% in the third quarter of 2008, compared to 23.1% in the third quarter of 2007. The decline in gross margin was primarily due to significantly increased costs of resin, fuel and other raw materials in the 2008 period. According to the CMAI indices, resin costs in the U.S. and Europe increased approximately 31% and 17%, respectively, in the third quarter of 2008 compared to the third quarter of 2007. The third quarter gross margin percentage improved 100-basis points compared to the gross profit margin of 21.4% in the second quarter of 2008, reflecting the impact of selling price increases implemented during the quarter as well as the impact of continued cost reduction initiatives.

For the third quarter of 2008, operating income was \$10.1 million compared to \$10.4 million in the third quarter of 2007, with the reduction driven primarily by pre-tax severance charges totaling \$5.2 million relating to the Company's various productivity and cost reduction programs. The third quarter pre-tax severance charges include \$3.9 million relating to the Eerbeek, Netherlands plant closure previously announced.

Commenting on the Company's results for the third quarter, Mike McDonnell, President and Chief Executive Officer, stated, "Overall, we are pleased with the results we achieved in the third quarter. We made good progress with our pricing actions in the quarter; however, we have yet to recover the significantly higher raw material costs absorbed in the first half of the year. Even as market conditions become more difficult, we will maintain our commitment to pricing discipline."

Mr. McDonnell continued, “We also remain committed to improving our profitability through aggressive productivity and cost reduction initiatives. During the third quarter, through the significant efforts of our Pregis management and employees, we realized savings of close to \$5 million from these programs. Given the very weak general economic conditions within which we are currently operating, including the possibility of a recession in the U.S. and further worldwide economic slowdown, we expect the next few quarters to be challenging. As a result, we are diligently working to identify additional cost reduction opportunities to help mitigate the impact of the weakened economic environment and drive long-term sustainable profit growth.”

For the nine months ended September 30, 2008, net sales grew to \$799.7 million, higher by 10.2% compared to net sales of \$725.7 million for the comparable 2007 period. Excluding the impact of favorable foreign currency translation and sales from two acquisitions made in the second half of 2007, net sales for the nine months of 2008 were relatively flat compared to the prior year period. Gross profit margin percentage declined to 21.9% for the 2008 nine month period compared to 24.6% for the 2007 period, primarily due to increased costs of resin, fuel and other raw materials, partially offset by the impact from the Company’s cost reduction initiatives.

For the nine month period, operating income was \$25.6 million compared to \$41.1 million for same period of 2007, with the reduction driven primarily by higher raw material costs as well as pre-tax severance charges totaling \$7.8 million relating to its productivity and cost reduction initiatives. The Company expects to incur additional restructuring charges of approximately \$3.3 million over the remainder of 2008 and through the first half of 2009 to complete implementation of these initiatives. Combined with the overhead optimization efforts started at the end of 2007, these programs are currently expected to generate annual savings in excess of \$25 million.

Segment Performance

Comments on segment net sales performance for the third quarter of 2008 are as follows:

- Net sales of the protective packaging segment increased by \$13.9 million, or 8.8%. The 2008 third quarter sales growth was driven by favorable foreign currency translation, as well as the incremental sales generated by the Besin entity acquired in the fourth quarter of 2007. The segment also achieved pricing improvement in its U.S. and European operations, which more than offset the volume declines attributed to the weakened economic conditions in these markets. Excluding the impacts of favorable foreign currency effects and revenue growth from acquisitions, net sales for the segment increased 2.6%.
- Net sales of the flexible packaging segment increased \$4.2 million, or 9.4%. The increase was driven by favorable foreign currency translation and favorable pricing, partially offset by lower volumes due mainly to weaker economic conditions in Germany, the segment’s principal market. Excluding the impact of favorable foreign currency, the segment’s 2008 third quarter net sales were relatively flat compared to the prior year period.

-
- Net sales of the hospital supplies segment increased \$2.0 million, or 10.5%, driven by growth in procedure packs as well as the segment's geographic expansion efforts, partially offset by price erosion resulting from the competitive market environment. Excluding the impact of favorable foreign currency, the segment's 2008 third quarter net sales were relatively flat compared to the prior year period.
 - Net sales of the rigid packaging segment decreased nominally by \$0.1 million. Excluding the impact of unfavorable foreign currency effects in the quarter, net sales for the segment increased 6.1% in the quarter, due mainly to higher sales volume of films and thermoformed products, partially offset by price erosion resulting from the competitive market environment.

A summary of a significant measure required by the Company's indentures is presented in the supplemental information at the end of this release.

Conference Call:

The Company will conduct an investor conference call to review its 2008 third quarter results on Friday, November 14, 2008 at 10:00 a.m. ET (9:00 a.m. CT). The call can be accessed through the following dial-in numbers: Domestic: 800-591-6942; International: 617-614-4909; Participant Passcode: 68623125. A replay of the conference call will be available through November 28, 2008. The replay may be accessed using the following dial-in information: Domestic: 888-286-8010; International: 617-801-6888; Passcode: 92661107.

About Pregis:

Pregis Corporation is a leading global provider of innovative protective, flexible, and foodservice packaging and hospital supply products. The specialty-packaging leader currently operates 47 facilities in 18 countries around the world. Pregis Corporation is a wholly owned subsidiary of Pregis Holding II Corporation. For more information about Pregis, visit the Company's web site at www.pregis.com.

Safe Harbor Statement:

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. You can generally identify forward-looking statements by the Company's use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "seek," "should," or "will," or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company's control. For a discussion of key risk factors, please see the risk factors disclosed in the Company's filings with the Securities & Exchange Commission, including the Company's annual report on Form 10-K and quarterly reports on Form 10-Q. These risks may cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Given these risk and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this press release are made only as of the date hereof. The Company undertakes no duty to update its forward-looking statements.

Pregis Holding II Corporation
Consolidated Balance Sheets
Unaudited
(dollars in thousands, except shares and per share data)

| | <u>September 30, 2008</u> | <u>December 31, 2007</u> |
|---|---------------------------|--------------------------|
| | <u>(Unaudited)</u> | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 30,038 | \$ 34,989 |
| Accounts receivable | | |
| Trade, net of allowances of \$5,366 and \$5,313, respectively | 157,467 | 148,045 |
| Other | 12,756 | 18,532 |
| Inventories, net | 114,546 | 108,914 |
| Deferred income taxes | 2,971 | 2,991 |
| Due from Pactiv | 607 | 7,072 |
| Prepayments and other current assets | 9,073 | 9,187 |
| Total current assets | <u>327,458</u> | <u>329,730</u> |
| Property, plant and equipment, net | 257,777 | 277,398 |
| Other assets | | |
| Goodwill | 148,414 | 150,000 |
| Intangible assets, net | 43,592 | 47,910 |
| Deferred financing costs, net | 8,328 | 10,080 |
| Due from Pactiv, long-term | 13,208 | 12,229 |
| Pension and related assets | 25,155 | 25,659 |
| Other | 431 | 2,313 |
| Total other assets | <u>239,128</u> | <u>248,191</u> |
| Total assets | <u><u>\$ 824,363</u></u> | <u><u>\$ 855,319</u></u> |
| Liabilities and stockholder's equity | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 2,125 | \$ 2,120 |
| Accounts payable | 104,326 | 100,326 |
| Accrued income taxes | 7,880 | 13,900 |
| Accrued payroll and benefits | 16,953 | 19,814 |
| Accrued interest | 11,437 | 6,775 |
| Other | 25,462 | 22,436 |
| Total current liabilities | <u>168,183</u> | <u>165,371</u> |
| Long-term debt | 465,804 | 475,604 |
| Deferred income taxes | 32,342 | 34,589 |
| Long-term income tax liabilities | 10,780 | 9,585 |
| Pension and related liabilities | 8,658 | 9,389 |
| Other | 7,006 | 7,124 |
| Stockholder's equity: | | |
| Common stock — \$ 0.01 par value; 1,000 shares authorized, 149.0035 shares issued and outstanding at September 30, 2008 and December 31, 2007 | — | — |
| Additional paid-in capital | 150,337 | 149,659 |
| Accumulated deficit | (37,391) | (16,588) |
| Accumulated other comprehensive income | 18,644 | 20,586 |
| Total stockholder's equity | <u>131,590</u> | <u>153,657</u> |
| Total liabilities and stockholder's equity | <u><u>\$ 824,363</u></u> | <u><u>\$ 855,319</u></u> |

Pregis Holding II Corporation
Consolidated Statements of Operations
Unaudited
(dollars in thousands)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|--|---|-----------------|--|-----------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Net sales | \$ 265,188 | \$ 245,163 | \$ 799,726 | \$ 725,710 |
| Operating costs and expenses: | | | | |
| Cost of sales, excluding depreciation and amortization | 205,673 | 188,426 | 624,443 | 547,258 |
| Selling, general and administrative | 31,232 | 32,793 | 100,407 | 97,489 |
| Depreciation and amortization | 13,584 | 14,242 | 40,734 | 40,736 |
| Other operating expense (income), net | 4,601 | (656) | 8,500 | (840) |
| Total operating costs and expenses | <u>255,090</u> | <u>234,805</u> | <u>774,084</u> | <u>684,643</u> |
| Operating income | 10,098 | 10,358 | 25,642 | 41,067 |
| Interest expense | 13,392 | 11,656 | 37,293 | 34,777 |
| Interest income | (92) | (465) | (518) | (897) |
| Foreign exchange loss (gain), net | 9,562 | (1,805) | 6,641 | (3,527) |
| Income (loss) before income taxes | (12,764) | 972 | (17,774) | 10,714 |
| Income tax expense (benefit) | (802) | 1,535 | 3,029 | 8,204 |
| Net income (loss) | <u>\$ (11,962)</u> | <u>\$ (563)</u> | <u>\$ (20,803)</u> | <u>\$ 2,510</u> |

Pregis Holding II Corporation
Consolidated Statements of Cash Flows
Unaudited
(dollars in thousands)

| | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2008 | 2007 |
| Operating activities | | |
| Net income (loss) | \$ (20,803) | \$ 2,510 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation and amortization | 40,734 | 40,736 |
| Deferred income taxes | (1,419) | 713 |
| Unrealized foreign exchange loss (gain) | 6,814 | (3,254) |
| Amortization of deferred financing costs | 1,781 | 1,636 |
| Loss (gain) on disposal of property, plant and equipment | (246) | (51) |
| Stock compensation expense | 678 | 334 |
| Impairment of interest rate swap asset | 1,299 | — |
| Gain on insurance settlement | — | (884) |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts and other receivables, net | (12,024) | (14,384) |
| Due from Pactiv | 6,630 | 9,202 |
| Inventories, net | (9,738) | (14,249) |
| Prepayments and other current assets | (143) | 1,381 |
| Accounts payable | 7,568 | 15,336 |
| Accrued taxes | (4,778) | (1,551) |
| Accrued interest | 4,577 | 5,011 |
| Other current liabilities | 1,871 | 1,027 |
| Pension and related assets and liabilities, net | (2,815) | (153) |
| Other, net | 177 | (2,994) |
| Cash provided by operating activities | 20,163 | 40,366 |
| Investing activities | | |
| Capital expenditures | (25,270) | (23,162) |
| Proceeds from sale of assets | 1,042 | 382 |
| Acquisition of business, net of cash acquired | — | (8,898) |
| Insurance proceeds | 1,868 | 884 |
| Other, net | (593) | (35) |
| Cash used in investing activities | (22,953) | (30,829) |
| Financing activities | | |
| Repayment of long-term debt | (1,435) | (1,360) |
| Other, net | 62 | 300 |
| Cash used in financing activities | (1,373) | (1,060) |
| Effect of exchange rate changes on cash and cash equivalents | (788) | 2,748 |
| Increase (decrease) in cash and cash equivalents | (4,951) | 11,225 |
| Cash and cash equivalents, beginning of period | 34,989 | 45,667 |
| Cash and cash equivalents, end of period | \$ 30,038 | \$ 56,892 |

Pregis Holding II Corporation
Supplemental Information
(Unaudited)

Calculation of Adjusted EBITDA (“Consolidated Cash Flow”)

| (dollars in thousands) | Twelve Months Ended September 30, | |
|---|--|-------------|
| | 2008 | 2007 |
| Net loss of Pregis Holding II Corporation | \$ (28,092) | \$ (3,553) |
| Interest expense, net of interest income | 48,300 | 44,818 |
| Income tax expense | 2,533 | 11,801 |
| Depreciation and amortization | 55,797 | 54,717 |
| EBITDA | 78,538 | 107,783 |
| Other non-cash charges (income): | | |
| Unrealized foreign currency transaction losses (gains), net | 7,846 | (6,109) |
| Non-cash stock based compensation expense | 902 | 269 |
| Non-cash asset impairment charge | 403 | — |
| Other non-cash expenses, primarily fixed asset disposals and write-offs | 427 | — |
| Net unusual or nonrecurring gains or losses: | | |
| Restructuring, severance and related expenses | 12,409 | 5,051 |
| Nonrecurring charges related to acquisitions and dispositions | 4,512 | 3,044 |
| Other unusual or nonrecurring gains or losses | 123 | 792 |
| Other adjustments: | | |
| Amounts paid pursuant to management agreement with Sponsor | 1,834 | 1,802 |
| Pro forma earnings and costs savings | 454 | 1,480 |
| Adjusted EBITDA (“Consolidated Cash Flow”) | \$ 107,448 | \$ 114,112 |

Note to above:

EBITDA is defined as net income before interest expense, interest income, income tax expense, depreciation and amortization. Adjusted EBITDA, referred to as Consolidated Cash Flow within the context of the Company’s indentures, is presented herein because it is a material element of the fixed charge coverage ratio and secured indebtedness leverage ratio included in the Company’s indentures.

Pregis Holding II Corporation
Third Quarter 2008
Supplemental Information
(Unaudited)

(Amounts and percentage changes are approximations due to rounding.)

Gross Margin Calculations

| (dollars in millions) | <u>Three Months Ended September 30,</u> | | | <u>Nine Months Ended September 30,</u> | | |
|--|---|----------------|---------------|--|-----------------|-----------------|
| | <u>2008</u> | <u>2007</u> | <u>Change</u> | <u>2008</u> | <u>2007</u> | <u>Change</u> |
| Net sales | \$ 265.2 | \$ 245.2 | \$ 20.0 | \$ 799.7 | \$ 725.7 | \$ 74.0 |
| Cost of sales, excluding depreciation and amortization | (205.7) | (188.5) | (17.2) | (624.4) | (547.3) | (77.1) |
| Gross margin | <u>\$ 59.5</u> | <u>\$ 56.7</u> | <u>\$ 2.8</u> | <u>\$ 175.3</u> | <u>\$ 178.4</u> | <u>\$ (3.1)</u> |
| Gross margin, as a percent of net sales | <u>22.4%</u> | <u>23.1%</u> | <u>(0.7)%</u> | <u>21.9%</u> | <u>24.6%</u> | <u>(2.7)%</u> |

Net Sales Analysis by Segment

| (dollars in millions) | <u>Three Months Ended September 30,</u> | | | | <u>Change Attributable to the Following Factors</u> | | | |
|---------------------------|---|-----------------|------------------|-----------------|---|---------------|---------------------|-----------------------------|
| | <u>2008</u> | <u>2007</u> | <u>\$ Change</u> | <u>% Change</u> | <u>Price / Mix</u> | <u>Volume</u> | <u>Acquisitions</u> | <u>Currency Translation</u> |
| Segment: | | | | | | | | |
| Protective Packaging | \$ 172.1 | \$ 158.2 | \$ 13.9 | 8.8% | 5.5% | (2.9)% | 3.9% | 2.3% |
| Flexible Packaging | 48.9 | 44.7 | 4.2 | 9.4% | 3.7% | (3.0)% | — | 8.7% |
| Hospital Supplies | 20.7 | 18.7 | 2.0 | 10.5% | (1.4)% | 2.2% | — | 9.7% |
| Rigid Packaging | 25.2 | 25.3 | (0.1) | (0.6)% | (1.8)% | 7.9% | — | (6.7)% |
| Intersegment eliminations | (1.7) | (1.7) | — | | | | | |
| Total | <u>\$ 265.2</u> | <u>\$ 245.2</u> | <u>\$ 20.0</u> | 8.2% | 3.9% | (1.4)% | 2.5% | 3.2% |

| (dollars in millions) | <u>Nine Months Ended September 30,</u> | | | | <u>Change Attributable to the Following Factors</u> | | | |
|---------------------------|--|-----------------|------------------|-----------------|---|---------------|---------------------|-----------------------------|
| | <u>2008</u> | <u>2007</u> | <u>\$ Change</u> | <u>% Change</u> | <u>Price / Mix</u> | <u>Volume</u> | <u>Acquisitions</u> | <u>Currency Translation</u> |
| Segment: | | | | | | | | |
| Protective Packaging | \$ 520.3 | \$ 469.7 | \$ 50.6 | 10.8% | 2.1% | (1.0)% | 5.4% | 4.3% |
| Flexible Packaging | 148.0 | 131.3 | 16.7 | 12.8% | 1.2% | (0.6)% | — | 12.2% |
| Hospital Supplies | 63.5 | 55.9 | 7.6 | 13.6% | (2.4)% | 2.6% | — | 13.4% |
| Rigid Packaging | 72.7 | 72.4 | 0.3 | 0.5% | (1.0)% | 3.7% | — | (2.2)% |
| Intersegment eliminations | (4.8) | (3.6) | (1.2) | | | | | |
| Total | <u>\$ 799.7</u> | <u>\$ 725.7</u> | <u>\$ 74.0</u> | 10.2% | 1.3% | (0.5)% | 3.5% | 5.9% |