



Press Release

For Immediate Release

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PREGIS ANNOUNCES FOURTH QUARTER AND FULL YEAR 2008 FINANCIAL RESULTS

Deerfield, IL, March 26, 2009 – Pregis Corporation, a leading international manufacturer, marketer, and supplier of protective packaging products and specialty packaging solutions, today announced its 2008 fourth quarter and full year financial results.

For the fourth quarter of 2008, the Company generated net sales of \$219.6 million, a decrease of 13.4% versus net sales of \$253.7 million in the fourth quarter of 2007. Excluding incremental revenue from 2007 acquisitions, as well as a \$20 million impact of unfavorable foreign currency translation, as the U.S. dollar strengthened significantly against the euro and pound sterling, net sales for the quarter decreased 6.8%.

For the full year, 2008 net sales increased 4.1% to \$1.019 billion as compared to \$979.4 million in 2007. Excluding a \$21 million impact of favorable foreign currency translation on a year-to-date basis and incremental revenue from 2007 acquisitions, 2008 net sales decreased 1.1%.

Gross profit margin, as a percent of net sales, was 20.7% in the fourth quarter of 2008, compared to 23.9% in the fourth quarter of 2007. The margin decline was primarily the result of decreased sales volumes due to weakened demand across our segments, offset in part by the impact of selling price increases implemented in the third quarter of 2008 as well the impact of our 2008 cost reduction initiatives. For the full year, our gross profit margin, as a percent of net sales, decreased to 21.6% for 2008 compared to 24.4% for 2007. The decline for the year was primarily due to increased costs of resin, fuel and other raw materials, combined with the significant decline in volumes in the latter part of the year, offset by the impact of selling price increases and cost reduction initiatives.

The Company generated an operating loss in the fourth quarter of 2008 of \$12.3 million, compared to operating income of \$4.9 million for the fourth quarter of 2007. The fourth quarter operating loss reflects a \$19.1 million non-cash goodwill impairment charge within one of the Company's specialty packaging businesses driven by the anticipation of a significant reduction in future revenue from a customer that had historically comprised a material portion of the

reporting unit's annual revenues. Adjusted for this goodwill impairment charge, unfavorable foreign currency translation of \$1.3 million, restructuring activity of \$1.5 million, and a related curtailment gain of \$3.7 million, operating income for the fourth quarter of 2008 was \$5.8 million. This represents a decline of approximately 34% compared to operating income of \$8.8 million for the fourth quarter of 2007, also adjusted for restructuring activity of \$2.8 million, a \$3.1 million write-off of third party due diligence and legal costs related to a potential acquisition that was not consummated, and an unusual insurance gain of \$2.0 million. The fourth quarter's decline in earnings was driven by a reduction in sales volumes, offset in part by cost savings from the Company's various productivity and cost reduction programs as well as favorable impact from the Company's third quarter selling price increases.

Operating income for the full year of 2008 was \$13.3 million, compared to 2007 operating income of \$46.0 million. For the full year, 2008 operating income, adjusted for the aforementioned fourth quarter goodwill impairment charge of \$19.1 million, favorable foreign currency translation of \$2.0 million, restructuring activity of \$9.3 million, and a related curtailment gain of \$3.7 million, was \$36.0 million. This represents a decline of approximately 27% compared to 2007 operating income of \$49.2 million, also adjusted for restructuring activity of \$2.9 million, a \$3.1 million write-off of third party due diligence and legal costs related to a potential acquisition that was not consummated, and an unusual insurance gain of \$2.8 million. For the year, the decline in earnings was driven by higher costs of resin and other raw materials through much of the year, mitigated in part by the benefit of the Company's selling price increases and productivity and cost reduction programs.

Commenting on the Company's results, Mike McDonnell, President and Chief Executive Officer, stated, "2008 featured some of the most challenging market conditions this industry has ever faced. Rapidly escalating raw materials costs had a significant negative impact on our performance in the first half of the year, while unprecedented economic weakness in both the North American and European economies negatively impacted us in the second half, particularly in the fourth quarter. However, despite these significant headwinds we still generated solid earnings and cash flow. We took aggressive pricing action in response to the escalating raw material costs and remain committed to maintaining pricing discipline. In addition, we successfully implemented a number of aggressive productivity and cost reduction initiatives which will benefit our business going forward."

Mr. McDonnell continued, "We enter 2009 with the expectation that it will be a very challenging year, given the continuing economic uncertainty. Although we were very successful in 2008 in reducing costs through our various cost reduction and restructuring initiatives, we recognize that based on our 2009 outlook, additional cost reductions are required. To this point, we are implementing additional restructuring initiatives to reduce our cost structure by optimizing our manufacturing footprint and our organizational structure and operating processes. This next phase of our restructuring should be fully implemented by mid-2009. We estimate that these new initiatives should drive 2009 year-over-year savings of approximately \$15 million to \$20 million, which will help offset the economic weakness we believe will continue throughout 2009."

Segment Performance

In the fourth quarter of 2008, the Company hired a new executive to manage the operations of the flexible packaging, hospital supplies and rigid packaging businesses as an integrated unit, in support of the Company's strategy to drive synergies across these businesses. In the fourth quarter of 2008, the Company began reporting the operations of its flexible packaging, hospital supplies and rigid packaging business as one reportable segment, Specialty Packaging, to be aligned with the aforementioned changes in its internal management structure. As a result, the Company now reports two reportable segments:

- ***Protective Packaging*** – This segment manufactures, markets, sells and distributes protective packaging products in North America and Europe. Its protective mailers, air-encapsulated bubble products, sheet foam, engineered foam, inflatable airbag systems, honeycomb products and other protective packaging products are manufactured and sold for use in cushioning, void-fill, surface-protection, containment and blocking & bracing applications.
- ***Specialty Packaging*** – This segment provides innovative packaging solutions for food, medical, and other specialty packaging applications primarily in the European market.

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

- Net sales of the protective packaging segment decreased by \$25.5 million, or 15.3%. The 2008 fourth quarter sales decline was driven by a 16% volume decline attributed to the weakened economic conditions in both the U.S. and European markets, along with unfavorable foreign currency translation. The volume declines were partially offset by improved pricing in the segment's U.S. and European operations, reflecting the benefit of selling price increases implemented in the third quarter of 2008. Excluding the impacts of unfavorable foreign currency effects and incremental revenue growth from acquisitions, net sales for the segment decreased 12.1%.
- Net sales of the specialty packaging segment decreased \$8.5 million, or 9.9%. The decrease was due primarily to unfavorable foreign currency translation. Excluding the impact of unfavorable foreign currency, the segment's 2008 fourth quarter net sales increased 3.0%, driven by higher sales volumes in fresh-food flexible packaging products, flexible films and surgical procedure packs.

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 fourth quarter and full year results on Friday, March 27, 2009 at 10:00 a.m. ET (9:00 a.m. CT). The call can be accessed through the following dial-in numbers: Domestic: 800-510-9834; International: 617-614-3669; Participant Passcode: 28484117. A replay of the conference call will be available through April 10, 2009. The replay may be accessed using the following dial-in information: Domestic: 888-286-8010; International: 617-801-6888; Passcode: 45812911.

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 46 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)

| | December 31, | |
|--|-------------------|-------------------|
| | 2008 | 2007 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 41,179 | \$ 34,989 |
| Accounts receivable | | |
| Trade, net of allowances of \$5,357 and \$5,313, respectively | 121,736 | 148,045 |
| Other | 13,829 | 18,532 |
| Inventories, net | 87,867 | 108,914 |
| Deferred income taxes | 4,336 | 2,991 |
| Due from Pactiv | 1,399 | 7,072 |
| Prepayments and other current assets | 8,435 | 9,187 |
| Total current assets | 278,781 | 329,730 |
| Property, plant and equipment, net | 245,124 | 277,398 |
| Other assets | | |
| Goodwill | 127,395 | 150,000 |
| Intangible assets, net | 41,254 | 47,910 |
| Deferred financing costs, net | 7,734 | 10,080 |
| Due from Pactiv, long-term | 13,234 | 12,229 |
| Pension and related assets | 22,430 | 25,659 |
| Other | 424 | 2,313 |
| Total other assets | 212,471 | 248,191 |
| Total assets | \$ 736,376 | \$ 855,319 |
| Liabilities and stockholder's equity | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 4,902 | \$ 2,120 |
| Accounts payable | 79,092 | 100,326 |
| Accrued income taxes | 6,964 | 13,900 |
| Accrued payroll and benefits | 11,653 | 19,814 |
| Accrued interest | 6,905 | 6,775 |
| Other | 21,740 | 22,436 |
| Total current liabilities | 131,256 | 165,371 |
| Long-term debt | 460,714 | 475,604 |
| Deferred income taxes | 24,913 | 34,589 |
| Long-term income tax liabilities | 11,310 | 9,585 |
| Pension and related liabilities | 6,119 | 9,389 |
| Other | 11,963 | 7,124 |
| Stockholder's equity: | | |
| Common stock - \$0.01 par value; 1,000 shares authorized, 149.0035 shares issued and outstanding at December 31, 2008 and 2007 | - | - |
| Additional paid-in capital | 150,610 | 149,659 |
| Accumulated deficit | (64,318) | (16,588) |
| Accumulated other comprehensive income | 3,809 | 20,586 |
| Total stockholder's equity | 90,101 | 153,657 |
| Total liabilities and stockholder's equity | \$ 736,376 | \$ 855,319 |

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

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|---------------------------------|------------|-------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$ 219,638 | \$ 253,689 | \$ 1,019,364 | \$ 979,399 |
| Operating costs and expenses: | | | | |
| Cost of sales, excluding depreciation and amortization | 174,247 | 192,977 | 798,690 | 740,235 |
| Selling, general and administrative | 27,393 | 39,691 | 127,800 | 137,180 |
| Depreciation and amortization | 11,610 | 15,063 | 52,344 | 55,799 |
| Goodwill impairment | 19,057 | - | 19,057 | - |
| Other operating expense (income), net | (354) | 1,030 | 8,146 | 190 |
| Total operating costs and expenses | 231,953 | 248,761 | 1,006,037 | 933,404 |
| Operating income | (12,315) | 4,928 | 13,327 | 45,995 |
| Interest expense | 11,776 | 11,953 | 49,069 | 46,730 |
| Interest income | (357) | (428) | (875) | (1,325) |
| Foreign exchange loss (gain), net | 8,087 | 1,188 | 14,728 | (2,339) |
| Income (loss) before income taxes | (31,821) | (7,785) | (49,595) | 2,929 |
| Income tax expense (benefit) | (4,894) | (496) | (1,865) | 7,708 |
| Net loss | \$ (26,927) | \$ (7,289) | \$ (47,730) | \$ (4,779) |

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

| | <u>Year ended December 31,</u> | |
|--|--------------------------------|------------------|
| | <u>2008</u> | <u>2007</u> |
| Operating activities | | |
| Net loss | \$ (47,730) | \$ (4,779) |
| Adjustments to reconcile net loss to cash provided by operating activities: | | |
| Depreciation and amortization | 52,344 | 55,799 |
| Deferred income taxes | (7,769) | (2,110) |
| Unrealized foreign exchange loss (gain) | 14,022 | (2,692) |
| Amortization of deferred financing costs | 2,374 | 2,194 |
| Gain on disposal of property, plant and equipment | (313) | (332) |
| Stock compensation expense | 951 | 558 |
| Defined benefit pension plan expense (income) | (187) | 2,256 |
| Curtailment gain on defined benefit pension plan | (3,736) | - |
| Gain on insurance settlement | - | (2,873) |
| Goodwill impairment | 19,057 | - |
| Trademark impairment | 1,297 | 403 |
| Impairment of interest rate swap asset | 1,299 | - |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable, net | 13,907 | (5,444) |
| Due from Pactiv | 6,630 | 11,542 |
| Inventories, net | 13,597 | (8,186) |
| Prepayments and other current assets | 79 | (279) |
| Accounts payable | (13,121) | 12,269 |
| Accrued taxes | (6,373) | (5,695) |
| Accrued interest | 68 | 467 |
| Other current liabilities | (7,014) | (382) |
| Pension and related assets and liabilities, net | (3,149) | (2,726) |
| Other, net | 3,421 | 1,185 |
| Cash provided by operating activities | <u>39,654</u> | <u>51,175</u> |
| Investing activities | | |
| Capital expenditures | (30,882) | (34,626) |
| Proceeds from sale of assets | 1,063 | 775 |
| Other business acquisitions, net of cash acquired | (958) | (28,785) |
| Insurance proceeds | 3,205 | 884 |
| Other, net | (969) | (226) |
| Cash used in investing activities | <u>(28,541)</u> | <u>(61,978)</u> |
| Financing activities | | |
| Proceeds from issuance of long-term debt | (115) | 218 |
| Repayment of long-term debt | (1,893) | (1,828) |
| Deferred financing costs | - | (1,237) |
| Cash used in financing activities | <u>(2,008)</u> | <u>(2,847)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (2,915) | 2,972 |
| Increase (decrease) in cash and cash equivalents | <u>6,190</u> | <u>(10,678)</u> |
| Cash and cash equivalents, beginning of year | 34,989 | 45,667 |
| Cash and cash equivalents, end of year | <u>\$ 41,179</u> | <u>\$ 34,989</u> |

Pregis Holding II Corporation
Supplemental Information
(Unaudited)

Calculation of Adjusted EBITDA (“Consolidated Cash Flow”)

| (unaudited) (dollars in thousands) | Year Ended December 31, | |
|---|-------------------------|------------|
| | 2008 | 2007 |
| Net loss of Pregis Holding II Corporation | \$ (47,730) | \$ (4,779) |
| Interest expense, net of interest income | 48,194 | 45,405 |
| Income tax expense (benefit) | (1,865) | 7,708 |
| Depreciation and amortization | 52,344 | 55,799 |
| EBITDA | 50,943 | 104,133 |
| Other non-cash charges (income): | | |
| Unrealized foreign currency transaction losses (gains), net | 14,736 | (2,692) |
| Non-cash stock based compensation expense | 951 | 558 |
| Non-cash asset impairment charge | 20,354 | 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 | 11,418 | 4,325 |
| Curtailment gain | (3,736) | - |
| Nonrecurring charges related to acquisitions and dispositions | - | 5,582 |
| Other unusual and nonrecurring gains or losses | 1,283 | - |
| Other adjustments: | | |
| Amounts paid pursuant to management agreement with Sponsor | 1,724 | 1,894 |
| Pro forma earnings and costs savings | - | 3,547 |
| Adjusted EBITDA (“Consolidated Cash Flow”) | \$ 98,100 | \$ 117,750 |

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
Fourth Quarter and Full Year 2008
Supplemental Information
(Unaudited)

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

Gross Margin Calculations

| (dollars in millions) | <u>Three Months Ended December 31,</u> | | | <u>Year Ended December 31,</u> | | |
|---|--|------------------|--------------------|--------------------------------|-------------------|--------------------|
| | <u>2008</u> | <u>2007</u> | <u>Change</u> | <u>2008</u> | <u>2007</u> | <u>Change</u> |
| Net sales | \$ 219,638 | \$ 253,689 | \$ (34,051) | \$ 1,019,364 | \$ 979,399 | \$ 39,965 |
| Cost of sales, excluding depreciation and amortization | (174,247) | (192,977) | 18,730 | (798,690) | (740,235) | (58,455) |
| Gross margin | <u>\$ 45,391</u> | <u>\$ 60,712</u> | <u>\$ (15,321)</u> | <u>\$ 220,674</u> | <u>\$ 239,164</u> | <u>\$ (18,490)</u> |
| Gross margin, as a percent of net sales | <u>20.7%</u> | <u>23.9%</u> | <u>(3.2)%</u> | <u>21.6%</u> | <u>24.4%</u> | <u>(2.8)%</u> |

Net Sales Analysis by Segment

| Segment: | <u>Three months ended December 31,</u> | | | | <u>Change Attributable to the</u> | | | |
|----------------------|--|-------------------|--------------------|-----------------|-----------------------------------|---------------|---------------------|--------------------|
| | <u>2008</u> | <u>2007</u> | <u>\$ Change</u> | <u>% Change</u> | <u>Following Factors</u> | | | <u>Currency</u> |
| | <u>2008</u> | <u>2007</u> | <u>\$ Change</u> | <u>% Change</u> | <u>Price/ Mix</u> | <u>Volume</u> | <u>Acquisitions</u> | <u>Translation</u> |
| | (dollars in thousands) | | | | | | | |
| Protective Packaging | \$ 141,750 | \$ 167,281 | \$ (25,531) | (15.3)% | 4.3 % | (16.4)% | 2.0 % | (5.2)% |
| Specialty Packaging | 77,888 | 86,408 | (8,520) | (9.9)% | (0.7)% | 3.7 % | | (12.9)% |
| Total | <u>\$ 219,638</u> | <u>\$ 253,689</u> | <u>\$ (34,051)</u> | (13.4)% | 2.6 % | (9.4)% | 1.3 % | (7.9)% |

| Segment: | <u>Year ended December 31,</u> | | | | <u>Change Attributable to the</u> | | | |
|----------------------|--------------------------------|-------------------|------------------|-----------------|-----------------------------------|---------------|---------------------|--------------------|
| | <u>2008</u> | <u>2007</u> | <u>\$ Change</u> | <u>% Change</u> | <u>Following Factors</u> | | | <u>Currency</u> |
| | <u>2008</u> | <u>2007</u> | <u>\$ Change</u> | <u>% Change</u> | <u>Price/ Mix</u> | <u>Volume</u> | <u>Acquisitions</u> | <u>Translation</u> |
| | (dollars in thousands) | | | | | | | |
| Protective Packaging | \$ 661,976 | \$ 636,939 | \$ 25,037 | 3.9 % | 2.7 % | (5.1)% | 4.5% | 1.8 % |
| Specialty Packaging | 357,388 | 342,460 | 14,928 | 4.4 % | (0.3)% | 1.5 % | - | 3.2 % |
| Total | <u>\$ 1,019,364</u> | <u>\$ 979,399</u> | <u>\$ 39,965</u> | 4.1 % | 1.6 % | (2.7)% | 2.9% | 2.3 % |