



Press Release

For Immediate Release

Contact:
Tim Cunningham
847-482-2128
tcunningham@pregis.com

PREGIS ANNOUNCES SECOND QUARTER 2006 FINANCIAL RESULTS

Lake Forest, IL, September 29, 2006 – Pregis Corporation, a leading international manufacturer, marketer, and supplier of protective packaging products and specialty packaging solutions, today announced its second quarter 2006 financial results.

A comparative summary of the results for the second quarter is as follows:

(000's)	<u>Successor</u>	<u>Predecessor</u>	<u>Change</u>
	<u>Three Months Ended June 30,</u>	<u>Three Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	
Net sales	<u>\$ 247,701</u>	<u>\$ 224,587</u>	<u>\$ 23,114</u>
Gross profit margin % (1)	<u>21.8%</u>	<u>20.3%</u>	<u>1.5%</u>
Operating income (loss)	<u>\$ 9,532</u>	<u>\$ (26,619)</u>	<u>\$ 36,151</u>
Net income (loss)	<u>\$ 1,776</u>	<u>\$ (20,171)</u>	<u>\$ 21,947</u>

(1) Defined as follows: Net sales minus Cost of sales, excluding depreciation and amortization, divided by Net sales

In the second quarter of 2006, net sales increased 10% to \$247.7 million, up from \$224.6 million in the prior year.

Operating income in the second quarter of 2005 includes a non-cash goodwill impairment charge of \$35.7 million, which was incurred in the Predecessor period based on the initial indications of purchase price for the Pregis businesses. Operating income in the second quarter of 2006 increased 5% compared to 2005 (excluding this goodwill charge). The improvement in operating income was driven by favorable pricing, volume and productivity, offset by higher raw material

costs (e.g. resin) as well as \$5.4 million of increased depreciation and amortization expense, resulting principally from the revaluation of fixed assets and intangible assets in connection with the October 2005 purchase price allocation.

In the second quarter of 2006, the Company generated net income of \$1.8 million, representing an improvement of \$21.9 million compared to the 2005 net loss of \$20.2 million, which reflects the impact of the goodwill impairment charge noted previously. The Company's 2006 second quarter net income reflects higher gross profit margin and operating income, offset by increased interest expense as a result of the debt obligations the company assumed as part of the fourth quarter 2005 acquisition of the Pregis businesses from Pactiv Corporation.

A comparative summary of net sales by segment for the second quarter is as follows:

Net Sales by Segment <i>(in 000's)</i>	Successor	Predecessor	Change
	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	
Protective Packaging	\$ 162,286	\$ 144,766	\$ 17,520
Flexibles	46,327	41,169	5,158
Hospital Supplies	16,317	15,912	405
Rigid Packaging	23,899	24,977	(1,078)
Eliminations	(1,128)	(2,237)	1,109
Total	<u>\$ 247,701</u>	<u>\$ 224,587</u>	<u>\$ 23,114</u>

Comments on segment net sales performance for the second quarter are as follows:

- The protective packaging segment increased revenues by 12% in the second quarter compared to the prior year, driven primarily by higher pricing as well as higher resin resales.
- The flexibles segment increased revenues by 13% compared to the prior year, driven primarily by higher resin resales.
- The hospital supplies segment experienced higher volumes, which were partially offset by unfavorable pricing.
- The rigid packaging segment experienced higher volumes, which were offset by unfavorable pricing and unfavorable currency effects in 2006 compared to 2005.

In the first half of 2006, the Company continued to operate in a volatile raw material environment, and believes it has been successful in offsetting a portion of these increased costs with higher customer pricing. The Company expects such volatility to continue for the foreseeable future and plans to continue its disciplined focus on profitable growth.

Cash and cash equivalents at June 30, 2006 totaled \$43.9 million, which is up approximately \$0.6 million from the March 31, 2006 balance, but down from the December 31, 2005 balance by approximately \$10.2 million. The major factors driving the decline in cash from the year-end balance are as follows:

- Working capital was at a seasonal low in December due to a combination of low demand and facility shutdowns. Accordingly, working capital increased in the first quarter as business returned to normal levels of activity. Working capital has remained at an increased level through the second quarter, consistent with the level of activity during the quarter.
- Certain payments due to Pactiv Corporation under the purchase agreement, as well as for certain other financial matters relating to the carve-out from Pactiv, were not settled until the first quarter of 2006.
- The hospital supplies segment used cash of approximately \$4.9 million to fund a small acquisition during the second quarter.

The Company presently has approximately \$44 million of available borrowing under its revolving credit facility. As of June 30, 2006, the Company had short-term debt of \$1.7 million and long-term debt of \$447.5 million.

A summary and related description of a significant measure related to the Company's indentures are presented at the end of this release.

Other:

The Company plans to announce a date for a conference call with investors to discuss second quarter 2006 financial results.

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 42 facilities in 16 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 our 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 our control. For a discussion of key risk factors, please see the risk factors disclosed in our annual report, which is available on our website, www.pregis.com. These risks may cause our 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)

	June 30, 2006	December 31, 2005
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	\$ 43,914	\$ 54,141
Accounts receivable		
Trade, net of allowances of \$5,639 and \$5,519, respectively	137,776	120,678
Other	2,599	2,985
Inventories, net	100,372	89,298
Deferred income taxes	4,670	5,024
Due from Pactiv	24,972	22,677
Prepayments and other current assets	6,806	6,250
Total current assets	321,109	301,053
Property, plant and equipment, net	269,482	265,970
Other assets		
Goodwill	135,889	140,834
Intangible assets, net	49,210	44,582
Deferred financing costs	12,258	13,427
Other	10,795	8,340
Total other assets	208,152	207,183
Total assets	\$ 798,743	\$ 774,206
Liabilities and owner's equity		
Current liabilities		
Current portion of long-term debt	\$ 1,724	\$ 1,783
Accounts payable	89,423	83,139
Accrued taxes	20,597	19,179
Accrued payroll and benefits	14,824	12,229
Accrued interest	5,772	8,075
Other	19,058	19,755
Total current liabilities	151,398	144,160
Long-term debt	447,468	432,353
Deferred income taxes	35,986	38,279
Pension and related liabilities	8,604	7,581
Other	6,960	7,005
Owner's equity:		
Common stock - \$0.01 par value; 1,000 shares authorized, 149.0035 shares issued and outstanding at June 30, 2006 and December 31, 2005	-	-
Additional paid-in capital	149,097	149,004
Accumulated deficit	(3,551)	(3,409)
Accumulated other comprehensive income (loss)	2,781	(767)
Total owner's equity	148,327	144,828
Total liabilities and owner's equity	\$ 798,743	\$ 774,206

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

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>
	<u>Three Months Ended June 30,</u>	<u>Ended June 30,</u>	<u>Six Months Ended June 30,</u>	<u>Ended June 30,</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ 247,701	\$ 224,587	\$ 486,674	\$ 443,548
Operating costs and expenses:				
Cost of sales, excluding depreciation and amortization	193,781	179,010	382,398	355,047
Selling, general and administrative	30,690	28,358	60,779	57,147
Depreciation and amortization	13,698	8,300	26,334	16,597
Goodwill impairment	-	35,654	-	35,654
Restructuring income	-	(116)	-	(314)
Total operating costs and expenses	<u>238,169</u>	<u>251,206</u>	<u>469,511</u>	<u>464,131</u>
Operating income (loss)	9,532	(26,619)	17,163	(20,583)
Foreign exchange gain	(3,228)	(383)	(3,864)	(476)
Gain on sale of securities	-	-	-	(1,228)
Interest expense	10,452	803	20,419	1,600
Interest income	(58)	(52)	(114)	(83)
Income (loss) before income taxes	<u>2,366</u>	<u>(26,987)</u>	<u>722</u>	<u>(20,396)</u>
Income tax expense (benefit)	590	(6,816)	864	(4,320)
Net income (loss)	<u>\$ 1,776</u>	<u>\$ (20,171)</u>	<u>\$ (142)</u>	<u>\$ (16,076)</u>

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

	<u>Successor</u>	<u>Predecessor</u>
	<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
		(Restated)
Operating activities		
Net loss	\$ (142)	\$ (16,076)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	26,334	16,597
Deferred income taxes	(2,246)	(8,001)
Goodwill impairment	-	35,654
Unrealized foreign exchange gain	(3,821)	-
Amortization of deferred financing costs	1,193	-
Stock compensation expense	93	-
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(11,405)	(9,521)
Affiliate receivables / payables, net	-	(8,740)
Inventories, net	(6,747)	(2,584)
Prepayments and other current assets	(416)	(448)
Accounts payable	1,792	9,198
Accrued taxes	34	2,205
Accrued interest	(2,303)	(4)
Other current liabilities	564	936
Other	244	425
Cash provided by operating activities	<u>3,174</u>	<u>19,641</u>
Investing activities		
Capital expenditures	(8,300)	(14,823)
Proceeds from sale of assets	387	618
Purchase price adjustment on acquisition of Pregis businesses	(1,751)	-
Acquisition of business, net of cash acquired	(4,886)	-
Other investing activities	(136)	357
Cash used in investing activities	<u>(14,686)</u>	<u>(13,848)</u>
Financing activities		
Cash capital contributions	-	9,770
Repayment of long-term debt	(859)	-
Net decrease in short-term debt, affiliates	-	(10,594)
Other financing activities	(14)	(45)
Cash used in financing activities	<u>(873)</u>	<u>(869)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,158</u>	<u>(1,307)</u>
Increase (decrease) in cash and cash equivalents	<u>(10,227)</u>	<u>3,617</u>
Cash and cash equivalents at beginning of period	<u>54,141</u>	<u>22,595</u>
Cash and cash equivalents at end of period	<u>\$ 43,914</u>	<u>\$ 26,212</u>

Pregis Holding II Corporation
Adjusted EBITDA Reconciliation
Unaudited
(dollars in thousands)

	Twelve months ended June 30, 2006
Net income of Pregis Holding II Corporation	\$ 4,216
Interest expense, net of interest income	31,204
Income tax expense	5,254
Depreciation and amortization	45,879
EBITDA	86,553
Other non-cash charges (income):	
Impact attributable to application of purchase accounting	5,045
Non-cash restructuring income	(40)
Non-cash stock based compensation expense	93
Unrealized foreign currency transaction gains, net	(3,107)
Net unusual or nonrecurring gains or losses:	
Gain on sale of securities and other	85
Realized gain on foreign exchange forward contract	(5,441)
Executive management severance and recruiting expenses	1,865
Nonrecurring charges related to acquisitions and dispositions	4,516
Other adjustments:	
Amounts paid pursuant to management agreement with Sponsor	1,157
Pro forma cost savings	1,852
Adjusted EBITDA (“Consolidated Cash Flow”)	\$ 92,578

Notes to the above:

EBITDA is defined as net income before interest expense, interest income, income tax expense, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted to exclude the items described in the above table. We have presented Adjusted EBITDA because it is a material element of the secured indebtedness leverage ratio and the fixed charge coverage ratio included in our indentures.

Also, the Company believes that EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in its industry. The Company also believes that issuers of high yield securities also present these figures because investors, analysts and rating agencies consider them useful in measuring the ability of issuers to meet debt service obligations. However, EBITDA and Adjusted EBITDA do not represent net income or net cash provided by operating activities as defined by GAAP or similar measures in the Company's bank and high yield covenants.

EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, net cash provided by operating activities or other measures as determined in accordance with GAAP as an indication of the Company's operating performance or as a measure of the Company's liquidity. Moreover, EBITDA and Adjusted EBITDA do not necessarily indicate whether cash flows will be sufficient to fund cash needs, including debt service. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements. The Company's presentation of EBITDA and Adjusted EBITDA may not be in accordance with the rules adopted by the SEC that apply to registration statements under the Securities Act and periodic reports under the Exchange Act. In addition, other companies in its industry may calculate EBITDA and Adjusted EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

Neither EBITDA nor Adjusted EBITDA should be considered as a measure of discretionary cash available to the Company to invest in the growth of its business. The Company compensates for these limitations by relying primarily on its GAAP results and using EBITDA and Adjusted EBITDA only as a supplement to the Company's financial statements.