



## Press Release

### For Immediate Release

**Contact:**  
Tim Cunningham  
847-597-9320  
tcunningham@pregis.com

### **PREGIS ANNOUNCES THIRD QUARTER 2006 FINANCIAL RESULTS AND INVESTOR CONFERENCE CALL**

Deerfield, IL, November 13, 2006 – Pregis Corporation, a leading international manufacturer, marketer, and supplier of protective packaging products and specialty packaging solutions, today announced its third quarter 2006 financial results.

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

(000's)	<u>Successor</u>	<u>Predecessor</u>	<u>Change</u>
	<u>Three Months Ended</u> <u>2006</u>	<u>September 30,</u> <u>2005</u>	
Net sales	\$ 254,083	\$ 223,474	\$ 30,609
Gross profit margin % (1)	20.8%	21.8%	-1.0%
Gross profit margin %, excluding resin resale activity (2)	22.3%	22.4%	-0.1%
Operating income	\$ 9,223	\$ 14,301	\$ (5,078)
Net income (loss)	\$ (2,195)	\$ 8,220	\$ (10,415)

(1) Defined as follows: Consolidated net sales minus consolidated cost of sales, excluding depreciation and amortization, divided by consolidated net sales

(2) Defined as follows: Net product sales minus cost of product sales, excluding depreciation and amortization, divided by net product sales

In the third quarter of 2006, net sales increased 14% to \$254.1 million from \$223.5 million in the prior year. The increase in net sales was driven by favorable pricing, additional volume, predominantly with respect to resin resales, and favorable currency effects. Excluding the impact of favorable foreign currency translation, net sales would have increased 11%.

Excluding the impact of resin resales, which generate significantly lower margins than product sales, the Company's gross profit margin was consistent at 22.3% for the three months ended September 30, 2006 compared to 22.4% for the same period of 2005. The resin resale program has expanded in 2006, as third parties have been consolidating their resin buying with the Company, enabling each to jointly benefit from more favorable pricing.

Operating income in the third quarter of 2006 decreased by \$5.1 million, or 36%, compared to the third quarter of 2005. The decline in operating income was due primarily to higher selling, general and administrative expenses, as well as approximately \$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. Selling, general and administrative expenses for the third quarter of 2006 exceeded those for the same period of 2005 by \$3.9 million, primarily due to costs incurred to establish a stand-alone infrastructure and other third-party costs incurred as the Company transitions off of Pactiv's systems and infrastructure.

In the third quarter of 2006, the Company generated a net loss of \$2.2 million, compared to net income of \$8.2 million in the third quarter of 2005. The Company's 2006 third quarter net loss reflects its lower operating income along with 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 third quarter is as follows:

<b>Net Sales by Segment</b> <i>(in 000's)</i>	<b>Successor</b> <b>Three Months Ended September 30,</b>		<b>Predecessor</b> <b>Three Months Ended September 30,</b>	<b>Change</b>
	<b>2006</b>	<b>2005</b>		
Protective Packaging	\$ 162,441	\$ 144,046	\$ 18,395	\$ 18,395
Flexibles	51,572	41,542	10,030	10,030
Hospital Supplies	16,413	15,185	1,228	1,228
Rigid Packaging	25,480	23,958	1,522	1,522
Eliminations	(1,823)	(1,257)	(566)	(566)
Total	<u>\$ 254,083</u>	<u>\$ 223,474</u>	<u>\$ 30,609</u>	<u>\$ 30,609</u>

Comments on segment net sales performance for the third quarter of 2006 as compared to the third quarter of 2005 are as follows:

- Net sales of the protective packaging segment increased \$18.4 million, or 13%. The improvement was driven by increased pricing implemented in response to higher raw material costs, higher resin resale volumes, and a modest increase in product sales volume attributed to higher growth protective packaging markets. Excluding the impact of favorable foreign currency effects, net sales for the segment would have increased 11% in the quarter.

- Net sales of the flexibles segment increased \$10.0 million, or 24%. Increased resin resale volume continued to be the key factor driving the segment's sales growth, coupled with sales price improvement. This has been offset in part by a decrease in product sales volume, which is attributed to management's efforts to improve product mix. Excluding the impact of favorable foreign currency effects, net sales for the segment would have increased 18% in the quarter.
- Net sales of the hospital supplies segment increased \$1.2 million, or 8%. The growth was due to higher volumes in fast growth, disposable medical products, offset by unfavorable pricing due to customer mix and competitive pricing reductions. Excluding the impact of favorable foreign currency effects, net sales for the segment would have increased 6% in the quarter.
- Net sales of the rigid packaging segment increased \$1.6 million, or 7%, primarily due to favorable foreign currency impacts. While product sales volume improved during the quarter, this was offset in part by lower pricing due to the segment's efforts to change its product mix to more profitable products. Excluding the favorable foreign currency impact, the segment's net sales for the third quarter of 2006 would have increased approximately 1%.

The Company continues 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 through the first nine months of 2006. 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 September 30, 2006 totaled \$52.8 million, which is up approximately \$8.9 million from the June 30, 2006 balance, but down from the December 31, 2005 balance by approximately \$1.3 million. In addition to funding typical increases in working capital as the Company's operations returned to normal levels following the seasonally low level at year-end, the Company used cash during the nine months ended September 30, 2006 to fund debt service of approximately \$27 million, capital additions of \$13 million, income taxes of \$5 million and a small acquisition for approximately \$5 million.

The Company presently has approximately \$44 million of available borrowing under its revolving credit facility. As of September 30, 2006, the Company had short-term debt of \$1.7 million and long-term debt of \$445.2 million.

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

**Conference Call:**

The Company will conduct an investor conference call to review its 2006 third quarter results on Monday, November 20, 2006 at 5 p.m. ET (4 p.m. CT). The call can be accessed through the following dial-in numbers: Domestic: 800-573-4754; International: 617-224-4325; Conference ID: 46120369. A replay of the conference call will be available through December 3, 2006. The replay may be accessed using the following dial-in information: Domestic: 888-286-8010; International: 617-801-6888; Conference ID 93486042.

**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](http://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](http://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)*

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>	<b>(unaudited)</b>	
<b>Current assets</b>		
Cash and cash equivalents	\$ 52,826	\$ 54,141
Accounts receivable		
Trade, net of allowances of \$6,338 and \$5,519, respectively	138,520	120,678
Other	1,879	2,985
Inventories, net	101,675	89,298
Deferred income taxes	5,152	5,024
Due from Pactiv	22,241	22,677
Prepayments and other current assets	6,899	6,250
Total current assets	329,192	301,053
Property, plant and equipment, net	261,803	265,970
<b>Other assets</b>		
Goodwill	135,789	140,834
Intangible assets, net	48,124	44,582
Deferred financing costs, net	11,804	13,427
Other	10,680	8,340
Total other assets	206,397	207,183
<b>Total assets</b>	<b>\$ 797,392</b>	<b>\$ 774,206</b>
<b>Liabilities and owner's equity</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 1,686	\$ 1,783
Accounts payable	83,134	83,139
Accrued taxes	20,560	19,179
Accrued payroll and benefits	17,795	12,229
Accrued interest	10,736	8,075
Other	20,454	19,755
Total current liabilities	154,365	144,160
Long-term debt	445,231	432,353
Deferred income taxes	36,024	38,279
Pension and related liabilities	8,487	7,581
Other	6,354	7,005
<b>Owner's equity:</b>		
Common stock - \$0.01 par value; 1,000 shares authorized, 149.0035 shares issued and outstanding at September 30, 2006 and December 31, 2005	-	-
Additional paid-in capital	149,166	149,004
Accumulated deficit	(5,746)	(3,409)
Accumulated other comprehensive income (loss)	3,511	(767)
Total owner's equity	146,931	144,828
<b>Total liabilities and owner's equity</b>	<b>\$ 797,392</b>	<b>\$ 774,206</b>

**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 September 30,</u>	<u>September 30,</u>	<u>Nine Months Ended September 30,</u>	<u>September 30,</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		(restated)		(restated)
<b>Net sales</b>	\$ 254,083	\$ 223,474	\$ 740,757	\$ 667,022
<b>Operating costs and expenses:</b>				
Cost of sales, excluding depreciation and amortization	201,177	174,716	583,575	529,763
Selling, general and administrative	30,819	26,885	91,598	84,032
Depreciation and amortization	12,864	7,572	39,198	24,169
Goodwill impairment	-	-	-	35,654
Restructuring income	-	-	-	(314)
<b>Total operating costs and expenses</b>	<u>244,860</u>	<u>209,173</u>	<u>714,371</u>	<u>673,304</u>
<b>Operating income (loss)</b>	9,223	14,301	26,386	(6,282)
Foreign exchange gain	(9)	(50)	(3,873)	(526)
Gain on sale of securities	-	-	-	(1,228)
Interest expense	11,172	640	31,591	2,240
Interest income	(126)	(52)	(240)	(135)
<b>Income (loss) before income taxes</b>	<u>(1,814)</u>	<u>13,763</u>	<u>(1,092)</u>	<u>(6,633)</u>
Income tax expense	381	5,543	1,245	1,223
<b>Net income (loss)</b>	<u>\$ (2,195)</u>	<u>\$ 8,220</u>	<u>\$ (2,337)</u>	<u>\$ (7,856)</u>

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

	<u>Successor</u>	<u>Predecessor</u>
	<u>Nine Months Ended September 30,</u>	
	<u>2006</u>	<u>2005</u>
		<u>(Restated)</u>
<b>Operating activities</b>		
Net loss	\$ (2,337)	\$ (7,856)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	39,198	24,169
Deferred income taxes	(2,380)	(6,756)
Goodwill impairment	-	35,654
Unrealized foreign exchange gain	(3,938)	-
Amortization of deferred financing costs	1,781	-
Stock compensation expense	162	-
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(10,493)	(13,041)
Affiliate receivables / payables, net	-	68,735
Inventories, net	(8,237)	(1,362)
Prepayments and other current assets	(491)	(776)
Accounts payable	(4,053)	6,279
Accrued taxes	99	(3,585)
Accrued interest	2,661	(203)
Other current liabilities	4,618	6,051
Other, net	(765)	(1,807)
<b>Cash provided by operating activities</b>	<u>15,825</u>	<u>105,502</u>
<b>Investing activities</b>		
Capital expenditures	(13,105)	(21,453)
Proceeds from sale of assets	690	683
Purchase price adjustments on acquisition of Pregis businesses	(451)	-
Acquisition of business, net of cash acquired	(4,886)	-
Other, net	(247)	(726)
<b>Cash used in investing activities</b>	<u>(17,999)</u>	<u>(21,496)</u>
<b>Financing activities</b>		
Cash capital contributions	-	20,454
Repayment of long-term debt	(1,299)	-
Net decrease in short-term debt, affiliates	-	(99,687)
Other, net	(47)	(508)
<b>Cash used in financing activities</b>	<u>(1,346)</u>	<u>(79,741)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,205</u>	<u>(2,520)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(1,315)</u>	<u>1,745</u>
Cash and cash equivalents at beginning of period	<u>54,141</u>	<u>22,595</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 52,826</u>	<u>\$ 24,340</u>

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

	<u>Twelve months ended September 30, 2006</u>
Net loss of Pregis Holding II Corporation	\$ (6,199)
Interest expense, net of interest income	41,662
Income tax expense	92
Depreciation and amortization	<u>51,171</u>
EBITDA	86,726
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	162
Unrealized foreign currency transaction gains, net	(3,224)
Net unusual or nonrecurring gains or losses:	
Realized gain on foreign exchange forward contract	(5,441)
Nonrecurring charges related to acquisitions and dispositions	6,566
Other unusual or nonrecurring expenses	2,843
Other adjustments:	
Amounts paid pursuant to management agreement with Sponsor	1,611
Pro forma cost savings	<u>236</u>
Adjusted EBITDA (“Consolidated Cash Flow”)	<u>\$ 94,484</u>

**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.

**Pregis Holding II Corporation**  
**Supplementary Information**  
**Net Sales by Segment**  
**Unaudited**

(dollars in millions)	<u>Successor</u>		<u>Predecessor</u>		<u>% Change</u>	<u>Change Attributable to the</u> <u>Following Factors</u>			
	<u>Three Months Ended September 30,</u>		<u>September 30,</u>			<u>Price</u>	<u>Product</u>	<u>Resin Resale</u>	<u>Currency</u>
	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>					
<b>Net sales</b>									
Global Protective Packaging	\$ 162.5	\$ 144.1	12.8 %	6.8 %	0.6 %	3.4 %	2.0 %		
Flexibles	51.5	41.6	23.8 %	2.0 %	(3.1)%	19.5 %	5.4 %		
Hospital Supplies	16.4	15.2	7.9 %	(1.9)%	7.9 %	-	1.9 %		
Rigid Packaging	25.5	23.9	6.7 %	(1.2)%	2.6 %	-	5.3 %		
Intersegment eliminations	(1.8)	(1.3)	38.5 %						
	<u>\$ 254.1</u>	<u>\$ 223.5</u>	13.7 %	4.5 %	0.4 %	5.8 %	3.0 %		

(dollars in millions)	<u>Successor</u>		<u>Predecessor</u>		<u>% Change</u>	<u>Change Attributable to the</u> <u>Following Factors</u>			
	<u>Nine Months Ended September 30,</u>		<u>September 30,</u>			<u>Price</u>	<u>Product</u>	<u>Resin Resale</u>	<u>Currency</u>
	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>					
<b>Net sales</b>									
Global Protective Packaging	\$ 482.8	\$ 431.0	12.0 %	6.5 %	2.5 %	3.6 %	(0.6)%		
Flexibles	143.9	121.8	18.1 %	5.0 %	(2.2)%	16.9 %	(1.6)%		
Hospital Supplies	48.9	47.2	3.6 %	(2.5)%	8.5 %	-	(2.4)%		
Rigid Packaging	69.6	72.0	(3.3)%	(2.7)%	0.7 %	-	(1.3)%		
Intersegment eliminations	(4.4)	(5.0)	(12.0)%						
	<u>\$ 740.8</u>	<u>\$ 667.0</u>	11.1 %	4.7 %	2.0 %	5.4 %	(1.0)%		