Pregis

Press Release

For Immediate Release

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

PREGIS ANNOUNCES FOURTH QUARTER AND FULL YEAR 2006 FINANCIAL RESULTS

Deerfield, IL, March 22, 2007 – Pregis Corporation, a leading international manufacturer, marketer, and supplier of protective packaging products and specialty packaging solutions, today announced its fourth quarter and full year 2006 financial results.

A comparative summary of the Company's results for the three months and year ended December 31, 2006 is as follows:

	Three Months Ended December 31,			*Year Ended December 31,*		
	2006	*2005 (1)*	*Change*	*2006*	*2005 (1)*	*Change*
(dollars in millions)		*(Non-GAAP Combined)*			*(Non-GAAP Combined)*	
Net sales *(2)*	$ 235.3	$ 218.5	$ 16.8	$ 925.5	$ 869.6	$ 55.9
Gross profit margin % *(3)*	*23.2%*	*18.8%*	*4.4%*	*22.9%*	*20.5%*	*2.4%*
Operating income (loss)	$ 6.2	$ 1.0	$ 5.2	$ 32.6	$ (5.2)	$ 37.8
Net loss	$ (6.1)	$ (3.9)	$ (2.2)	$ (8.4)	$ (11.7)	$ 3.3

(1) On October 13, 2005, AEA Investors LLP and its affiliates acquired the businesses comprising Pregis Corporation (the Acquisition). The amounts for the year ended December 31, 2005 represent a mathematical addition of the results of operations for the period prior to the Acquisition from January 1, 2005 to October 12, 2005 (the predecessor period) and the results for the period after the Acquisition from October 13, 2005 to December 31, 2005 (the successor period). The amounts for the three months ended December 31, 2005 represent the combined operations for the predecessor and successor periods for the full year 2005, less the predecessor period results for the nine months ended September 30, 2005. The Company's consolidated financial statements for the period subsequent to the Acquisition reflect a new basis of accounting incorporating the new capital structure and fair value adjustments made in recording the Acquisition, while the predecessor periods reflect the historical cost basis of the Company.

(2) The Company has revised its presentation of resin resale activity to present it on a net basis within net sales. Previously, the Company had been presenting this activity on a gross basis, within net sales and cost of sales.

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

In the fourth quarter of 2006, net sales increased 8% to $235.3 million from $218.5 million in the prior year. The increase in net sales was driven by favorable pricing and favorable currency effects, offset in part by reduced product volume. Excluding the impact of favorable foreign currency translation, net sales would have increased 2%.

For the full year, net sales increased 6% to $925.5 million from $869.6 million in 2005. The increase in net sales was driven by favorable pricing, higher product volumes, and favorable currency effects. Excluding the impact of favorable foreign currency translation, net sales would have increased 5%.

The Company's gross profit margin increased to 23.2% in the fourth quarter of 2006 compared to 18.8% for the same period of 2005. For the full year, the 2006 gross profit margin improved to 22.9% from 20.5% in 2005.

While the costs of key resin and plastic-based raw materials stayed at historically high levels during 2006, the Company was generally able to achieve and maintain pricing increases to compensate for this. The favorable pricing, coupled with better product mix management and successful implementation of a number of productivity initiatives, led to the gross margin improvements in the 2006 fourth quarter and full year. At the end of the year, resin costs did decline from higher levels experienced earlier in 2006; however, resin costs have since increased in the first quarter of 2007 and further increases are presently expected. The Company expects such raw material cost volatility to continue for the foreseeable future and remains committed to its disciplined focus on profitable growth.

Operating income in the fourth quarter of 2006 was $6.2 million, representing a significant increase over the 2005 amount of $1.0 million. The increase resulted from the higher gross profit margin, offset in part by higher depreciation and amortization and selling, general and administrative expenses. In the 2006 period, the Company incurred incrementally higher depreciation and amortization expense due principally to the revaluation of fixed assets and intangible assets in connection with the October 2005 purchase price allocation. The Company's selling, general and administrative expenses increased primarily due to costs incurred to establish a stand-alone IT and corporate infrastructure, including management change costs and other third-party costs incurred as the Company transitioned off of Pactiv's systems and infrastructure which are not expected to recur in subsequent years.

In the fourth quarter of 2006, the Company generated a net loss of $6.1 million, compared to a net loss of $3.9 million in the fourth quarter of 2005.

A comparative summary of net sales by segment for the three months and year ended December 31, 2006 is as follows:

Net Sales by Segment	***Three Months Ended December 31,***			***Year Ended December 31,***		
	2006	***2005***	***Change***	***2006***	***2005***	***Change***
(dollars in millions)		*(Non-GAAP Combined)*			*(Non-GAAP Combined)*	
Protective Packaging	$ 155.7	$ 148.6	$ 7.1	$ 617.5	$ 573.7	$ 43.8
Flexible Packaging	40.3	34.2	6.1	154.6	146.0	8.6
Hospital Supplies	15.8	14.3	1.5	64.7	61.5	3.2
Rigid Packaging	24.3	22.5	1.8	93.9	94.6	(0.7)
Eliminations	(0.8)	(1.1)	0.3	(5.2)	(6.2)	1.0
Total	$ 235.3	$ 218.5	$ 16.8	$ 925.5	$ 869.6	$ 55.9

Comments on segment net sales performance for 2006 are as follows:

- Net sales of the protective packaging segment increased $43.8 million, or 8%. The improvement was driven by favorable pricing along with a modest increase in product sales volume. Excluding the impact of favorable foreign currency effects, 2006 net sales for the segment would have increased 7%.
- Net sales of the flexible packaging segment increased $8.6 million, or 6%. Sales price improvement was the key factor driving the segment's sales growth, while product sales volume remained constant year-over-year due to management's efforts to improve product mix. Excluding the impact of favorable foreign currency effects, 2006 net sales for the segment would have increased 4%.
- Net sales of the hospital supplies segment increased $3.2 million, or 5%. The growth was due to higher volumes in fast growth, disposable medical products, offset in part by unfavorable pricing due to customer mix and competitive pricing reductions. Excluding the impact of favorable foreign currency effects, 2006 net sales for the segment would have increased 4%.
- Net sales of the rigid packaging segment decreased $0.7 million, or approximately 1%. The segment has realized lower pricing in its efforts to change its product mix to more profitable products. However, this was substantially offset by favorable foreign currency impacts and a slight improvement in product volume. Excluding the favorable foreign currency impact, the segment's 2006 net sales would have decreased approximately 2%.

Cash and cash equivalents at December 31, 2006 totaled $45.7 million, which is down from the December 31, 2005 balance by approximately $8.4 million. Cash declined in 2006 primarily because the Company paid out approximately $9 million to Pactiv and other third-party vendors for amounts that had built up at year-end for payroll administered by Pactiv and other services related to the Acquisition. In addition to funding typical increases in working capital necessitated by strong 2006 fourth quarter activity, the Company also used its cash generated during the year to fund debt service of approximately $44 million, capital expenditures of $28 million, income taxes of $5 million and an acquisition for approximately $5 million.

The Company presently has approximately $45 million of available borrowing under its revolving credit facility. As of December 31, 2006, the Company had short-term debt of $1.9 million and long-term debt of $453.5 million.

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

Conference Call:

The Company will conduct an investor conference call to review its 2006 fourth quarter and full year results on Friday, March 23, 2007 at 9:00 a.m. ET (8:00 a.m. CT). The call can be accessed through the following dial-in numbers: Domestic: 866-383-8003; International: 617-597-5330; Conference ID: 47161547. A replay of the conference call will be available through April 5, 2007. The replay may be accessed using the following dial-in information: Domestic: 888-286-8010; International: 617-801-6888; Conference ID 60621244.

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 44 facilities in 17 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)

	December 31, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	$ 45,667	$ 54,141
Accounts receivable		
Trade, net of allowances of $4,055 and $5,519, respectively	142,472	120,678
Other	2,535	2,985
Inventories, net	92,196	89,298
Deferred income taxes	3,951	5,024
Due from Pactiv	25,657	22,677
Prepayments and other current assets	8,221	6,250
Total current assets	320,699	301,053
Property, plant and equipment, net	270,646	265,970
Other assets		
Goodwill	135,232	140,834
Intangible assets, net	47,139	44,582
Deferred financing costs, net	11,271	13,427
Other	12,045	8,340
Total other assets	205,687	207,183
Total assets	$ 797,032	$ 774,206
Liabilities and owner's equity		
Current liabilities		
Current portion of long-term debt	$ 1,854	$ 1,783
Accounts payable	78,557	83,139
Accrued taxes	23,030	19,179
Accrued payroll and benefits	19,356	12,229
Accrued interest	6,308	8,075
Other	20,093	19,755
Total current liabilities	149,198	144,160
Long-term debt	453,463	432,353
Deferred income taxes	34,717	38,279
Pension and related liabilities	9,039	7,581
Other	6,355	7,005
Owner's equity:		
Common stock - $0.01 par value; 1,000 shares authorized, 149.0035 shares issued and outstanding at December 31, 2006 and 2005	-	-
Additional paid-in capital	149,101	149,004
Accumulated deficit	(11,809)	(3,409)
Accumulated other comprehensive income (loss)	6,968	(767)
Total owner's equity	144,260	144,828
Total liabilities and owner's equity	$ 797,032	$ 774,206

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

	Year ended December 31, 2006	October 13, 2005 to December 31, 2005	January 1, 2005 to October 12, 2005	Year ended December 31, 2004
Net sales	$ 925,499	$ 191,602	$ 678,034	$ 831,130
Operating costs and expenses:				
Cost of sales, excluding depreciation and amortization	713,784	155,594	535,702	650,593
Selling, general and administrative	125,944	24,172	87,973	103,760
Depreciation and amortization	53,179	10,947	25,195	32,123
Goodwill impairment	-	-	35,654	-
Restructuring (income) expense	-	-	(354)	12,712
Total operating costs and expenses	892,907	190,713	684,170	799,188
Operating income (loss)	32,592	889	(6,136)	31,942
Interest expense	42,535	10,524	2,195	3,562
Interest income	(246)	(153)	(150)	(65)
Foreign exchange gain, net	(6,139)	(4,787)	-	-
Gain on sale of securities	-	-	(1,228)	-
Income (loss) before income taxes	(3,558)	(4,695)	(6,953)	28,445
Income tax expense (benefit)	4,842	(1,286)	1,356	13,056
Net income (loss)	$ (8,400)	$ (3,409)	$ (8,309)	$ 15,389

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

	Successor		Predecessor	
	Year ended December 31, 2006	October 13 to December 31, 2005	January 1 to October 12, 2005	Year ended December 31, 2004
Operating activities				
Net income (loss)	$ (8,400)	$ (3,409)	$ (8,309)	$ 15,389
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Depreciation and amortization	53,179	10,947	25,195	32,123
Deferred income taxes	(796)	(1,579)	(9,931)	(3,146)
Unrealized foreign exchange loss (gain)	(6,323)	656	-	-
Amortization of deferred financing costs	2,144	2,241	-	-
Stock compensation expense	97	-	-	-
Goodwill impairment	-	-	35,654	-
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable, net	(13,437)	1,424	(8,679)	(9,314)
Affiliate receivables / payables, net	-	-	46,292	(16,435)
Inventories, net	3,503	8,171	(2,504)	(5,286)
Prepayments and other current assets	(988)	(1,317)	(612)	(990)
Accounts payable	(10,465)	18,586	6,045	12,721
Accrued taxes	2,365	(4,129)	11,655	9,773
Accrued interest	(1,767)	8,075	-	(23)
Other current liabilities	4,015	(1,195)	4,340	(2,734)
Pension and related liabilities	650	(374)	(12,763)	2,305
Other, net	(1,136)	1,009	1,586	914
Cash provided by operating activities	22,641	39,106	87,969	35,297
Investing activities				
Capital expenditures	(28,063)	(3,910)	(21,906)	(19,321)
Proceeds from sale of assets	723	-	804	814
Acquisition of Pregis businesses	-	(559,300)	-	-
Purchase price adjustments on acquisition of Pregis businesses	(451)	-	-	-
Acquisition of business, net of cash acquired	(4,886)	-	-	-
Other, net	(289)	184	(178)	893
Cash used in investing activities	(32,966)	(563,026)	(21,280)	(17,614)
Financing activities				
Cash capital contributions, net	-	-	20,454	1,015
Issuance of common stock	-	149,004	-	-
Proceeds from issuance of long-term debt	-	437,227	149	-
Repayment of long-term debt	(1,732)	(474)	(454)	(584)
Deferred financing costs	-	(17,694)	-	-
Net increase (decrease) in long-term debt, affiliated	-	-	(98,027)	2,286
Net decrease in short term debt, unaffiliated	-	-	-	(1,180)
Net decrease in short-term debt, affiliates	-	-	-	(9,860)
Cash provided by (used in) in financing activities	(1,732)	568,063	(77,878)	(8,323)
Effect of exchange rate changes on cash and cash equivalents	3,583	(167)	(1,241)	(143)
Increase (decrease) in cash and cash equivalents	(8,474)	43,976	(12,430)	9,217
Cash and cash equivalents, beginning of period	54,141	10,165	22,595	13,378
Cash and cash equivalents, end of period	$ 45,667	$ 54,141	$ 10,165	$ 22,595

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

	Year Ended December 31, 2006	2005
Net loss of Pregis Holding II Corporation	$ (8,400)	$ (11,718)
Interest expense, net	42,289	12,416
Income tax expense	4,842	70
Depreciation and amortization	53,179	36,142
EBITDA	91,910	36,910
Other non-cash charges (income):		
Impact attributable to application of purchase accounting	1,000	4,045
Non-cash goodwill impairment	-	35,654
Non-cash stock based compensation expense	97	-
Non-cash restructuring income	-	(354)
Unrealized foreign currency translation (gains) losses, net	(6,323)	714
Net unusual or nonrecurring gains or losses:		
Gain on sale of securities and other	-	(777)
Realized gain on foreign exchange forward contract	-	(5,441)
Executive management severance and recruiting expenses	7,480	1,005
Nonrecurring charges related to acquisitions and dispositions	6,139	928
Other unusual or nonrecurring expenses	-	-
Other adjustments:		
Amounts paid pursuant to management agreement with Sponsor	1,777	328
Pro forma costs savings	-	6,961
Adjusted EBITDA ("Consolidated Cash Flow")	$ 102,080	$ 79,973

Notes to the above:

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

The amounts for the year ended December 31, 2005 represent a mathematical addition of the results of operations for the period prior to the Acquisition from January 1, 2005 to October 12, 2005 (the predecessor period) and the results for the period after the Acquisition from October 13, 2005 to December 31, 2005 (the successor period).

Pregis Holding II Corporation
Supplementary Information
Unaudited

Net sales by segment

Net sales	Three months ended December 31, 2006	Three months ended December 31, 2005 (1)	% Change	Change Attributable to the Following Factors: Price/ Mix	Product Volume	Currency Translation
	(dollars in millions)					
Protective Packaging	$ 155.7	$ 148.6	4.8 %	6.2 %	(4.8)%	3.4 %
Flexible Packaging	40.3	34.2	17.6 %	(0.1)%	7.6 %	10.2 %
Hospital Supplies	15.8	14.3	10.5 %	(0.6)%	2.0 %	9.1 %
Rigid Packaging	24.3	22.5	7.7 %	(2.2)%	(0.2)%	10.1 %
Intersegment eliminations	(0.8)	(1.1)	(27.3)%			
	$ 235.3	$ 218.5	7.7 %	3.9 %	(1.8)%	5.6 %

Net sales	Year ended December 31, 2006	Year ended December 31, 2005 (1)	% Change	Change Attributable to the Following Factors: Price/ Mix	Product Volume	Currency Translation
	(dollars in millions)					
Protective Packaging	$ 617.5	$ 573.7	7.6 %	6.5 %	0.6 %	0.5 %
Flexible Packaging	154.6	146.0	5.9 %	4.1 %	(0.1)%	1.9 %
Hospital Supplies	64.7	61.5	5.2 %	(2.8)%	6.9 %	1.1 %
Rigid Packaging	93.9	94.6	(0.7)%	(2.6)%	0.2 %	1.7 %
Intersegment eliminations	(5.2)	(6.2)	(16.1)%			
	$ 925.5	$ 869.6	6.4 %	4.5 %	1.0 %	0.9 %

Gross margin calculations

(dollars in millions)	Three Months Ended December 31, 2006	2005 (1)	Change	Year Ended December 31, 2006	2005 (1)	Change
Net sales	$ 235.3	$ 218.5	$ 16.8	$ 925.5	$ 869.6	$ 55.9
Cost of sales, excluding depreciation and amortization	(180.8)	(177.4)	(3.4)	(713.8)	(691.3)	(22.5)
Gross margin	$ 54.5	$ 41.1	$ 13.4	$ 211.7	$ 178.3	$ 33.4
Gross margin as a percent of net sales	**23.2%**	**18.8%**	**4.4%**	**22.9%**	**20.5%**	**2.4%**

(1) *On October 13, 2005, AEA Investors LLP and its affiliates acquired the businesses comprising Pregis Corporation (the Acquisition). The amounts for the year ended December 31, 2005 represent a mathematical addition of the results of operations for the period prior to the Acquisition from January 1, 2005 to October 12, 2005 (the predecessor period) and the results for the period after the Acquisition from October 13, 2005 to December 31, 2005 (the successor period). The amounts for the three months ended December 31, 2005 represent the combined operations for the predecessor and successor periods for the full year 2005, less the predecessor period results for the nine months ended September 30, 2005. The Company's consolidated financial statements for the period subsequent to the Acquisition reflect a new basis of accounting incorporating the new capital structure and fair value adjustments made in recording the Acquisition, while the predecessor periods reflect the historical cost basis of the Company.*