



## Press Release

### For Immediate Release

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### **PREGIS ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS**

Lake Forest, IL, August 15, 2006 – Pregis Corporation, a leading international manufacturer, marketer, and supplier of protective packaging products and specialty packaging solutions, today announced its first quarter 2006 financial results.

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

	<u>Successor</u>	<u>Predecessor</u>	<u>Change</u>
	<u>Three Months Ended March 31</u>		
(000's)	<u>2006</u>	<u>2005</u>	
Net sales	<u>\$ 238,973</u>	<u>\$ 218,961</u>	<u>\$ 20,012</u>
Gross profit margin % (1)	<u>21.1%</u>	<u>19.6%</u>	<u>1.5%</u>
Operating income	<u>\$ 8,331</u>	<u>\$ 6,036</u>	<u>\$ 2,295</u>
Net Income	<u>\$ (1,101)</u>	<u>\$ 4,095</u>	<u>\$ (5,196)</u>

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

Net sales in 2006 were favorable by 9% when compared to 2005 results. A summary and discussion of net sales by segment follows below.

Operating income in 2006 increased 38% compared to 2005 results. The improvement in operating income was driven by favorable pricing, volume and productivity, offset in part by higher raw materials (e.g. resin), unfavorable currency effects and higher expenses as Pregis establishes a stand-alone infrastructure for the company. In addition, Pregis realized \$4.3 million of increased depreciation and amortization expense in the first

quarter of 2006 because of the revaluation of fixed assets and intangible assets related to the October 2005 preliminary purchase price allocation.

Net income is below prior year by \$5.2 million, primarily due to higher 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 first quarter is as follows:

<b><u>Net Sales by Segment</u></b> (000's)	<b><u>Successor</u></b>	<b><u>Predecessor</u></b>	<b><u>Change</u></b>
	<b><u>Three Months Ended March 31</u></b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	
Protective Packaging	\$ 158,039	\$ 142,145	\$ 15,894
Flexibles	46,041	39,056	6,985
Hospital Supplies	16,205	16,159	46
Rigid Packaging	20,195	23,098	(2,903)
Eliminations	(1,507)	(1,497)	(10)
<b>Net sales</b>	<b>\$ 238,973</b>	<b>\$ 218,961</b>	<b>\$ 20,012</b>

Comments on segment net sales performance are as follows:

- The protective packaging segment increased revenues by 11% in the first quarter compared to the prior year, driven by favorable pricing and higher volumes, offset in part by unfavorable currency effects.
- The flexibles segment increased revenues by 18% compared to the prior year, driven by favorable pricing and higher volumes, offset in part by unfavorable currency effects.
- The hospital supplies segment experienced higher volumes, which were offset by unfavorable currency effects and unfavorable pricing.
- The rigid packaging segment experienced unfavorable currency effects and lower volumes in 2006 compared to 2005.
- Increased resin resales and other product volume, favorably influenced the volume performance of the protective packaging segment and flexibles segment.

Cash and cash equivalents at March 31, 2006 totaled \$43.4 million and the company presently has approximately \$44 million of available borrowing under its revolving credit facility. As of March 31, 2006, the company had short-term debt of \$1.8 million and long-term debt of \$436.6 million.

Cash declined by \$10.8 million compared to December 31, 2005. The major factors driving the decline in cash are as follows:

- Working capital is at a seasonal low in December due to a combination of low demand and facility shutdowns. Accordingly, working capital increases in the first quarter as business returns to normal levels of business activity.
- 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, which were not settled until the first quarter of 2006.

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

**Second Quarter 2006 Comments:**

Although second quarter 2006 financial results are currently under review, Pregis presently expects to report second quarter results with similar year-over-year trends, such as higher pricing and volumes, offset in part by higher raw material costs, higher depreciation and amortization expense, unfavorable currency effects and higher expenses due to the establishment of a stand-alone infrastructure and transition costs relating to moving off the systems of Pactiv Corporation.

**Other:**

The Company plans to announce a date for a conference call with investors to discuss first 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](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>March 31, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 43,360	\$ 54,141
Accounts receivable		
Trade, net of allowances of \$5,359 and \$5,519, respectively	131,851	120,678
Other	4,005	2,985
Inventories	92,938	89,298
Deferred income taxes	4,954	5,024
Due from Pactiv	22,672	22,677
Prepayments and other	6,758	6,250
Total current assets	306,538	301,053
Property, plant and equipment, net	266,058	265,970
Other assets		
Goodwill	133,427	140,834
Intangible assets, net	48,185	44,582
Deferred financing costs	12,788	13,427
Other	9,404	8,340
Total other assets	203,804	207,183
<b>Total assets</b>	<b>\$ 776,400</b>	<b>\$ 774,206</b>
<b>Liabilities and owner's equity</b>		
Current liabilities		
Short-term debt	\$ 1,766	\$ 1,783
Short-term debt, affiliates	-	-
Accounts payable	81,262	83,139
Accrued taxes	19,721	19,179
Accrued payroll and benefits	12,872	12,229
Accrued interest	10,463	8,075
Other	18,108	19,755
Total current liabilities	144,192	144,160
Long-term debt	436,599	432,353
Long-term debt, affiliates	-	-
Deferred income taxes	35,972	38,279
Pension and related liabilities	7,838	7,581
Other	6,755	7,005
<b>Owner's equity:</b>		
Common stock - \$0.01 par value; 1,000 shares authorized, 149,0035 shares issued and outstanding at March 31, 2006 and December 31, 2005	-	-
Additional paid-in capital	149,053	149,004
Accumulated deficit	(4,510)	(3,409)
Accumulated other comprehensive income (loss)	501	(767)
Total owner's equity	145,044	144,828
<b>Total liabilities and owner's equity</b>	<b>\$ 776,400</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>Three Months Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
<b>Net sales</b>	\$ 238,973	\$ 218,961
<b>Operating costs and expenses:</b>		
Cost of sales, excluding depreciation and amortization	188,617	176,037
Selling, general and administrative	29,389	28,789
Depreciation and amortization	12,636	8,297
Restructuring income	-	(198)
Total operating costs and expenses	<u>230,642</u>	<u>212,925</u>
<b>Operating income</b>	8,331	6,036
Foreign exchange gain	(636)	(93)
Gain on sale of securities	-	(1,228)
Interest expense	9,967	797
Interest income	<u>(56)</u>	<u>(31)</u>
<b>Income (loss) before income taxes</b>	(944)	6,591
Income tax expense	<u>157</u>	<u>2,496</u>
<b>Net income (loss)</b>	<u>\$ (1,101)</u>	<u>\$ 4,095</u>

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

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three Months Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
<b>Operating activities</b>		
Net income (loss)	\$ (1,101)	\$ 4,095
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	12,636	8,297
Deferred income taxes	(1,751)	763
Unrealized foreign exchange gain	(653)	-
Amortization of deferred financing costs	608	-
Stock compensation expense	49	-
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(10,430)	(7,877)
Affiliate receivables / payables, net	-	(1,614)
Inventories	(2,654)	(6,160)
Prepayments and other current assets	(474)	486
Trade accounts payable	(2,210)	11,901
Accrued taxes	147	1,435
Accrued interest	2,377	(10)
Other current liabilities	(1,342)	(608)
Other	142	(87)
<b>Cash (used in) provided by operating activities</b>	<u>(4,656)</u>	<u>10,621</u>
<b>Investing activities</b>		
Capital expenditures	(4,791)	(7,593)
Proceeds from sale of assets	62	222
Purchase price adjustment on acquisition of Pregis businesses	(1,751)	-
Other investing activities	-	(15)
<b>Cash used in investing activities</b>	<u>(6,480)</u>	<u>(7,386)</u>
<b>Financing activities</b>		
Cash capital contributions	-	2,664
Repayment of long-term debt	(426)	-
Net decrease in short-term debt, affiliates	-	(2,769)
Other financing activities	26	(81)
<b>Cash used in financing activities</b>	<u>(400)</u>	<u>(186)</u>
Effective of exchange rate changes on cash and cash equivalents	<u>755</u>	<u>(709)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(10,781)</u>	<u>2,340</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>\$ 43,360</u>	<u>\$ 24,935</u>

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

	<b>Twelve Months Ended March 31, 2006</b>
	<b>2006</b>
Net loss of Pregis Corporation	\$ (16,914)
Interest expense, net of interest income	21,561
Income tax expense	(2,269)
Depreciation and amortization	40,481
Goodwill Impairment	35,654
EBITDA	78,513
Other non-cash charges (income):	
Impact attributable to application of purchase accounting	4,787
Noncash restructuring income	(156)
Unrealized foreign currency transaction losses, net	61
Net unusual or nonrecurring gains or losses:	
Gain on sale of securities and other	268
Realized gain on foreign exchange forward contract	(5,441)
Charges, principally severance and recruitment expenses	1,452
Non-recurring charges related to acquisitions, dispositions or equity offering	2,391
Other adjustments:	
Amounts paid pursuant to management agreement with Sponsor	782
Noncash compensation expense	49
Pro forma cost savings	4,037
<b>Adjusted EBITDA (“Consolidated Cash Flow”)</b>	<b>\$ 86,743</b>

**Notes to the above:**

EBITDA is defined as net income before interest expense, interest income, income tax expense, depreciation and amortization, and goodwill impairment. 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 leverage ratio and the interest 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.