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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER 1-15399

PACKAGING CORPORATION OF AMERICA
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	36-4277050
(State or other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
1900 WEST FIELD COURT LAKE FOREST, ILLINOIS	60045
(Address of Principal Executive Offices)	(Zip Code)

(847) 482-3000
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

As of November 5, 2001, the Registrant had outstanding 105,574,628 shares of common stock, par value $0.01 per share.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PACKAGING CORPORATION OF AMERICA
CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, DECEMBER 31, 2001 2000 -------------- -----
-------- (IN THOUSANDS, EXCEPT SHARE AND PER SHARE
AMOUNTS) (UNAUDITED) ASSETS Current assets: Cash and cash
equivalents................................. $ 65,297 $

7,892 Accounts and notes receivable, net of allowance for doubtful accounts of $6,005 and $6,394 as of September 30, 2001 and December 31, 2000, respectively.. 222,652 215,994 Inventories... 157,354 159,712 Prepaid expenses and other current assets................. 10,488 5,755 Deferred income taxes.................................... 17,706 14,356 ---------- ---------- TOTAL CURRENT ASSETS................................... 473,497 403,709 Property, plant and equipment, net......................... 1,452,620 1,455,990 Intangible assets, net of accumulated amortization of $1,549 and $1,380 as of September 30, 2001 and December 31, 2000, respectively.. 3,681 1,758 Other long-term assets..................................... 73,111 80,655 ---------- ---------- TOTAL ASSETS... $2,002,909 $1,942,112 ========== ========== LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Current portion of long-term debt........................ $ 70 $ 239 Accounts payable... 113,986 113,701 Accrued interest... 26,779 15,438 Accrued liabilities...................................... 91,668 89,170 ---------- ---------- TOTAL CURRENT LIABILITIES.............................. 232,503 218,548 Long-term liabilities: Long-term debt... 816,136 869,175 Deferred income taxes................................... 184,609 151,728 Other liabilities.. 22,608 15,237 ---------- ---------- TOTAL LONG-TERM LIABILITIES........................... 1,023,353 1,036,140 Shareholders' equity: Common stock (par value $.01 per share, 300,000,000 shares authorized, 105,926,333 shares and 106,248,138 shares issued as of September 30, 2001 and December 31, 2000, respectively)... 1,059 1,062 Additional paid in capital.............................. 493,295 512,208 Retained earnings.. 262,500 174,468 Accumulated other comprehensive loss..................... (3,440) -- Common stock held in treasury, at cost (408,500 shares and 27,470 shares as of September 30, 2001 and December 31, 2000, respectively).................................... (6,361) (314) ---------- ---------- TOTAL SHAREHOLDERS' EQUITY............................. 747,053 687,424 ---------- ---------- TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY............. $2,002,909 $1,942,112 ========== ==========

See notes to condensed consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, --------------------- 2001 2000 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) --------- --------- Net sales.. $ 455,214 $ 487,676 Cost of sales.. (346,372) (350,431) --------- --------- Gross profit... 108,842 137,245 Selling and administrative expenses........................ (30,633) (28,992) Other

expense, net..
(2,536) (2,165) Corporate
overhead..
(10,309) (9,520) --------- --------- Income before
interest and taxes......................... 65,364
96,568 Interest expense,
net...................................... (17,819)
(29,885) --------- --------- Income before
taxes....................................... 47,545
66,683 Provision for income
taxes................................ (18,391) (26,674)
--------- --------- Net income available to common
shareholders................. $ 29,154 $ 40,009 =========
========= Weighted average common shares outstanding:
Basic..
106,628 105,964
Diluted..
109,315 108,295 Basic earnings per common share: Net
income per common share.............................. $
0.27 $ 0.38 ========= ========= Diluted earnings per
common share: Net income per common
share............................. $ 0.27 $ 0.37
========= =========

See notes to condensed consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, ------------------------
2001 2000 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) ------
----- ----------- Net
sales..
$ 1,376,844 $ 1,455,938 Cost of
sales...
(1,048,643) (1,081,483) ----------- ----------- Gross
profit..
328,201 374,455 Selling and administrative
expenses....................... (92,644) (87,628) Other
expense, net...
(3,247) (98) Corporate
overhead..
(31,432) (28,884) ----------- ----------- Income before
interest, taxes and cumulative effect of accounting
change.................................... 200,878
257,845 Interest expense,
net...................................... (56,237)
(92,278) ----------- ----------- Income before taxes and
cumulative effect of accounting
change...
144,641 165,567 Provision for income
taxes................................ (56,114) (67,035)
----------- ----------- Income before cumulative effect
of accounting change...... 88,527 98,532 Cumulative
effect of accounting change, net of tax.......... (495) -
- ----------- ----------- Net
income...
88,032 98,532 Preferred dividends and accretion of
preferred stock issuance
costs.. --
(18,637) ----------- ----------- Net income available to
common shareholders................ $ 88,032 $ 79,895
=========== =========== Weighted average common shares
outstanding:
Basic..
106,543 104,471
Diluted..
109,114 106,799 Basic earnings per common share: Income
before cumulative effect of accounting change...... $
0.83 $ 0.76 Cumulative effect of accounting
change................... -- -- ---------- ----------
Net income per common
share............................. $ 0.83 $ 0.76
=========== =========== Diluted earnings per common
share: Income before cumulative effect of accounting

...change	$ 0.81	$ 0.75
Cumulative effect of accounting change	--	--
Net income per common share	$ 0.81	$ 0.75

See notes to condensed consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 88,032	$ 98,532
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	105,230	106,087
Amortization of financing costs	3,662	5,456
Cumulative effect of accounting change	495	--
Increase in deferred income taxes	30,808	43,056
Loss on disposal of property, plant and equipment	1,759	1,578
Other, net	2,248	(266)
Changes in components of working capital:		
(Increase) decrease in current assets--		
Accounts receivable	(5,400)	(18,723)
Inventories	2,998	4,303
Prepaid expenses and other	(4,715)	(1,183)
Increase (decrease) in current liabilities--		
Accounts payable	(1,797)	(17,789)
Accrued liabilities	13,725	17,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	237,045	238,551
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(96,001)	(85,148)
Additions to other long term assets	(2,537)	(3,112)
Acquisition of businesses	(4,827)	--
Proceeds from disposals of property, plant and equipment	1,044	2,091
Investments in joint ventures	--	(500)
Other, net	884	(819)
NET CASH USED FOR INVESTING ACTIVITIES	(101,437)	(87,488)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of preferred stock	--	(124,432)
Payments on long-term debt	(53,239)	(127,825)
Proceeds from initial public offering	--	126,364
Proceeds from long-term debt issued	--	605
Repurchases of common stock	(30,102)	(314)
Issuance of common stock upon exercise of stock options	5,138	912
NET CASH USED FOR FINANCING ACTIVITIES	(78,203)	(124,690)
NET INCREASE IN CASH	57,405	26,373
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,892	10,300
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 65,297	$ 36,673

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2001

1. BASIS OF PRESENTATION

The consolidated financial statements as of September 30, 2001 and 2000 of Packaging Corporation of America ("PCA" or the "Company") are unaudited but include all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of such financial statements. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with Article 10 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Operating results during the period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the period ending December 31, 2001.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The accompanying condensed consolidated financial statements of Packaging Corporation of America include all majority-owned subsidiaries. All significant intercompany transactions have been eliminated. The Company has two joint ventures that are carried under the equity method.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

SEGMENT INFORMATION

PCA is primarily engaged in one line of business: the manufacture and sale of packaging materials, boxes and containers for industrial and consumer markets. No single customer accounts for more than 10% of total revenues. As a result of a recent acquisition, PCA now has a small warehouse and assembly operation in Nogales, Mexico.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities and to measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow or foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. The Company is required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments reported in net income or accumulated other comprehensive income (OCI), as appropriate.

The Company recorded a transition adjustment upon adoption of SFAS No. 133 to recognize its derivative instruments at fair value and to recognize the effective and ineffective portions of the cash

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

flow hedges. The effect of this transition adjustment was to decrease reported net income in the first quarter by approximately $0.5 million ($0.8 million pre-tax). The Company also recorded a minimal transition adjustment in OCI and an increase in noncurrent liabilities of approximately $0.8 million.

The Company uses derivative instruments to manage exposures to interest rate risk. The Company's objectives for holding derivatives are to minimize the risks using the most effective methods to eliminate or reduce the impacts of these exposures. The Company has two interest rate collar agreements that protect against rising interest rates and simultaneously guarantee a minimum interest rate. Interest rate collar agreements are accounted for as cash flow hedges.

For the nine months ended September 30, 2001, reported net income increased $0.2 million ($0.4 million pre-tax) for changes in the time value of the interest rate collars, or hedge ineffectiveness. All amounts have been included in other expense in the statements of income. Derivative losses included in OCI as of September 30, 2001, will be reclassified into earnings over the lives of the collar agreements, through June 30, 2003.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statements is not expected to have a material impact on the Company's consolidated financial position or results of operations. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

REVENUE RECOGNITION

The Company recognizes revenue as title to the products is transferred to customers. In the fourth quarter of 2000, the Company adopted EITF 00-10, "Accounting for Shipping and Handling Fees and Costs." Shipping and handling costs are included in cost of sales. Shipping and handling billings to a customer in a sales transaction are included in revenue. Prior year amounts have been reclassified to conform to this treatment.

COMPREHENSIVE INCOME

For the nine months ended September 30, 2001, total comprehensive income was $3.4 million less than net income due to derivative losses. There was no difference for the nine months ended September 30, 2000.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
RECLASSIFICATIONS

Prior year's financial statements have been reclassified where appropriate to conform with current year presentation.

3. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted income per common share for the periods presented.

THREE MONTHS ENDED SEPTEMBER 30, ------------------
--------- 2001 2000 (IN THOUSANDS, EXCEPT PER SHARE
DATA) -------- -------- Numerator: Net income
available to common shareholders.............. $
29,154 $ 40,009 Denominator: Basic common shares
outstanding.......................... 106,628
105,964 Effect of dilutive securities: Stock
options..
2,687 2,331 -------- -------- Dilutive common

Dilutive common shares outstanding	109,315	108,295
Basic income per common share	$ 0.27	$ 0.38
Diluted income per common share	$ 0.27	$ 0.37

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Numerator:		
Net income available to common shareholders	$ 88,032	$ 79,895
Denominator:		
Basic common shares outstanding	106,543	104,471
Effect of dilutive securities:		
Stock options	2,571	2,019
Non-vested stock	--	309
	--------	--------
Dilutive common shares outstanding	109,114	106,799
Basic income per common share	$ 0.83	$ 0.76
Diluted income per common share	$ 0.81	$ 0.75

4. INVENTORIES

The components of inventories are as follows:

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	(AUDITED)
Raw materials	$ 66,741	$ 71,256
Work in progress	6,660	5,908
Finished goods	52,618	56,157
Supplies and materials	55,035	51,222
	--------	--------
Inventories at FIFO cost	181,054	184,543
Excess of FIFO over LIFO cost	(23,700)	(24,831)
	--------	--------
Inventory, net	$157,354	$159,712
	========	========

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

5. SHAREHOLDERS' EQUITY

On May 16, 2001, the Company announced a $100.0 million common stock repurchase program. PCA currently expects to repurchase the shares from time to time. Through September 30, 2001, the Company repurchased 1,812,700 shares of common stock for approximately $30.1 million. Of these shares, 408,500 were held in treasury at September 30, 2001 and were subsequently retired in October, 2001. The remaining shares were retired prior to September 30, 2001.

6. ACQUISITIONS

On May 25, 2001, PCA International, Inc., a wholly owned subsidiary of PCA, was formed to acquire the assets of Sunbelt Packaging Services, Inc. for approximately $4.8 million. The transaction was completed on June 1, 2001. The purchase method of accounting was used to account for the acquisition. Sales and total assets of the acquisition were not material.

7. SUMMARIZED COMBINED FINANCIAL INFORMATION ABOUT GUARANTOR SUBSIDIARIES

The following is summarized aggregated financial information for Packaging Credit Company, LLC, Dixie Container Corporation, PCA International, Inc. and PCA Hydro, Inc., each of which was a wholly-owned subsidiary of PCA and included in the Company's consolidated financial statements. Each of these subsidiaries fully, unconditionally, jointly and severally guaranteed $550.0 million in senior subordinated notes issued by PCA. Separate financial statements of the guarantor subsidiaries are not presented because, in the opinion of management, such financial

7. SUMMARIZED COMBINED FINANCIAL INFORMATION ABOUT GUARANTOR SUBSIDIARIES (CONTINUED)

statements are not material to investors. Financial information for Packaging Receivables Company, LLC is reflected as a non-guarantor subsidiary.

	PCA	GUARANTOR SUBS	NON-GUARANTOR SUB	ELIMINATIONS	TOTAL
	(IN THOUSANDS)				
SEPTEMBER 30, 2001					
Current assets...............	$ 273,786	$ 84,387	$196,726	$ (81,402)	$ 473,497
Non-current assets...........	1,654,115	100,687	--	(225,390)	1,529,412
Total assets...............	1,927,901	185,074	196,726	(306,792)	2,002,909
Current liabilities..........	302,376	24,146	1,038	(95,057)	232,503
Non-current liabilities......	897,177	176	126,000	--	1,023,353
Total liabilities..........	1,199,553	24,322	127,038	(95,057)	1,255,856
Net assets...................	$ 728,348	$160,752	$ 69,688	$(211,735)	$ 747,053
DECEMBER 31, 2000					
Current assets...............	$ 192,295	$ 63,501	$207,976	$ (60,063)	$ 403,709
Non-current assets...........	1,663,269	65,883	--	(190,749)	1,538,403
Total assets...............					

1,855,564 129,384
207,976 (250,812)
1,942,112 Current
liabilities..........
278,581 3,441 1,372
(64,846) 218,548 Non-
current
liabilities......
893,978 162 142,000 --
1,036,140 ---------- ---
----- -------- ---------
---------- Total
liabilities..........
1,172,559 3,603 143,372
(64,846) 1,254,688 -----
----- -------- --------
--------- ---------- Net
assets...................
$ 683,005 $125,781 $
64,604 $(185,966) $
687,424 ==========
======== ========
========= ==========
NINE MONTHS ENDED
SEPTEMBER 30, 2001 Net
sales....................
$1,373,882 $ 2,962 $ --
$ -- $1,376,844 Pre-tax
profit...............
121,710 48,113 5,519
(30,701) 144,641 Net
income...................
73,746 29,924 3,488
(19,126) 88,032 NINE
MONTHS ENDED SEPTEMBER
30, 2000 Net
sales....................
$1,455,938 $ -- $ -- $ -
- $1,455,938 Pre-tax
profit..............
165,529 38 -- -- 165,567
Net
income..................
98,508 24 -- -- 98,532

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2000

NET SALES

Net sales decreased by $32.5 million, or 6.7%, for the three months ended September 30, 2001 from the comparable period in 2000. The decrease was primarily the result of decreased sales prices of containerboard and corrugated products and, to a lesser extent, decreased shipments of containerboard to external third parties.

Total corrugated products volume increased 1.1% for the three months ended September 30, 2001 from the comparable period in 2000. This increase was due to the fact that the third quarter of 2001 had one more workday, those days not falling on a weekend or holiday, than the third quarter of 2000. On a comparable shipments-per-workday basis, corrugated products volume was down 0.5% from the third quarter of 2000. Containerboard volume to external domestic and export customers decreased 4.1%.

According to Pulp & Paper Week, average linerboard and semi-chemical medium prices for 42 lb. Liner-East and 26 lb. Medium-East, which are representative benchmark grades, were $438 and $395, respectively, per ton for the three months ended September 30, 2001. This compares to $475 and $452, respectively, per ton for the three months ended September 30, 2000.

INCOME BEFORE INTEREST EXPENSE AND TAXES

Operating income decreased by $31.2 million, or 32.3%, for the three months ended September 30, 2001 compared to the three months ended September 30, 2000. The decrease in operating income was primarily attributable to the lower sales prices described above.

Gross profit decreased $28.4 million, or 20.7%, for the three months ended September 30, 2001 from the comparable period in 2000 due to the lower sales prices described above.

Selling and administrative expenses increased $1.6 million, or 5.7%, for the three months ended September 30, 2001 compared to the three months ended September 30, 2000. The increase was primarily the result of increased salary and other general selling related expenses.

Corporate overhead for the three months ended September 30, 2001 increased by $0.8 million, or 8.3%, from the comparable period in 2000. The increase was primarily due to increased salary and information technology services expenses.

INTEREST EXPENSE AND INCOME TAXES

Interest expense decreased by $12.1 million, or 40.4%, for the three months ended September 30, 2001 from the three months ended September 30, 2000, primarily as a result of voluntary prepayments PCA made on the term loans under its senior credit facility.

PCA's effective tax rate was 38.7% for the three months ended September 30, 2001 and 40.0% for the comparable period in 2000. The tax rate is higher than the federal statutory rate of 35% due to state income taxes.

NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000

NET SALES

Net sales decreased by $79.1 million, or 5.4%, for the nine months ended September 30, 2001 from the comparable period in 2000. The decrease was primarily the result of decreases in sales prices of containerboard and in shipments of containerboard to external third parties.

Containerboard volume to external domestic and export customers decreased 11.5% for the nine months ended September 30, 2001 from the comparable period in 2000. Total corrugated products volume decreased 0.5% for the first nine months of 2001 compared to the first nine months of 2000. On a comparable shipments-per-workday basis, corrugated products volume decreased 1.0% for the nine months ended September 30, 2001 from the comparable period in 2000.

According to Pulp & Paper Week, average linerboard and semi-chemical medium prices for 42 lb. Liner-East and 26 lb. Medium-East, which are representative benchmark grades, were $450 and $409, respectively, per ton for the nine months ended September 30, 2001. This compares to $466 and $446, respectively, per ton for the nine months ended September 30, 2000.

INCOME BEFORE INTEREST EXPENSE AND TAXES

Operating income decreased by $57.0 million, or 22.1%, for the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000. The decrease in operating income was primarily attributable to the price and volume decreases described above.

Gross profit decreased $46.3 million, or 12.4%, for the nine months ended September 30, 2001 from the comparable period in 2000 due primarily to the price and volume decreases described above.

Selling and administrative expenses increased $5.0 million, or 5.7%, for the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000. The increase was primarily the result of increased salary and other general selling related expenses.

Corporate overhead for the nine months ended September 30, 2001 increased by $2.5 million, or 8.8%, from the comparable period in 2000. The increase was primarily due to increased salary and information technology services expenses.

INTEREST EXPENSE AND INCOME TAXES

Interest expense decreased by $36.0 million, or 39.1%, for the nine months ended September 30, 2001 from the nine months ended September 30, 2000, primarily as a result of voluntary prepayments PCA made on the term loans under its senior credit facility.

PCA's effective tax rate was 38.8% for the nine months ended September 30, 2001 and 40.5% for the comparable period in 2000. The tax rate is higher than the federal statutory rate of 35.0% due to state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operating activities decreased $1.5 million, or 0.6%, for the nine months ended September 30, 2001 from the comparable period in 2000. The decrease was primarily due to decreases in net income and deferred income taxes partially offset by a reduction in working capital.

Net cash used for investing activities increased $13.9 million, or 15.9%, for the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000, primarily as a result of increased additions to property, plant and equipment and one business acquisition.

Net cash used for financing activities decreased $46.5 million, or 37.3%, for the nine months ended September 30, 2001 from the comparable period in 2000. The decrease was primarily attributable to lower debt prepayments, partially offset by expenditures to repurchase common stock.

As of September 30, 2001, PCA had commitments for capital expenditures of $50.6 million. PCA's primary sources of liquidity are cash flow from operations and borrowings under PCA's senior revolving credit facility. PCA expects to be able to fund its current debt service and capital expenditures, the primary uses of its cash, from these sources.

The following table provides the outstanding balance and the weighted average interest rate as of September 30, 2001 for each of PCA's outstanding term loans, the revolving credit facility and the securitization facility:

BORROWING ARRANGEMENT	BALANCE AT SEPTEMBER 30, 2001 (IN THOUSANDS)	WEIGHTED AVG INTEREST RATE
Term Loan A	$ 96,791	6.20%
Term Loan B	43,209	6.95%
Revolving Credit Facility:		
Revolver--Eurodollar	--	N/A
Revolver--Base Rate	--	N/A
Securitization Facility	126,000	4.58%

In addition to the term loans and other borrowing arrangements noted above, PCA has $550 million of 9 5/8% senior subordinated notes due 2009.

The borrowings under the revolving credit facility are available to fund PCA's working capital requirements, capital expenditures and other general corporate purposes. The Term Loan A must be repaid in quarterly installments from June 2003 through June 2006. The Term Loan B must be repaid in quarterly installments from September 2003 through June 2007. The revolving credit facility will terminate in 2006. The securitization facility will terminate in 2003. As of September 30, 2001, PCA had $150.0 million in availability and no borrowings outstanding under the revolving credit facility. Under the securitization facility, PCA had $150.0 million in availability and $126.0 million outstanding as of September 30, 2001.

The instruments governing PCA's indebtedness, including the senior credit facility and the indenture governing the notes, contain financial and other covenants that restrict, among other things, the ability of PCA and its subsidiaries to:

- incur additional indebtedness,

- pay dividends or make certain other restricted payments,

- consummate certain asset sales,

- incur liens,

- enter into certain transactions with affiliates, or

- merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of the assets of PCA.

PCA believes that cash generated from operations will be adequate to meet its anticipated debt service requirements, capital expenditures and working capital needs for the next 12 months, and that cash generated from operations and amounts available under the revolving credit facility will be adequate to meet its anticipated debt service requirements, capital expenditures and working capital needs for the foreseeable future. There can be no assurance, however, that PCA's business will generate

sufficient cash flow from operations or that future borrowings will be available under the senior credit facility or otherwise to enable it to service its indebtedness, including the senior credit facility, and the notes, to retire the notes when required or to make anticipated capital expenditures. PCA's future operating performance and its ability to service or refinance the notes, to service, extend or refinance the senior credit facility and to pay cash dividends, will be subject to future economic conditions and to financial, business and other factors, many of which are beyond PCA's control.

MARKET RISK AND RISK MANAGEMENT POLICIES

PCA currently has interest rate collar agreements that protect against rising interest rates and simultaneously guarantee a minimum interest rate. The notional amount of these collar agreements is $220.0 million as of September 30, 2001. The weighted average floor of the interest rate collar agreements is 5.01% and the weighted average ceiling of the interest rate collar agreements is 6.84%. The interest rate on approximately 83% of PCA's variable-rate debt as of September 30, 2001 is capped. PCA receives payments under the collar agreements if the applicable interest rate (LIBOR or commercial paper) exceeds the ceiling. Correspondingly, PCA makes payments under the collar agreements if the applicable interest rate drops below the floor. In both cases, the amounts received or paid are based upon the notional amount and the difference between the actual interest rate and the ceiling or floor rate. The weighted average duration of the interest rate collar agreements is approximately nineteen months.

As a result of the collar agreements noted above and the current interest rate environment, a one percent increase in interest rates would result in an increase in interest expense and a corresponding decrease in income before taxes of approximately $0.5 million annually. As of September 30, 2001, the weighted average LIBOR rate was 2.59% and the weighted average commercial paper rate was 2.68%. The effect of an interest rate change to the fair market value of the outstanding debt is insignificant. This analysis does not consider any other impact on fair value that could exist in such an interest rate environment. In the event of a change in interest rates, management could take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in PCA's financial structure.

ENVIRONMENTAL MATTERS

PCA is subject to, and must comply with, a variety of federal, state and local environmental laws, particularly those relating to air and water quality, waste disposal and the cleanup of contaminated soil and groundwater. Because environmental regulations are constantly evolving, PCA has incurred, and will continue to incur, costs to maintain compliance with those laws. In particular, the United States Environmental Protection Agency recently finalized the Cluster Rules, which govern pulp and paper mill operations, including those at the Counce, Filer City, Valdosta and Tomahawk mills. Over the next several years, the Cluster Rules will affect PCA's allowable discharges of air and water pollutants, and require PCA to spend money to ensure compliance with those new rules.

IMPACT OF INFLATION

PCA does not believe that inflation has had a material impact on its financial position or results of operations during the past three years.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements include statements about our future financial condition, our industry and our business strategy. Statements that contain words such as "anticipate", "believe", "expect", "intend",

"estimate", "hope" or similar expressions, are forward-looking statements. These forward-looking statements are based on the current expectations of PCA. Because forward-looking statements involve inherent risks and uncertainties, the plans, actions and actual results of PCA could differ materially. Among the factors that could cause plans, actions and results to differ materially from PCA's current expectations are those identified under the caption "Risk Factors" in PCA's Registration Statements on Form S-4 and Form S-1, each filed with the Securities and Exchange Commission and available at the SEC's website at "www.sec.gov".

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For a discussion of market risks related to PCA, see Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations--Market Risk and Risk Management Policies" in this Quarterly Report on Form 10-Q.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On May 14, 1999, PCA was named as a defendant in a Consolidated Class Action Complaint which alleged a civil violation of Section 1 of the Sherman Act. The suit, captioned WINOFF INDUSTRIES, INC. V. STONE CONTAINER CORPORATION, MDL No. 1261 (E.D. Pa.), names PCA as a defendant based solely on the allegation that PCA is a successor to the interests of Tenneco Packaging Inc. and Tenneco Inc., both of which were also named as defendants in the suit, along with nine other linerboard manufacturers. The complaint alleges that the defendants, during the period from October 1, 1993 through November 30, 1995, conspired to limit the supply of linerboard, and that the purpose and effect of the alleged conspiracy was artificially to increase prices of corrugated containers. The plaintiffs have moved to certify a class of all persons in the United States who purchased corrugated containers directly from any defendant during the above period, and seek treble damages and attorneys' fees on behalf of the purported class. The Court granted plaintiffs' motion on September 4, 2001, but modified the proposed class to exclude those purchasers whose prices were not "not tied to the price of linerboard." The defendants have filed a petition, currently pending before the Court of Appeals for the Third Circuit, seeking leave to appeal the Court's ruling. The case is currently set for trial in January, 2003. PCA believes that the plaintiffs' allegations have no merit and intends to defend against the suit vigorously. PCA does not believe that the outcome of this litigation should have a material adverse effect on its financial position, results of operations, or cash flow.

PCA is also party to various legal actions arising in the ordinary course of its business. These legal actions cover a broad variety of claims spanning its entire business. PCA believes that the resolution of these legal actions will not, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following exhibits are included in this Quarterly Report on Form 10-Q:

None.

(b) Reports on Form 8-K:

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PACKAGING CORPORATION OF AMERICA
(Registrant)

By: /s/ RICHARD B. WEST

Richard B. West
CHIEF FINANCIAL OFFICER, VICE PRESIDENT AND CORPORATE SECRETARY (PRINCIPAL FINANCIAL OFFICER AND AUTHORIZED OFFICER)

Date: November 13, 2001