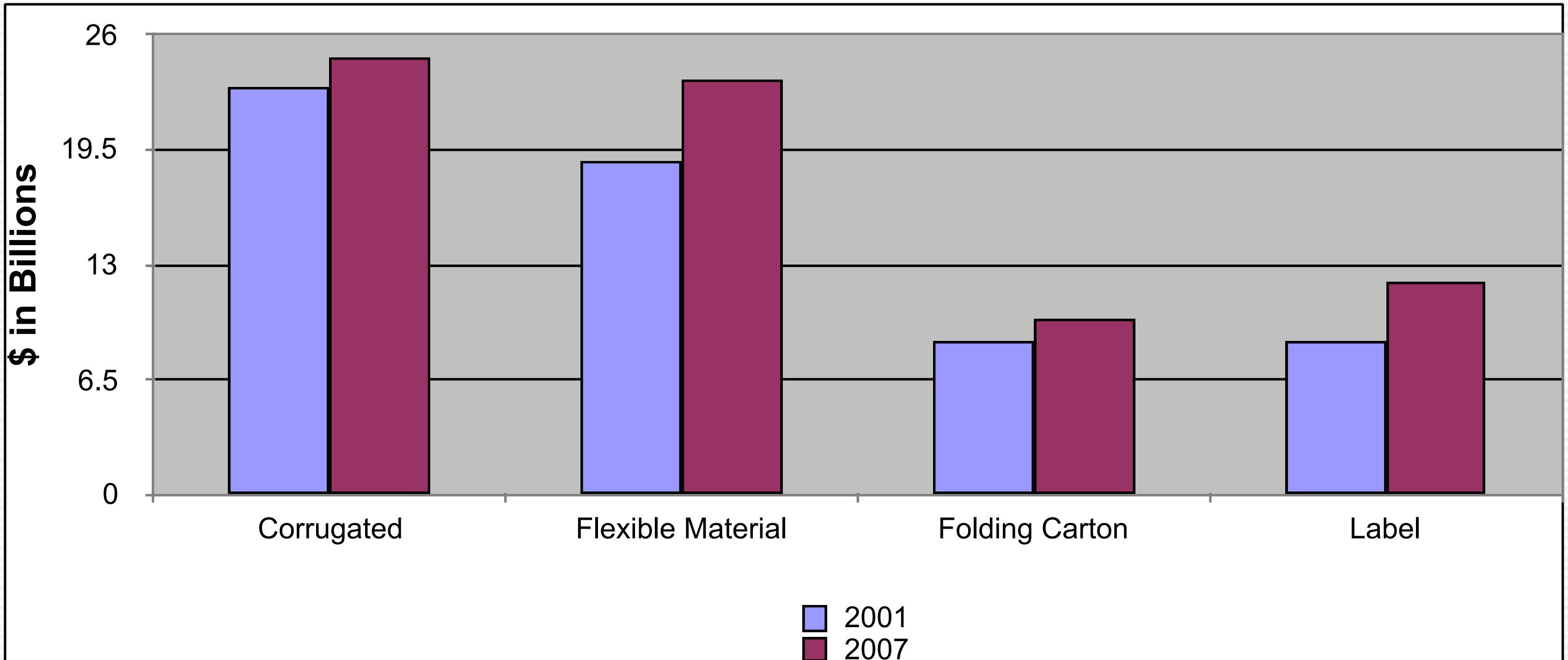
BOBST GROUP

The State of The Industry

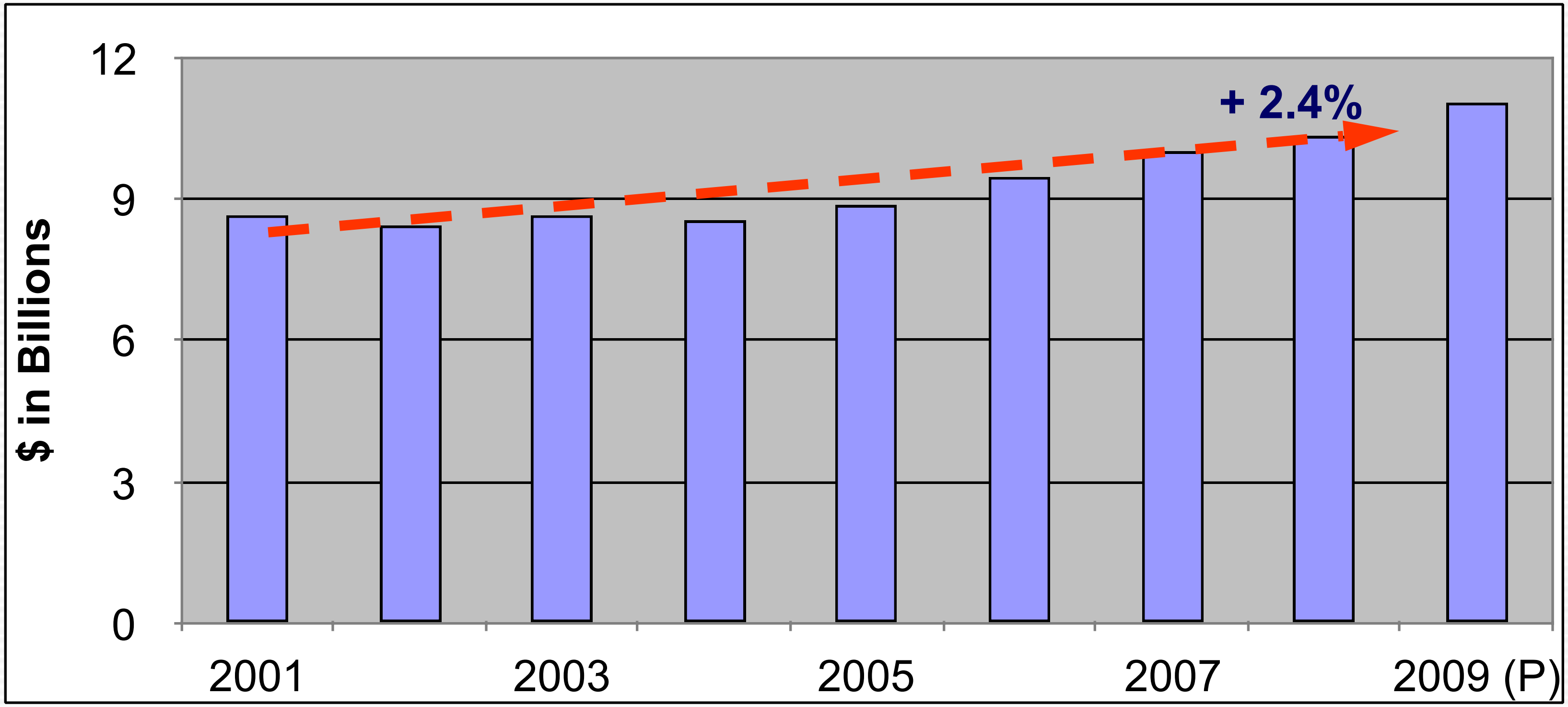
FPPA 11th Annual Convention, San Antonio, TX

Chris Raney, Bobst Group North America

Size of Industries in $ Billions

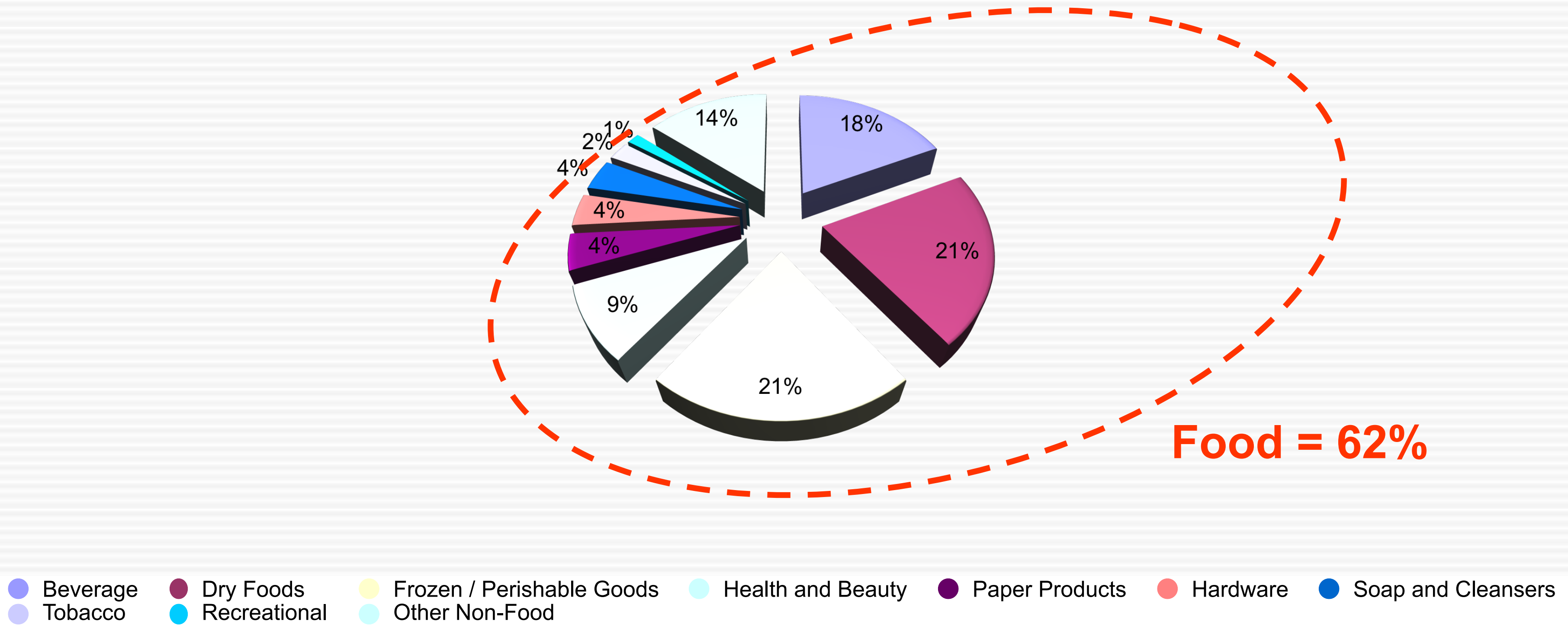


Folding Carton Industry Growth 2001 - 2009



2007 – 5’698’000 tons

Folding Carton Industry Markets

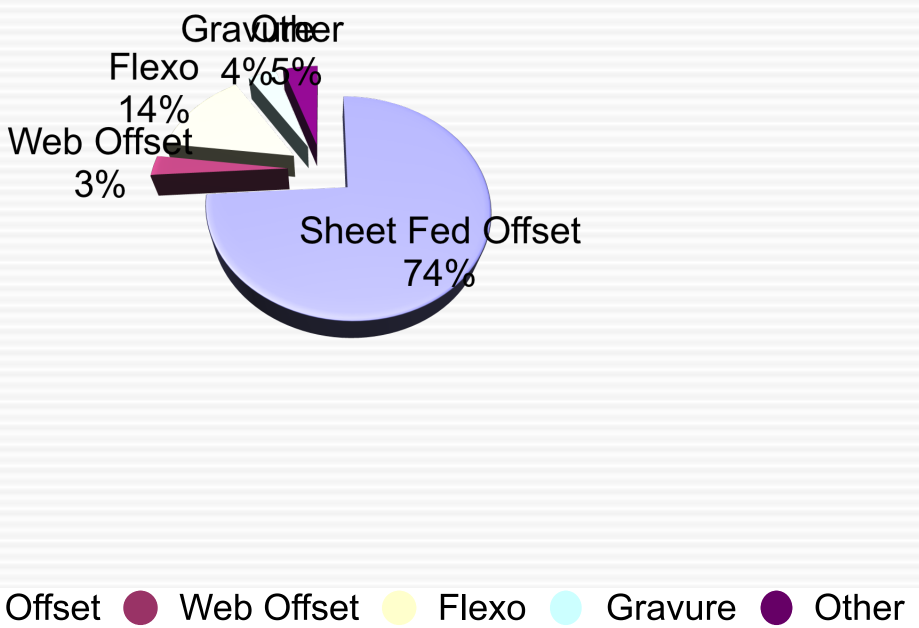


Folding Carton Industry - Key Players

- Graphic Packaging / Riverwood
- Altivity Packaging (SSCC and Field Container)
- Rock Tenn
- MeadWestvaco (Mead, AGI, Mebane etc.)
- International Paper / Shorewood
- Caraustar Industries
- Simkins Industries
- Malnove
- Specialized Packaging Group
- Dopaco

Top 10 = 71%

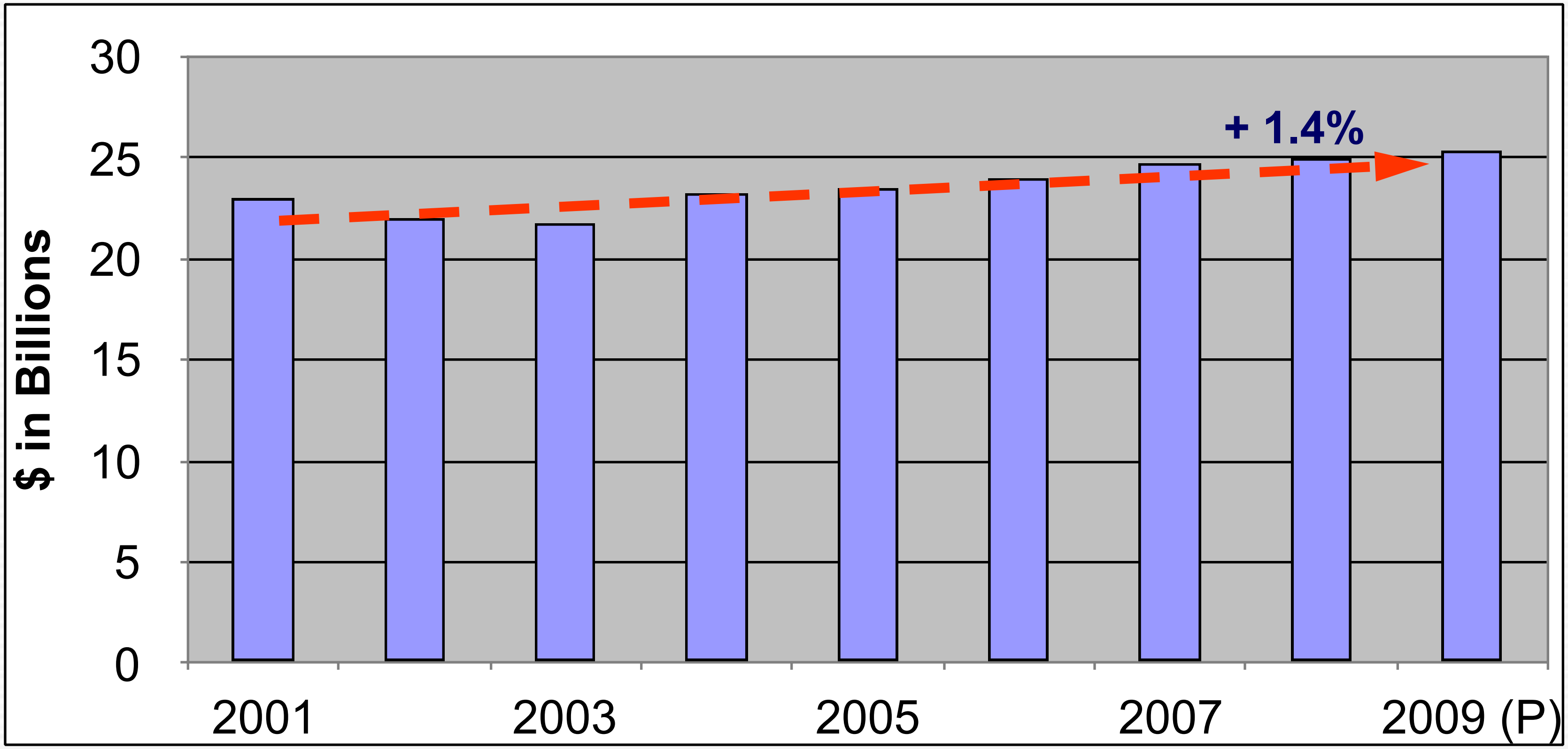
Folding Carton Industry Printing Types



Folding Carton Industry Key Trends - Specific

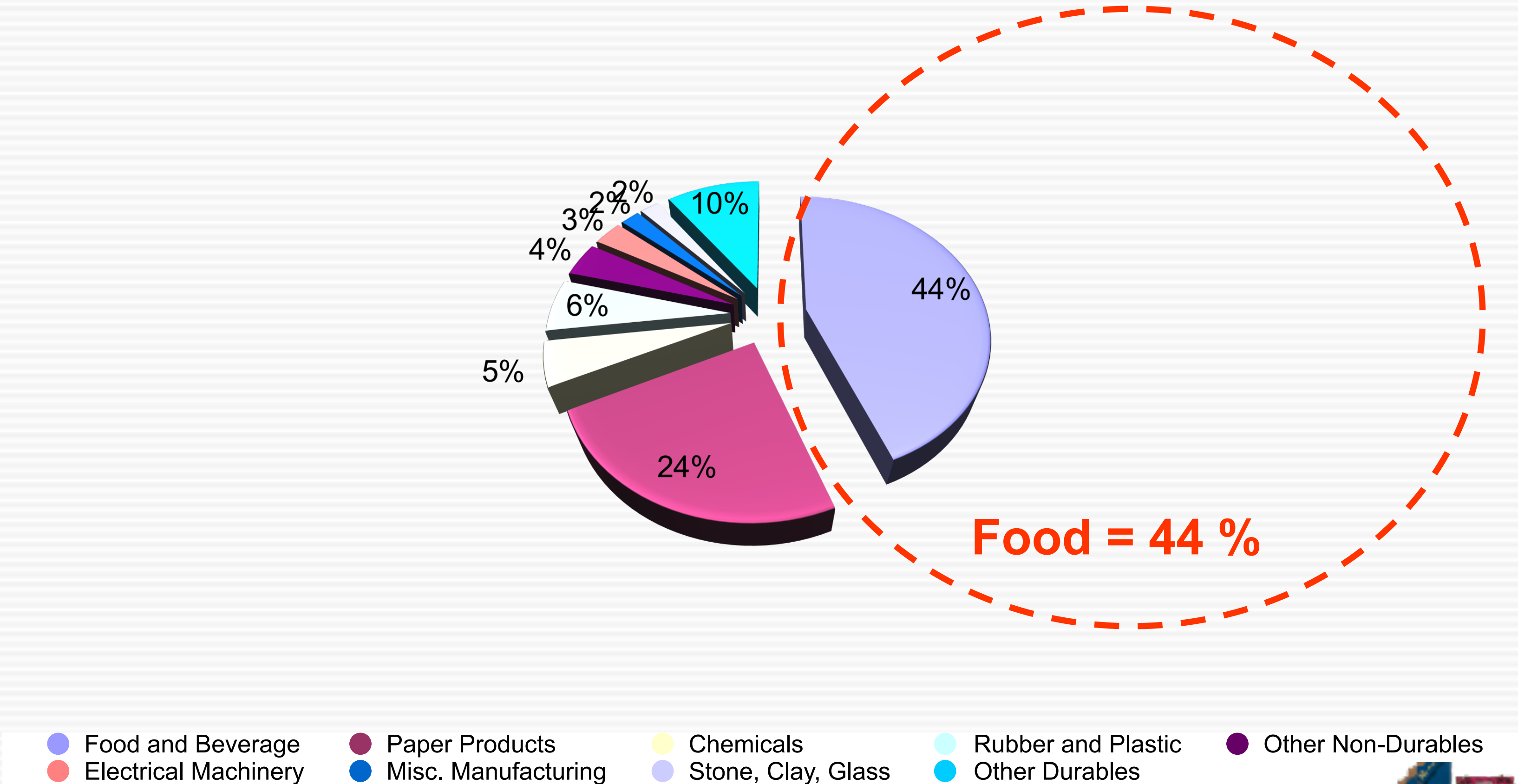
- Increasing complexity of carton design
- Increasing use of special inks and varnishes
- Use of hot and cold foil to enhance the perceived quality of the finished product
- Use of special materials with unique finishes
- Increasing use of plastic for high quality packaging
- Automation at press infeeds and in the finishing area
- Fast changeover and high production speeds

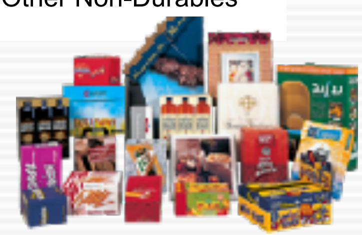
Corrugated Industry Growth 2001 - 2009



2007 – 389.5 billion sq. ft.

Corrugated Industry Markets



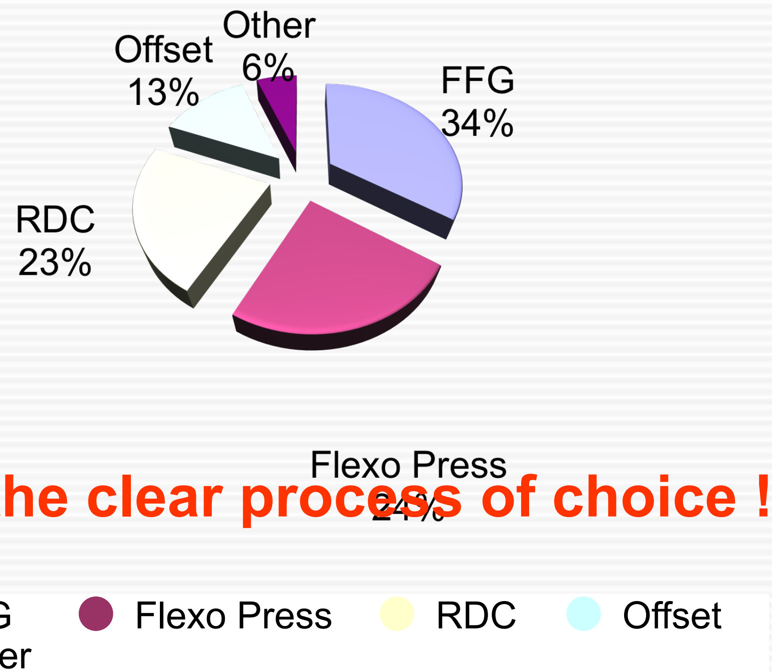


Corrugated Industry - Key Players

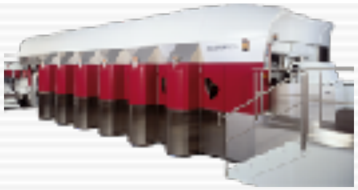
- Weyerhauser (20 %)
- Smurfit-Stone (19 %)
- Temple-Inland (12 %)
- Georgia Pacific (12 %)
- International Paper (11 %)
- PCA (9 %)
- Independents (17%)

Top 6 = 83%

Corrugated Industry Printing Types



Flexo the clear process of choice !



Corrugated Industry Key Trends - Specific

- Multiple colors – as a high graphics sales opportunity
  - Fresh produce/Food
  - Point of purchase boxes
  - Point of purchase displays
  - Movie standees
- More and more colors/higher graphics
  - Driven by the Independent sector for differentiation and flexibility
  - End users paying for colors and high quality
  - Most Martin machines delivered in 2007 were 4colors + including a 9C
  - 2008 sales continue this trend
- Fast changeover, high speed production
- 150 line screens and higher on direct print corrugated
- Lines more complex : Hot air, Infra-red and U.V. drying options
- Niche for platen cutting and specialty folding/gluing of difficult designs

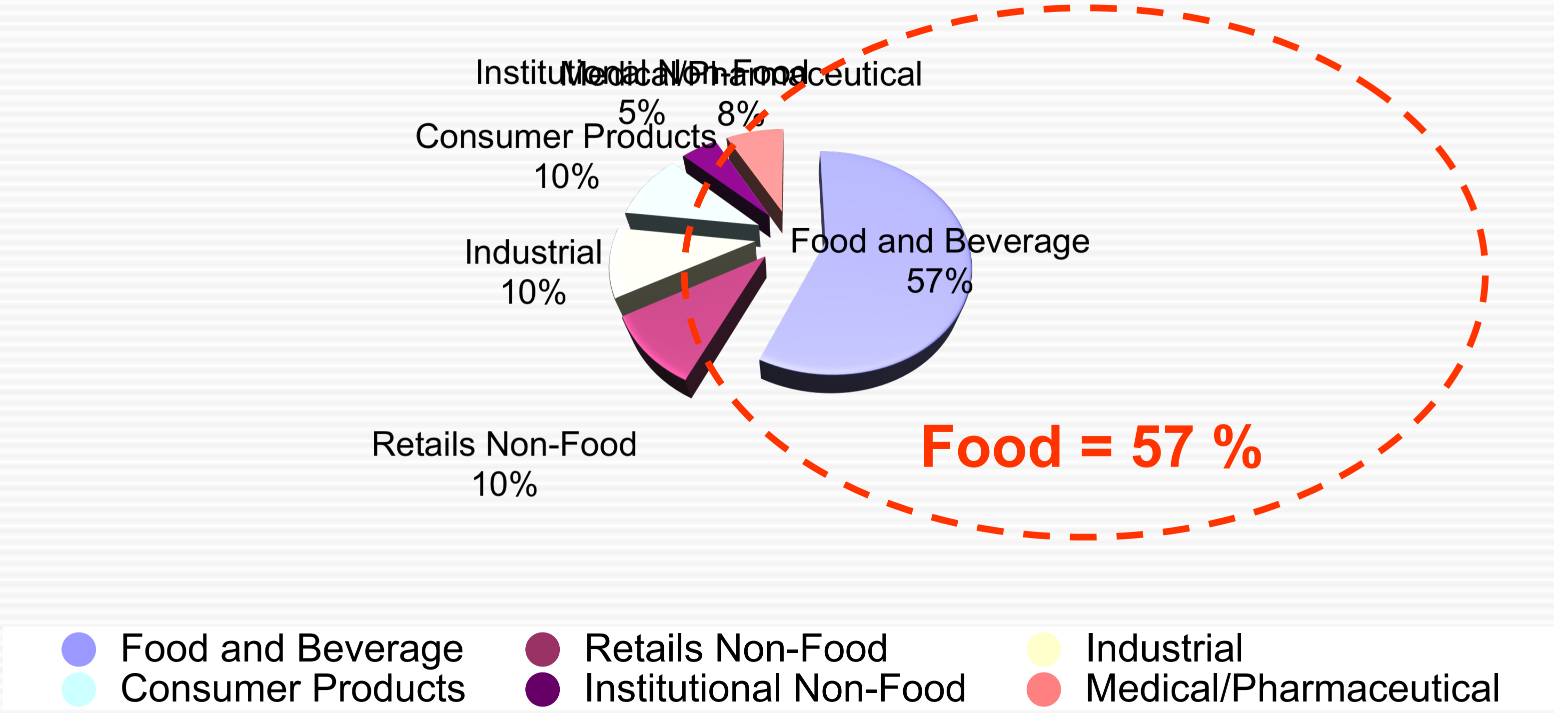
Flexible Materials – Key Converting Segments

- Unsupported plastic, film & sheet
- Converted aluminum foil package
- Coated & Laminated papers/plastics
- Uncoated paper and multiwall bags
- Laminated aluminum foil
- Plastics, foil and coated paper bag
- Plastic bags

$ 23.50 billion in sales

Including $ 5.20 billion of little added value

Flexible Material Industry Markets

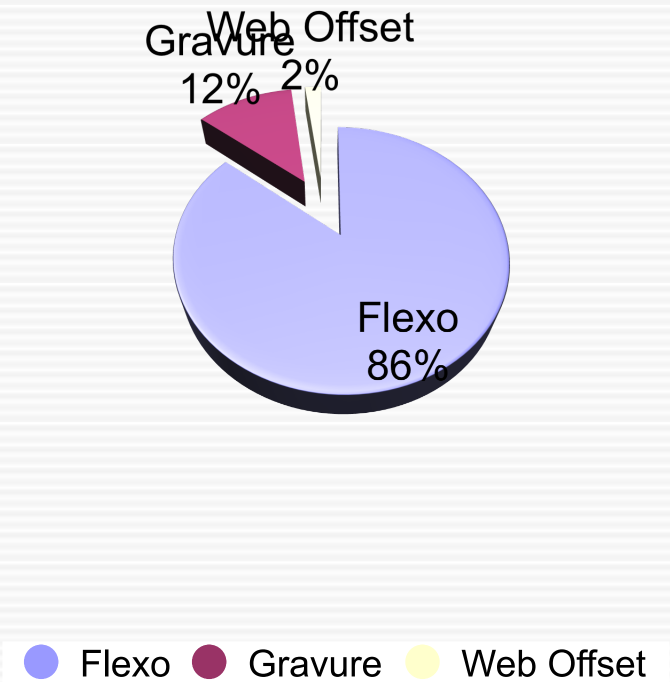


Flexible Packaging Industry - Key Players

- Bemis
- Sealed Air
- Alcan Flexible Packaging
- Sigma
- Printpack
- Pliant
- Alcoa
- Altivity Flexible
- AEP
- Packaging Dynamic

Top 10 = 50%

Flexible Material Industry Printing Types



Flexo

Gravure

Flexible Packaging Industry Key Trends - Specific

- Raw material price pressure (oil)
- Challenges to run lighter (thinner) materials
- High quality print is a given
- Innovative Designs for freshness, shelf life
- Innovative designs for opening and resealing
- Perceived as a clean solution by consumers
- Pouch use continues to grow, replacing cans etc.
- Needs to overcome non-recycling image

Common Trends - Consolidation

Attractive to Private Equity Investors – Consolidation

- Several good examples:
  - Altivity – Smurft Stone + Field Packaging
  - Catalent Pharma Solutions (formerly part of Cardinal Health)
  - Berry Plastics Inc.
  - Graphic Packaging completing merger with Altivity

Common Trends – Sustainability – Being Green

- Wal-Mart helped to bring the idea of sustainability to the forefront and other CPGs companies followed
- Many claims, hard to quantify though
- Work to become Carbon neutral (e.g. Type of inks used)
- Alter design (e.g. Reduce board weight)
- Aggressive recycling programs
- Push for use of renewable energy through Renewable Energy Credits (REC's)
- Press design incorporating technology to reduce energy consumption

Common Trends - RFID

- Implementation slower than was expected
- Growth still doubling year on year
- In 2007 the global demand was $ 4.96 billion, about 60% of which ($ 3.0 bn) used in the US
- About 70% of RFID devices are label construction
- Developments aimed at eliminating the silicon chip, to achieve the “Chipless RFID label”

Common Trends – Shorter Run Lengths

- Driven by:
  - Exploding variety of choice
  - More frequent marketing driven design changes
  - More sophisticated inventory management systems
  - Regional and cultural products
- Brings advantages for certain processes:
  - Flexo versus gravure for flexible materials
  - Sheet fed offset versus web solutions for folding carton
  - Requires low start up waste solutions (register and color control)
  - Drives automation, auto plate change, auto wash-up etc.
  - Brings new opportunities for digital printing for the shortest runs

Common Trends – Imports - China

- As manufacturing is moved overseas the packaging moves with it.
  - Affects particularly corrugated
- Costs rising in China and there are many examples of “Quality fade”
- “Quality fade” has resulted in some work being brought back to the USA
- Concern over safety standards and administration of them, several high profile cases from paint to toothpaste to food
- However, China has become the third largest packaging country in the world after the USA and Japan (e.g there are more than 4’000 corrugator lines running in China)

Summary & Keys to Success

- Overall the outlook is positive, market is healthy
- Immediate Concerns for 2008:
  - Economic strength, can we maintain growth ? Consumer spending ?
  - Exchange rate evolution
  - Rising energy and raw material prices
  - Trade show impact (DRUPA, SuperCorr)
  - US Election
- Keys to Success
  - Customer Service
  - People – Training – Skill Level
  - Niche markets – Be different
  - Inventory Management and Control – Supply Chain Management

There is still a tremendous amount of opportunity in the Packaging industry.

The gap between the leaders and everyone else will continue to widen and the industry gets more competitive and more complex.


Thank
The Survival of the Fittest

Acknowledgements

- Paperboard Packaging Magazine – various issues
- Package Printing Magazine – various issues
- Paper Film and Foil Magazine – various issues
- Official Board Markets – various issues
- Board Converting News – various issues
- Converting Magazine – various issues
- NAPL State of the Industry Report 2007
- PPC Trends Report 2007