FBA ANNUAL MEETING

A Climate for Change: Looking Beyond the Horizon for Corrugated

PANEL DISCUSSION: EUROPEAN AND GLOBAL DEMAND

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31st March 2009

Let’s Face it Corrugated is now a Static Market

“The forward health of this industry importantly depends on how containerboard producers read the future and how their understanding is reflected in their strategies.”

Key Assumptions Relate to Economic Parameters NOT Corrugated Demand

- ▲ Economic forecasts are revised downwards on a monthly basis
- ▲ Easing the tight supply of credit is a vital precursor to recovery
- ▲ 33 National Governments are throwing money at the problem
- ▲ Don’t expect emergent economies to prime the pump
- ▲ Domestic infrastructure projects will not fill the gap left by declining exports

Roll on 2010!

Corrugated in West Europe: An Advanced and Well Developed Market

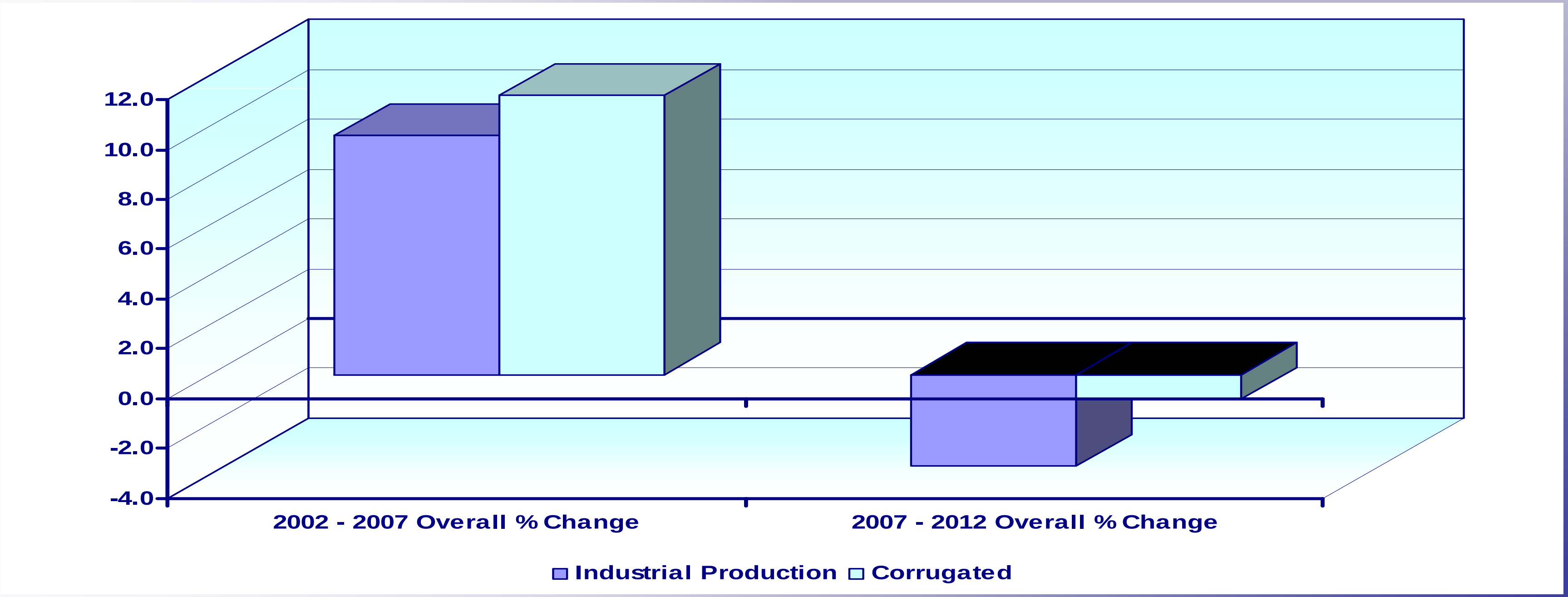
- ▲How is the European Corrugated Industry faring?

- ▲How is Europe Different from Other Developed Corrugated Markets?

- ▲How is the European Corrugated Industry Responding to the Prevailing Climate?

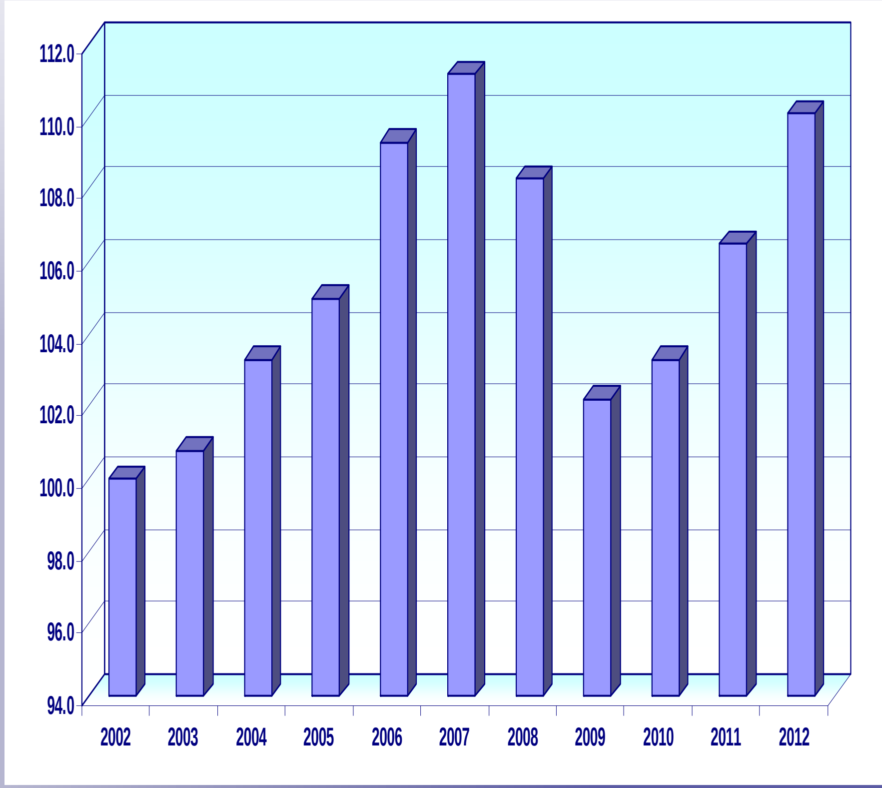
West European Corrugated Forecasts

2002 - 2007 Overall % Change		2007 - 2012 Overall % Change	
Industrial Production	Corrugated	Industrial Production	Corrugated
+9.6	+11.2	-3.7	-1.0



West European Corrugated Production Trends

Year	Index
2002	100.0
2003	100.8
2004	105.3
2005	105.0
2006	109.3
2007	111.2
2008	108.3
2009	102.2
2010	103.3
2011	106.5
2012	110.1



How is Europe Different from Other Developed Corrugated Markets?

	2008	2012
Lightweight Containerboards	15%	25%
Recycled Containerboards	87%	88%
Shelf Ready Packaging (share of FMCG)	45%	50%
Decorative Corrugated	16%	20%
Structure of Retailing	Top 6 control 60%	
	Significant growth in Discount Retailing	

How is the European Industry Responding to the Prevailing Climate?

1. INVESTMENT IN LEAN MANUFACTURING

RECYCLED CONTAINERBOARD MACHINE	- 10M width - 650,000 tpa - 70 - 130 gsm - High speed / High productivity
CORRUGATOR	- 3.3M - "State of the Art" computer controls - Minimal start up waste - Lightweight single facer: 350 - 400 M / Min
CONVERSION EQUIPMENT	- High precision rotary die cutting - Linked to high resolution print - Low spoilage - Faster speeds - Swifter changeover
CONTAINER DESIGN	- Material efficient constructions - Shelf ready designs

How is the European Industry Responding to the Prevailing Climate?

2. VALUE FOR MONEY BUSINESS TACTICS

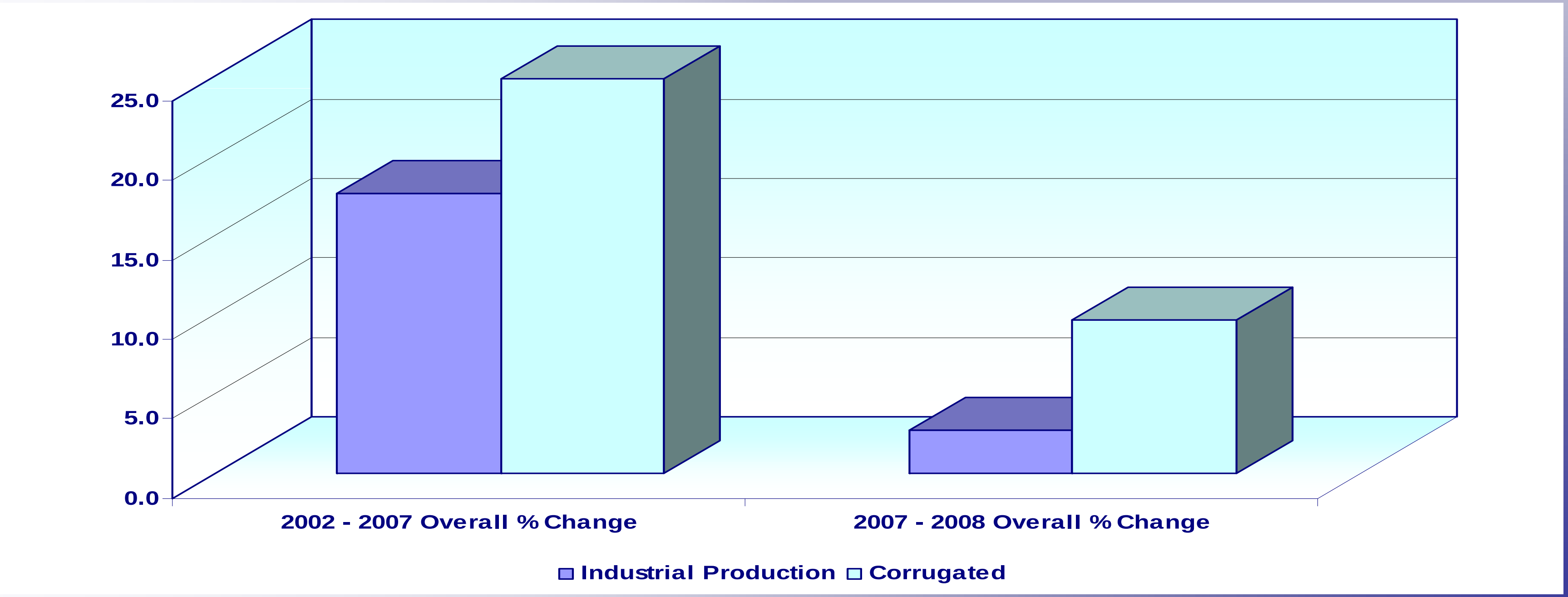
- ▲ Least cost manufacturing
- ▲ Computer integrated ordering and manufacturing systems
- ▲ Automated warehousing
- ▲ Downstream value for money
  - ▲ Merchandising productivity
  - ▲ Point of sale impulse appeal

Seismic Shifts in Global Corrugated Markets

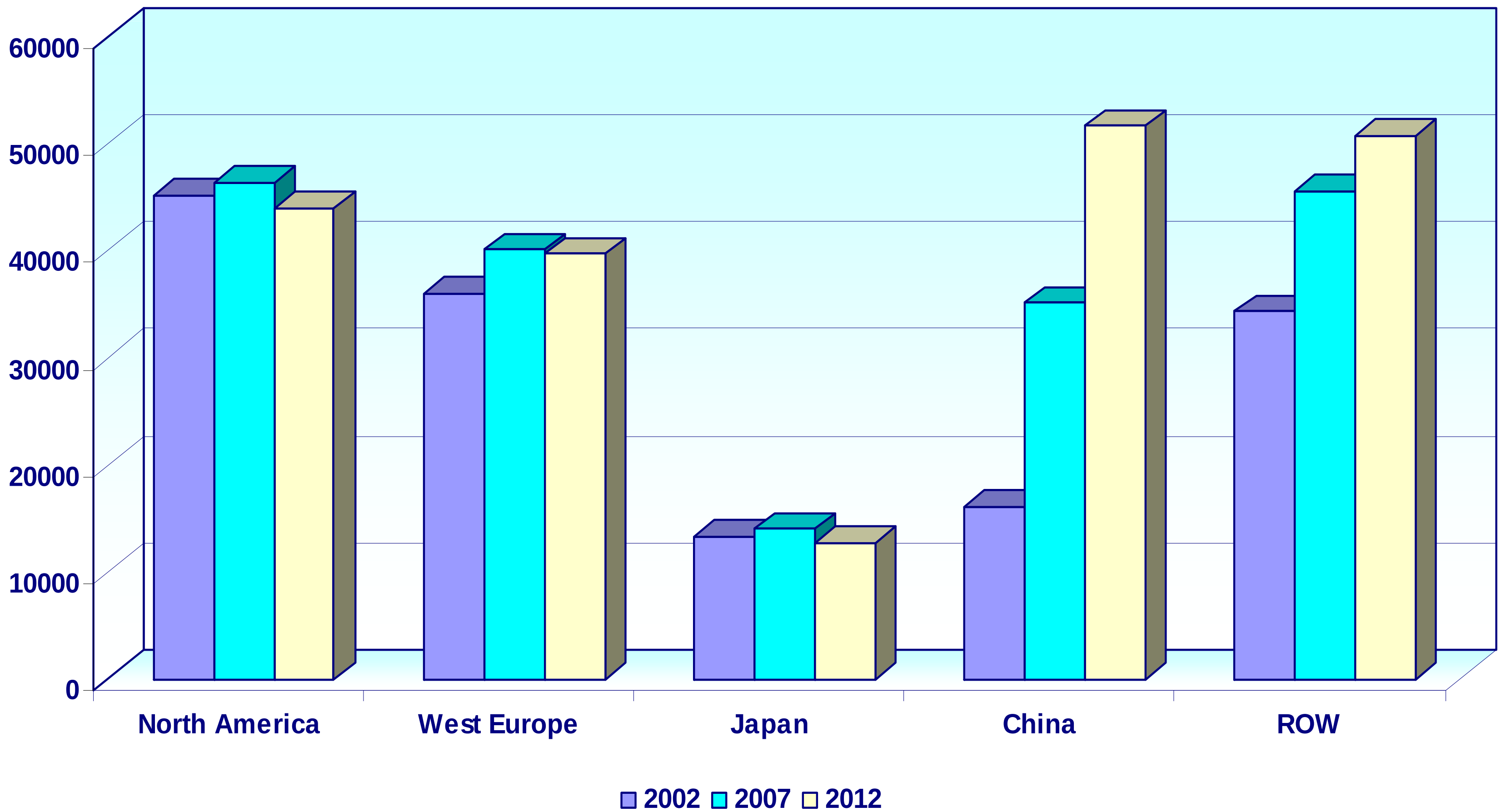
- ▲ Global Corrugated Forecasts
- ▲ Changing Regional Prospects
- ▲ Implications: Responding to the Downturn
- ▲ The New Business Model

Global Corrugated Forecasts

2007 - 2008 Overall % Change		2003 - 2007 Overall % Change	
Industrial Production	Corrugated	Industrial Production	Corrugated
17.7	24.9	2.7	9.7



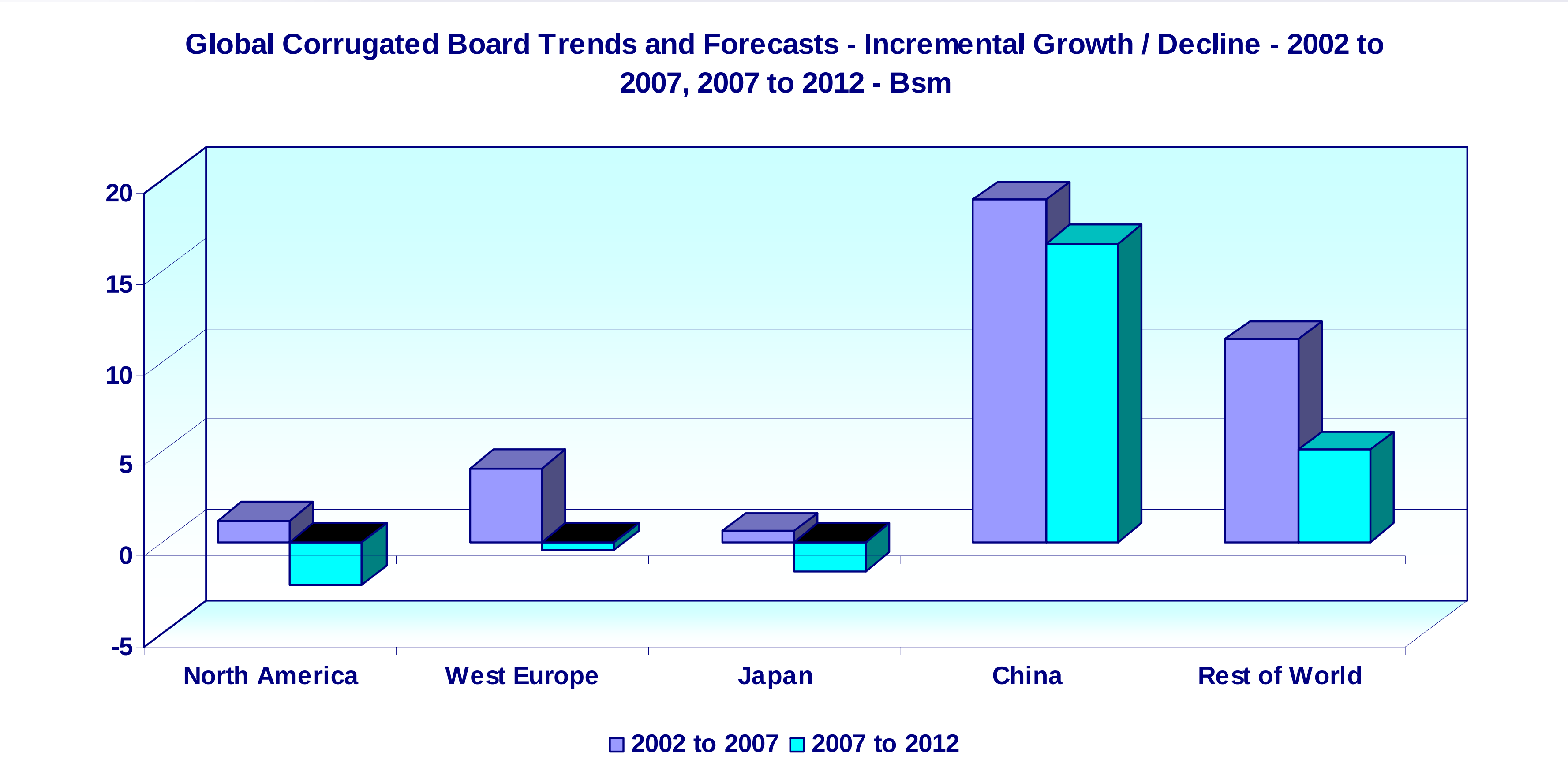
Changing Regional Prospects



Changing Regional Prospects

Global Corrugated Board Production Trends and Forecasts - 2002 2007 and 2012 - Bsm, % Share								
	2002		**2007**		**2012**		**% Change p.a.**	
	Bsm	**%**	**Bsm**	**%**	**Bsm**	**%**	**02 to 07**	**07 to 12**
North America	45	31.1	46	25.6	44	22.2	0.5	-1.0
West Europe	36	24.9	40	22.1	40	20.0	2.1	-0.2
Japan	13	9.2	14	7.7	13	6.4	0.9	-2.0
Sub total	**94**	**65.2**	**100**	**55.4**	**97**	**48.5**	**1.2**	**-0.8**
China	16	11.1	35	19.4	51	26.0	16.8	8.0
ROW	34	23.7	46	25.2	51	25.5	5.8	2.2
Sub total	**50**	**34.8**	**81**	**44.6**	**102**	**51.5**	**9.8**	**4.9**
Total	**144**	**100.0**	**181**	**100.0**	**199**	**100.0**	**4.5**	**1.9**

Regional Shifts in Business Prospects



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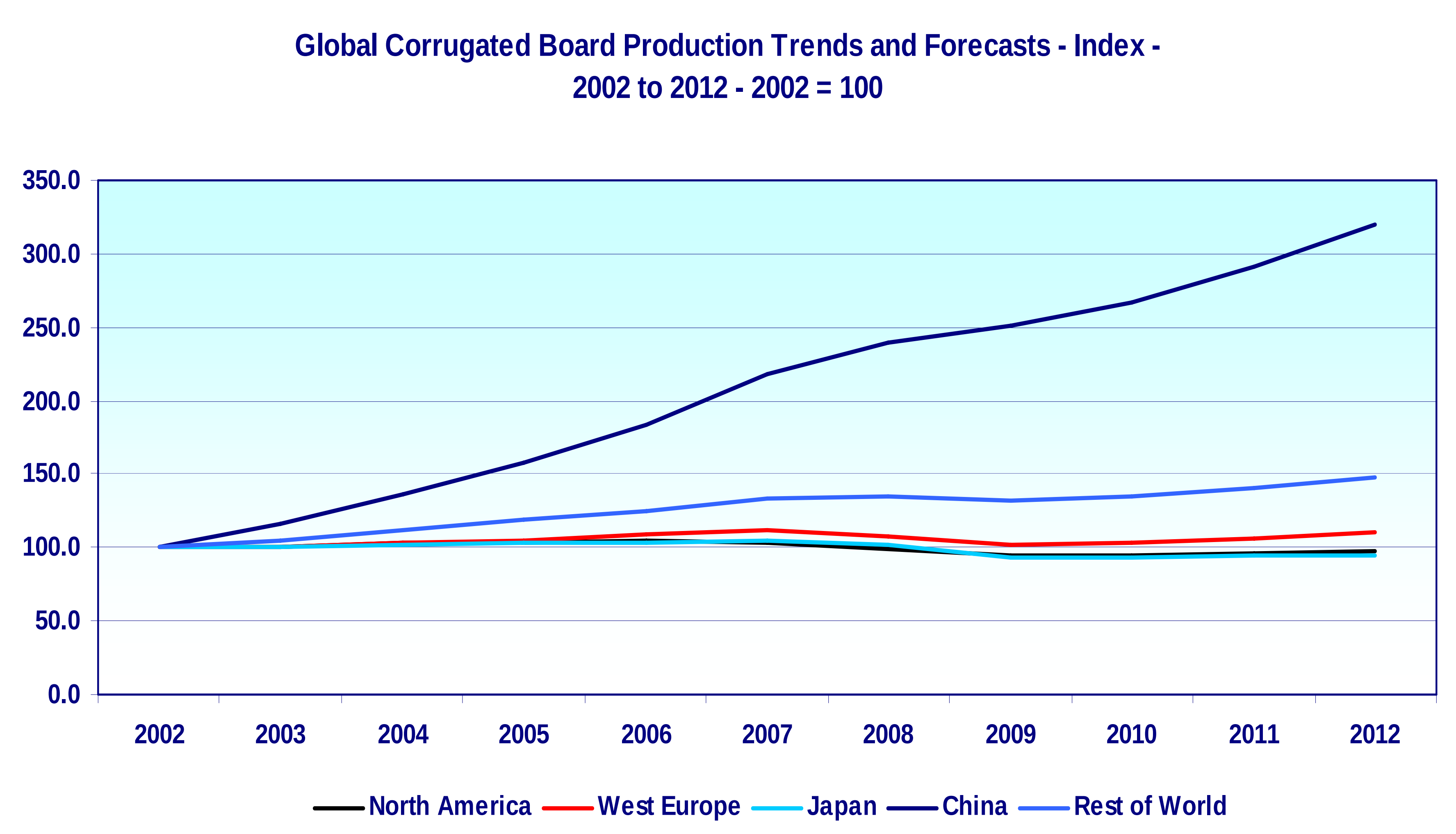
Regional Shifts in Business Prospects

Global Corrugated Board Production Trends and Forecasts - Incremental Growth / Decline - 2002 to 2007, 2007 to 2012 - Bsm, Total % Change				
	2002 to 2007		2007 to 2012	
	Bsm	Overall %	Bsm	Overall %
North America	+1.2	2.7	-2.3	-4.9
West Europe	+4.1	11.2	-0.4	-1.0
Japan	+0.6	4.7	-1.6	-9.4
Sub total	**+5.9**	**6.2**	-4.0	**-4.0**
China	+18.9	117.3	+16.5	46.9
ROW	+11.2	32.7	+5.1	11.3
Sub total	+30.1	**59.8**	+21.6	**26.8**
Total	+36.0	**24.9**	+17.6	**9.7**

Global Trends and Forecasts



Beware the Selection of Base Year

	2007 - 2012		2008 - 2012	
	% Change p.a.	Incremental Business - Msm	% Change p.a.	Incremental Business - Msm
Developed Regions	-0.8	-4,000	+0.2	+1,100
Emerging Regions	+4.9	+21,600	+5.3	+24,900
TOTAL	+1.9	+17,600	+2.7	+26,000

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Implications – Responding to the Downturn in Corrugated Demand

▲ **Accept the realities of the situation**

▲ **Developed Markets:** Excessive consumer expenditure no longer funded by expanding credit

▲ **Emerging Markets:** Rely on exports to expand domestic corrugated demand

▲ **Stagnant market conditions**

Winning business through increased market share needs "value for money" strategies and tactics to retain margins

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The New Business Model

Continuing Strategy

- Value for money
  - Upstream
  - Downstream

Short Term Strategy

- Liquidity
- Contingency plans
- Survival

Medium to Long Term Strategy

- Industry support
- Investment in new generation assets … mills, corrugators, conversion

Ultimate Goal

- Survival of the fittest
- Exploitation of low indices