EMBALLAGE
WORLD PACKAGING EXHIBITION

17-21 NOV. 2008
PARIS-NORD VILLEPINTE
F R A N C E
www.emballageweb.com

October 2008

The French packaging industry is developing on a sustainable basis

The packaging industry occupies a key place in the French economic and industrial landscape. Packaging manufacturers employ a total workforce of 97,163 in approximately 3,000 companies, of which 900 employ more than 20 people. In 2007 they generated a turnover of € 21 billion according to the latest figures issued by SESSI (Department of industrial studies and statistics of the Ministry of Economy and Industry). **With the addition of the € 1.7 billion sales achieved by packaging equipment manufacturers, the estimated turnover totals € 22.7 billion**. According to the French customs data, **French exports of packaging and packing machines confirm the industry dynamics with exports worth € 502.6 million in 2007** (€ 456 million in 2006). **Imports reached € 638.7 million** (compared to € 619.6 million in 2006) **of which € 180 million achieved by the 24 SECIMEP* member companies**. The sector's trade balance however remains negative, although with a slight decline (- € 136.1 million in 2007 against - € 160.6 million in 2006).

The latest results of the Observatoire de l'Emballage show that, in spite of material prices and transport costs, industry professionals remain optimistic. Conducted in late August by the World Packaging Exhibition EMBALLAGE and partner associations, the survey findings confirm the industry's environmental concerns and the resulting new industrial prospects.**

A few weeks ahead of the event that will attract more than 100,000 visitors and 2,200 exhibitors, EMBALLAGE 2008 provides you with a sneak preview of the industry's economic data and unveils the findings of the Observatoire de l'Emballage 2008 survey, a useful tool for predicting key trends.

** SECIMEP figures, Association of packaging and process equipment importers representing 24 member companies with a total workforce of 600.*

***Observatoire de l'Emballage: A survey conducted in late August 2008 by EMBALLAGE in partnership with the sector's trade associations – Survey sample: 248 buyers, 53 packaging manufacturers and 79 equipment manufacturers.*

Investment forecasts remain stable…

Despite a complex economic period, packaging manufacturers predict that their investments will remain stable (56.50%) for the period 2009-2011. Equipment manufacturers seem more confident, since 46.5% of them plan to increase their investments.

… exports keep steady

Export growth prospects are still on the rise although more moderate than in 2007: 1 buyer in 2 foresees that his exports will increase.

Packaging manufacturers are far more optimistic about the progress of their exports than equipment manufacturers whose export prospects drop from 52% to 23.5%.

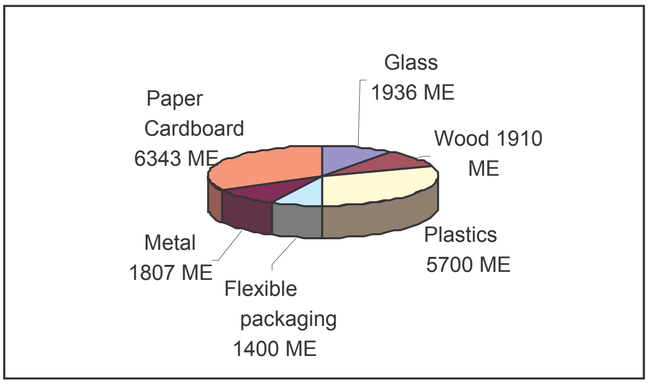
Eastern Europe has taken the lead among high-growth export markets for buyers. Turkey is now considered as an export growth market by packaging manufacturers.

For 74.5% of French buyers, France remains the leading packaging supplier country. For packaging and equipment suppliers, Germany and Italy remain France's major rivals. China climbs in rankings.

An industry turning towards sustainable development

As in 2007, the survey results show that paper-cardboard **ranks first in the breakdown of package purchases by materials** before plastics (43% against 35% for plastics). These figures are in line with the turnover figures by materials released over the same period by CLIFE (Liaison committee of the French packaging industries).

Breakdown of turnovers by materials *(in million €)*



source: CLIFE 2007 – provisional data

In the medium term (2009-2011), plastics however get the strongest prospects: 57% of responding buyers think they will purchase more plastics.

Attention should however be paid to the **importance of biomaterials** (a newcomer in the Observatoire survey): 57.5% of responding buyers intend to buy packages designed with biomaterials in the medium term. This trend is also illustrated by the fact that for 60% of buyers and 57% of packaging manufacturers **sustainable development and eco-design remain key factors of innovation**.

To address these major issues EMBALLAGE proposes for the first time an area dedicated to Biomaterials and a Sustainable Development area, where exhibitors will offer a comprehensive review of this booming industry.

Food and health-beauty are the leading package consuming sectors

Responding buyers mainly come from the food industry (**40%**) and the health-beauty industry **(22%).** These sectors followed by the automotive and aeronautic industries are also the major customers of packaging and equipment manufacturers. While in 2007 the food industry ranked third in the buyers' production prospects in the medium term (2009-2011), it ranks first in 2008 (52%), shortly before health-pharmaceutical industry (51%). However, **health-pharmaceutical industry takes the lead** ahead of the food industry for the production of packaging and the sale growth prospects of equipment manufacturers.

From November 17th-21st, Paris invites you to meet French and international professionals at the end-of-the-year industrial event: the World Packaging Exhibition – EMBALLAGE 2008.

To obtain full survey findings please contact:

Press Contact
LEWIS PR
Christel Sandi
embalipa@lewispr.com
Tel : +33 (0)1 55 31 98 13

Communication Service
Nicolas BIENVENU
Communication Executive
nicolas.bienvenu@exposium.fr
Tel : +33 (0)1 49 68 52 11

www.emballageweb.com

« The points of view of the Observatoire's Members »

Created in 2005 by the World Packaging Exhibition EMBALLAGE, in partnership with the major trade associations of the packaging-related industries, the Observatoire de l'Emballage, Packaging Observatory, is aimed at reflecting the major market trends and outlook for the various packaging industries in France. This monitoring tool is designed to mirror the industry's concerns and expectations, while proposing a forecasting approach to anticipate the future of the packaging world.

Partners, members of the Observatoire de l'Emballage :

- **CETIE**, international technical centre for the bottling and packaging industries
- **CLIFE**, liaison committee of the French packaging industries
- **CNE**, national packaging council
- **ELIPSO**, plastic and flexible packaging companies association, the new identity of CSEMP
- **FEDERATION FRANCAISE DU CARTONNAGE**, cardboard federation
- **PROCELPAC**, packaging paper and cardboard association
- **SEILA**, industrial packaging and associated logistics
- **SCIPAG EMBALCO**, association of machine manufacturers for the cardboard, printing, packaging and packing industries
- **SECIMEP**, packaging machinery and process equipment importers association
- **SFIFA**, steel drum manufacturers association
- **SIEL**, light wooden packaging association
- **SNFBM**, metal packaging manufacturers association
- **SYPAL**, wooden pallets
- **UNITES**, flexible packaging
- **ONDEF,** corrugated packaging association

➾ ***Françoise GERARDI, Director-general of ELIPSO****, plastic and flexible packaging manufacturers' association, the new identity of CSEMP*

In 2007, plastic and flexible packaging accounted for **37 %** of the packaging industry's total turnover with € 7.1 billion, up 6% over 2006. With 370 companies employing more than 20 people, the sector has a total **workforce of 42,370**, of which 44% work for big groups (employing more than 500 people). Employment slightly declined in 2007: -1.5% compared to -1.7% in 2006.

The sector includes 370 companies with a workforce of over 20 people, of which 33 manufacturers of flexible packaging. Half of the companies are small businesses employing less than 100 people

The plastic packaging industry progressed at a strong pace in 2007 with a 6% increase of its turnover. Plastic packaging in France now represents € 5.7 billion and flexible packaging € 1.4 billion. The investment rate reached 6.7% in 2007 (compared to 6.3% in 2006). Business growth should be lower in 2008 due to a decline in final demand.

The upward volatility of material prices (plastics, aluminium, paper) have strongly affected the gross margins of plastic and flexible packaging manufacturers. The share of materials in the total turnover can reach up to 90% in some sectors. In addition, the general increase of transport and energy costs further pushed up costs. Already low in 2006 (0.2%), the average net profit rate became negative in 2007 (- 0.8%).

The food industry remains the first customer sector, both for plastic packaging and flexible packaging. The development of the production and consumption of pharmaceutical products, and to a lesser extent of cosmetic products, offers significant market prospects. In the food industry, demand is on the whole decreasing. Plastic and flexible packaging manufacturers suffered from a decline in household consumption in the first half of 2008, in particular from May 2008.

With a processed tonnage of 2,080 KT in 2007 (+1.5% compared to 2006), the French production of plastic packaging ranks second in Europe behind Germany and before Italy, UK and Spain.

Exports are mainly shipped to European countries, with Germany, UK, Belgium and Spain as major customers. Outside Europe, the United States, Japan and Russia are the main markets. On the whole, exports rose by 3.5% in 2007.

➾ ***Olivier DRAULLETTE, Development Manager, ONDEF*** *(French corrugated packaging association)*

With overall volumes which slightly declined during the first half of the year and, in particular, more sharply dropped from the second quarter, the corrugated cardboard packaging industry has witnessed a deterioration in the production index in France.

Corrugated cardboard packaging prices have stabilized since the beginning of 2008, while production costs, i.e. energy, labour, transport, kept increasing.
Due to the lack of growth, cost increases cannot be offset by productivity gains, and it is to be feared that prices will inevitably rise in 2009 to avoid losing the financial stability which is vital for our industry to ensure supply continuity.

Once again, the survey carried out by the Observatoire de l'Emballage shows that, thanks to its intrinsic qualities, paper-cardboard has the largest market share in packaging purchases.

Environmental concerns, which are now central issues for society, lead supply chain players to discover or rediscover that corrugated cardboard is the most authentic biomaterial. Using natural materials (wood, starch) which are ad infinitum renewable resources, the paper-cardboard industry manages its basic commodities in a particularly responsible and sustainable way, and has even gone further with the creation of a highly effective recovery and recycling infrastructure. In France, more than 80% of the material used in the production loop come from used packaging. It is the highest rate in the world, all packages combined.

The corrugated cardboard packaging industry proposes a comprehensive range of packaging solutions for a wide spectrum of economic activities ranging from heavy monomaterial industrial packaging to light packages suitable for high-performance packaging mechanization in the food industry, as well as packs for the luxury product industry which favours our material for its aesthetic and printing qualities.

➾ ***Georges ROUYER, Director-general of SNFBM*** *(National association of metal packaging manufacturers)*

« Our industry is closely linked with the food industry which accounts for 75% of our turnover ». Forecasts, both for food and beverage cans, have been revised downwards as a result of the bad

climatic conditions in the summer 2008 which strongly hindered the consumption of refreshing drinks: *« We now anticipate a delivery level almost equivalent to 2007, whereas initial forecasts predicted approximately 2% progress ».*

The strong rise in material costs and the difficulty to pass material price increases onto customers remain major concerns for metal packaging manufacturers. This situation should unfortunately continue in 2009 when the trend is not expected to subside.

« On the environmental front, our industry can boast some strong points: packaging metal (both steel and aluminium) is easy to extract at low cost and it can be recycled ad infinitum without losing its initial properties ».

The EU-15 achieved 66% recycling rates for steel packaging and 52% for aluminium packaging in 2006.

As regards the carbon footprint, our European committee EMPAC (European Metal Packaging) is currently working on the carbon footprint of metal packaging, and the findings of its survey should be available by the end of 2008.

Last but not least, the innovation capacity of our industry is far from being dried up.

➾ ***Paul CARPENTIER, Secretary-general of SCIPAG EMBALCO*** *(Association of machine manufacturers for the paper, cardboard, printing, packaging and packing industries)*

The growth rate of exports seemed to slightly slow down in the first half of 2008 (+7% with €267.6 million), unlike imports which went up 16% to € 341.9 million over the same period. The European Union remains the leading export market for machine manufacturers with opportunities in the Central and Eastern European Countries, North America, South America, Maghreb countries and India.

To unite the industry even more closely and improve its cohesion, SCIPAG EMBALCO has joined forces with GEPPIA (Association of process and packaging equipment companies for the food and non-food industries) and will launch a vast awareness campaign aimed at manufacturers for EMBALLAGE. The obvious complementarity of the two structures (one being a manufacturers' association and the other a commercial structure) will expand the range of available actions, means and services. The number of common members (between 50 and 80 companies) will help reposition this industrial sector and will contribute to reinforcing its dynamism and representativeness with our foreign partners.