

A Bemis Company



Raw Material Overview

SCK Liners

- ◆ Key Liner suppliers have closed mills and paper machines, eliminated product offering or dramatically reduced liner production to manufacture more profitable products.
- ◆ The weak dollar has limited the amount of off shore material available to the US and pricing has escalated at a faster rate than NA materials.
- ◆ The large reduction in the production of SCK liner materials has led to sales allocation, shortages of supply and price escalation.

Coated and Uncoated Paper Stocks

- ◆ Capacity within the pressure sensitive coated paper market has been dramatically reduced by mill and machine closures.
- ◆ Recent mill and machine closures has caused the qualification of new sources of supply at significantly higher prices.
- ◆ Acquisitions have reduced the number of suppliers and increased the pricing leverage of the remaining.
- ◆ The weak dollar, strong Canadian dollar, global demand and tariffs has limited the amount of off shore pressure sensitive C1S material available within the US.
- ◆ The unprecedented reduction in pressure sensitive C1S materials and suppliers has led to supply disruptions and rapid price escalation.
- ◆ Major paper suppliers to our industry have been financial unstable and are now demanding profitability. An infusion of equity ownership into the industry has brought an increased focus on near term profitability.



Raw Material Overview

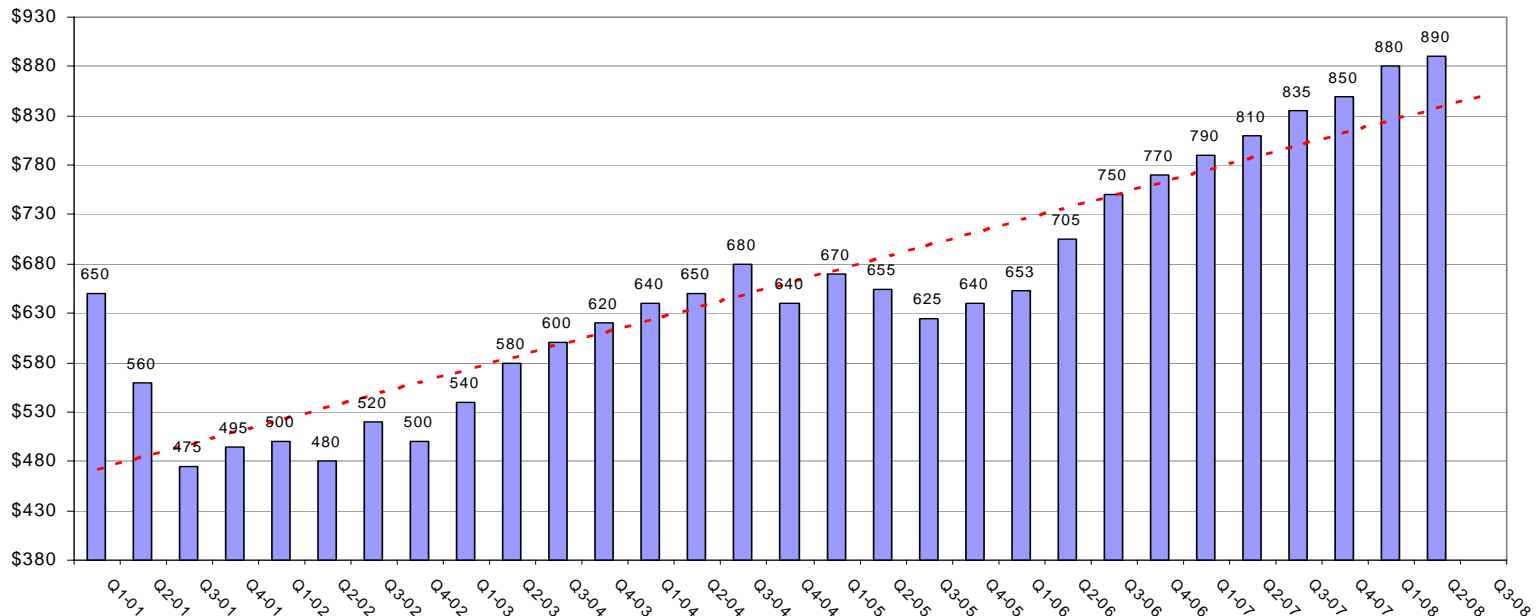
Recent Pressure Sensitive Paper Closures and Production Reductions

- ◆ 7/08 - Cham Paper shutdown of Norsk Mill
- ◆ 7/08 - Wausau - discontinued several SCK liner grades
- ◆ 7/08 - Wausau - significantly reduces the production of 2.5 mil SCK liners to sell more profitable products
- ◆ 8/08 - Wausau - shutdown of #10 paper machine in Otis, ME Mill
- ◆ 8/08 - NewPage - shutdown of Kimberly, WI Mill
- ◆ 9/08 - UPM shutdown of Tervasaari Pulp mill



Paper & Pulp

Northern Bleached Softwood Kraft Price - \$/ton



- Capacity within the pressure sensitive coated paper market has been dramatically reduced by mill and machine closures. Acquisitions have reduced the number of suppliers and increased the pricing leverage of the remaining.
- The unprecedented reduction in pressure sensitive materials and suppliers has led to supply disruptions and rapid price escalation.
- Pulp prices continue to remain at all time highs

Raw Material Overview

Crude Oil

- ◆ The price of crude oil reached an all time high of \$146 a barrel in July and has settled in at \$120 a barrel in August, an increase of 98% since the beginning of 2007 and 15% since the beginning of the year.
- ◆ Crude oil bi-products are the key raw materials components in the manufacturing of pressure sensitive products.
- ◆ The price differential between crude oil and natural gas has increased by 41% since July of 2008 to a 15 to 1 ratio of oil to gas making it more economical to process (steam crack) natural gas than crude oil.
- ◆ Processing natural gas produces 1/10 of the C5 molecule used to produce key pressure sensitive adhesive materials
- ◆ Until the ratio of crude oil to natural gas is closer to a 8 to 1 ratio the availability of key pressure sensitive materials will remain tight.
- ◆ The end result of an increasing oil to natural gas price ratio is tight supply, strict and significant allocations and higher prices of pressure sensitive raw material components.
- ◆ Major factors contributing to the current level of oil prices include a weak dollar, the oil consumption of rapidly growing Asian economies, the transfer of funds from financial markets and instruments into safe haven oil commodities and oil speculation.



Raw Material Overview

Adhesives & Chemicals

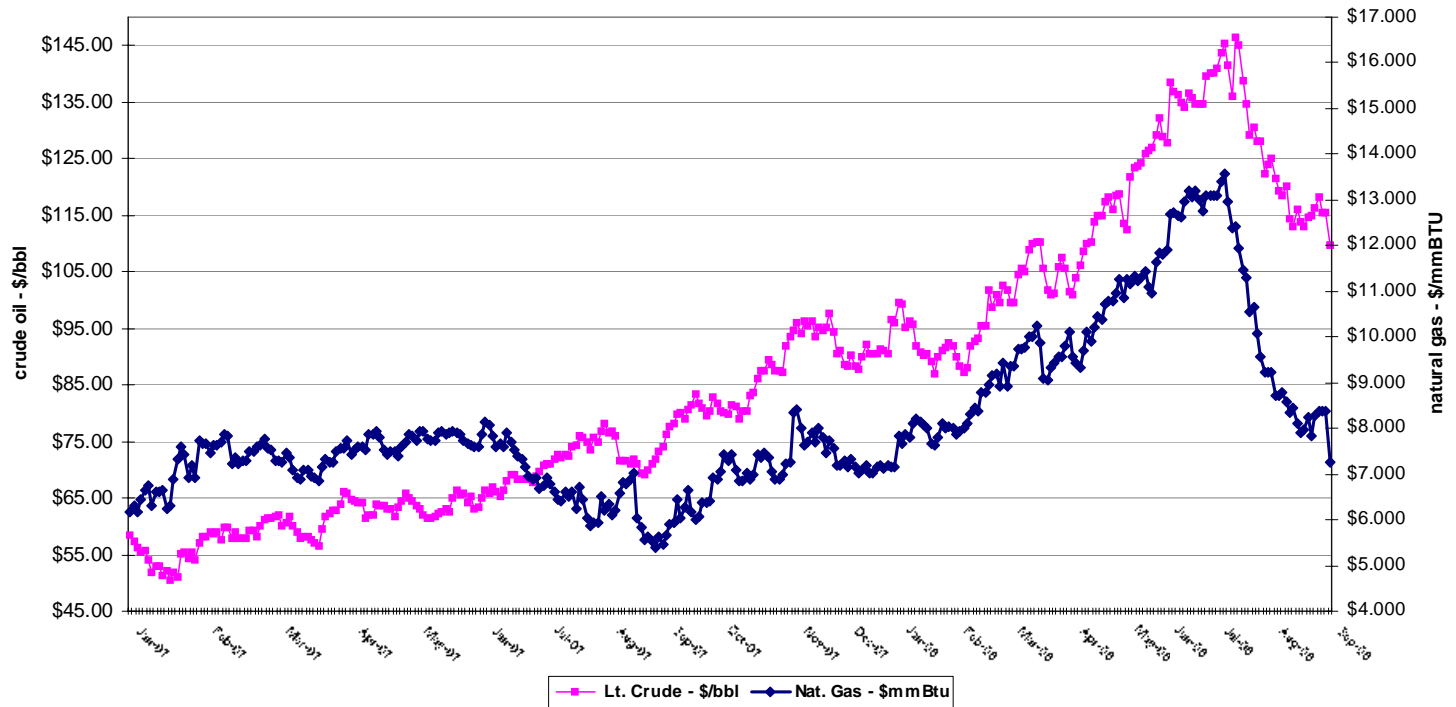
- ◆ There is a shortage of C5 based materials, a key component in pressure sensitive products driven from processing natural gas instead of higher priced crude oil and increased C5 global demand.
- ◆ Adhesive tackifier manufactures have instituted allocations ranging from 0% to 95%.
- ◆ SIS and SBS rubber adhesive component have allocations range from 5% to 90%.
- ◆ A large acrylic adhesive manufacture declared Force Majeure on September 19th.
- ◆ Remaining acrylic suppliers have warned supply will be extremely tight.
- ◆ Solvent chemical components - allocations ranging from 50% - 100%.
- ◆ Hot Melt Adhesive manufactures have instituted allocations ranging from 30% to 90%.
- ◆ The hurricanes have exasperated an already allocated supply stream.
- ◆ The adhesive and chemical markets are extremely tight, unpredictable and have taken an non-negotiable approach to man
- ◆ Pressure sensitive materials are experiencing shortages of supply, strict and significant allocations and rapid double digit price increases.



Crude Oil

*Source: NYMEX

Crude Oil & Natural Gas Prices 2007-2008



- The price of oil has increased by 98% since January of 2007 and September 2008
- The price differential between crude oil and natural gas has increased by 41% since July of 2008 to a 15 to 1 ratio of oil to gas.
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Though we both face tough economic times, we have increased our efforts to offer new products and technology that will provide you an opportunity to grow your business, improve your profitability and reduce your costs.

We believe that new technologies are the future for our industry. We have increased our R&D and capital equipment investments to provide you new technology solutions to increase your revenues. As an example, at this year's Label Expo we introduced a host of high performance new products, including a revolutionary hybrid adhesive system. green products, digital products and new hi-performance film stocks.





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During these difficult times MACtac has taken a prudent and sensible approach of truthfully informing our customers about the critical factors effecting continuity and cost of supply.

You can expect MACtac to keep you informed in a timely and straightforward manner so you can manage your business in an appropriate manner without undo interruptions. We believe this approach reinforces the confidence you have entrusted in us to manage your material needs.

