



GLOBAL PLASTICS LETTER

E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com

“A World of Plastics Information”

JULY 2003

NPE 2003 ISSSUE

Dear Colleague:

“The Perfect Storm” has been affecting the Plastic Shapes industry for the last three years; a period that saw a recession lasting 3 years; the events of 9/11; the dotcom crash; stock markets collapse; SARS, deflation, the Iraq war; oil price inflation and on and on.

No wonder optimism is rare – yet the tone at the National Plastics Exposition (NPE) 2003, held in Chicago June 23-27, 2003, was both muted and yet optimism shone through the clouds. Early signs and sentiment point to a steady recovery starting now and continuing into 2004. GE, Bayer and DuPont were all soberly optimistic and most importantly introduced new sheet and film products! ... long overdue and serving as a bellwether for our industry. However, Eastman and Dow did not exhibit for the first time in many years – perhaps ever.

By the end of NPE, total participation was 63,238 representing a 29.8% decline from the registration record set by NPE 2000. With 1,932 exhibiting companies, NPE 2003 was just 4% below the record set by NPE 2000 and 12% ahead of the record set by NPE 1997. The 1,018,000 sq ft (94,575 m²) of exhibit space taken by NPE 2003 exhibitors was 11% less than in 2000. The number of exhibitors that came directly from outside the U.S., representing 36 countries, accounted for 30% of all exhibitors at NPE 2003 compared with 24.5% in 2000. Over 17% of those registered, 10,390 individuals, came from 109 countries outside the U.S. More NPE 2003 news about companies and products as well as interviews follows further on in this issue. The next NPE is scheduled for June 26-30, 2006.

Natural gas will be costly for YEARS, until new sources come on line in 2010 – this means that energy-hungry industries such as plastics, but also steel and glass, will be seriously affected and lower profits will squeeze out the least-efficient producers, hiking prices and trimming supplies. However, plastics manufacturers will benefit as many industries seek substitutes for high-cost steel. Conserving energy will be key for businesses and individuals and demand for raw materials will shrink as some manufacturers close or move to lower cost countries – in other words, in addition to oil prices our industry will be affected by natural gas as well which will affect almost all resins and shapes.

TRENDS: Some significant events took place in late June that may auger some important trends affecting our industry for years:

- Lucite International takes the plunge into distribution in the U.K. – will they export this concept?
- Acrylic sheet price increases instituted earlier this year are “suspended”
- Management changes at Atofina – will they remain in PC?
- GEPS re-organizes once again – will they sustain their viability as #1 distributor?
- Ensinger, N.A. de-authorizes Professional Plastics – differences in business philosophy
- Sheffield de-authorizes Piedmont Plastics – fallout of Piedmont-GE alliance.

In an historic move, Lucite International creates Perspex Distribution Limited in the UK – it is a wholly owned subsidiary formed to specialize in the distribution of Perspex® cast and extruded acrylic sheet in the U.K. In addition to the distribution of acrylic sheet, Perspex Distribution will also offer a complementary range of products, including PVC, PETG, PC and Engineering Plastics, the company announced. Keith Piggott, formerly of Amari and Port Plastics, will head up the company as Managing Director and will begin with one branch with others planned within six months.

Since this is a first move by an acrylic sheet manufacturer into vertical integration and controlled distribution, the obvious question on most minds is: are they going to expand this concept to Europe, the Americas, Asia? For Lucite’s official response, as well as comments from their competitors and customers. see the statements in the Industry Interviews section further on in this issue. Our sources do tell us that Lucite International had lost most of their distributor sales in the U.K when Amari bolted, and had “little to lose” with this tactical move. However, only time will tell how this will play out and if it follows any trend started by the GE acquisition of its own PC sheet distribution that created GE Polymershapes, still in transition according to many suppliers.

Some economic trends to be noted are:

- Purchasing Managers Index up 10% from April to May 2003
- Productivity up from .7% to 1.9% from 1Q 2002 to 1Q 2003
- Machine Tool Consumption stayed almost even in April 2003 versus 2002
- New Orders Index (ISMA) remained steady from April to May 2003
- Durable Goods New Orders improved almost 2% from April to May 2003

India will be the third largest polymer consumer by 2010, following the U.S. and China, with a compounded annual growth rate of 14.1%. Many manufacturers will be watching closely and the largest distributors should take note.

DISTRIBUTOR/MANUFACTURER BRIEFS – NPE 2003 EDITION:

DuPont has launched two new breakthroughs in acetal technology with the introduction of thermoformable and paintable/platable grades of Delrin®. Forming Solutions (FS) is a modified Delrin that has a broad softening point in the range of 180-200C. Penn Fibre, an Ensinger unit, is supplying Delrin FS sheet in thicknesses from 0.25-6.35mm – markets are expected to be in medical and dental housings, appliance components and furniture parts. The Delrin Decorating Solutions technology contained in special grades with a patented acidic etching solution that allows painting and plating on Delrin sheet parts.

Bayer, through its Polymers unit, on the other hand, announced what it claims to be the industry's first thermoformable nylon – it is impact modified with 15% glass fibre. Bayer also marked the 50th anniversary of its Makrolon® PC, with the introduction of three new grades of Makrofol brand PC films, including DPI 184 for extreme temperature applications, and grades for POP displays and other applications. Bayer Polymers (which includes Sheffield Plastics), had 2002 global sales of E11 billion, with 210 plants and 23,000 employees, making up 40% of Bayer AG worldwide sales. It is number two globally in PC and number three in semi-crystalline thermoplastics. Bayer Polymers expects 25% of its sales to be in Asia (primarily China) in the next four years.

GE Plastics, in conjunction with Bayer, through its joint venture, Exatec, displayed the first commercially available automotive side and rear glazing panels produced from PC. Bayer similarly displayed these new products at their stand. It included PC with embedded defroster wires, with self cleaning properties yet to come. GE also displayed many new grades of film and sheet, as we previously reported in our May 2003 issue (see interview with Greg Adams of GE which follows). However, noticeably absent was the presence of GE Polymerland, due to new arrangements made with ResinDirect.

MERGERS/ACQUISITIONS, ALLIANCES AND EXPANSIONS: D&B Industrial Group, of Delaware, a turnaround specialist and owners of United Plastics (formerly Crescent Plastics) and Prime Plastics, announces its acquisition of Thermoplastic Processes (TPI) of New Jersey – with purported annual sales of over \$10 million – who is their next target?

PEOPLE: Laird Plastics appoints Arnold Mouw as General Manager, Western Region, replacing Mike Johnson who resigned. Mouw was formerly with Cadillac Plastic (now GE Polymershapes) in management positions in Australia and Texas.

John Douglas, Sales and Marketing Director of Plastics Plus Limited is named Chairman of the UK Division of the European Plastics Distributors Association (EPDA). This followed the recent incorporation of the British Plastics Stockholders Association (BPSA) into the EPDA.

At Ensinger, Larry DiSano becomes High Performance Engineering Specialist replacing Bob Albert who is retiring at the end of this year. Monty DeLaney joins Ensinger-Hyde as Territory Manager in the Southwest. He takes over a territory vacated by the resignation of the Plastic Group manufacturers rep firm, headed by Bruce Haines.

Jim Dunn, head of Atofina's Atoglas unit, retiring at years end will be replaced by Doug Sharp, who has been Global Manufacturing Director for Atofina's Plastics Additives.

INDUSTRY INTERVIEWS: NPE 2003

Note: This month Industry Interviews features several mini-interviews conducted during the month of June both at the NPE and in conjunction with events surrounding NPE.

Greg Adams, General Manager Global GE Plastics Marketing. (former head of the transition team that merged Cadillac and Commercial into GE Polymershapes). We interviewed Greg at GE Plastics spectacular booth at NPE 2003.

What new product initiatives (npi) will you be emphasizing this year and what are the target markets?

Large part thermoforming and fabricating is one area where GE Plastics will develop and grow due to new resin technology such as Gelay XTW. We are developing flat sheet initiatives and staffing a new team to seek out applications. We have a robust NPI deck and are organized to drive items into individual market segments such as Exatec with large parts, in focus for the first time into the automotive glazing segment.

How is GE Polymersshapes organized globally? What is the reporting structure?

European and Pacific operations report to the Global Leaders in each of those regions.

In the Americas, Scott Telesz, heading up GEPS reports to John Krenicki, whereas in the Pacific GEPS reports to Len Kosar and in Europe they report to Golnar Motaharipour.

In the Structured Products business, Craig Witsoe is the Global Leader.

How is business and what is your outlook?

The processing industry is under pressure but we are nonetheless resuming new product and application development. GE Plastics is committed to the industry and to its application base. We're on the offensive in a good way in troubled times...and we'll lead!

Note: As a result of the momentous announcement of Lucite International establishing Perspex Distribution in the U.K., we conducted several phone interviews from manufacturers and distributors affected and watching. Here are some excerpts:

- “ This step we have taken is unique to that region and that country. We had lost volume over the past 5 years . The decision is the most robust way over the next few years to get a financial return. We have no plans to export this concept.” – Bill Faulhaber, Marketing Manager, Lucite International, Tennessee.
- “ All things came together and Keith Piggott became available. Lucite International apparently had little distribution left in the U.K. and thus nothing to lose. If they have considerable distribution business, this puts it at risk and is a significant move.” – Dan Quinlan, General Manager - Sheet, CYRO Industries.
- “ Plaskolite has been a manufacturer for 50 years and has no appetite for being in the distribution business – we don't think you can do both. We will continue to support our distributors. This move is a break with tradition – will it affect other manufacturers? ... we only know it won't change our strategy.” – Mitch Grindley, Vice President, Marketing and Sales, Plaskolite.
- “ We are not affected by this at the present time as they will be going after the sign market for starters. Perspex distributors are naturally upset and I believe that Lucite is under pressure from their financial backers to show vertical integration, however this is only for cast sheet as Barlo produce their extruded for them. I believe that Perspex Distribution will go out to convert Plex, Barlo, Irpen and Repsol business.” – John Douglas, Sales and Marketing Director, Plastics Plus Ltd.

Information contained in this newsletter has been taken from trade and statistical sources that we consider reliable but we cannot assure its accuracy or completeness. Any opinions expressed reflect our judgement as of this date and are subject to change.