



Chambre Syndicale des Emballages
en Matière Plastique

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PRESS RELEASE

MAJOR PRICE HIKES in PLASTICS **A real case of “force majeure”** **that should be passed through to packaging prices immediately**

In just a few days, **plastic suppliers have confirmed to packaging manufacturers that unprecedented, extremely sharp price rises** will be effective from July 1st. These hikes are justified by the doubling of oil prices (from \$70 per barrel to \$140 in 6 months), which has reduced margins for the various players in the petrochemical value chain in recent weeks.

What rises are we talking about?

Quarterly contracts for ethylene (the main material for making polyethylene) rose €190 per metric ton for the 3rd quarter, from €1,038 to €1,228(+18%).
An initial contract for propylene (the main material for making polypropylene) increased €88 per ton for the 3rd quarter, from €927 to €1,015(+9%).

Polymer producers immediately passed through these monomer price rises as from July 1st and also intend to restore their margins by applying increases that will go far beyond the rises for ethylene and propylene.

**Consequently, we are talking about rises of 120 to 200 euros per ton,
applicable from July 1st!**

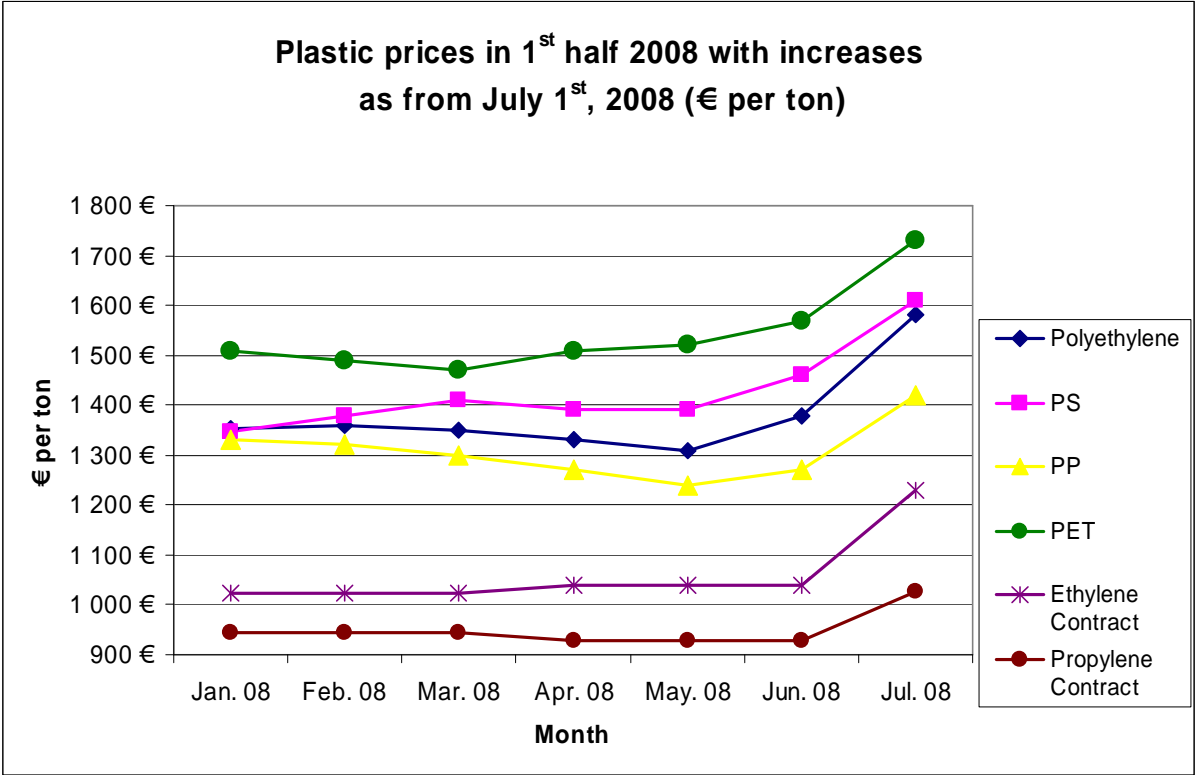
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Membre actif de la Fédération de la Plasturgie

PERCENTAGE INCREASES
IN PLASTIC PRICES IN FRANCE AS ON 01/07/2008

PLASTIC	PRICE in € / TON AS ON 30/6/2008	INCREASE in € / TON AS ON 01/7/2008	% INCREASE
POLYETHYLENE	€1,375	€200	15%
PS	€1,460	€150	10%
PP	€1,270	€120	10%
PET	€1,570	€150	10%



What is the impact on packaging manufacturers?

- Price rises that the trade cannot absorb, as they generate excess costs that are much higher than the average **profitability** of companies in the sector, which was 2.5% in 2007 and will be negative at **-1.5% in 2008**.
- **Cash** that will be wiped out in the short term as it has been badly eroded since the beginning of the year by increases in energy, transport and other purchasing items. For example, every truckload of polyethylene ordered since July 1st means €4,800 in additional expense.
- **Payment times**: some suppliers have significantly cut their payment times with packaging manufacturers, putting additional pressure on their cash resources.

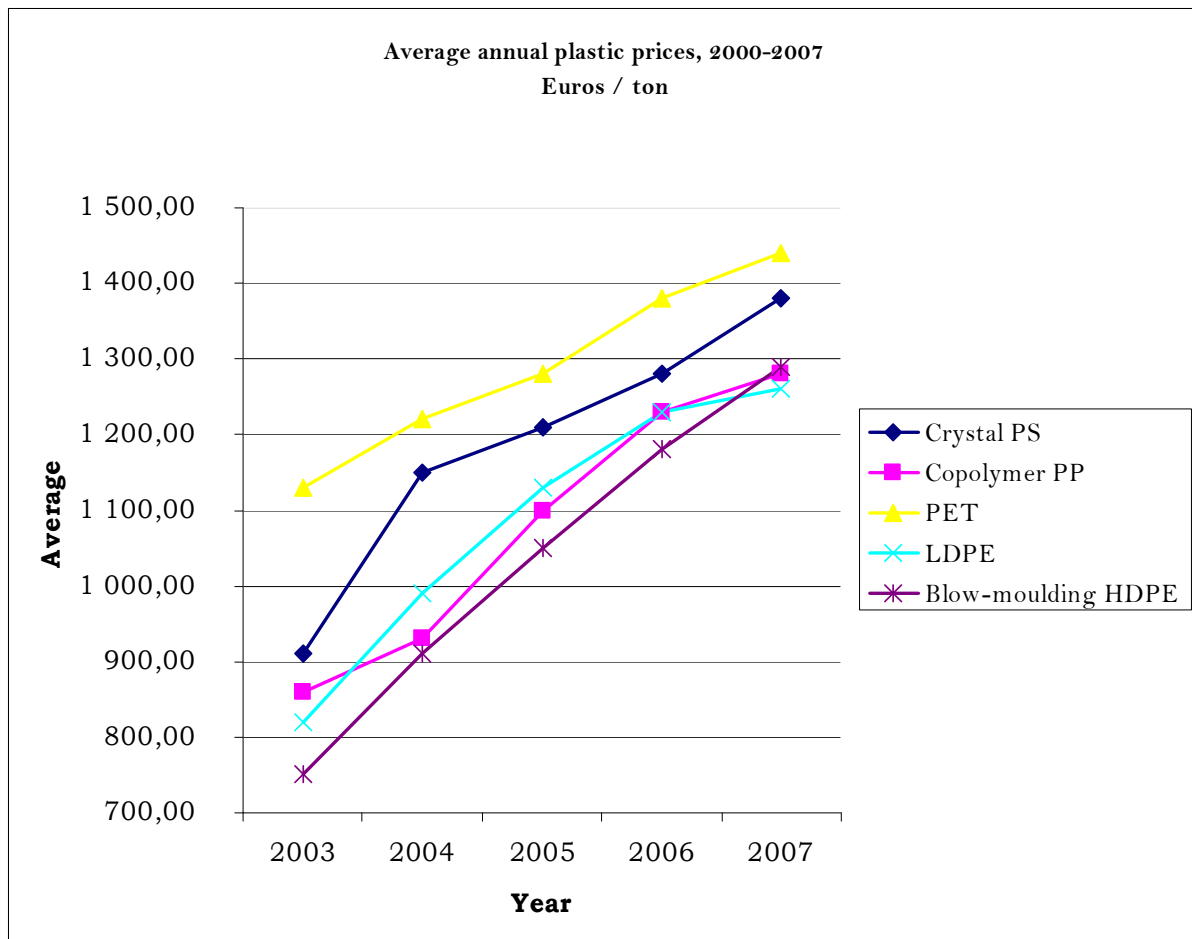
- **Capital expenditure projects and R&D programs** that cannot be funded and will have to be postponed or called off, weighing on the future of French businesses in a context of economic globalisation.
- **Job cuts** that are inevitable in this context.

Widespread impact for every company, regardless of size or sector of business.

To sum up, oil price rises → plastic price rises.

➔ **These rises must be passed through to packaging prices immediately as it is a real case of force majeure.**

Packaging manufacturers alone do not have the financial capacity to absorb these sharp hikes in plastic prices, which have soared constantly since January 1st, 2003.



The French plastic packaging and film industry achieved €5.7 billion in sales in 2007 (up 6% from €5.375 billion in 2006) for 2,080 KT converted tonnage (up 1.5% from 2,047 KT in 2006). The industry is comprised of 338 companies (with more than 20 employees) and employs 35,717 people.

The French flexible packaging industry achieved €13 billion in sales in 2007 for volume of 2,438 million m². The industry is comprised of 50 companies and employs 6,500 people.

CSEMP represents these two industries with combined sales of €7 billion and 42,500 employees who are all very worried about their future.

PE: polyethylene

PS: polystyrene

PP: polypropylene

PET: polyethylene terephthalate

CSEMP, the French Plastic and Flexible Packaging Association, is the trade body that federates the two industries and represents them with public authorities, the political sphere and many other partners.

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