

Challenges and Opportunities in Blowmolding

Ashok Sudan

*Executive Vice President
Global Food & Beverage
Graham Packaging Company, L.P.*



Annual Blow Molding Conference

October 10-11, 2007

Toledo, Ohio

Graham Packaging Company

- An independent, privately held company.
- Generating \$2.5 billion in global sales with strong growth momentum.
- Focused on custom blow molded containers – PET and Polyolefins
- Global foot-print - 85 plants in 16 countries.
- More than one-third of all our plants are on-site facilities with our customers.



Annual Blow Molding Conference

October 10-11, 2007

Toledo, Ohio

Broad Product Portfolio

Food & Beverage



(61% of total)

Household



(20% of total)

Personal Care/Specialty Containers



(9% of total)

Annual Blow Molding Conference

Note: Reflects pro forma combined 2003 net sales of \$2,071 million.

Automotive Lubricants



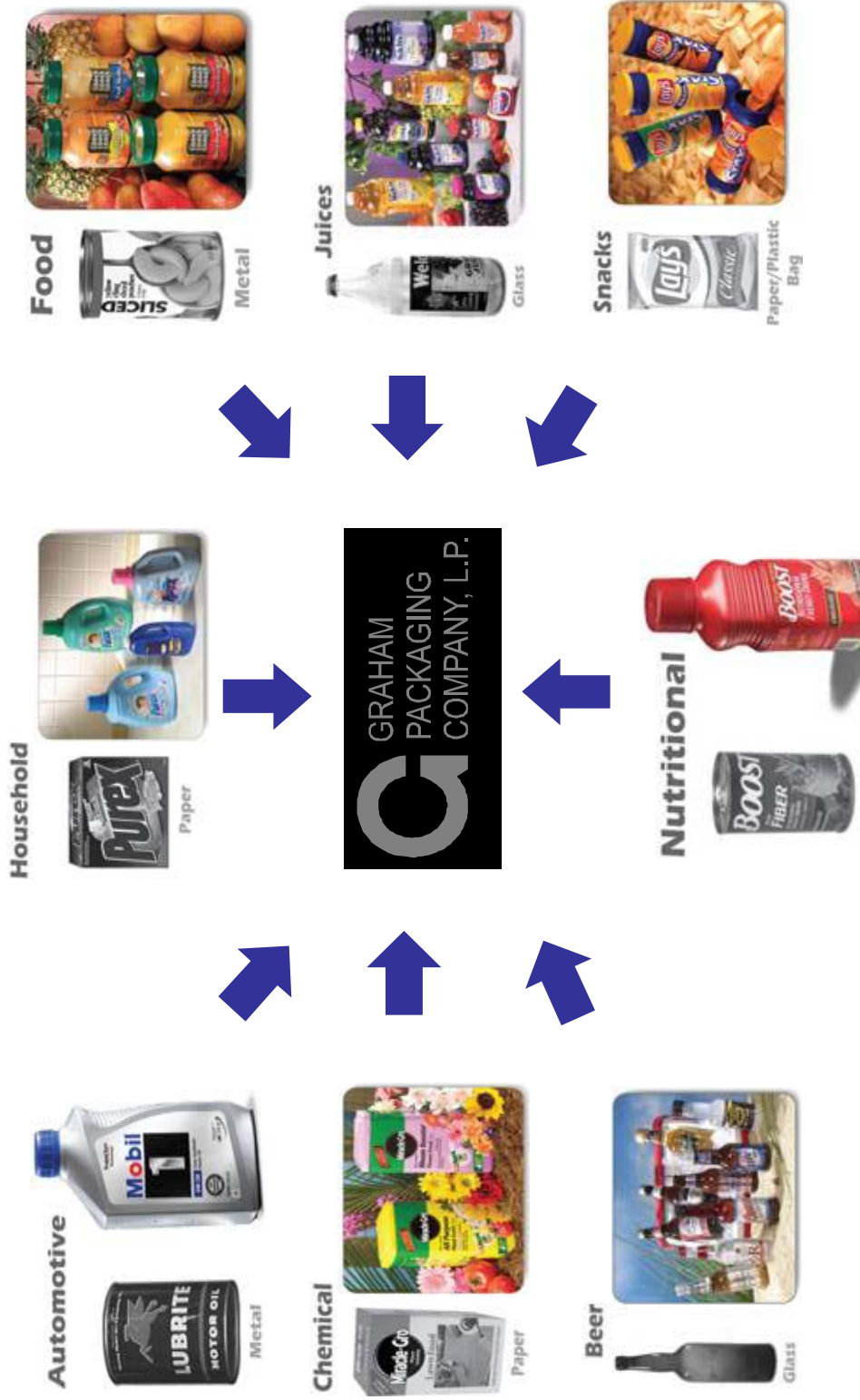
(10% of total)

October 10-11, 2007

Toledo, Ohio



Product Conversion Drives Industry Growth



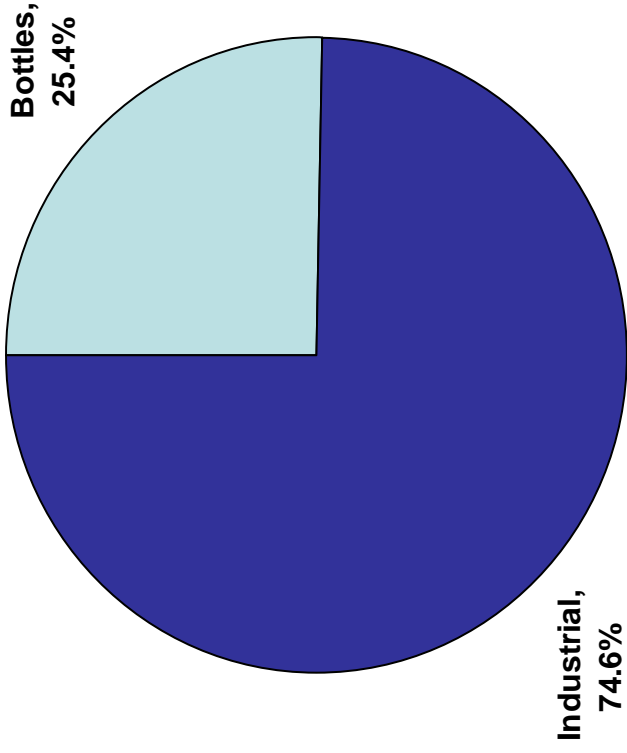
Annual Blow Molding Conference

October 10-11, 2007

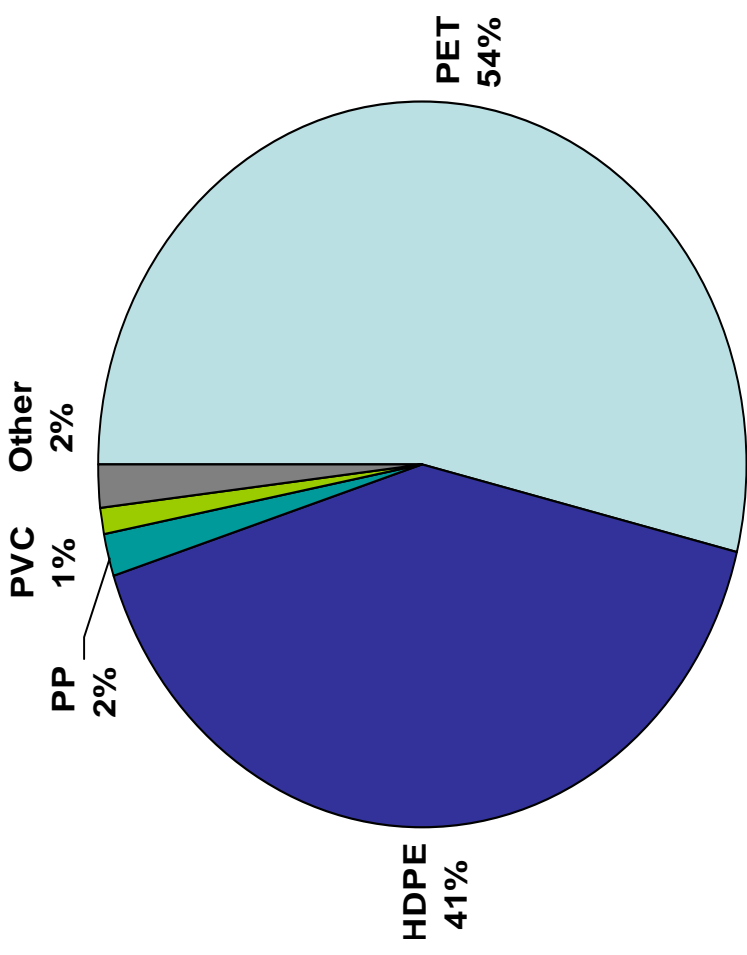
4⁸
Toledo, Ohio

The Blow Molding Industry Today

**Blow Molding Market
Total Sales \$16B**



Bottle Market by Material



Challenges

Margins are being squeezed as a result of:

- Rising input costs
 - Resin
 - Energy
 - Transportation
 - Capital Equipment
- Price Erosion
 - Customer consolidation
 - Technology Advances
 - Stiff Competition



Challenges

Growth rates have slowed down

- Most of the easy conversions into plastics are over
- CSD & Bottled Water consumption slowing

Capital Intensity continues to be exceedingly high

- Rapid technological & economic obsolescence
- High cost of equipment
- Return on investments not met



Challenges

The Challenge for the Industry can therefore be summarized as follows:

How do we deal with the squeeze on margins and continue to generate profitability at a level that will support reinvestment and growth?



Opportunities

- It is easy to sound dismal under these conditions.
- However there will continue to be plenty of opportunities – but only for the best and most disciplined companies



Opportunities

The best companies must improve margins by:

- Countering price erosion through a sustained push for price increases, especially where value is added
- A disciplined approach to adding capacity
- Continue to drive excess costs out of the system through productivity increases
- A focus on reducing working capital
- Value engineering to reduce capital investments



Opportunities

Financially healthy companies will find a multitude of new opportunities:

1. New technologies are opening new market segments
2. Global growth, particularly in the emerging markets
3. The push for sustainability in packaging will reward companies who develop the right technologies



CONCLUSION

- This is a challenging time for the industry
- The best companies will bring a new discipline and focus to the industry
- They will not only survive but also be able to take advantage of many new and exciting opportunities

Thank You!

