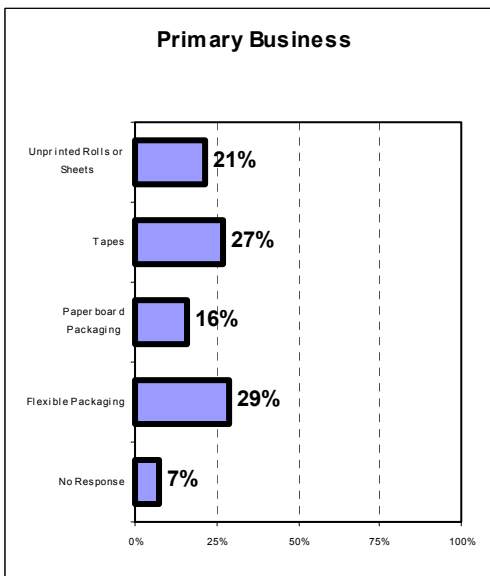


The PFFC Economic Monitor

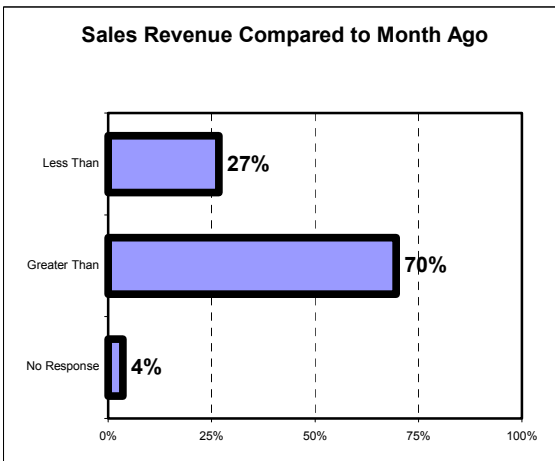
The data in this report is based on the first survey of converters participating on the PFFC Economic Panel. The initial survey was completed at the end of January, 2004. The PFFC Economic Monitor is designed to provide converters with historical and forward-looking information on the performance of companies in the converting industry. PFFC's Economic Monitor will be published on a quarterly basis with the next survey scheduled to be sent out to panel members late in April. The Economic Monitor is distributed free of charge to panel members and is available to subscribers at \$99.00 per year. Please contact Cheryl Mangano at cmangano@primedia.com for a subscription.



"What is the primary type of business conducted at your location?"

For the purposes of this report, the converting market is comprised of four major components: flexible packaging, unprinted rolls/sheets, paperboard packaging and tapes/labels/tags.

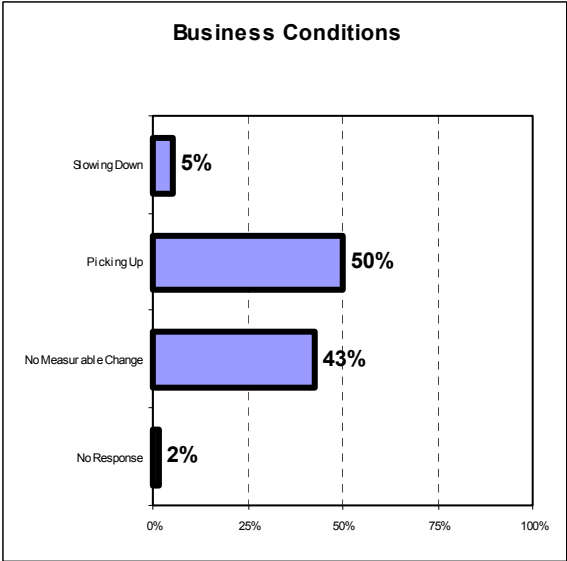
The percentages in the bar chart to the left indicate the percentage of respondent panel members in each category that currently make up PFFC's Economic Panel.



"For the just completed month, was sales revenue greater than or less than the previous month?"

This chart measures the change in sales revenue from November '03 to December '03. Not adjusted for seasonality, the vast majority of converters responded that sales were picking up momentum.

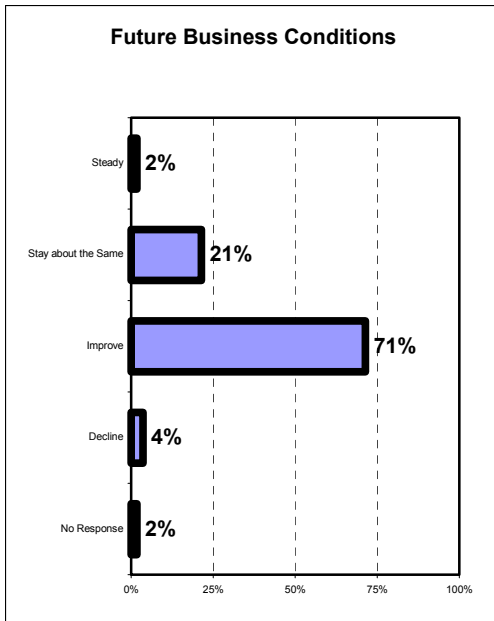
	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Greater Than	81.3 %	33.3%	80.0%	75.0%
Less Than	18.8 %	55.6%	30.0%	20.0%



“What is happening to business conditions (volume of orders, health of your customers’ businesses, order size, inquiry activity, receivables) in your markets?”

Converter business conditions mirror the general optimism in the overall economy. Three of the four sectors reported business conditions as “picking-up,” with only the Paperboard Packaging category reporting a significant percentage in the “no measurable change” category.

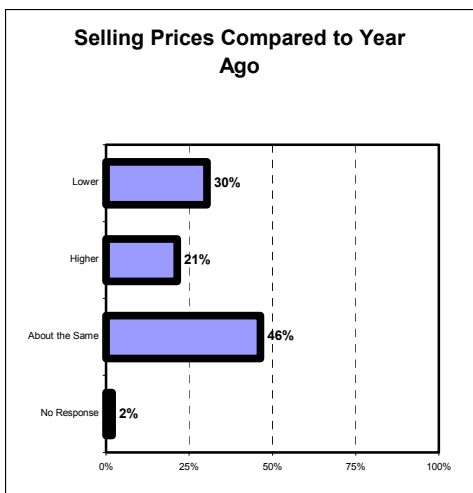
	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Rolls	Unprinted Rolls and Sheets
Slowing Down	6.3%	11.1%	6.7%	0.0%
Picking Up	68.8%	11.1%	46.7%	58.3%
No Measurable Change	25.0%	77.8%	46.7%	41.7%



“In the next six months, do you expect business conditions to improve, decline, or stay about the same compared with current conditions?”

Looking forward, all four converter sectors believe their business will continue to improve with the general economy.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Improve	68.8%	55.6%	73.3%	75.0%
Decline	6.3%	11.1%	0.0%	0.0%
Steady	0.0%	0.0%	6.7%	0.0%
Stay about the Same	18.8%	33.3%	20.0%	25.0%



“On average, are your selling prices higher, lower, or about the same compared to a year ago?”

This chart depicts the pricing pressure prevalent in the converting industry. With the exception of flexible packaging converters, most converters are experiencing the same inability to increase selling prices as most other firms in the overall U. S. economy.

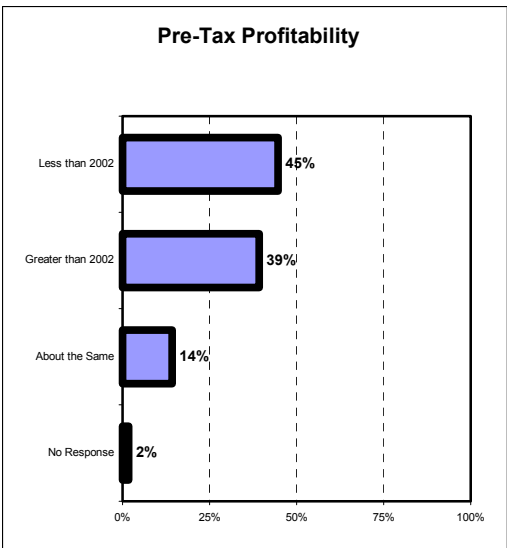
	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Rolls	Unprinted Rolls and Sheets
Higher	37.5%	11.1%	13.3%	16.7%
Lower	12.5%	66.7%	26.7%	33.3%
About the Same	50.0%	22.2%	53.3%	50.0%

Pre-Tax Profitability

“How would you measure your company's pre-tax profitability?”

Forty-five percent (45%) of total respondents said their pretax profits decreased in 2003 versus 2002. Other charts in this report will indicate the inability to raise selling prices, increases in raw material costs, and lower revenue levels as the primary factors affecting this metric.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Greater Than 2002	43.8%	44.4%	33.3%	33.3%
Less Than 2002	50.0%	55.6%	33.3%	50.0%
About the Same	6.3%	0.0%	26.7%	16.7%

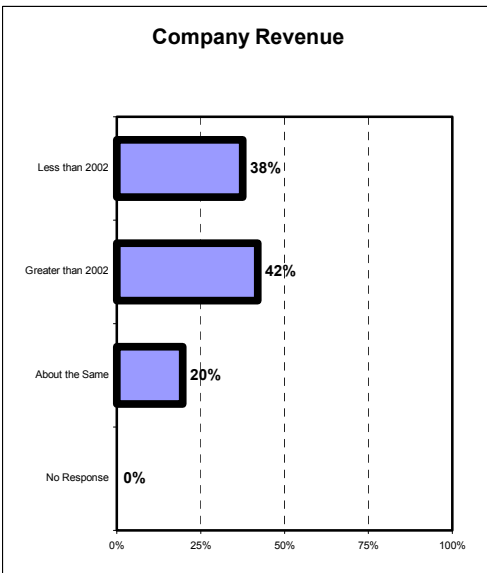


Company Revenue

“How would you measure your company's revenue?”

In a comparison between 2003 and 2002, 42% of total respondents indicated that revenue was higher in 2003. Yet, significant percentages in every converter business sector reported revenue lower in 2003 than in 2002.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Rolls	Unprinted Rolls and Sheets
Greater Than 2002	43.8%	44.4%	50.0%	41.7%
Less Than 2002	43.8%	44.4%	28.6%	41.7%
About the Same	12.5%	11.1%	21.4%	16.7%

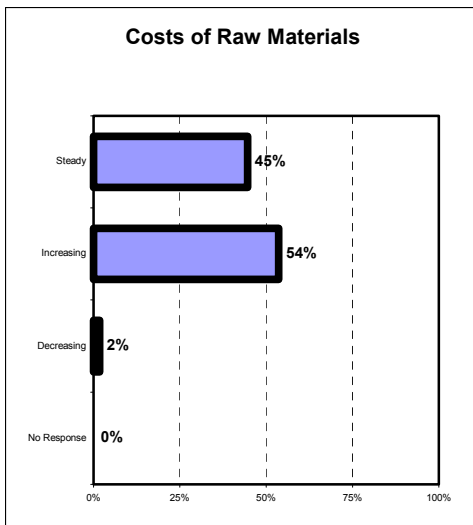


Costs of Raw Materials

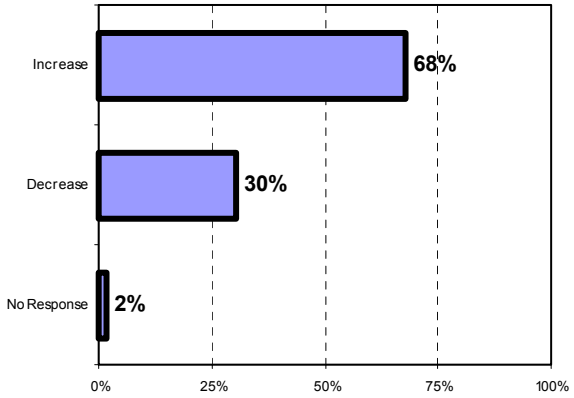
“Are raw material costs increasing, decreasing, or steady compared to three months ago?”

As with manufacturers in other sectors of the economy, raw material costs increased for over half of our panel companies. The “Flexible Packaging” and “Unprinted Rolls/Sheets” categories were impacted the most with 81.3% and 75.0% respectively reporting increases.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Increasing	81.3%	11.1%	40.0%	75.0%
Decreasing	0.0%	0.0%	0.0%	8.3%
Steady	18.8%	88.9%	60.0%	16.7%



Business Backlog - Last Quarter 2003

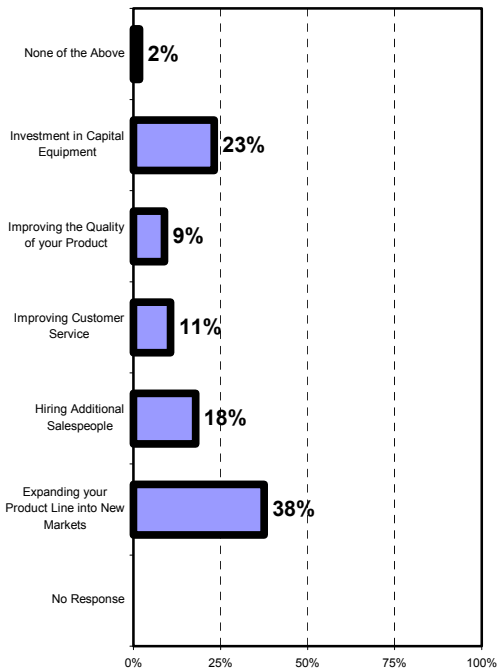


“For the last quarter of 2003, did you see an increase or decrease in your business backlog (backlog defined as orders in-house that will be produced in the next three months)?”

Compared to Q3 2003, the backlog of business increased in 3 of 4 categories, definitely fueling optimism for 2004. The “Unprinted Rolls/Sheets” category was the only segment that reported its backlog actually decreased in Q4.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Increase	68.8%	55.6%	86.7%	41.7%
Decrease	31.3%	44.4%	13.3%	50.0%

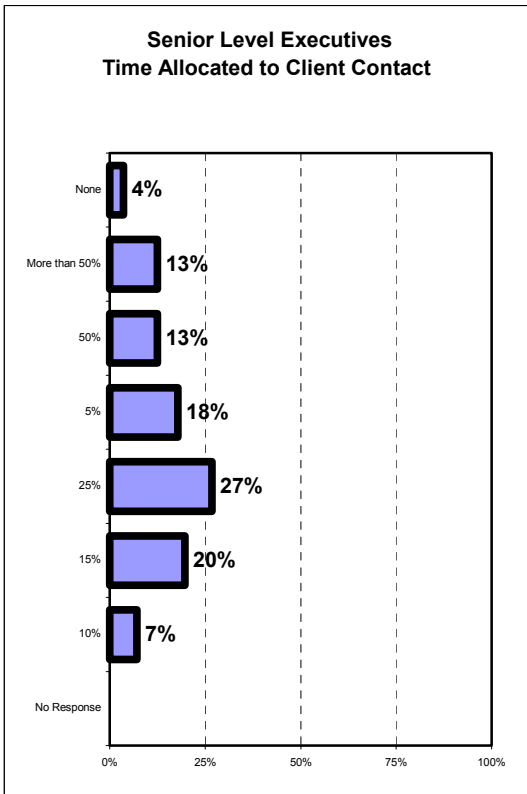
Future Impact on Revenue and Profit



“In which ONE of the following areas do you feel that investment made by your company will have the greatest impact on driving revenue and net profit?”

In total, converters felt that “Expanding Product Line Into New Markets” and “Investment In Capital Equipment” would provide the greatest impact in driving revenue and net profit. Product quality and customer service were viewed as having the least impact in increasing overall business.

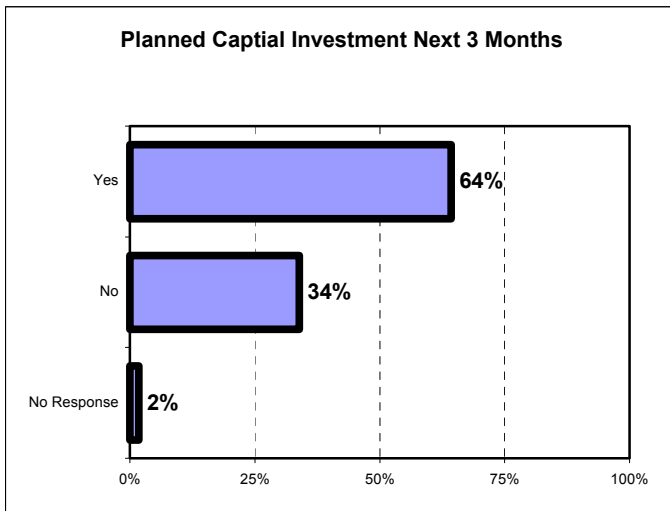
	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Expanding Our Product Line into New Markets	37.5%	44.4%	40.0%	33.3%
Hiring Additional Sales People	18.8%	22.2%	13.3%	16.7%
Improving Customer Service	12.5%	11.1%	6.7%	8.3%
Improving the Quality of your Product	12.5%	0.0%	0.0%	25.0%
Investment in Capital Equipment	12.5%	22.2%	40.0%	16.7%
None of the above	6.3%	0.0%	0.0%	0.0%



“Considering the just completed quarter, estimate how much of their time did your senior level executives spend with current or potential clients?”

It’s a common business belief that there is a direct connection between senior level client contact and sales revenue. Senior level executives in the converting industry seem to ascribe to this business practice with the greatest percentage of converters reporting that their senior people spend at least 25% of their time with current or potential customers.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
05% time w/ customers	18.8%	11.1%	20.0%	16.7%
10% time w/ customers	6.3%	0.0%	20.0%	0.0%
15% time w/ customers	0.0%	33.3%	26.7%	33.3%
25% time w/ customers	25.0%	33.3%	13.3%	33.3%
50% time w/ customers	25.0%	0.0%	13.3%	8.3%
More than 50% time w/ customers	25.0%	0.0%	6.7%	8.3%
No time w/ customers	0.0%	22.2%	0.0%	0.0%

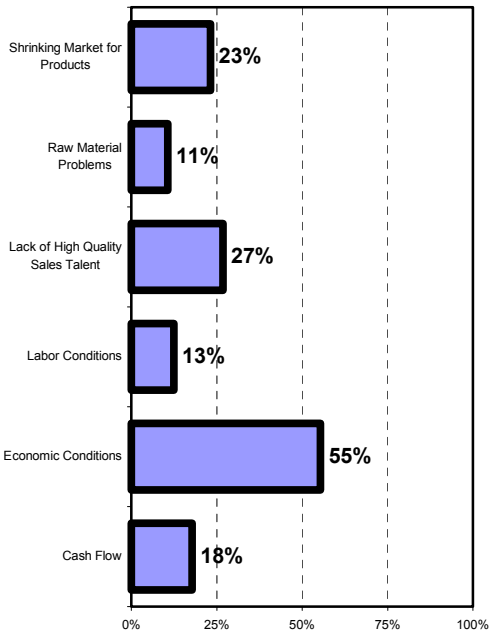


“Do you plan on making a significant (‘significant’ defined as over \$30,000) capital investment over the next 3 months?”

The response to this question bodes well for equipment manufacturers. Cautious optimism on behalf of the supplier community might be the best approach as profit margins, and hence the ability to invest, are squeezed by raw material price increases and an inability to increase selling prices.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Yes	62.5%	66.7%	73.3%	66.7%
No	37.5%	33.3%	20.0%	33.3%

Primary Obstacle to Achieving Revenue and Profit Goals (All Mentions)

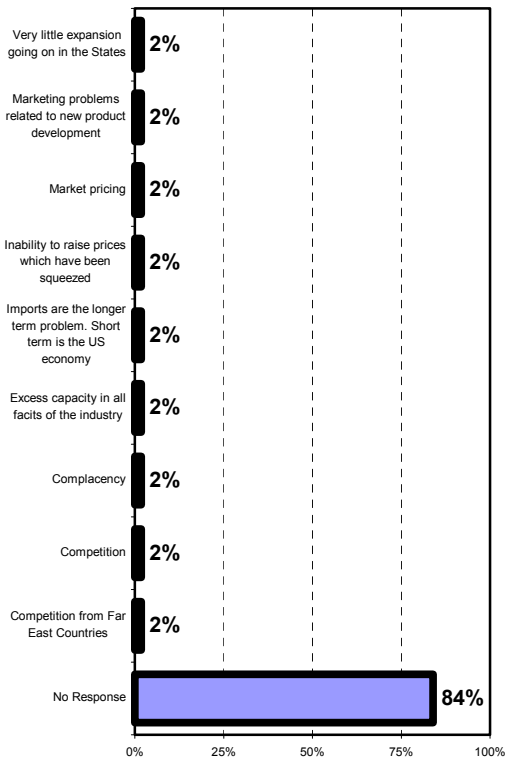


“What is the primary obstacle standing in the way of achieving your revenue and profit?”

The economy’s condition is blamed as the primary obstacle to achieving revenue and profits in the future according to a consensus of 55% of respondents. Following, as a second primary obstacle, is a lack of high quality sales talent at 27%, but this is only true in the Paperboard Packaging and Tapes Labels & Tags sectors.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Rolls	Unprinted Rolls and Sheets
Cash Flow	6.3%	0.0%	6.7%	0.0%
Economic Conditions	50.0%	55.6%	53.3%	66.7%
Labor Conditions	6.3%	0.0%	0.0%	0.0%
Lack of High Quality Sales Talent	0.0%	11.1%	26.7%	0.0%
Raw Material Problems	18.8%	0.0%	6.7%	8.3%
Shrinking Market for Products	6.3%	33.3%	6.7%	8.3%

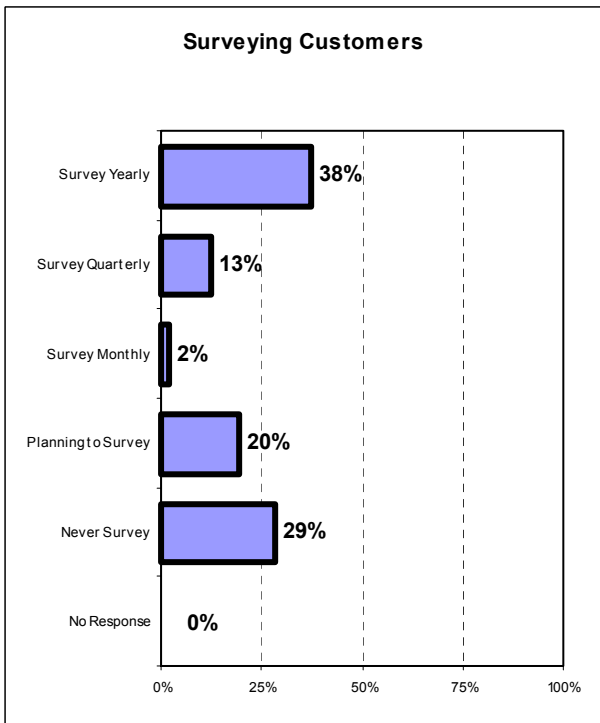
Other Specify Prior Question



“Please specify “other” from question above.

Broken out here is a host of “other” obstacles sited by respondents with Unprinted Rolls and Sheets seemingly having the greatest diversity of challenges to face.

	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Competition from Far East	0.0%	0.0%	0.0%	8.3%
Competition	6.3%	0.0%	0.0%	0.0%
Complacency	0.0%	11.1%	0.0%	0.0%
Excess Capacity in the Industry	0.0%	0.0%	0.0%	8.3%
Imports	0.0%	0.0%	0.0%	8.3%
Inability to Raise Prices	6.3%	0.0%	0.0%	0.0%
Market Pricing	0.0%	0.0%	0.0%	8.3%
Marketing Problems for New Products	0.0%	0.0%	6.7%	0.0%
Little Expansion in US	0.0%	0.0%	0.0%	0.0%



“Do you ever survey, or are you planning to survey, your customers to get their feedback on your performance as a supplier?”

An important consideration in gaining a competitive edge is to understand how clients feel about your organization. A useful tool in providing this useful insight is to survey customers on a regular basis. Just over half of total respondents survey their customers at least once per year, with 13% doing so on a quarterly basis while a surprising twenty-nine percent (29%) never survey their customers with a bulk of these converters involved in Paperboard Packaging and Unprinted Rolls and Sheets.

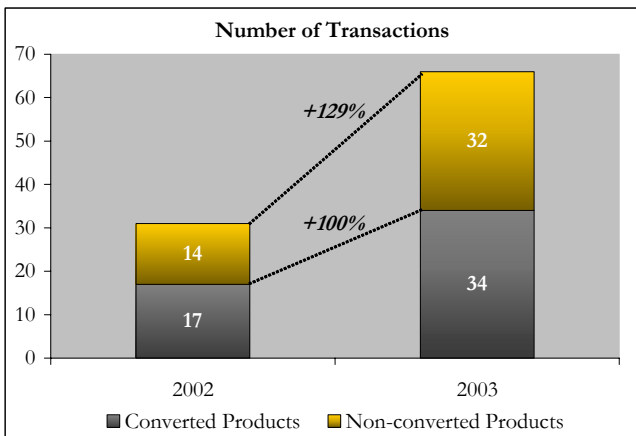
	Flexible Packaging	Paperboard Packaging	Tapes, Labels & Tags	Unprinted Rolls and Sheets
Never Survey	18.8%	33.3%	26.7%	33.3%
Planning to Survey	31.3%	0.0%	20.0%	25.0%
Survey Monthly	0.0%	0.0%	0.0%	8.3%
Survey Quarterly	6.3%	11.1%	26.7%	0.0%
Survey Yearly	43.8%	55.6%	26.7%	33.3%

Mergers & Acquisitions Update

As part of its quarterly economic update, PFFC has partnered with Thomas Blaigne & Company LLC to share its proprietary research on Mergers & Acquisitions activity in the paper, film, and foil converting markets. In this first installment, the focus is on the Plastics Film & Sheet Sector.

GLOBAL FILM & SHEET DEAL VOLUME DOUBLES OVER 2002

Global M&A activity in the Film & Sheet Sector more than doubled over 2002, reaching a total of 66 transactions in 2003. A significant driver of this volume is consolidation among larger industry players such as Alcan, Amcor, Klöckner Pentaplast, and Sigma Plastics (who together accounted for 11 M&A transactions).



Volume is truly global, with 70% of all transactions including an international (non-US) buyer and/or seller.

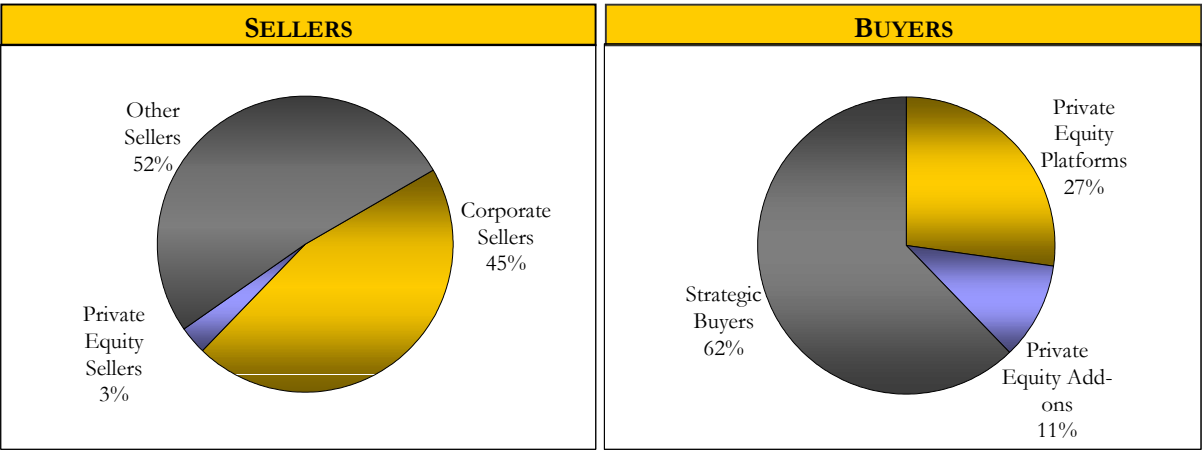
M&A activity growth among non-converted products outstripped that of converted products. Thus, consolidation among those who supply the converter market is accelerating. We believe that this trend will eventually put additional pressure on converters in the form of increased supplier leverage.

Source: Thomas Blaigne & Company LLC

DIVESTITURES, PRIVATE EQUITY, AND INTERNATIONALS DRIVING VOLUME

CORPORATE DIVESTITURES ACCOUNTED FOR NEARLY HALF OF SECTOR ACTIVITY IN 2003. Corporations continue to shed non-core assets in the sector to focus on core businesses as they restructure their portfolios.

- **NEW PRIVATE EQUITY PLATFORMS ACCOUNTED FOR 1 OF EVERY 4 TRANSACTIONS.** Investors are attracted by the industry’s long-term growth prospects and the fragmentation of the competitor universe.
- **67% OF BUYERS WERE INTERNATIONAL (NON-US) COMPANIES.** Non-US companies continued to be attracted to the US, as those companies who wish to be truly international realize that they must establish a meaningful presence in the US market.



Source: Thomas Blaigne & Company LLC

VALUATIONS: FILM & SHEET VALUES STRONG IN 2003

VALUATIONS IN 2003 REMAINED FIRM, REFLECTING THE CONTINUED DEMAND FOR TRANSACTIONS IN THE SECTOR.

- A composite index of publicly traded stocks in the sector indicates that, after outperforming the S&P 500 during the 2001/2002 period, firm valuations tracked closely to that of the overall market in 2003.
- Disclosed transaction multiples for healthy, profitable firms were roughly in-line with 2002’s valuations at 6.0x to 7.0x trailing EBITDA.

Transaction Value as a Multiple of	Sales	EBITDA
Trading Comparables	1.3	8.5
Transaction Multiples	1.0	6.7

Source: Thomas Blaigne & Company LLC, Company SEC filings, Wall Street estimates.

Please note that these multiples are indicative only - each business and situation must be viewed in the context of its own performance and prospects.