



Fourth Quarter 2008

Business Outlook Survey

Thank you for your participation in the business outlook survey sponsored by AIMCAL. Forty-seven member companies participated in the survey this quarter. This is a two member decrease over the number of members who participated in the third quarter survey. This is the fifth quarterly survey reported since the format conversion from a bi-monthly to a quarterly period.

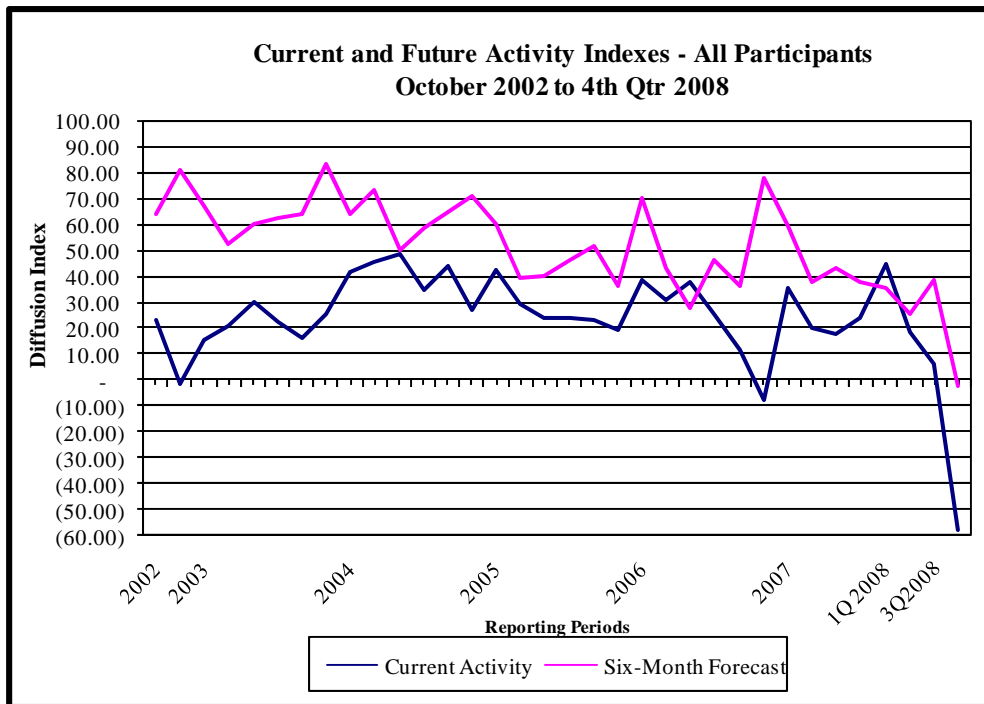
Survey conclusions are drawn from a diffusion index, which is defined as the percentage of participants indicating an increase minus the percentage indicating a decrease. A decrease in the index means that member expectations have fallen when compared to the prior reporting period. An increase in the index indicates that members are more optimistic about economic conditions than they had been in the last period. Conclusions drawn are based on a limited sample of data and should not be taken out of the context of this survey.

No individual replies have been quoted or published as part of this analysis. This data has been summarized by Alto Mila Consulting, LLC of Cleveland, Ohio.

Current and Forecasted General Activity Indexes Drop Significantly

The current general activity index fell more than 60 percent, falling to an all-time low of -57.45. This is the lowest level recorded since survey reporting began in October 2002 and only the third time that the current index has reported a negative diffusion index. The forecasted index declined slightly more than 40 percent, falling to a negative reading for the first time. As can be seen from the graph at the upper right, the fall was dramatic for both indexes. Until this period, the forecasted index had been trending relatively flatly, while the current index had been trending downward throughout 2008. Since December 2007 when analysts believe the U.S. economy fell into a recession, the current index has fallen more than 81 percent and the forecasted index has fallen more than 40 percent.

The current individual company business indicators were all negative for the quarter with the decreases ranging from 11 percent



for the inventory index to 84 percent for the prices paid index. None of the current business indicators reported positive data—both the prices paid and prices received indexes fell dramatically and both the employment indexes fell by more than 25 percent. Even with U.S. tax incentives, the current capital expenditures index fell by nearly 30 percent. All 10 indicators experienced significant double-digit decreases for the quarter.

The forecasted business indicators followed their current period counterparts. Eight of the indicators decreased and only two indicators showed increases. The new orders and inventory index both showed increases for the period, but the increases were 11 percent or less. Those indicators that decreased for the quarter all declined over a range between 8 and 68 percent.

Prices Paid and Received Indexes Move Significantly Downward

The current prices paid index fell 84.11 percent to a reported value of -10.64 from last quarter's reported value of 73.47. Since peaking at 77.78 in the second quarter, the prices paid index has fallen to its lowest reported level. The forecasted prices paid index fell more than 68 percent to its lowest level under the survey, -23.41.

The current prices received index also fell nearly 68 percent from its high established last quarter. The index had risen nearly 40 percent since the fourth quarter of 2007 before falling to this quarter's value of -8.51. The forecasted prices received index fell more than 64 percent to its reported value of -23.41 and the lowest value reported under the survey. The previous low reading was 2 reported in June 2005.

Current and Forecasted Labor Indexes Continue Downward Trend

The current number of employees index decreased nearly 30 percent for the quarter, falling to the lowest level reported since October 2003. The forecasted index decreased more than 27 percent. Since peaking in the fourth quarter of 2007, the forecasted index has fallen more than 50 percent.

The average employee workweek index has fallen another 25 percent. Since peaking in the fourth quarter of 2007, the current index has fallen by more than 50 percent and the forecasted index which peaked at the same time has fallen nearly 45 percent. Weakness in the labor market continues to be reported for the fifth consecutive report.

Members Report on 2008 Revenues Versus 2008 Actual and Look Ahead to Revenues Projected for 2009

This month's first special relevant issues question asked members how their actual 2008 sales revenues compared to their projected 2008 sales revenues. Nearly 32 percent of members reported missing their projections by at least 10 percent. A small part of that group, 4.26 percent, reported missing their projections by more than 20 percent. Only slightly less than 13 percent reported actual revenues of more than 10 percent higher than their projections. The remaining members were within 10 percent, plus or minus, of their projections. While differences exist between industry segments (see table below), the material suppliers seemed to miss their projections most often with 50 percent reporting actual revenues lower than projections.

This month's second special relevant issues question asked members to compare their expectations for 2009 sales revenues with those experienced in 2008. More than one-third of members expect that their sales will be lower than those earned during 2008. Nearly 9 percent of those members expect sales to be off 2008 sales revenues by more than 20 percent. In contrast, nearly 28 percent of members

expect 2009 sales revenues to be higher than 2008. Of those, slightly more than 4 percent are expecting sales revenues to be in excess of 20 percent higher than 2008's revenues. The remaining 38 percent of respondents expect sales revenues to remain at about the same level as 2008's revenues. While differences exist between industry segments (see table below), the converter segment seemed to have the most positive outlook for 2009 with more than 87 percent of members expecting sales revenues at the same level or better for 2009.

Capital Expenditures Fall For Current and Forecasted Periods

Member companies reported decreases in the capital expenditures indexes for the quarter. The current index fell nearly 30 percent and the forecasted index fell nearly 23 percent. Both indexes fell negative—the only time that they have been negative since survey reporting began in October 2002.

Summary

The survey results for the quarter are decidedly negative for the current period. With the U.S. in a recession for nearly a year now, the forecasted period data does not seem to offer much relief. Most published economic news does not seem to offer any clue as to how long the recession may last or how deeply it may cut into future eco-

nomics activity. Based on this survey, relief is probably more than six months away.

Segments, Tables and Charts

The following tables and charts report comparative diffusion index results for the entire population of data received and the results by segment. Upon review of the included tables, the reader will see the differences in the three segments reported for both the current and the forecasted activity periods. Analysis of the included tables makes these differences visible.

Please note that the charts show data bi-monthly between October 2002 and June 2007 and quarterly beginning with the fourth quarter of 2007.

For this reporting period, there were 47 total participants. The participants can be further broken down as follows: 16 converters, 14 equipment suppliers, 14 material suppliers and 3 undisclosed participants. The data referring to all participants includes all 47 responses received. Other data is labeled as to the segment it reports.

We Would Love to Hear From You

Do you have comments or a special relevant issue question? Send your comments or questions to Alto Mila Consulting, LLC via e-mail to alto@altomila.com.

Special Relevant Issues By Participant Segment

	All	Converters	Equipment Suppliers	Materials Suppliers
1) How did your sales revenues for 2008 compare to your projections?				
20% or more lower than projections	4.26	6.25	-	-
10 - 20% lower than projections	27.66	25.00	14.29	50.00
+10 to -10% of projections	53.19	62.50	57.14	35.71
10 - 20% higher than projections	12.77	-	28.57	14.29
20% or more higher than projections	-	-	-	-
Not Answered	2.13	6.25	-	-
2) How do you expect sales revenues for 2009 to compare with 2008?				
20% or more lower than 2008	8.51	6.25	7.14	14.29
10 - 20% lower than 2008	25.53	6.25	50.00	28.57
About the same as 2008	38.30	50.00	21.43	42.86
10 - 20% higher than 2008	23.40	31.25	14.29	14.29
20% or more higher than 2008	4.26	6.25	7.14	-
Not Answered	-	-	-	-

(1) Items may not add up to 100 percent because of omissions by participants.

(2) The diffusion index represents the percentage of participants indicating an increase minus the percentage indicating a decrease.

(3) Survey results reflect data received thru December 15, 2008.

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Summary of Returns

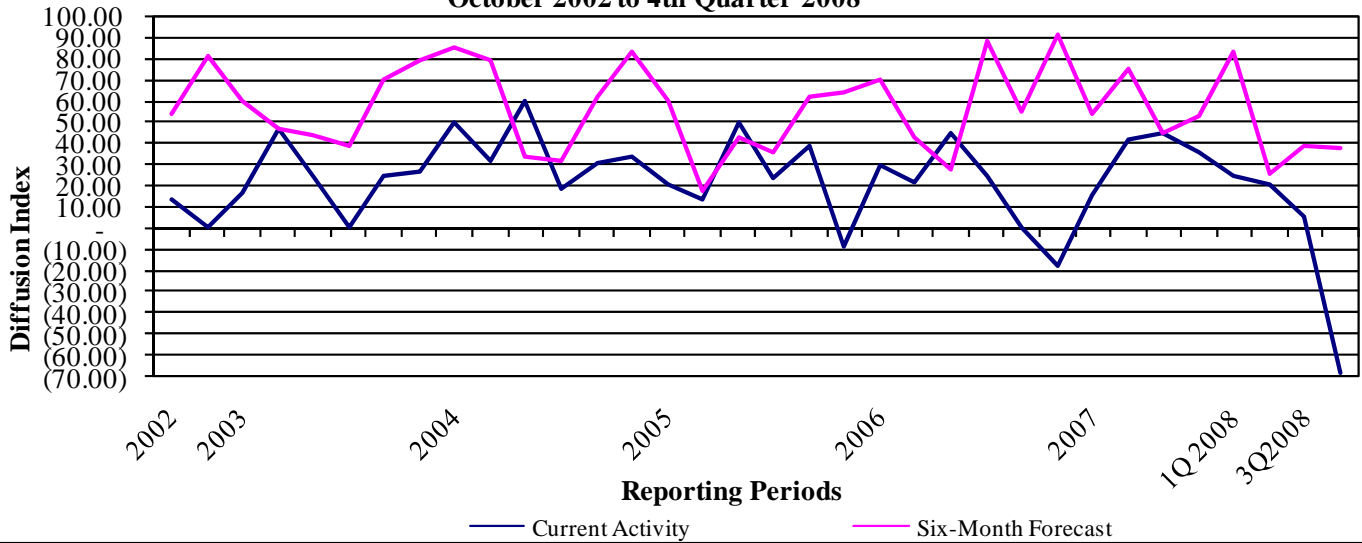
4th Quarter 2008

	4th Quarter vs. 3rd Quarter							
	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous Diffusion Index	Diffusion Index	Previous Diffusion Index	Diffusion Index	Previous Diffusion Index	Diffusion Index	Previous Diffusion Index	Diffusion Index
What is your evaluation of the level of general business activity?	6.12	(57.45)	4.77	(68.75)	(7.69)	(57.14)	20.00	(42.85)
<u>Company Business Indicators</u>								
New Orders	10.21	(53.19)	14.29	(75.00)	(15.38)	(50.00)	26.67	(42.86)
Shipments	10.21	(40.42)	4.76	(75.00)	15.38	(14.28)	13.33	(42.86)
Unfilled Orders	(4.08)	(29.78)	4.76	(25.00)	(7.70)	(35.71)	(13.34)	(28.57)
Delivery Time	6.13	(23.40)	28.57	(37.50)	(7.70)	(14.29)	(13.33)	(21.43)
Inventories	(10.20)	(21.28)	(4.76)	(56.25)	7.69	(21.43)	(33.33)	-
Prices Paid	73.47	(10.64)	76.19	(37.50)	61.54	21.43	80.00	(21.42)
Prices Received	59.19	(8.51)	52.38	(18.75)	38.46	-	86.67	(21.43)
Number of Employees	-	(23.41)	14.29	(25.00)	-	(21.43)	(20.00)	(35.71)
Average Employee Workweek	6.12	(19.15)	-	(37.50)	23.08	(7.14)	-	(28.57)
Capital Expenditures	6.12	(23.40)	9.52	(18.75)	(7.69)	(21.43)	13.33	(35.71)
	Six Months from Now vs. 4th Quarter							
	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous Diffusion Index	Diffusion Index	Previous Diffusion Index	Diffusion Index	Previous Diffusion Index	Diffusion Index	Previous Diffusion Index	Diffusion Index
What is your evaluation of the level of general business activity?	38.77	(2.13)	38.09	37.50	23.08	(35.71)	53.34	(14.29)
<u>Company Business Indicators</u>								
New Orders	48.98	21.28	38.09	43.75	61.54	(21.43)	53.33	21.43
Shipments	40.81	14.90	28.57	31.25	53.85	(28.57)	46.66	14.29
Unfilled Orders	2.04	12.77	-	6.25	15.39	7.14	(6.66)	(7.14)
Delivery Time	(2.04)	(10.64)	4.76	(12.50)	-	(21.42)	(13.33)	(14.29)
Inventories	(14.28)	(6.38)	19.05	(31.25)	7.70	-	(26.67)	-
Prices Paid	44.90	(23.41)	38.09	(25.00)	38.46	7.14	60.00	(42.86)
Prices Received	40.82	(23.41)	38.09	-	23.08	(14.29)	60.00	(42.86)
Number of Employees	14.29	(12.76)	9.52	6.25	15.39	(28.57)	20.00	(21.43)
Average Employee Workweek	6.13	(8.51)	-	-	30.77	(28.57)	(6.66)	(14.28)
Capital Expenditures	16.33	(6.38)	-	-	23.08	(21.43)	33.33	(14.28)

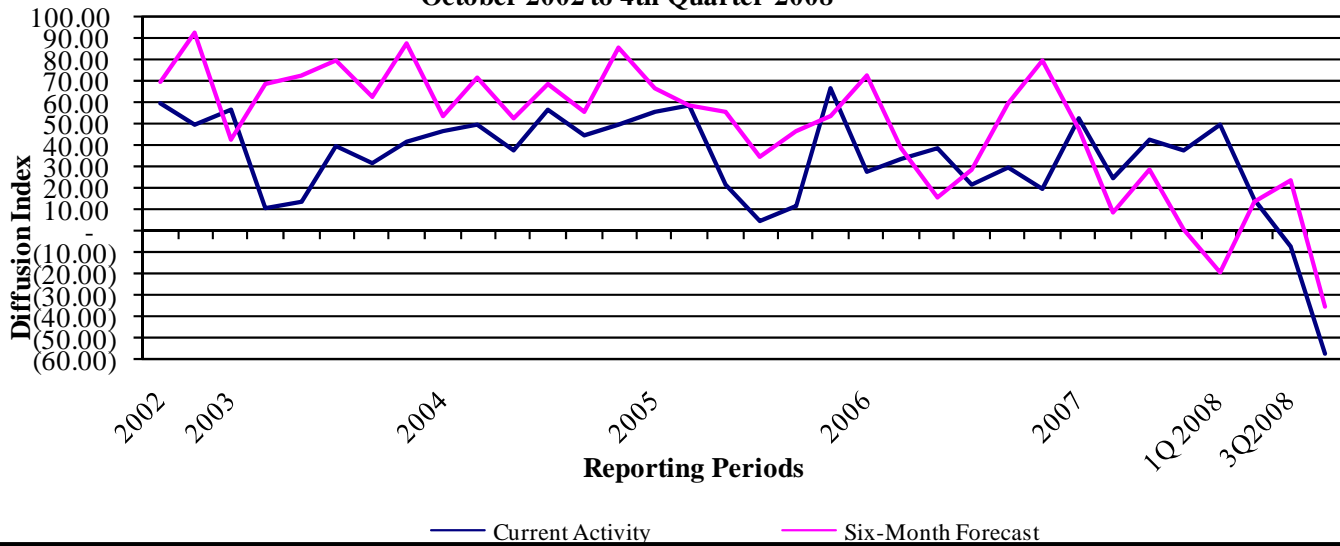
Notes:

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**Current and Future Activity Indexes - Converters
October 2002 to 4th Quarter 2008**



**Current and Future Activity Indexes - Equipment Suppliers
October 2002 to 4th Quarter 2008**



**Current and Future Activity Indexes - Materials Suppliers
October 2002 to 4th Quarter 2008**

