

Second Quarter 2011

Business Outlook Survey

Thank you for your participation in this business outlook survey which is sponsored by AIMCAL. Forty-one member companies participated in the survey this quarter. This is a two member increase over the number of members who participated in the first quarter survey.

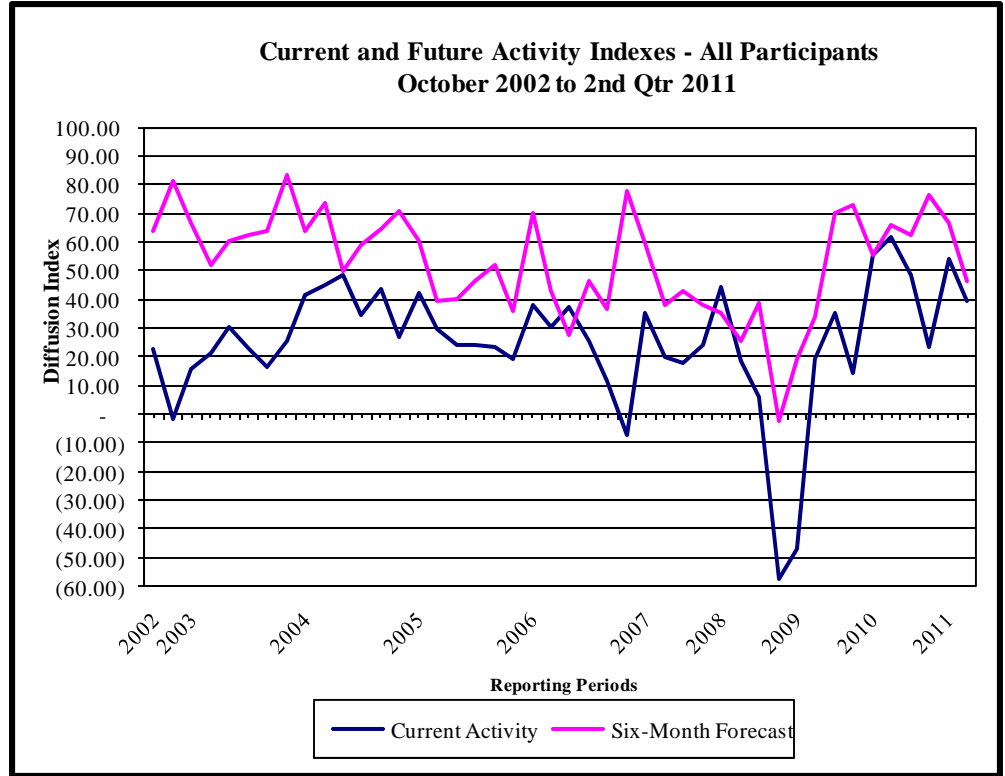
Survey conclusions are drawn from a diffusion index which is defined as the percentage of participants indicating an increase minus the percentage indicating a decrease. A decrease in the index means that member expectations have fallen when compared to the prior reporting period. An increase in the 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 Hobe & Lucas, CPA's, Inc. of Independence, Ohio.

Current and Forecasted General Activity Indexes Fall

The current general activity index continues to zigzag, decreasing 14.82 points, falling from 53.85 to 39.03. This is the lowest reading for the current index over the last three quarters. Likewise, the forecasted index decreased from 66.66 to 46.34. With this decrease, the forecasted index has fallen to its lowest level in two years—it is also the first time that the index has fallen below 50 over that same period. A reading over 50 generally indicates optimistic leanings.

Similar to the current general activity index, a majority of the current individual company business indicators decreased for the quarter while the forecasted business indicators were split. In a reversal of last quarter, seven of the current business indicators showed decreases for the quarter. Of those seven indicators, four showed double-digit decreases. The new orders index decreased the most falling 32.14 points for the quarter. The average employee workweek index reversed its decrease from last quarter, rising 14.01 points this quarter. Only the in-



ventory and average employee indexes showed material increases for the period.

Even though the forecasted general activity index decreased by more than 20 points, the forecasted individual company business indicators were split for the quarter. All five indicators showing decreases declined by double-digits—the shipments index decreased by more than 30 points. Three of the five indicators increasing for the quarter increased by less than 3 points. Only the capital expenditures index increased by more than 10 points for the period.

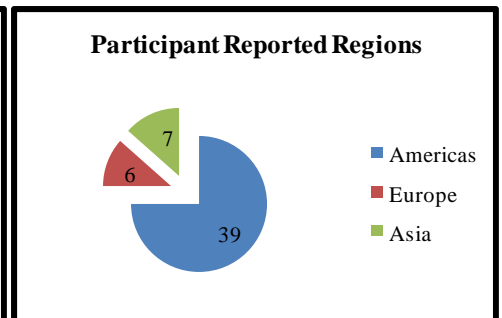
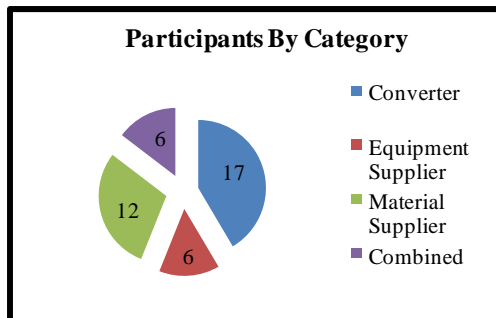
The current and forecasted inventory indexes both increased for the quarter. The current index reported an increase of nearly 13 points for the quarter and the forecasted index an increase of slightly more than 7

points. The inventory indexes have shown no real trend over the last few quarters.

Prices Paid and Received Indexes Fall for the Current and Forecasted Periods

The current prices paid index fell nearly 12 points for the quarter, decreasing from 87.18 to 75.61. This moves the current index from its survey high, but leaves it at its second highest value over the last twelve quarters. The forecasted prices paid index decreased 10 points to a reading of 46.34—its first decrease in the last seven quarters.

The current prices received index remained nearly flat, decreasing less than one half a point for the quarter, stopping a string of seven consecutive increases. The forecasted prices received index also decreased, falling for the first time in ten quarters. The de-



crease of 10.07 points drops the index to its lowest value in more than a year. The reversals this month stop some long standing trends—it remains too early to tell if a new trend has begun.

Labor Indexes Swing as Number of Employees Indexes Split and Average Workweek Indexes Increase

The current number of employees index rose by less than a point. The index has increased in eight of the last nine quarters. The forecasted index, which had remained nearly flat last quarter, decreased a dramatic 17 points for the quarter—falling to its lowest value in nearly a year. The average employee workweek index increased 14 points for the current period to a value of 26.83. The forecasted average employee workweek index increased nearly 2 points to a reading of 12.19.

The labor indexes appear to have reversed course yet again. The current number of employees index indicates that member companies have stalled in their hiring and the forecasted index indicates that hiring will slow even further. At the same time, the average employee workweek indexes are again moving upward—indicating that employers are working their current employees more. This is further evidence that the labor market remains unsettled.

Members Report on their Current Capacity Utilization Rates

This month’s special relevant issue question asked members about their current

capacity utilization rates. While differences exist between industry segments (see table below), nearly 37 percent of members, across all segments, reported that their companies capacity utilization rate was between 80 and 100 percent. Further, only about 17 percent reported a rate above 90 percent. A majority of more than 51 percent of members reported that their rate was between 60 and 80 percent. Only about 5 percent of participating members reported that their company’s capacity utilization rate was less than 60 percent. The conclusion to be drawn from this is that, for the majority of survey participants, there is still some excess capacity that is available to be utilized. Based on the survey data, the converting segment has the most excess capacity with only 29.41 percent of members reporting a capacity utilization rate above 80 percent. Contrarily, 50 percent of the equipment supplier participants reported a capacity utilization rate above 80 percent, indicating they have the least excess capacity of all reported segments.

Current Capital Expenditures Index Dips as Forecasted Index Rises

The current capital expenditures index decreased for the second consecutive quarter and for only the third time in the last seven quarters to a value of 29.27, falling nearly 1.50 points. The forecasted index reversed course and increased by 13.38 points to a reading of 39.02. While there has been some movement in the indexes, they have really been reported in the same +/- 10 point band over the last five quarters.

Summary

The optimism, that appeared visible last quarter, now appears to have been tempered and dampened. The current general activity index is nearly flat with its average value for the last two years, approximately 38.81 points. At the same time, the forecasted general activity index is at its lowest level in two years and is about 14 points below its average value over that same period. On top of that, both values have dipped below 50 points indicating that member expectations are not exhibiting optimistic leanings. This was a quarter of contrasts with trends broken and reversed. As far as members are concerned, it appears that uncertainty and variability remain the rule and not the exception where economic expectations are concerned.

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 segments reported for both the current and the forecasted activity periods. Analysis of the included tables makes these differences visible.

For this reporting period, there were 41 total participants. The participants can be further categorized into industry segments and region as shown in the pie charts on page 1. The data referring to all participants includes all responses received. Other data is labeled as to the segment it reports.

Special Relevant Issue Questions By Participant Segment					
	All	Converters	Equipment Suppliers	Material Suppliers	Combined
Which of the following best characterizes your current capacity utilization rate?					
< 60%	4.88	-	-	8.32	16.67
60 - 70%	21.95	35.29	16.67	16.67	-
70 - 80%	29.27	35.29	16.67	25.00	33.33
80 - 90%	19.51	11.76	33.33	25.00	16.67
90 - 100%	17.07	17.65	16.67	16.67	16.67
Don't Know	7.32	-	16.67	8.33	16.67
Notes:					
(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 June 27, 2011.					

Business Outlook Survey
Summary of Returns
2nd Quarter 2011

2nd Quarter '11 vs. 1st Quarter '11

	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous		Previous		Previous		Previous	
	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index
What is your evaluation of the level of general business activity?	53.85	39.03	30.00	47.06	50.00	16.66	80.00	25.00
Company Business Indicators								
New Orders	58.97	26.83	30.00	29.41	50.00	33.33	80.00	16.66
Shipments	64.10	39.03	40.00	35.29	66.67	33.33	80.00	41.66
Unfilled Orders	15.39	7.32	(10.00)	-	16.67	-	33.33	8.33
Delivery Time	20.52	7.31	-	-	16.67	16.67	40.00	8.33
Inventories	(5.13)	7.32	40.00	(5.88)	(16.67)	-	(13.33)	25.00
Prices Paid	87.18	75.61	70.00	76.47	100.00	83.33	86.66	66.66
Prices Received	56.41	56.09	60.00	47.06	50.00	50.00	60.00	58.33
Number of Employees	35.90	36.58	50.00	23.53	25.00	83.33	33.33	25.00
Average Employee Workweek	12.82	26.83	(20.00)	23.53	33.33	33.33	20.00	16.67
Capital Expenditures	30.77	29.27	30.00	23.53	25.00	16.66	33.33	25.00

Six Months from Now vs. 2nd Quarter '11

	All		Converters		Equipment Suppliers		Materials Suppliers	
	Previous		Previous		Previous		Previous	
	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index	Diffusion Index
What is your evaluation of the level of general business activity?	66.66	46.34	70.00	58.82	33.33	66.67	86.67	25.00
Company Business Indicators								
New Orders	66.66	39.02	80.00	41.18	33.33	50.00	80.00	41.66
Shipments	71.79	36.58	80.00	41.18	50.00	33.33	80.00	41.66
Unfilled Orders	2.56	4.88	-	5.88	(8.33)	-	13.33	-
Delivery Time	(5.13)	(2.44)	10.00	-	(16.67)	-	-	-
Inventories	5.13	12.20	10.00	-	8.34	16.67	6.67	25.00
Prices Paid	56.41	46.34	50.00	41.17	66.67	50.00	46.67	58.34
Prices Received	46.16	26.82	20.00	23.53	58.33	16.67	46.67	41.67
Number of Employees	41.03	24.39	40.00	17.65	41.67	33.33	40.00	25.00
Average Employee Workweek	10.26	12.19	10.00	11.77	8.34	33.33	13.33	8.33
Capital Expenditures	25.64	39.02	10.00	29.41	8.33	50.00	46.67	33.34

Notes:

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