



Press Information

Expansion in Asia, the Middle East and America

SIG Combibloc consistently promotes international expansion of core business

April 2006. SIG Combibloc, one of the world's leading systems suppliers of carton packaging and filling machines for food and beverages, has successfully completed the business year 2005 with a turnover of 1,097 million EUR (+ 2 percent; previous year: 1,075 million EUR). Worldwide sales of aseptic carton packs showed double-digit growth amounting to almost twelve percent. The company recorded great market successes primarily in China, South East Asia, Eastern Europe, the Middle East and South America, but was nevertheless forced to accept a drop in sales in the key market Germany.

Western Europe: Stable growth

At the same time, SIG Combibloc once again increased sales of carton packs by more than ten percent in the other West European markets.

In 2006, the company will be able to profit from numerous customer projects that have already been started with success: In Spain, for instance, SIG Combibloc installed four filling machines in the new production plant of an important milk filling company. And in Sweden, SIG Combibloc intensified its cooperation with a juice producer that exclusively uses packaging solutions from SIG Combibloc and installed two further filling machines in 2005.

In Great Britain, production started successfully on several new filling machines at a leading European fruit juice filler's plant.

In France, the use of aseptic carton packs for food is particularly important. Campbell France and Unilever Bestfoods France, the two market leaders in the carton-packed soup segment, exclusively use the filling technology from SIG Combibloc. Campbell France, for instance, launched a new Liebig product line in carton packs from SIG Combibloc in 2005.

In Italy, SIG Combibloc also managed to expand in the aseptically packed food sector and concluded new contracts with customers from the fruit juice segment.

Germany was the only market region in Western Europe where SIG Combibloc sold fewer cartons in 2005 than in the previous year (- 2 percent). Nevertheless, SIG Combibloc Germany was able to win additional market shares with its packaging solutions for non-carbonated soft drinks (NCSD) and UHT milk products in a generally declining market. At the moment, this market still accounts for almost 30 percent of the company's total turnover. At the same time, the premium packaging sector developed successfully in Germany. Various well-known fruit juice producers changed over to the slim, elegant *combifit* packaging series from SIG Combibloc for their brand products.

Launching the new spout combiSwift, which is extremely light and easy to open, it can be assumed that SIG Combibloc will continue to increase its popularity in the German milk market in particular in coming years. Milchwerke Thüringen is the first customer worldwide to opt for the new spout.

Eastern Europe: Large formats are in demand

The growth trend continued in Eastern Europe in 2005. In Russia and Poland, SIG Combibloc built up strong partnerships in both the milk and juice sectors.

For instance, five new filling machines were installed for a major customer in Russia. This company fills its juices primarily into large-sized *combibloc* formats and the innovative *combifit* carton pack.

One of the largest Russian producers of juice and milk products also decided in favour of the filling flexibility offered by SIG Combibloc and launched numerous new products in *combifit* and *combibloc* in 2005.

In Poland, the company started a project with a multi-national customer intending to fill soups into aseptic carton packs, starting summer 2006. Another new product on the Polish market is the *combifitMidi* beverage carton, which was used by a dairy to extend its packaging range.

In the Polish fruit juice market, SIG Combibloc cooperates with the market leader whose portfolio was enlarged with the installation of two filling machines for the slim format combibloc *Premium*.

Austria is one of the countries with the largest turnover in this region. This is primarily due to business with key accounts in the fruit juice segment and UHT milk sector. Rauch Fruchtsaft GmbH for instance is setting standards with large packs (1,500 and 2,000 ml) on the Austrian market as well as in export regions such as Italy, the Adriatic region or Hungary.

In the Czech Republic, SIG Combibloc began a successful cooperation with a customer from the food segment. The preparations have now been completed: In 2006, soups and sauces in aseptic carton packs will be launched on the Czech market for the first time.

SIG Combibloc increased sales on the Hungarian market thanks to more intensive cooperation with Sió-Eckes, the largest and best known Hungarian fruit juice brand. The multi-national fruit juice producer is introducing a new range of fruit-based drinks and vegetable juice as functional drinks for a healthy lifestyle there. Since the company was looking for an innovative pack, it opted for *combifit* from SIG Combibloc.

In order to serve the growth market in Turkey, SIG Combibloc opened a branch in Istanbul in the third quarter of 2005.

China: New plant triggers growth surge

The opening of the new plant in Suzhou at the end of 2004 triggered a growth surge for SIG Combibloc in China. In 2005, aseptic carton sales were more than double the figure recorded in the previous year. In China, both the market for non-carbonated soft drinks (NCSD) and the market for UHT milk products grew in 2005 by about 30 and 40 percent respectively. This high growth potential is primarily due to the fact that per capita consumption is still very low at present. Although it has already risen significantly in larger cities in the east – e.g. Shanghai or Beijing – it is still at a very modest level in surrounding rural districts or the west of China.

The successful development recorded by the division in the Chinese market was primarily initiated by the UHT milk product segment, in which the aseptic carton established itself as market leader with a share of almost 40 percent.

The NCSD market, which is also growing strongly, is dominated by the plastic bottle in China. Nevertheless, the aseptic beverage carton also has a certain growth potential here, for instance with innovative concepts for premium products.

On the customer side, the trend towards consolidation in the milk market continued in 2005. For market leader Yili, SIG Combibloc installed a total of 14 new filling machines in an extremely modern filling plant in Inner Mongolia and six further filling machines in other production plants in 2005. This is a milestone, not only in the cooperation between the two partners, but also for the development of SIG Combibloc in this market.

With the local production plant in Suzhou, SIG Combibloc fulfils all the pre-requisites that will allow it to keep on growing with the markets in the world's most highly populated country. The company has already adapted its corporate structures in China to fast growth and increased its staff. The workforce rose from some 190 to more than 240 people in 2005.

South East Asia: Market successes with *combibloc*

By 2008, more aseptic beverage cartons will be sold in the South Asian markets (incl. South Korea and Taiwan) than in Germany, which to date has been the strongest market for SIG Combibloc worldwide. The fastest growing markets – after China – are Vietnam and Indonesia.

The largest growth market for UHT milk and other UHT products in this region is Vietnam, representing a volume of approximately 590 million liters of UHT-milk in 2005. The dominant type of packaging is the aseptic beverage carton. The lack of a continuous cold-supply chain, combined with a rising but low income level has led to, and will continue to lead to, a strengthening of consumer demand for packaging that provides optimal protection for the product. Such packaging should guarantee the quality of the contents, and provide a long shelf life without the need for added preservatives or refrigeration – all of these are intrinsic advantages of the aseptic beverage carton.

The latest market research figures imply that during 2006 this prevailing growth in the liquid-milk product market will continue, with a clear preference for small-format packaging (less than 250 ml). It is anticipated that aseptic beverage cartons will win further market share.

In order to better tap into the growth market in Vietnam, in 2005 SIG Combibloc established SIG Vietnam Ltd. and opened an office in Ho Chi Minh City.

The Middle East: Joint venture continues success story

SIG Combibloc serves the market for aseptic beverage cartons in the Middle East and Africa together with the Saudi-Arabian Obeikan Investment Group. The 50:50

joint venture sold over 30 percent more aseptic beverage cartons in 2005 than in the previous year.

The markets of relevance for the joint venture, namely non-carbonated soft drinks (NCSD) and liquid UHT milk products, are growing by some ten percent per year. The aseptic beverage carton is the predominant packaging in both markets. In 2005, the joint venture installed 14 filling machines in customers' plants.

The company also strengthened its cooperation with Al Marai, one of the largest food exporters in the Middle East. This customer carries the most important brands for milk and juice products on the Arabian subcontinent. The partnership with Al Marai includes an agreement for eight new filling machines. Six of them were installed and put into operation in the customer's production plant in 2005. One further machine will follow in 2006 and 2007 respectively.

SIG Combibloc and Obeikan met the growth in their markets with a new production plant in Riyadh which opened in November 2005. This means that the joint venture will be able to fulfil customer demands more accurately and more quickly. It will also improve service and shorten delivery times in the growth markets of the Middle East and Africa. In the adjoining training centre, joint venture staff and customers' staff will participate in training courses on all aspects of the machine systems from SIG Combibloc. Around 130 people will be employed in the new production plant in 2006.

USA/Canada/Mexico: Breakthrough with soups and sauces

In the region USA/Canada/Mexico SIG Combibloc recorded sales for 2005 that were almost 50 percent higher than in the previous year – this was primarily due to the company's successful venture into the aseptic food packaging sector.

By developing its cooperation with the major American customer Campbell Soup Company, SIG Combibloc achieved a breakthrough into the segment of aseptic carton packs for soups and sauces in 2005: The world's largest soup producer launched a range of premium soup products in *combibloc*.

In 2005, SIG Combibloc also installed three further filling machines for small-format packs on the premises of a US brand producer of juices and yoghurt. This allowed the customer to secure significant market shares in a segment that can at best be described as stagnating in the USA.

SIG Combibloc is also active in the market for food products in Mexico: One of Mexico's leading food producers will be filling tomato products, pasta sauces, salsas and soups into *combibloc* in future.

South America: Market debut for *combiFit*

SIG Combibloc is also involved in an important growth market in South America. The company is still in the market entrance phase – sales and turnover are still at a comparatively low level. Nevertheless, SIG Combibloc is recording a good upwards trend in this region in which large formats predominate: Almost 30 percent more carton packs were sold in 2005 than in the previous year.

Both the market for liquid UHT milk products and the still small market for NCSD show high growth potential, as in China. This again is due to the still low per capita consumption and growing prosperity in South America. The aseptic beverage carton has an almost 90 percent share in the UHT milk market with its growth rate of two to three percent per year.

In the NCSD market, on the other hand, the aseptic beverage carton only holds a share of some 40 percent, but here too the tendency is rising. The South American customers see SIG Combibloc as a locally active and involved partner, as demonstrated by the clear growth in new business in 2005: In Brazil, SIG Combibloc concluded contracts with Batávia S.A. Indústria de Alimentos and Frimesa.

The UHT milk brand Batavo from Batávia is one of the largest and most important in the country. In cooperation with SIG Combibloc, the customer constructed a new filling location for enriched UHT milk, fruit nectar and mixed drinks consisting of milk and juice in the second half of 2005. In this way, Batávia is participating in the NCSD segment for the first time. In 2005, Batávia was the first South American customer to opt for the *combiFit* format, thus allowing the *combiFit* packaging solution to celebrate its debut in South America.

Frimesa, one of Brazil's most important food producers, has been filling sweet condensed milk into SIG Combibloc beverage cartons since April. Brazil is currently the country with the largest consumption of condensed milk worldwide. The product exceeded all sales expectations in the new pack. In fact, SIG Combibloc supplied twice as much packaging material as originally planned.

Product innovation: *combiSwift*

Innovations that allow customers to set themselves apart from the competition are just one of the most important success factors of SIG Combibloc. In September

2005, SIG Combibloc launched the innovative combiSwift spout on the market. Thanks to its new technology, beverage cartons can be opened more easily than ever and closed tightly after use. combiSwift weighs only 2.7 grams and, with a total height of 12.6 millimetres, is particularly flat. Carton packs fitted with combiSwift therefore take up less space on pallets and supermarket shelves. SIG Combibloc expects combiSwift to be a resounding success, especially in the UHT milk product sector. This will partly offset turnover losses in Germany.

New impulses thanks to *combisafe*

For years now, SIG Combibloc has been recording great success with aseptic cartons for food products – soups, sauces, desserts and tomato puree are all already available in SIG Combibloc packaging solutions.

SIG Combibloc has now developed *combisafe* for very chunky food products. In this packaging solution, the carton pack is filled first and then sterilised in a so-called autoclave. This means that products which at present are, for the most part, still being packed into glass jars and tin cans on account of their consistency can now be filled into carton packs. Some examples are vegetables, fruit, ready-to-serve meals and even wet pet food. Excellent growth chances are being forecast worldwide for a pack like this. The first prototype machine for *combisafe* will be installed at a pilot customer's plant in Germany in the middle of 2006.

Still on a growth course

For 2006, SIG Combibloc once again expects growth to rise slightly by about three to five percent as compared to 2005. In principle, this is due to the fact that the markets in Asia, China, the Middle East and South America are still booming. However, good growth rates are also anticipated in some parts of Western Europe, in Eastern Europe and in the USA.

Caption 1 (Yili):

For Yili, market leader in the Chinese milk market, SIG Combibloc installed a total of 14 new filling machines in an extremely modern filling plant in Inner Mongolia and six further filling machines in other production plants in 2005.

Photo: SIG Combibloc

Caption 2 (Asia):

In Asia, both the market for liquid UHT milk products and the market for non-carbonated soft drinks/NCSD show a high growth potential – due to the still low per capita consumption. For example, SIG Combibloc increased sales in South East Asia by some 18 percent in 2005 as compared to the previous year.

Photo: SIG Combibloc

SIG Combibloc is one of the world's leading systems suppliers of carton packaging and filling machines for beverages and food. Employing approx. 3,940 people, the company recorded sales of EUR 1,097 million in 2005. SIG Combibloc is a division of SIG Holding AG, Neuhausen am Rheinfall.

Contact:

Heike Thevis – Press Officer
SIG Combibloc GmbH
Rurstrasse 58, D-52441 Linnich, Germany
Tel: +49 2462 79 2608
Fax: +49 2462 79 17 2608
E-mail: heike.thevis@sig.biz