



**GLOBAL SERVICE
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The Impact of the Global Economic Crisis on Polyester's Business

***October 8th, 2009
Artimino - Italy***



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Agenda

- World Financial Crisis
- Impact of the financial crisis on:
 - *PET Supply / Demand*
 - *PET Flows*
 - *PET Price*
 - *Finance*
- Conclusions



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World Financial Crisis



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Everything started with Subprime Mortgages

February 13th 2007 on Financial Times:

“Fears grow over the Subprime loan market”

March 5th 2007 on Financial Times:

“The Subprime trap”

June 12th 2007 on Financial Times:

**“Bankruptcy and closure of dozens of
Subprime lenders”**

August 22nd 2007 on Financial Times:

“Lehman Brothers to shut Subprime unit”

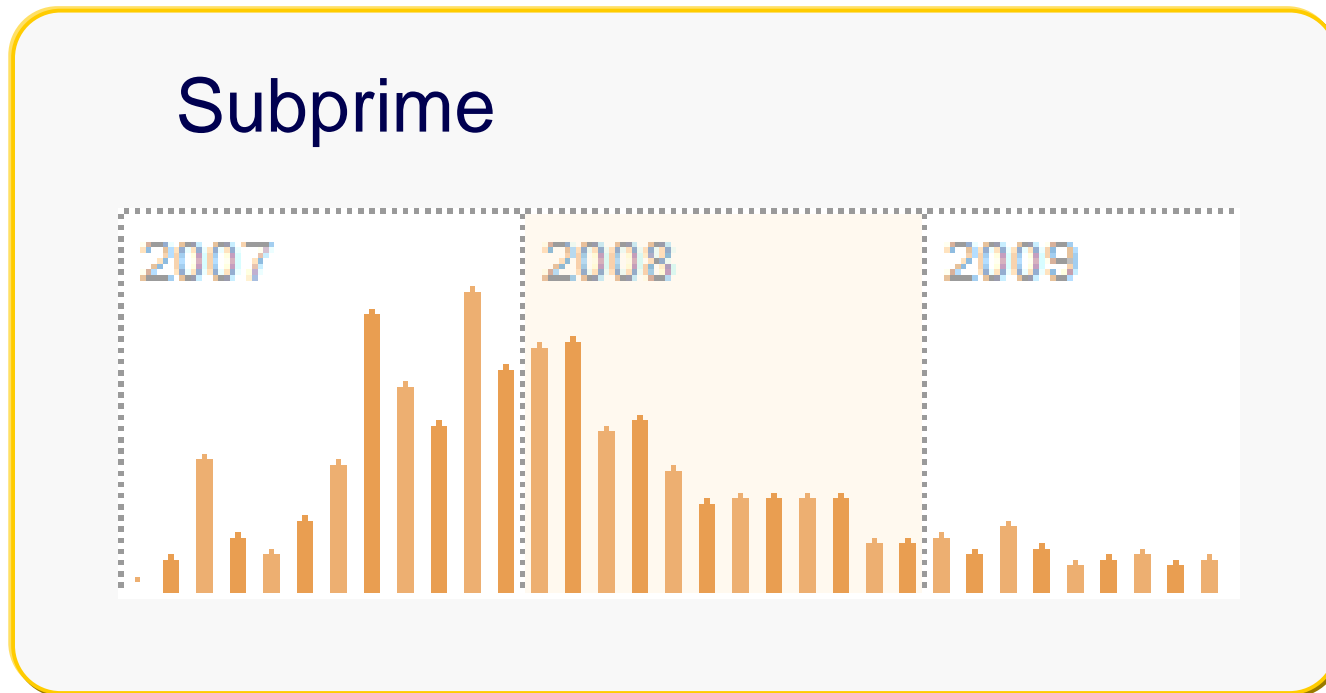


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Number of articles on the Financial Times including the word "Subprime" by month:



Source: ft.com



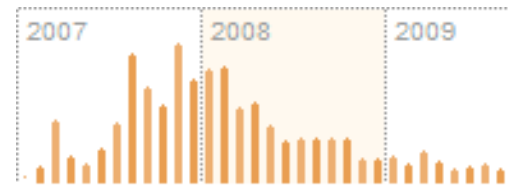
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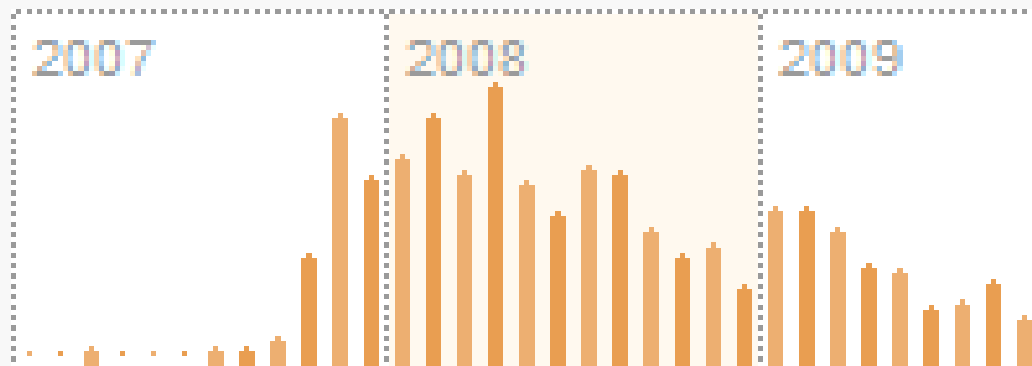
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Then we moved to the “Writedowns” moment

Subprime



Writedowns



Source: ft.com



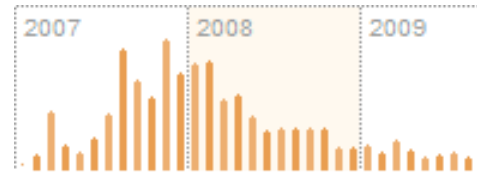
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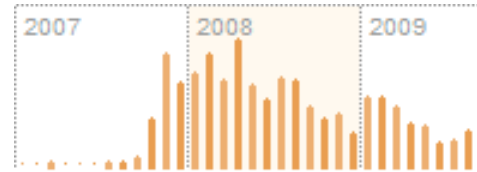
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Then it was the time of recession:

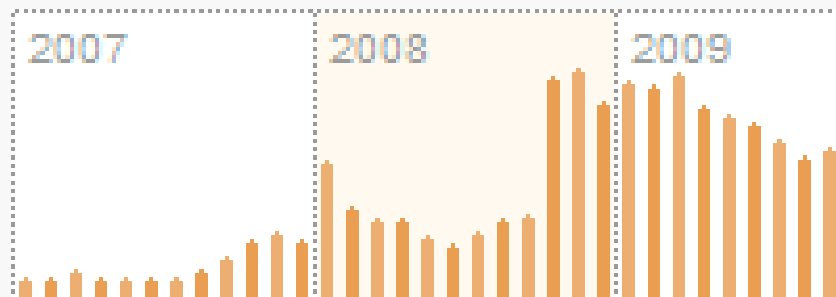
Subprime



Writedowns



Recession

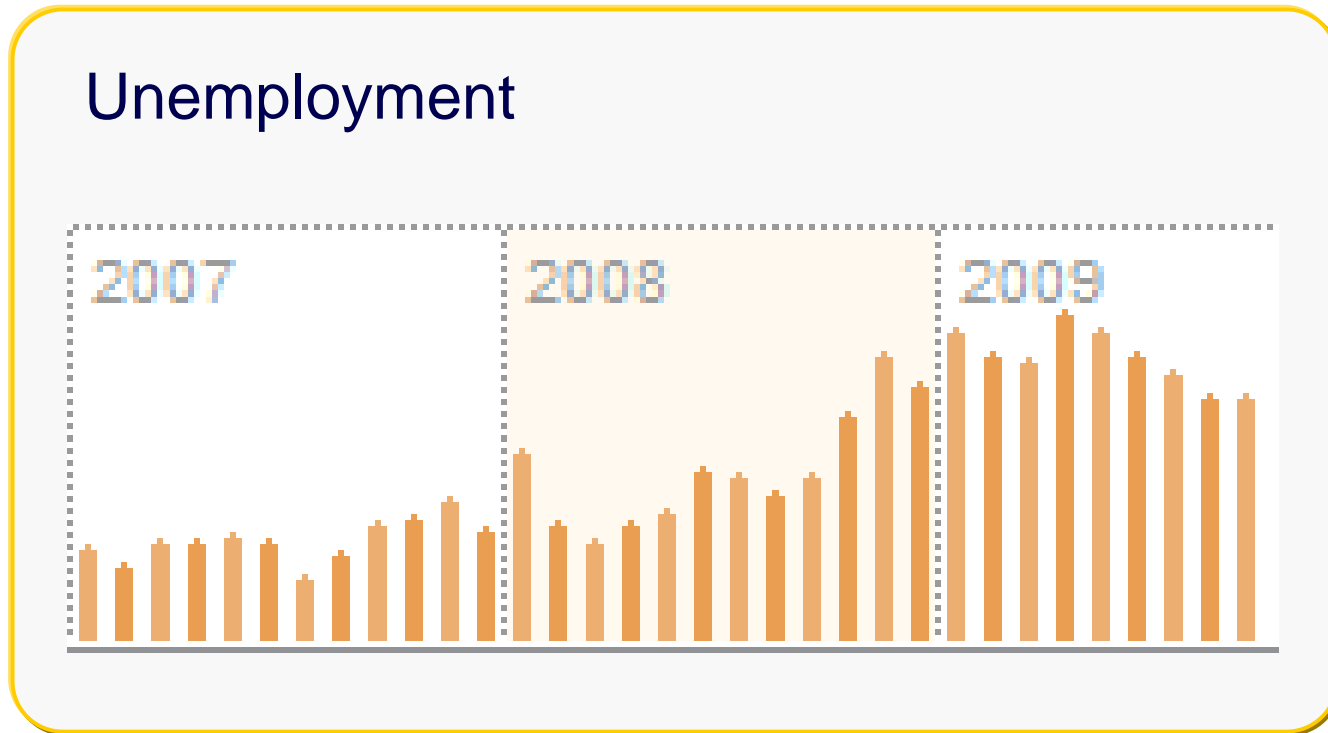


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Later it was the time of Unemployment



Source: ft.com



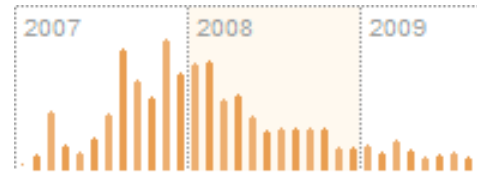
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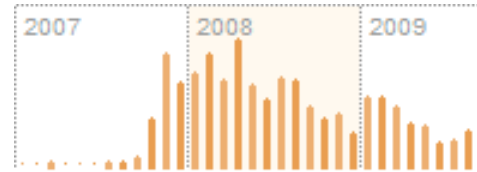
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Number of articles on ft.com including the following words by month

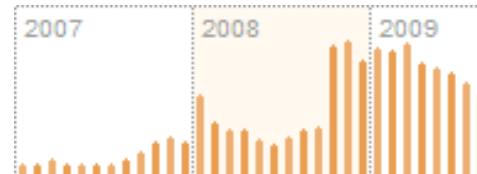
Subprime
Mortgages



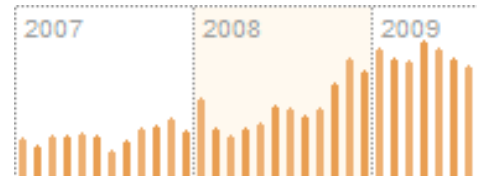
Writedowns



Recession



Unemployment

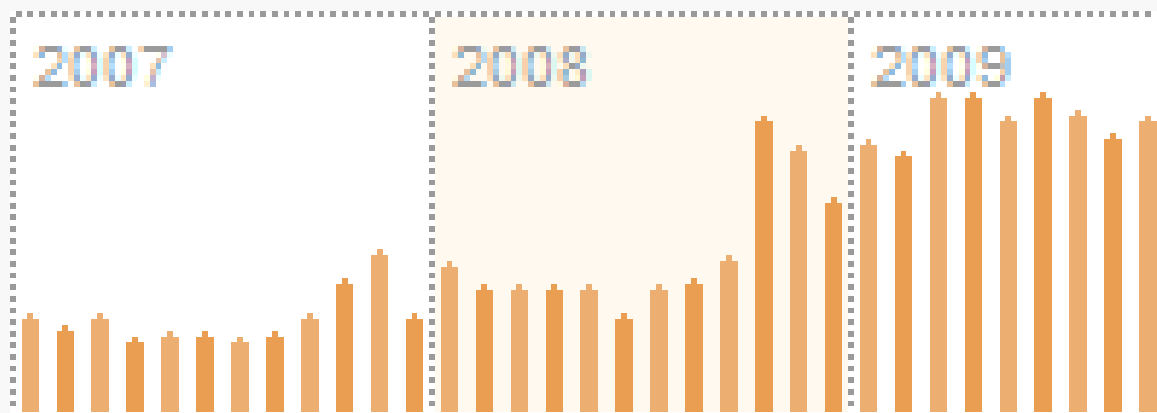


Source: ft.com



Now it is the time for the word:

Recovery



Source: *ft.com*



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*Impact of the Financial Crisis
on the PET Market*

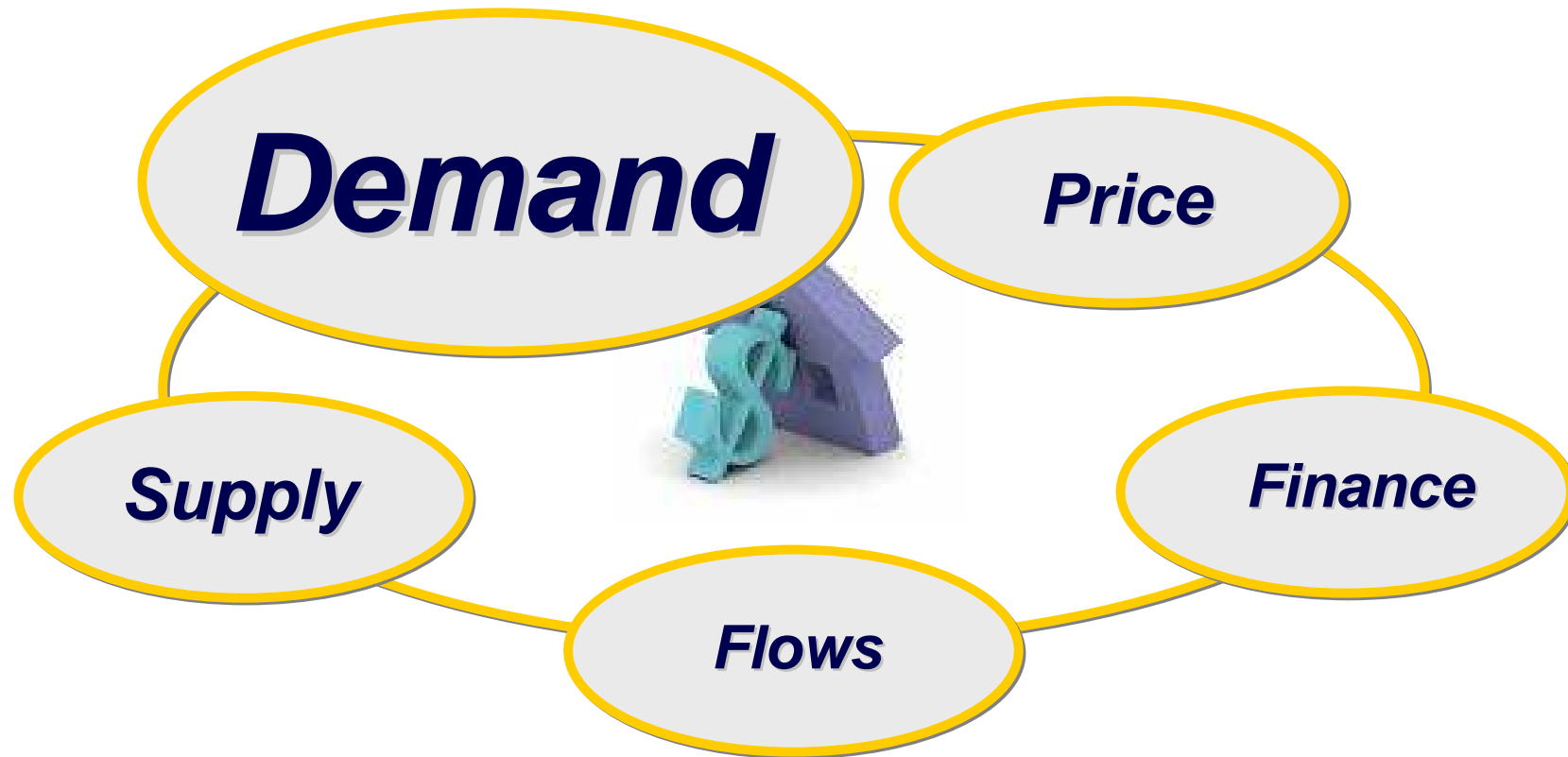


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Impact of the Global Financial Crisis on the PET Market

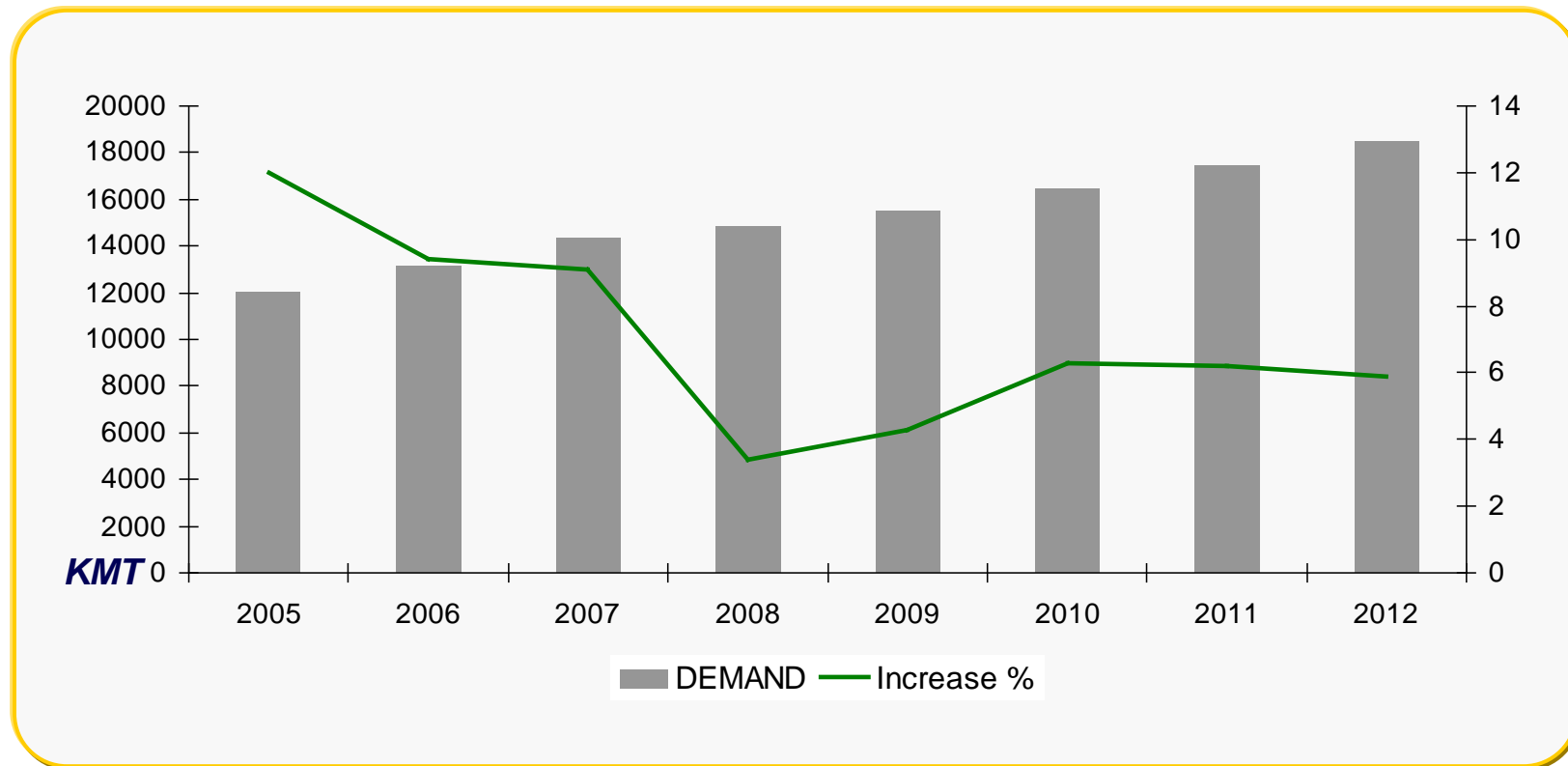


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World PET Demand



Source: Tecnon Orbichem



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World PET Demand

- The rate of increase in PET Consumption of 2008 vs 2007 was at its lowest level
- The effect of the World Economic crisis on the PET consumption in China, the Middle East, and South America was modest.
- The financial crisis is having an impact on PET growth, while lighter weighted bottles and Recycled PET are all reducing the worldwide PET demand's growth speed

2009 is showing signs of recovery, with the exception of some areas

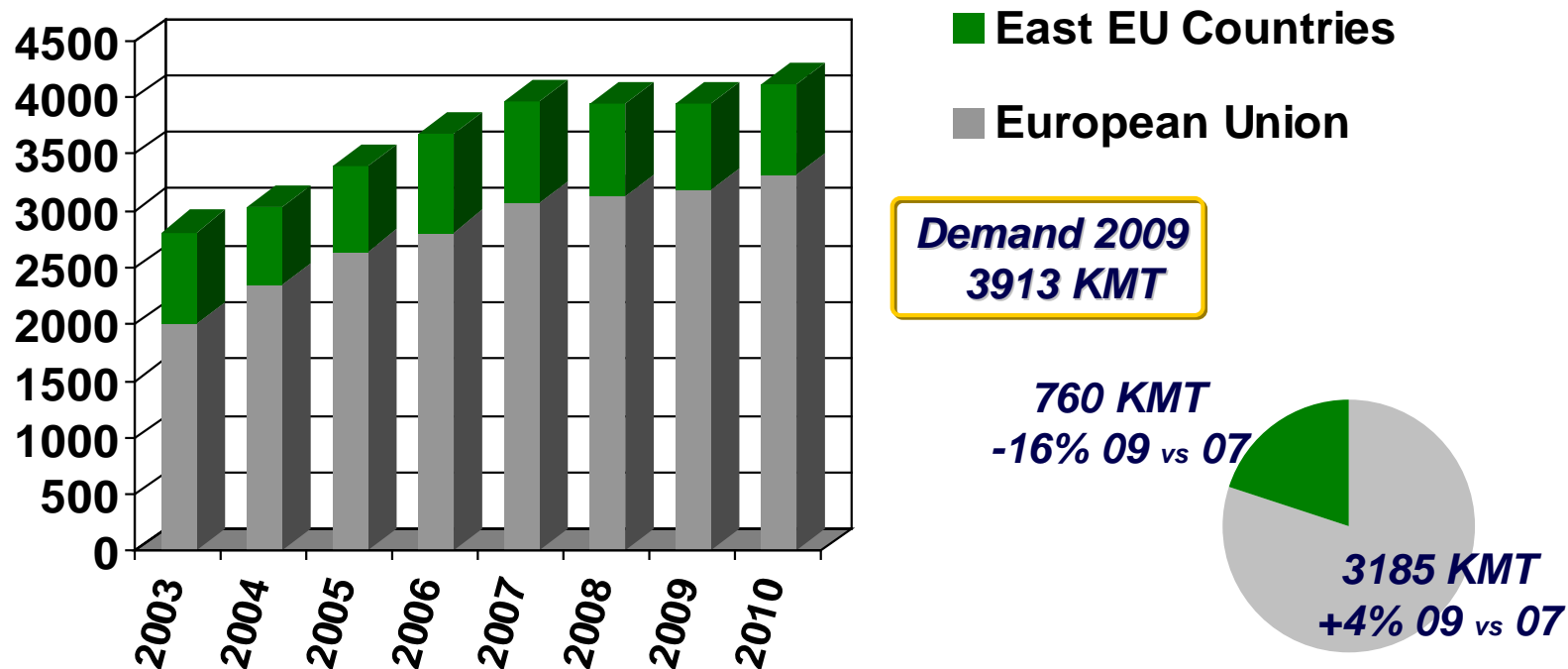


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European PET Market - Demand 2003/2010



The World Economic Crisis is having a severe impact in the East EU economies, with a consequent reduction in the consumption of PET

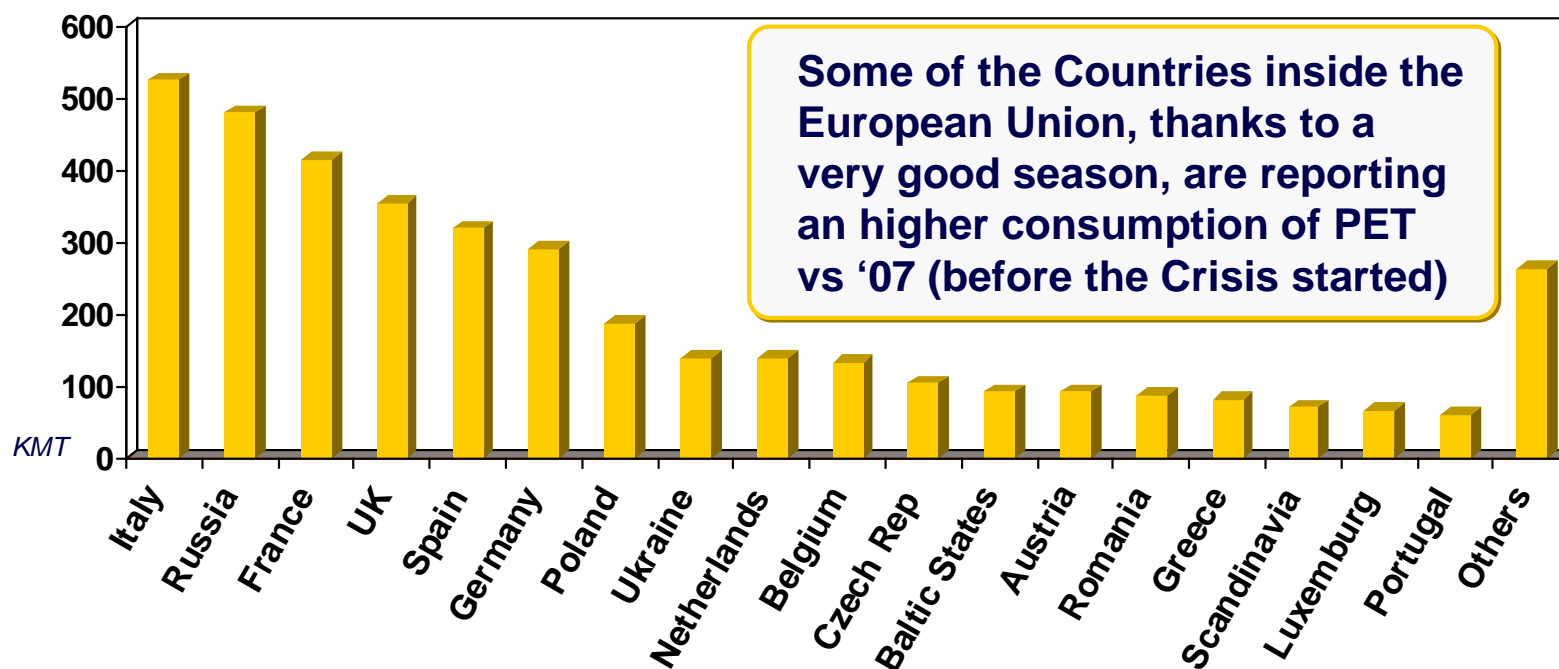


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European PET Demand '09 - 3,9 mlns MT

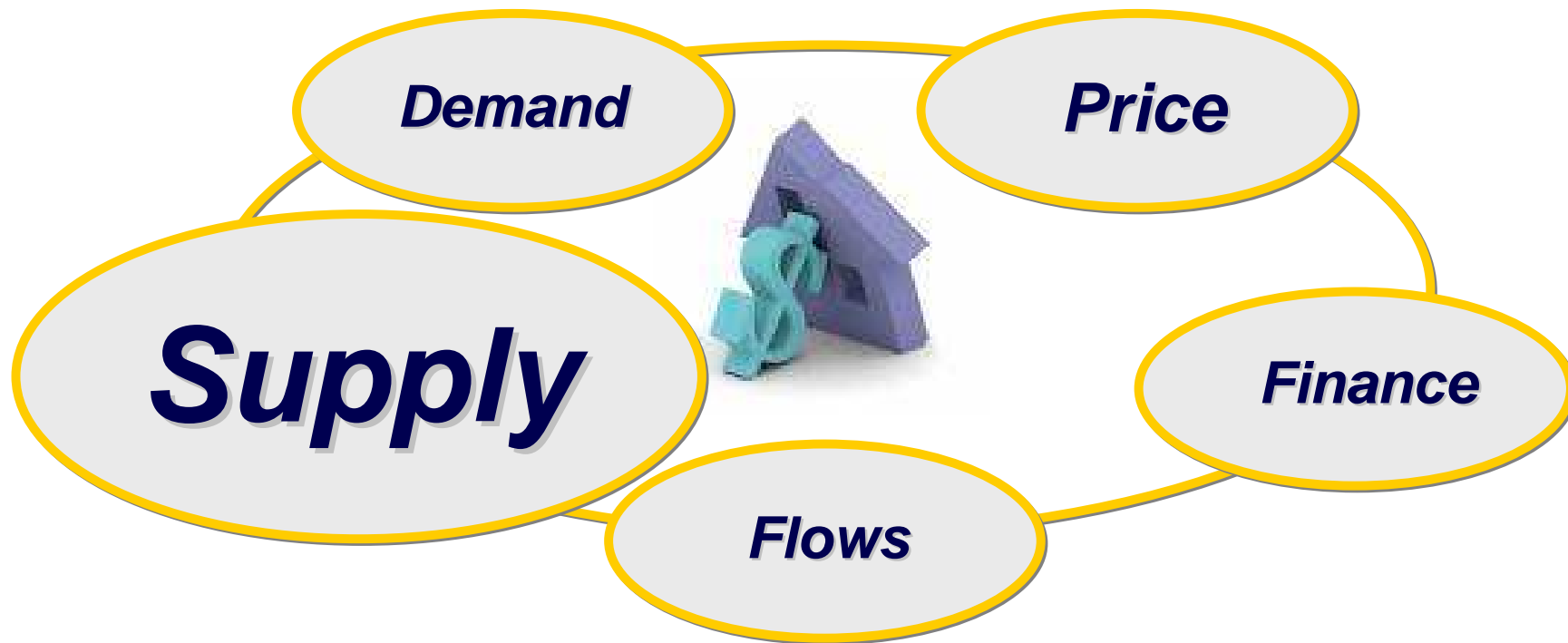


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Impact of the Global Financial Crisis on the PET Market

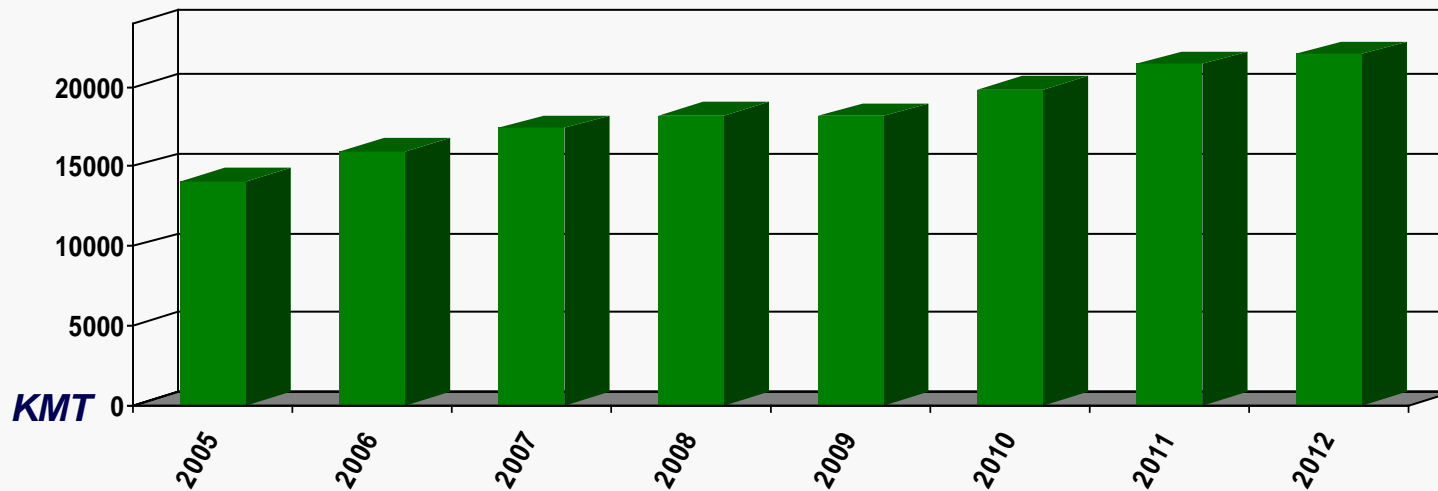


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World PET Capacity is stable at 18 mlns in 2009



Delayed start ups and plant closures are reducing the World's production Capacity in '09 by 100 KMT

Source: Tecnon Orbichem

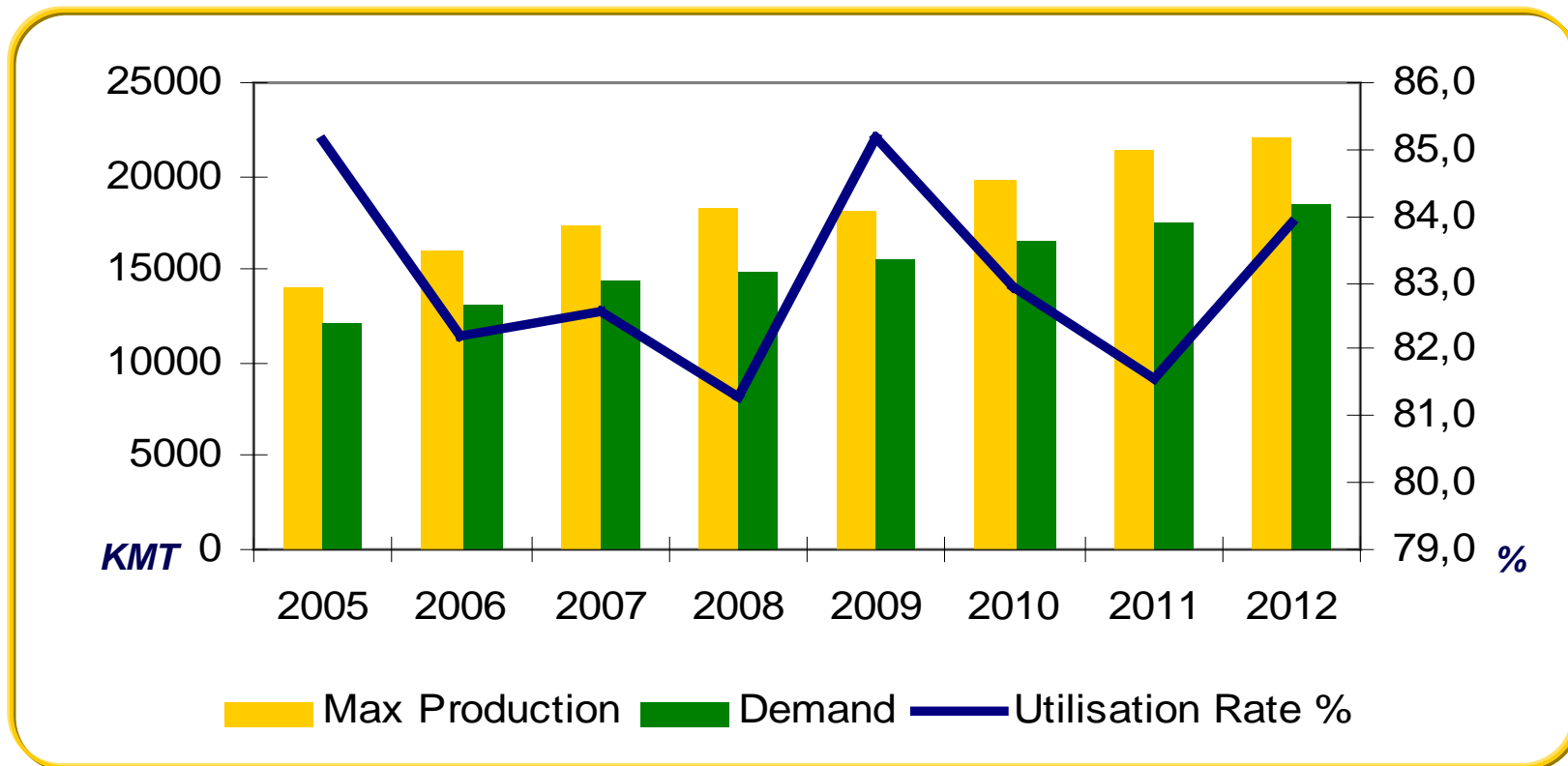


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PET Business Cycle



Source: Tecnon Orbichem

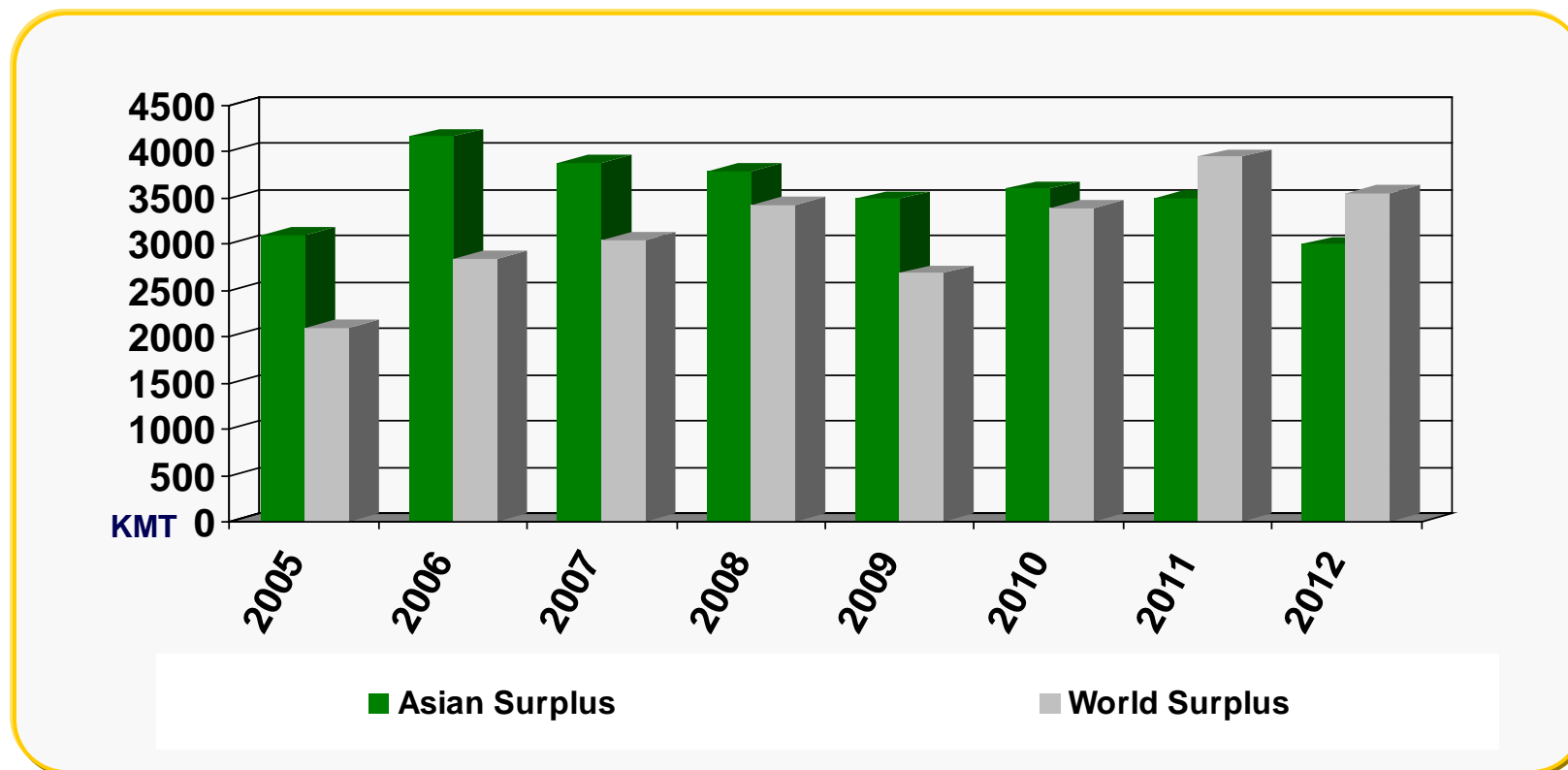


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3,5 mlns MT of PET Surplus in Asia



Source: Tecnon Orbichem

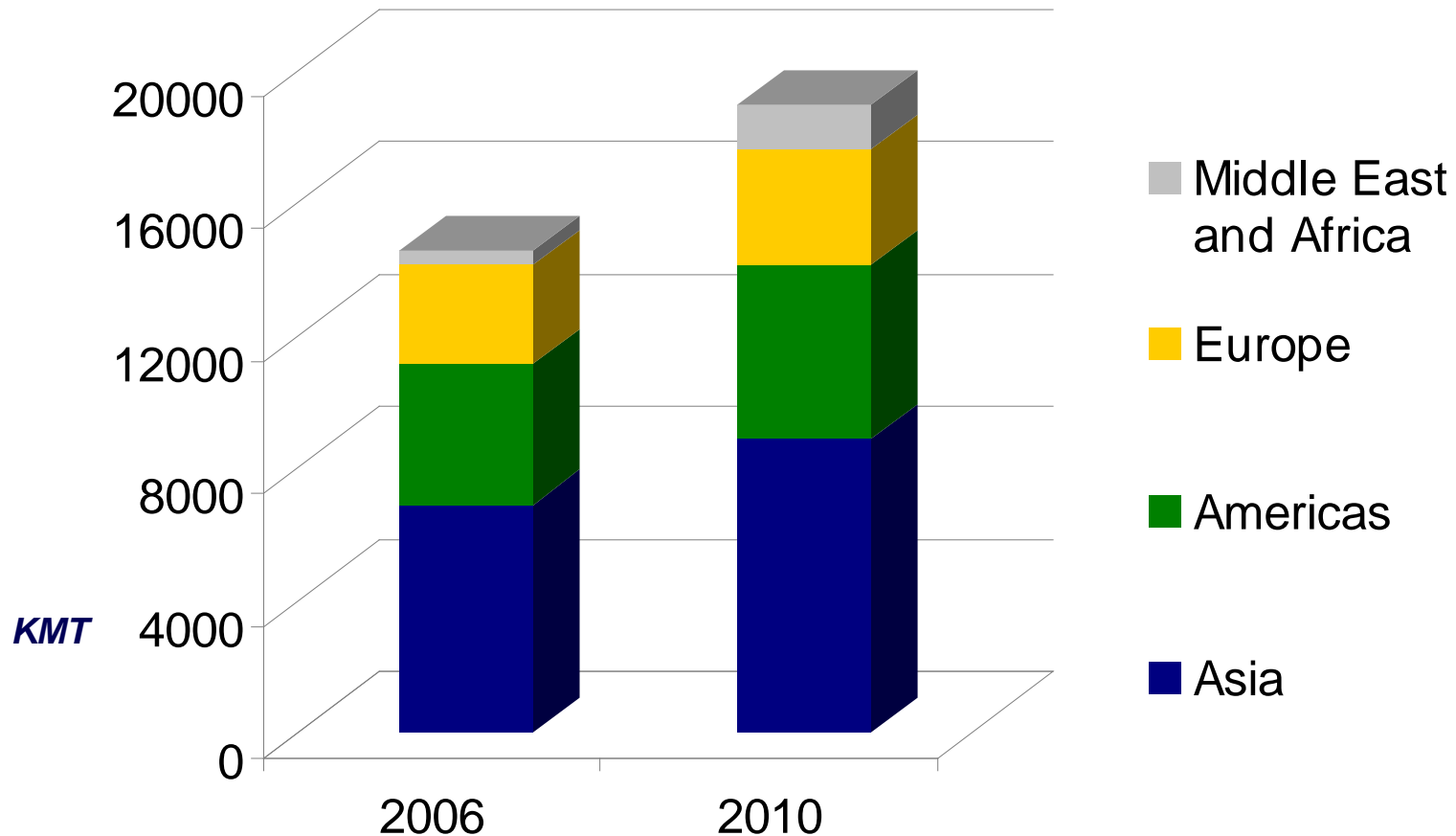


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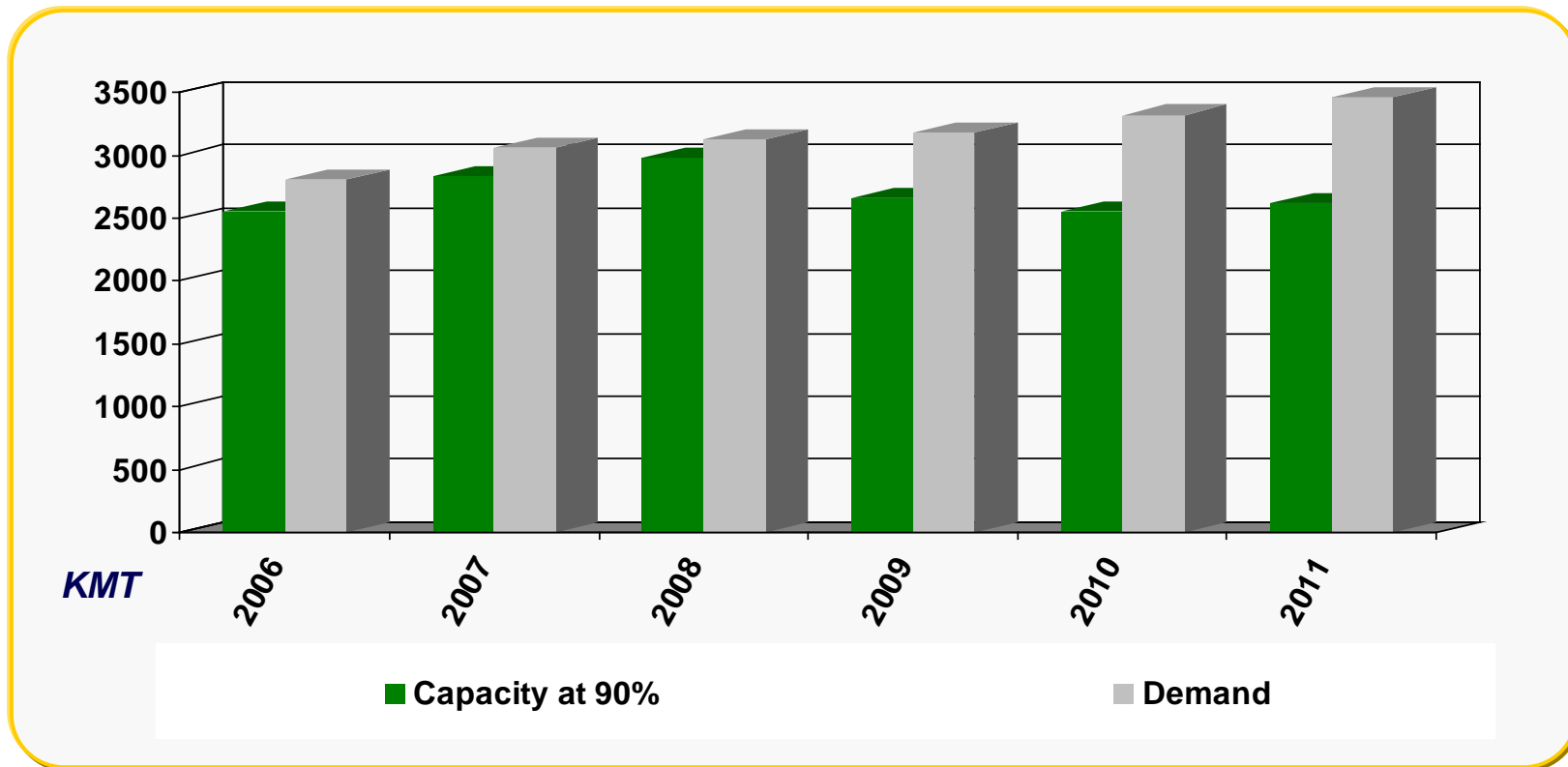
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PET Capacity increase is coming from Asia and the Middle East



European Union PET Supply and Demand

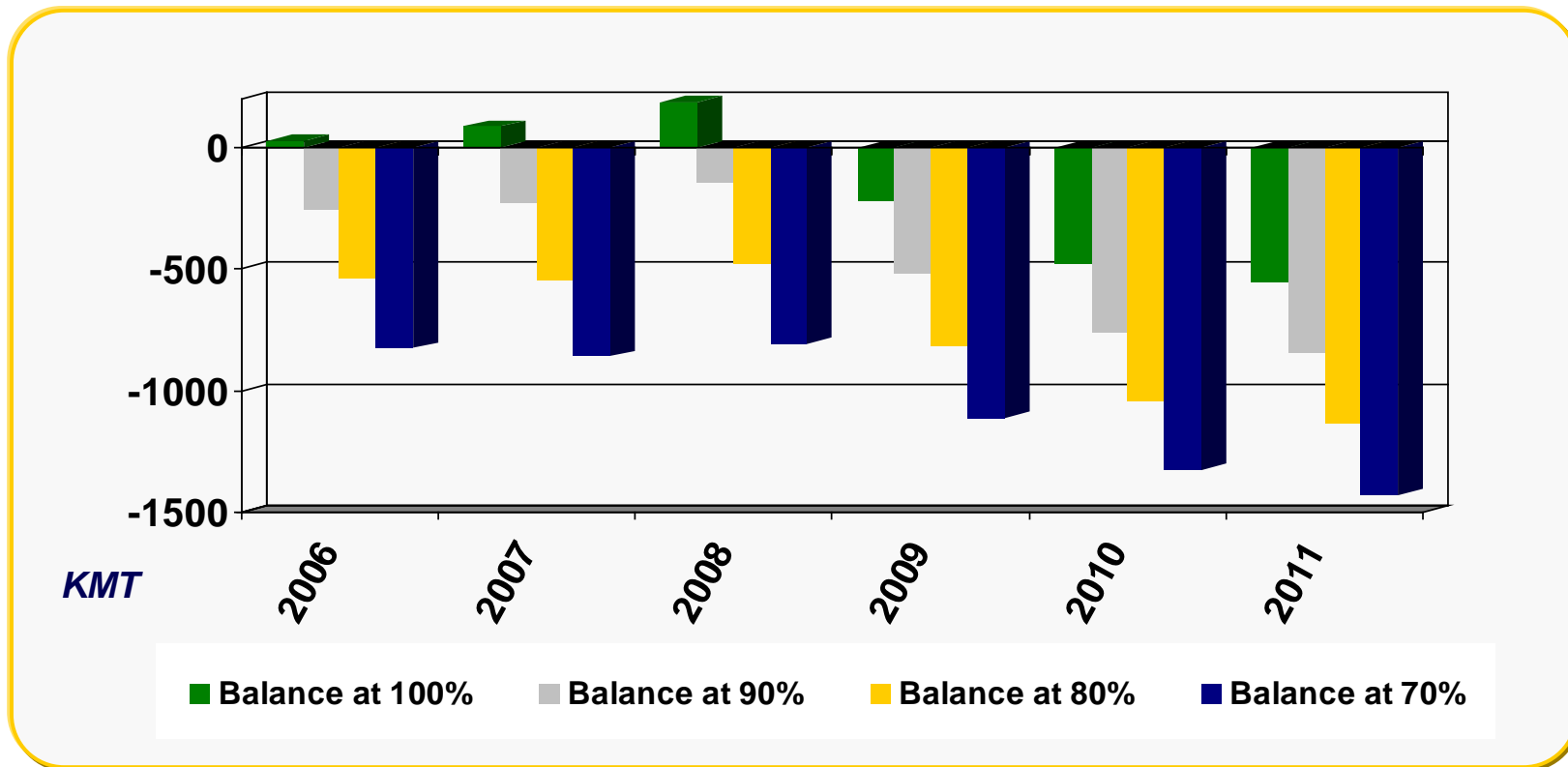


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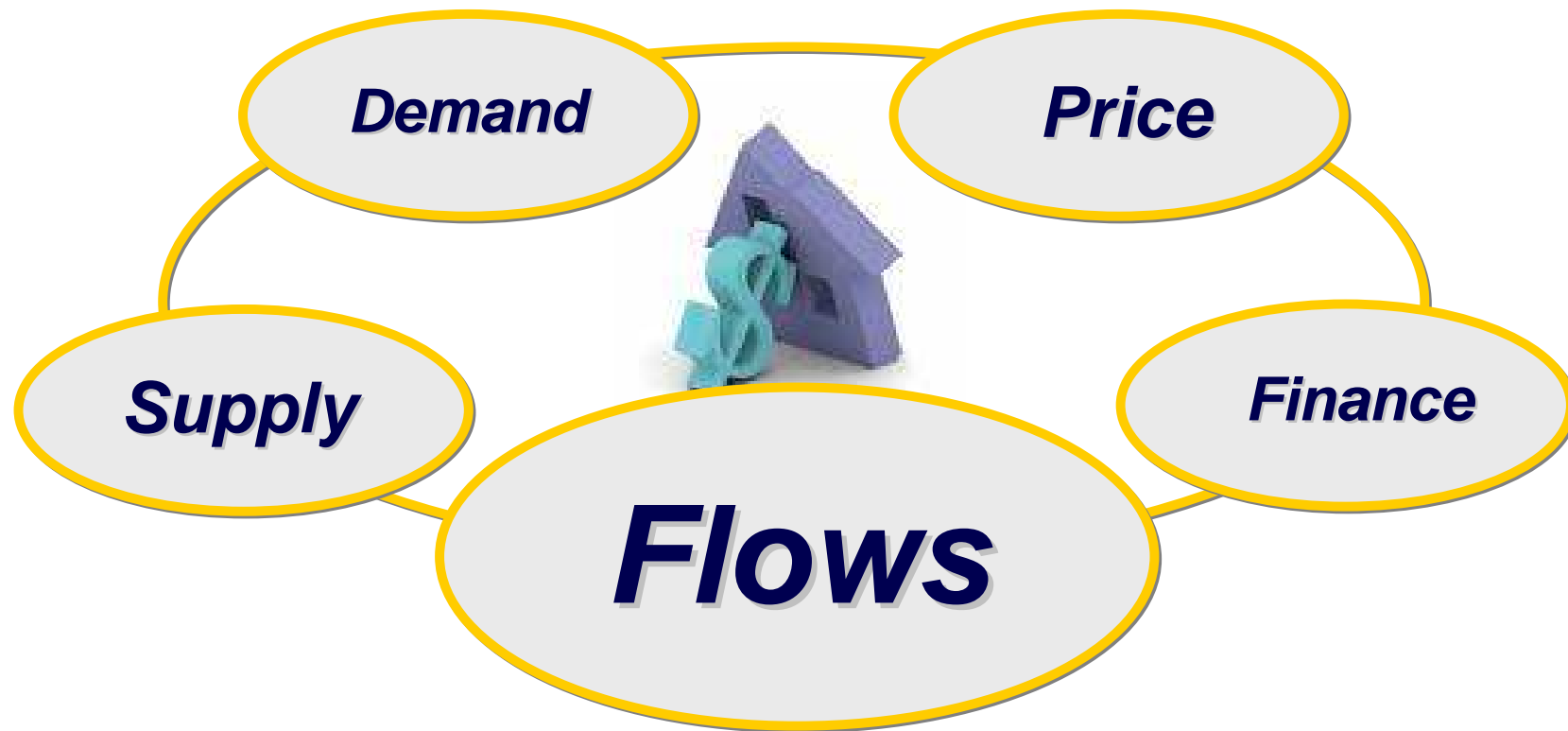
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European Union PET Supply and Demand Balance



Impact of the Global Financial Crisis on the PET Market

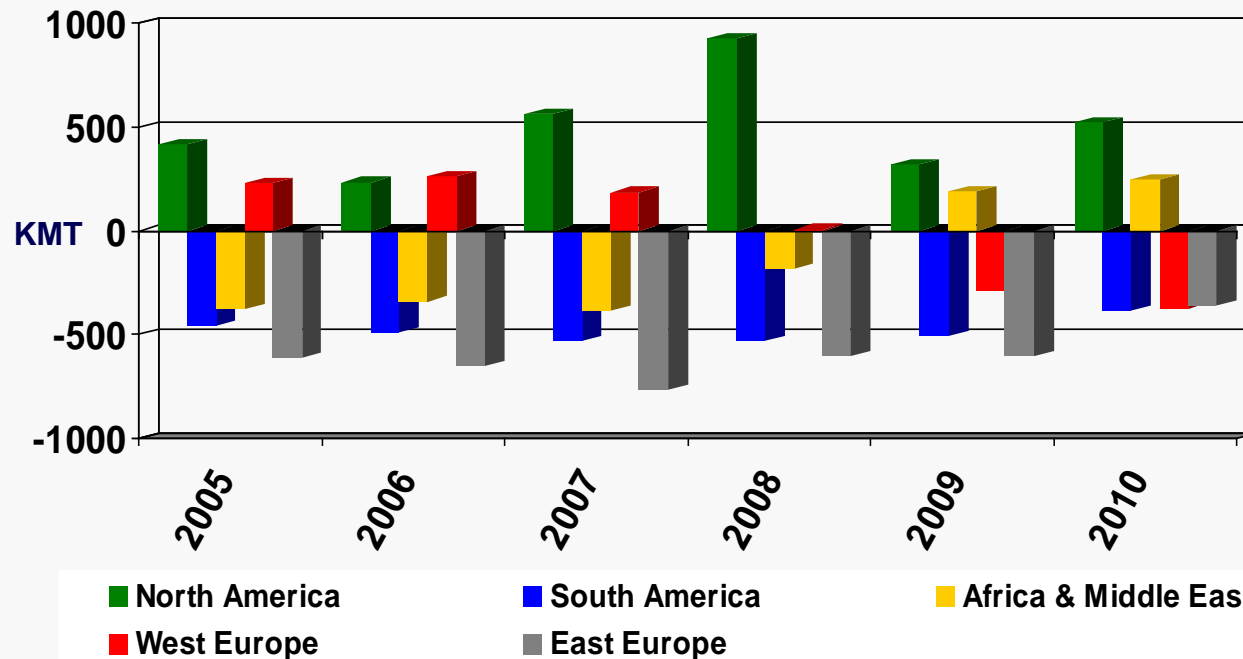


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PET Capacity 100% - Demand by Area



Potential export markets for Asian PET producers

Source: Tecnon Orbichem

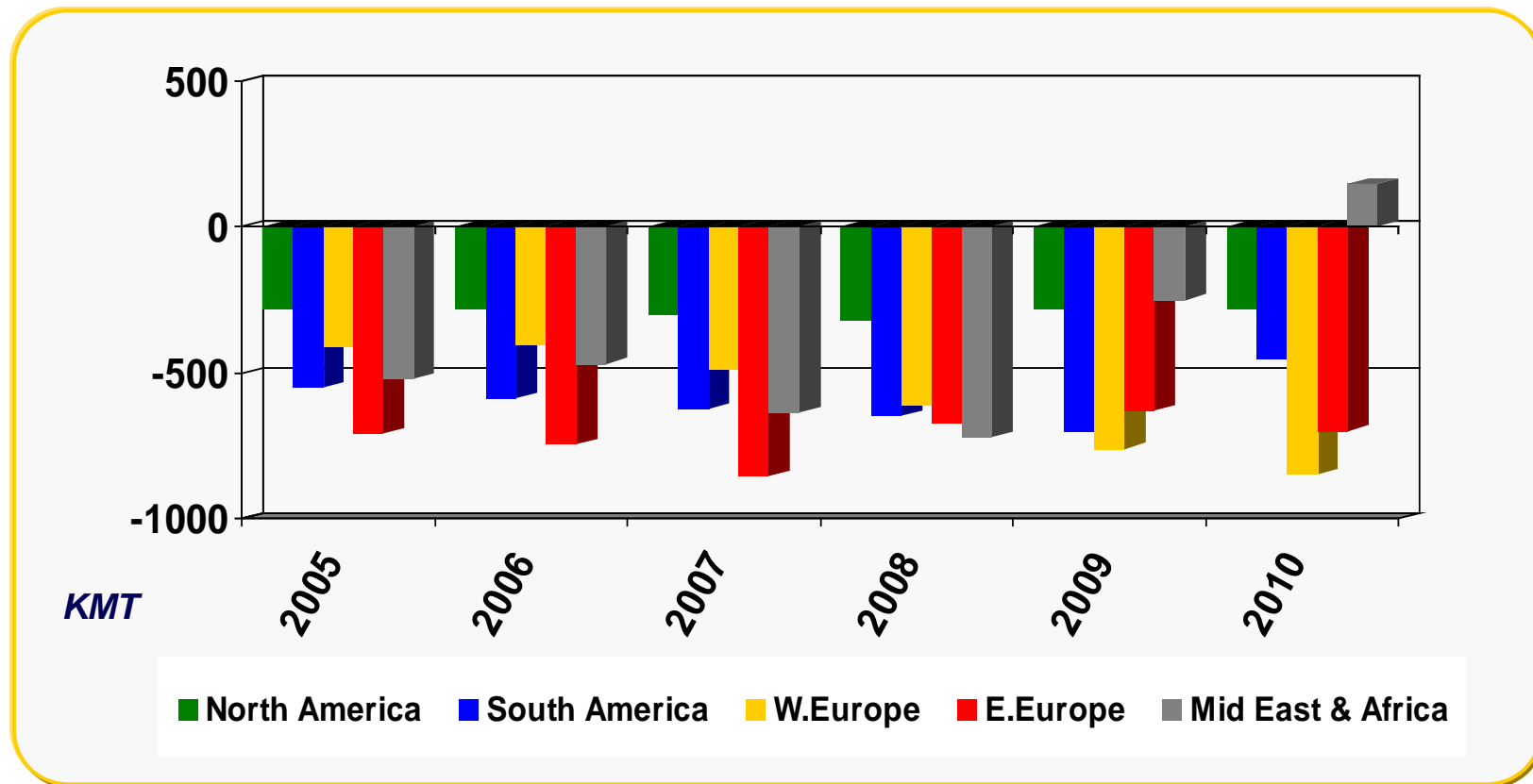


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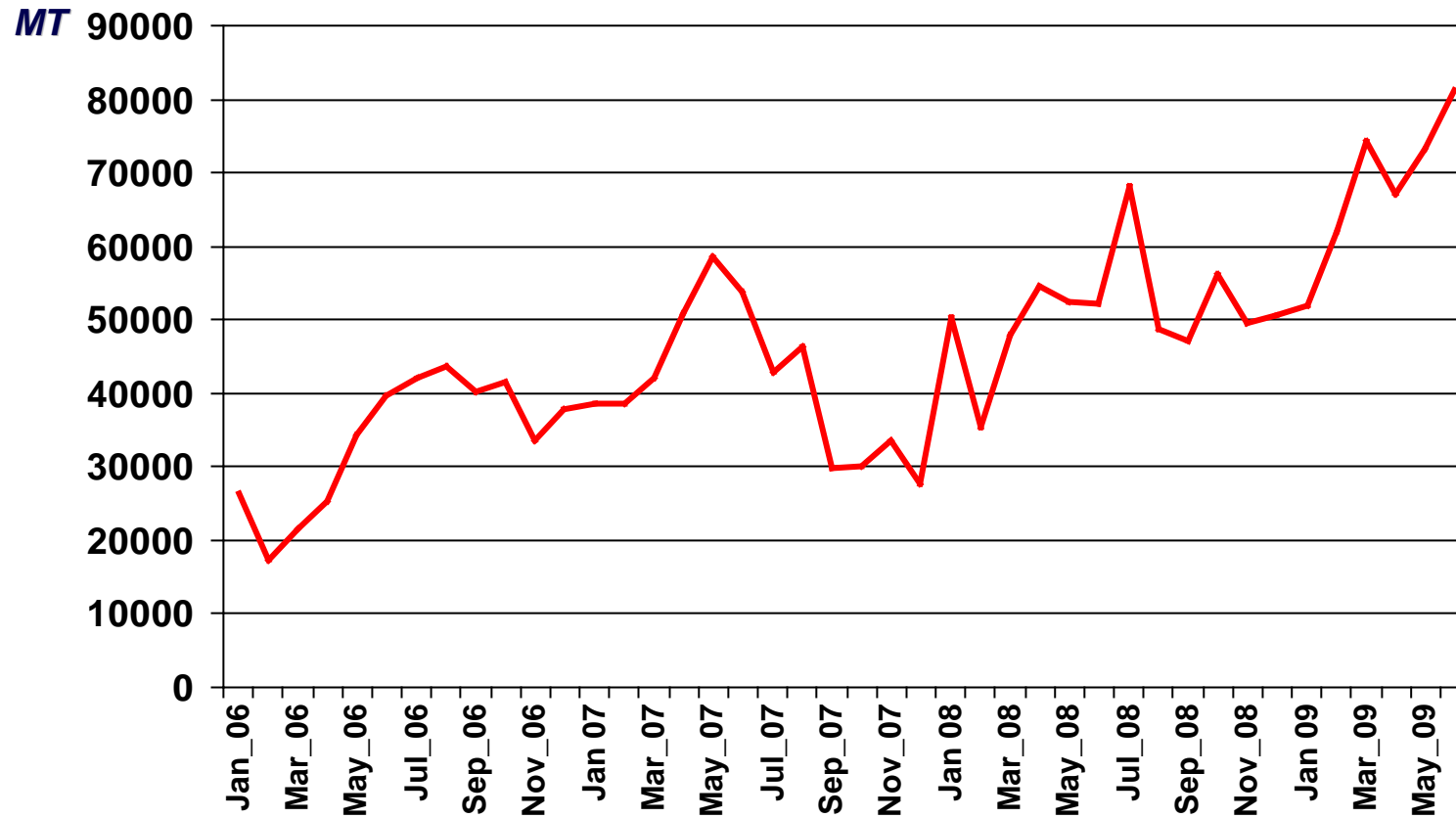
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Trade flows '05 - '10 (Exports - Imports) by area



European PET Imports Jan 06 to June 09

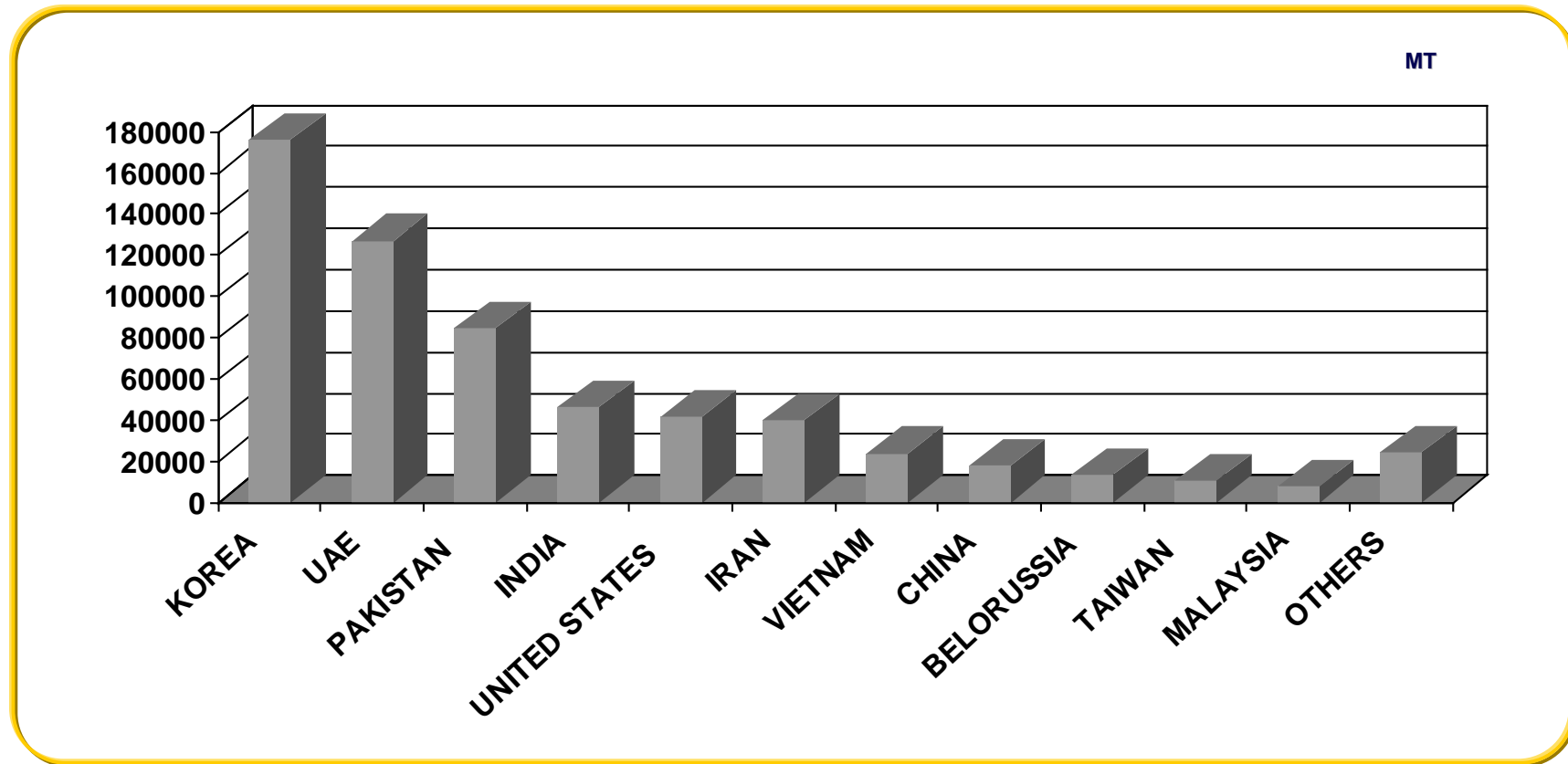


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PET Imports into EU27 - 2008 (613 KMT)

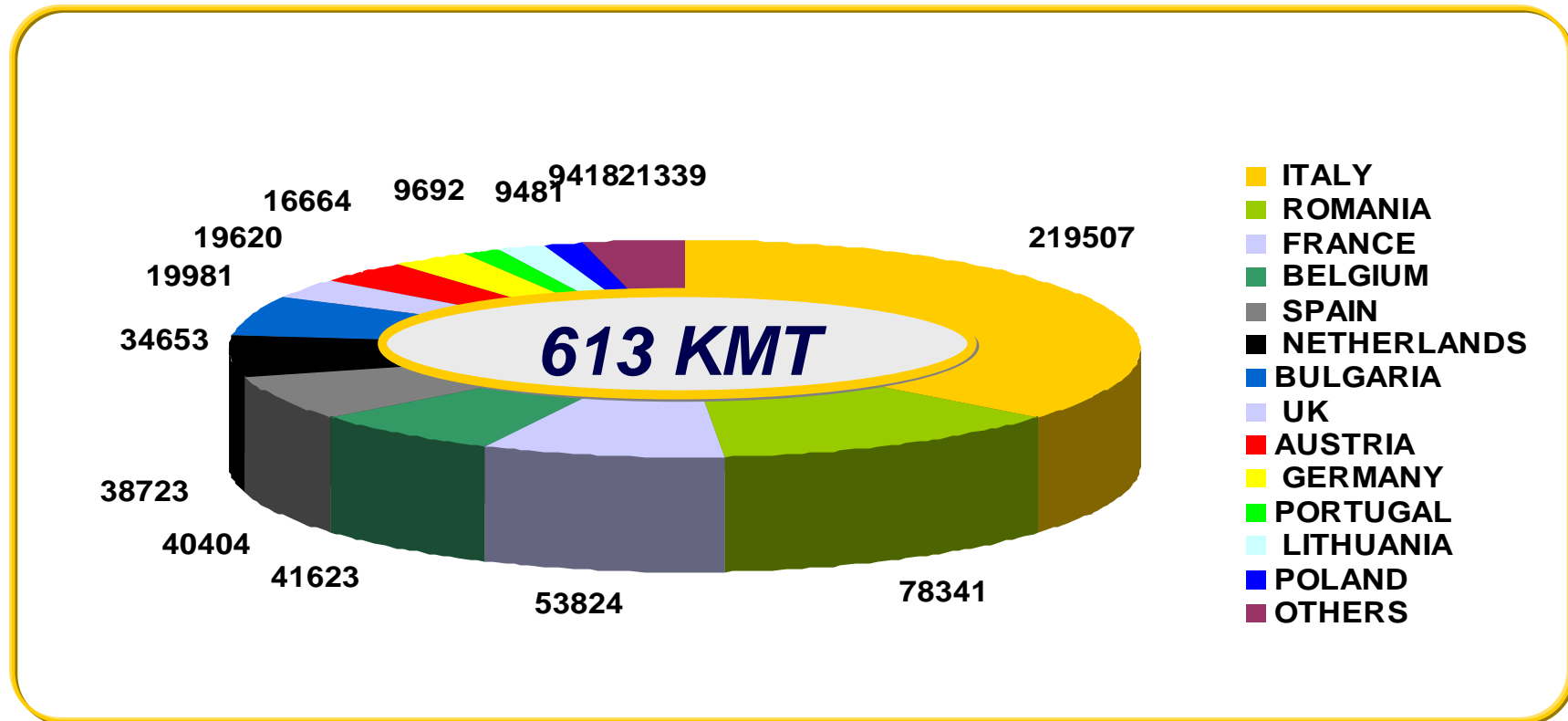


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Eu 27 PET Imports - 2008

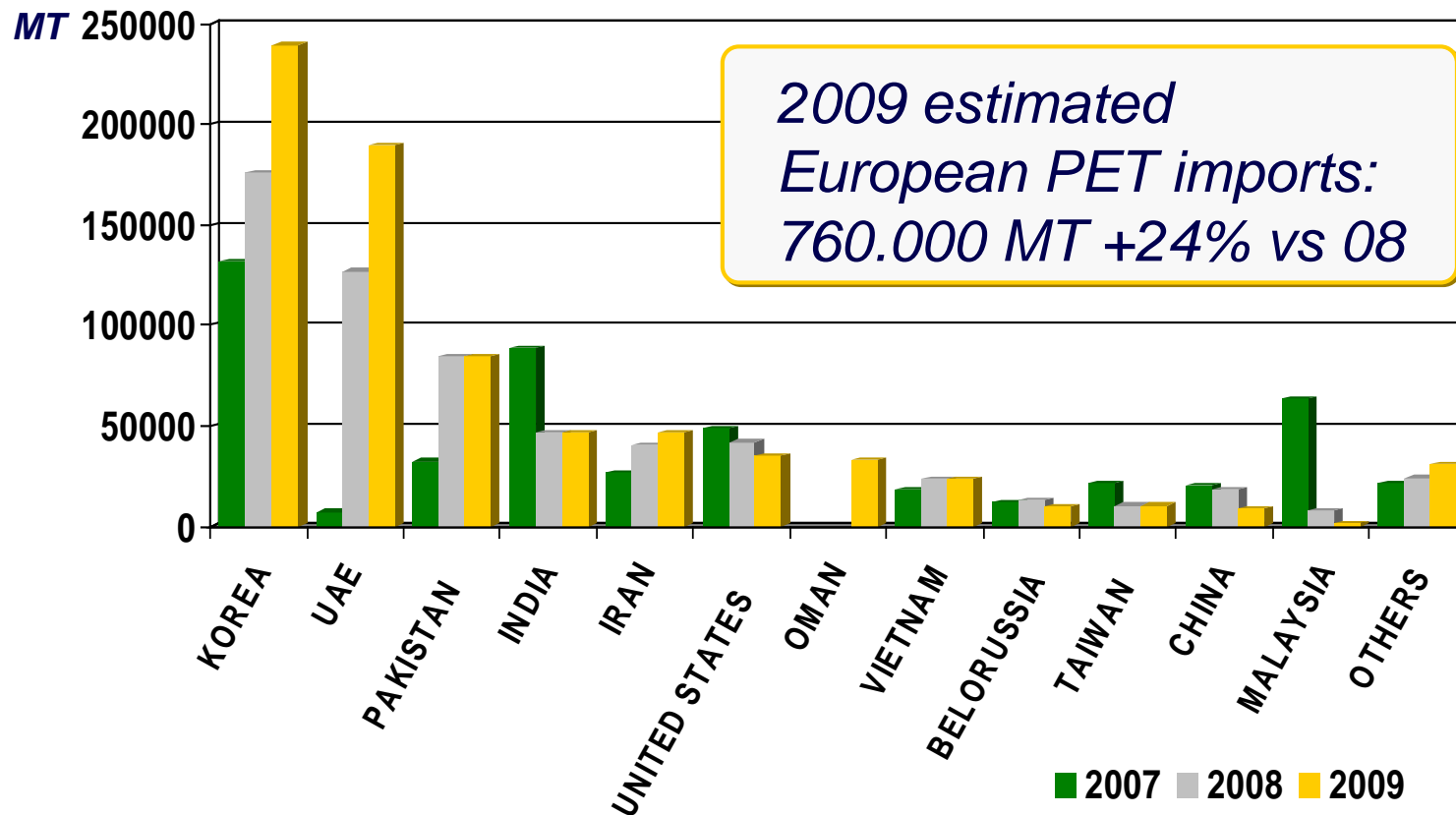


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Imports: 2007 - 2009* by origin



* H1 2009 x 1,85

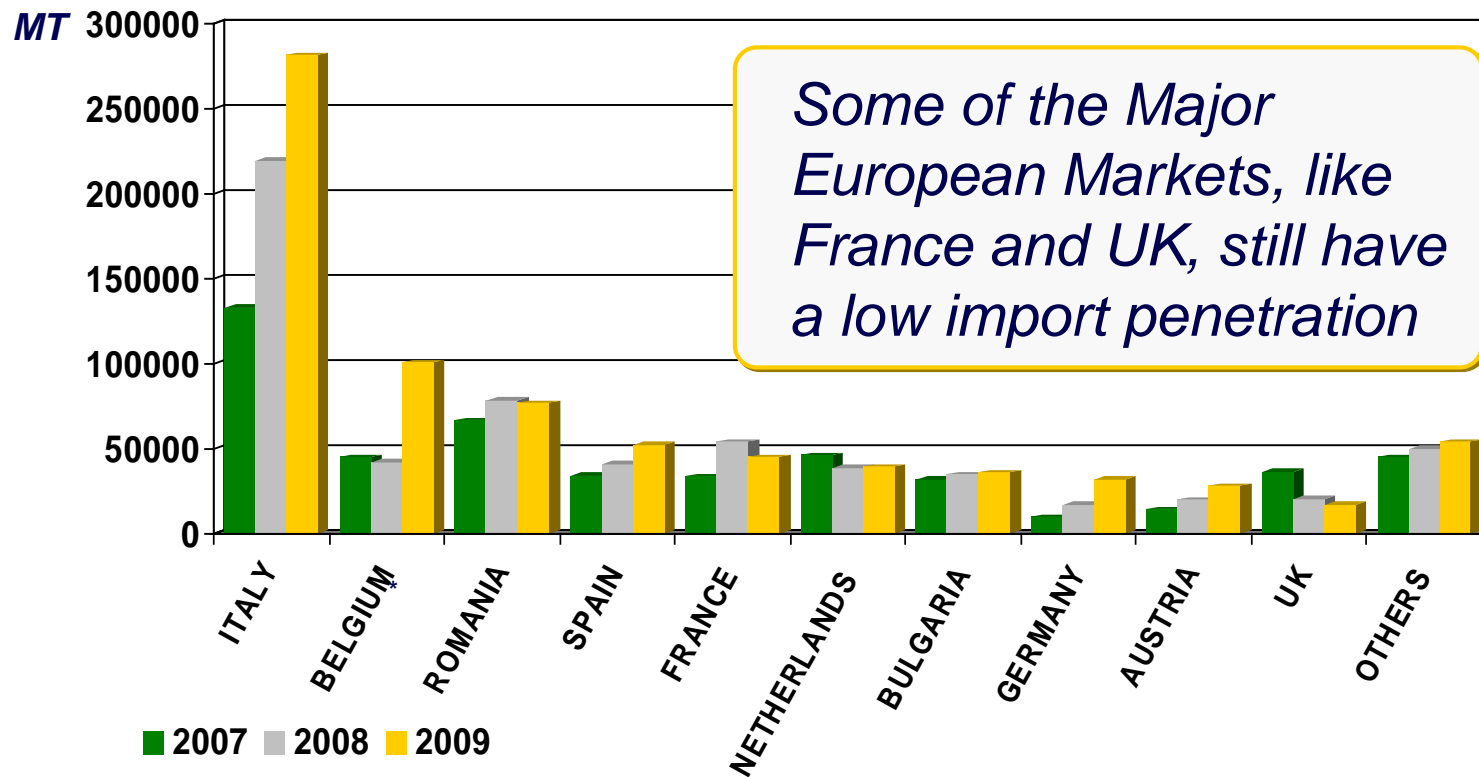


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Imports: 2007 - 2009* by destination



* H1 2009 x 1,85

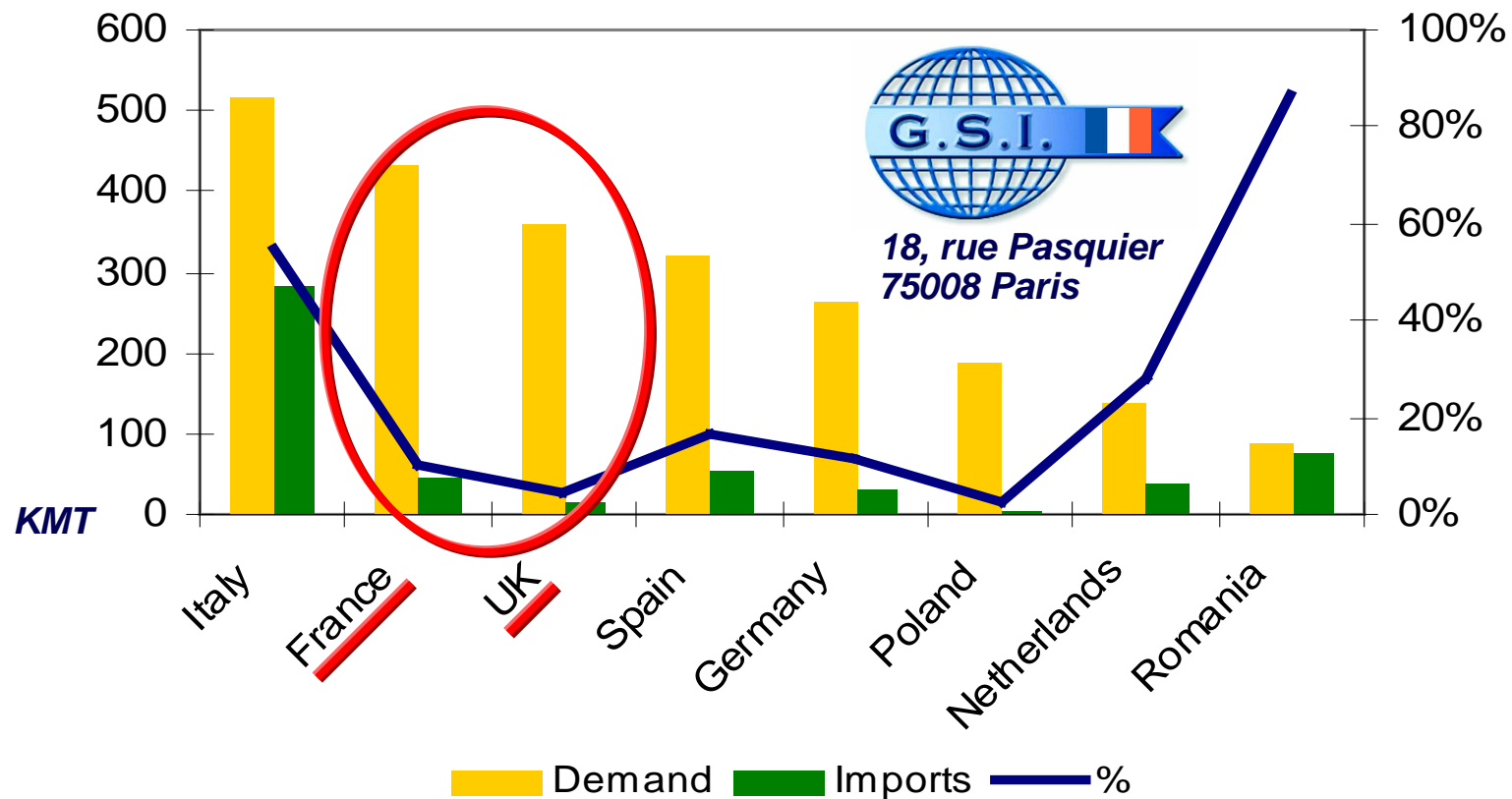


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Imports market share by Country

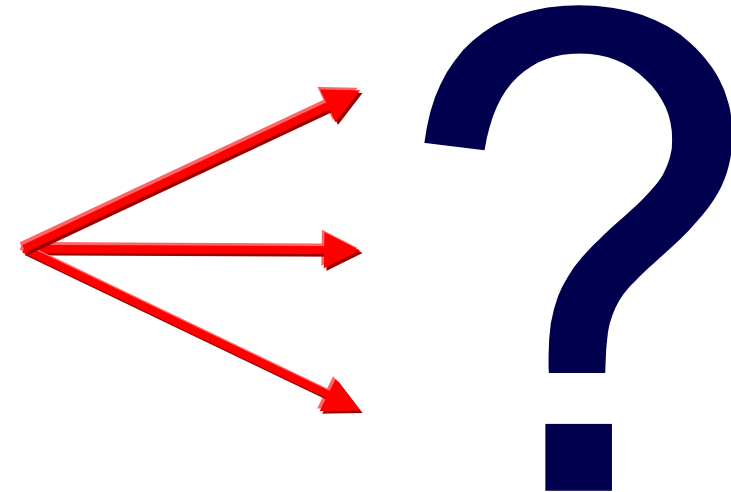
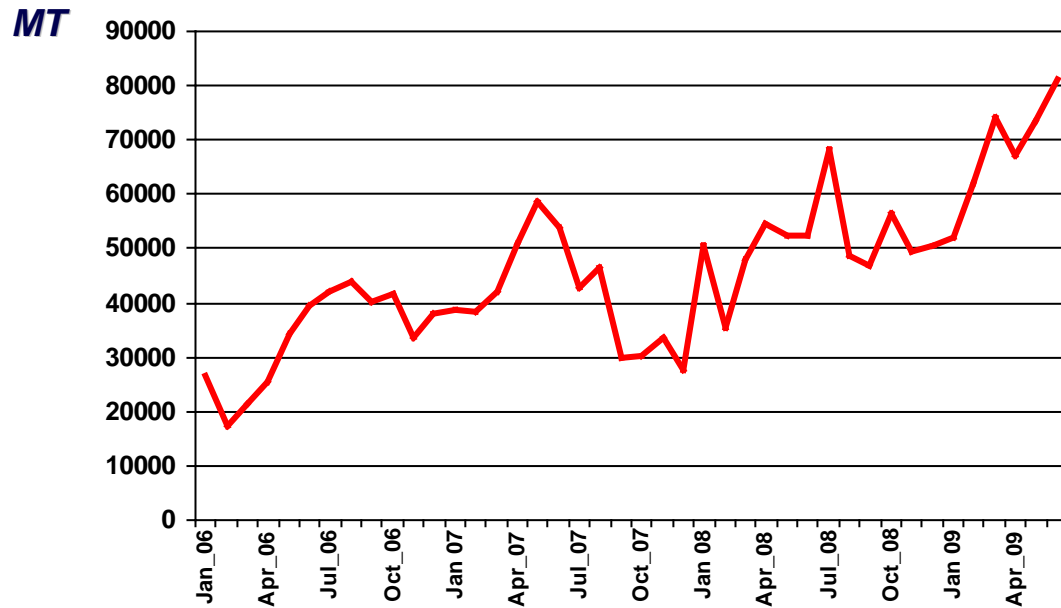


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European PET Imports 2010 forecast?

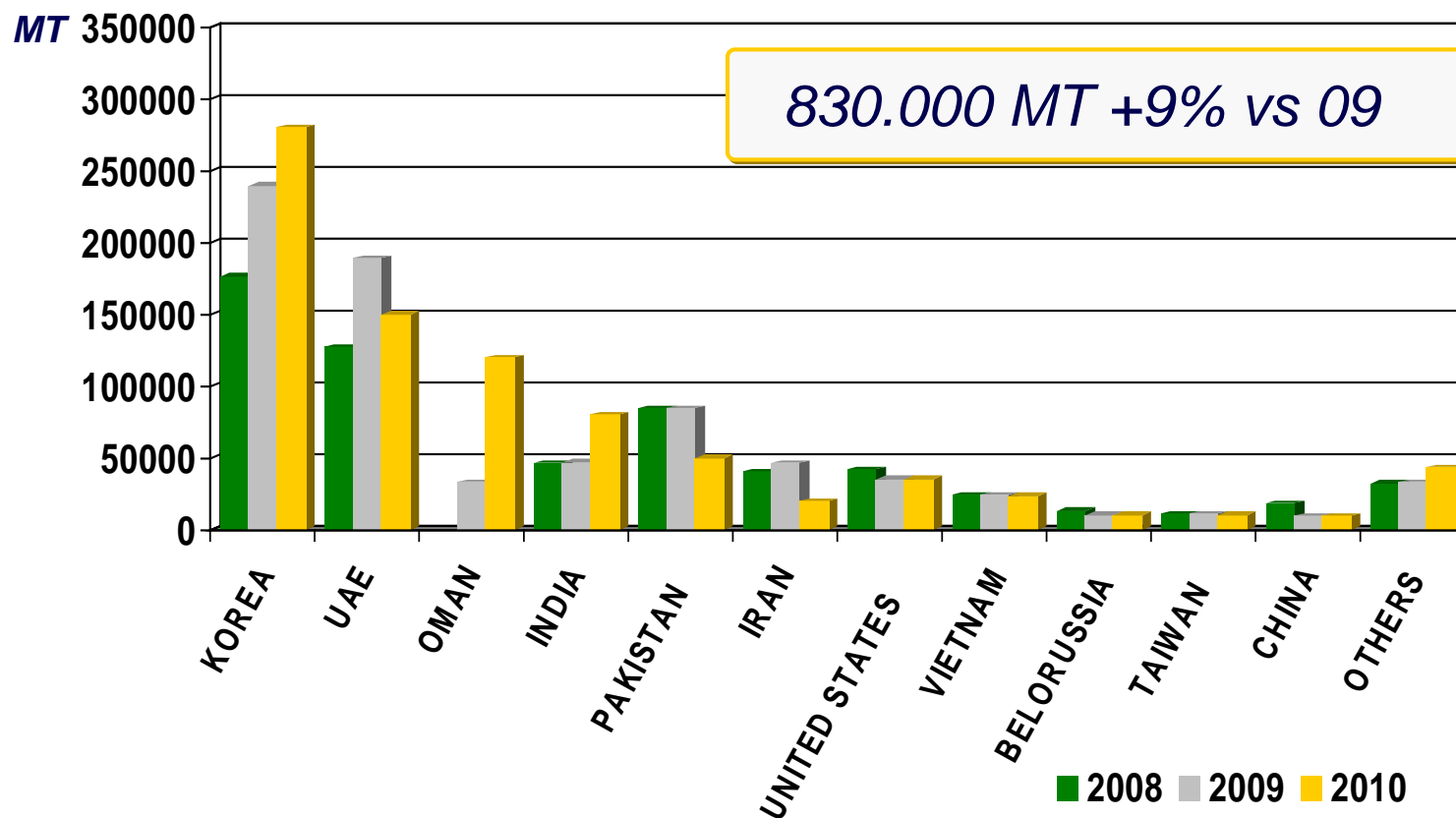


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2010 PET imports forecast

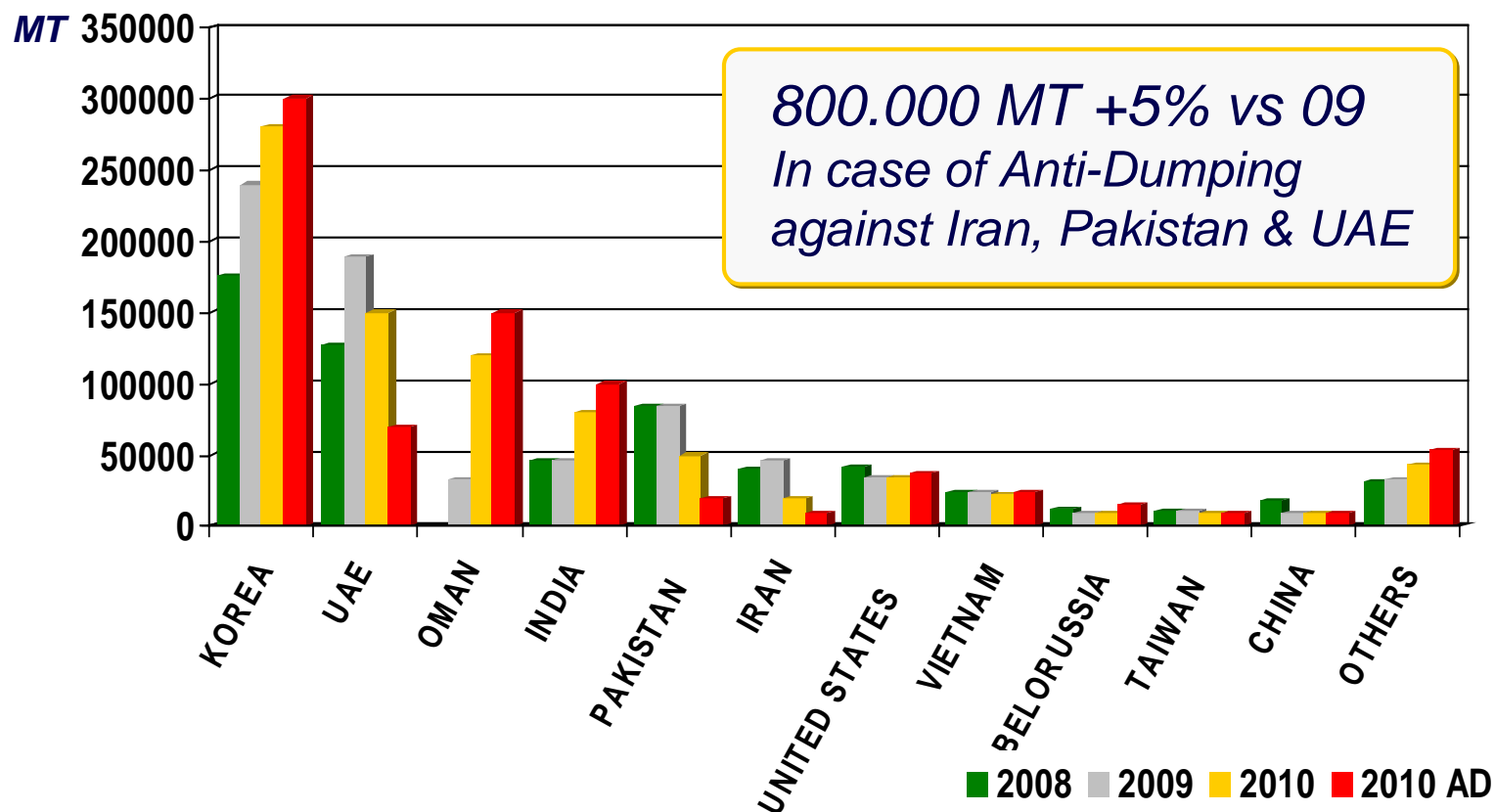


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2010 PET imports forecast



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Major factors having an impact on 2010 flows



In spite of the closure of several PET production lines in Europe (Invista Offenbach, Wellman, Elana, Artenius Wilton, Tergal and others coming soon), the utilization rate of the European PET production lines will not improve.



The missing European capacity will be substituted by import volumes, whatever will be the decision on Anti-Dumping



New PET projects located in areas with 3% duty and enjoying low Ocean Freights to reach Europe will come on stream at the end of 2010 and the first half of 2011

Imports will be soon the most important PET Supplier inside the vast majority of the European PET Consumers



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IMPORT PET IS NO MORE AN OPTION, IT IS A MUST!

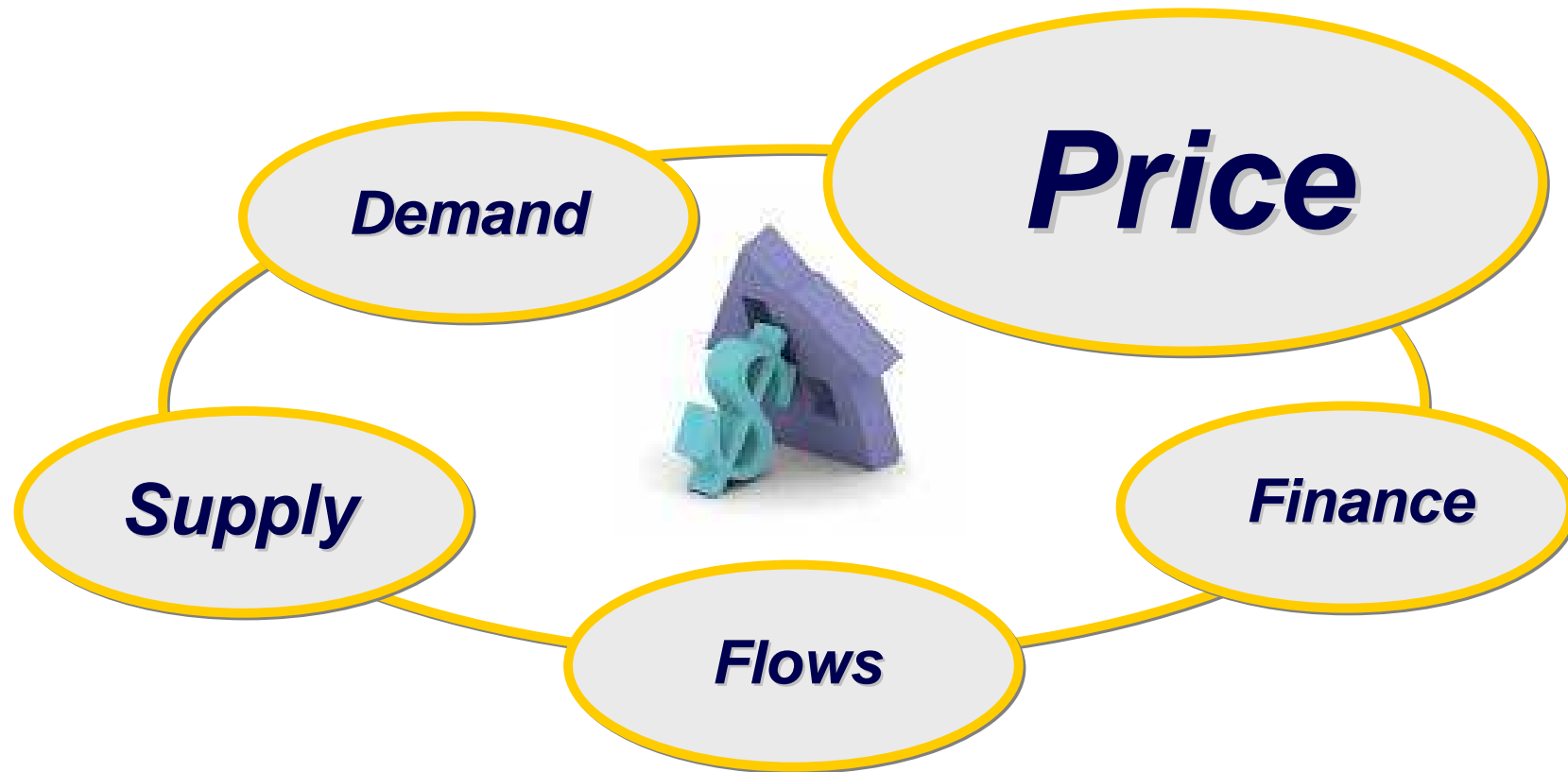


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Impact of the Global Financial Crisis on the PET Market

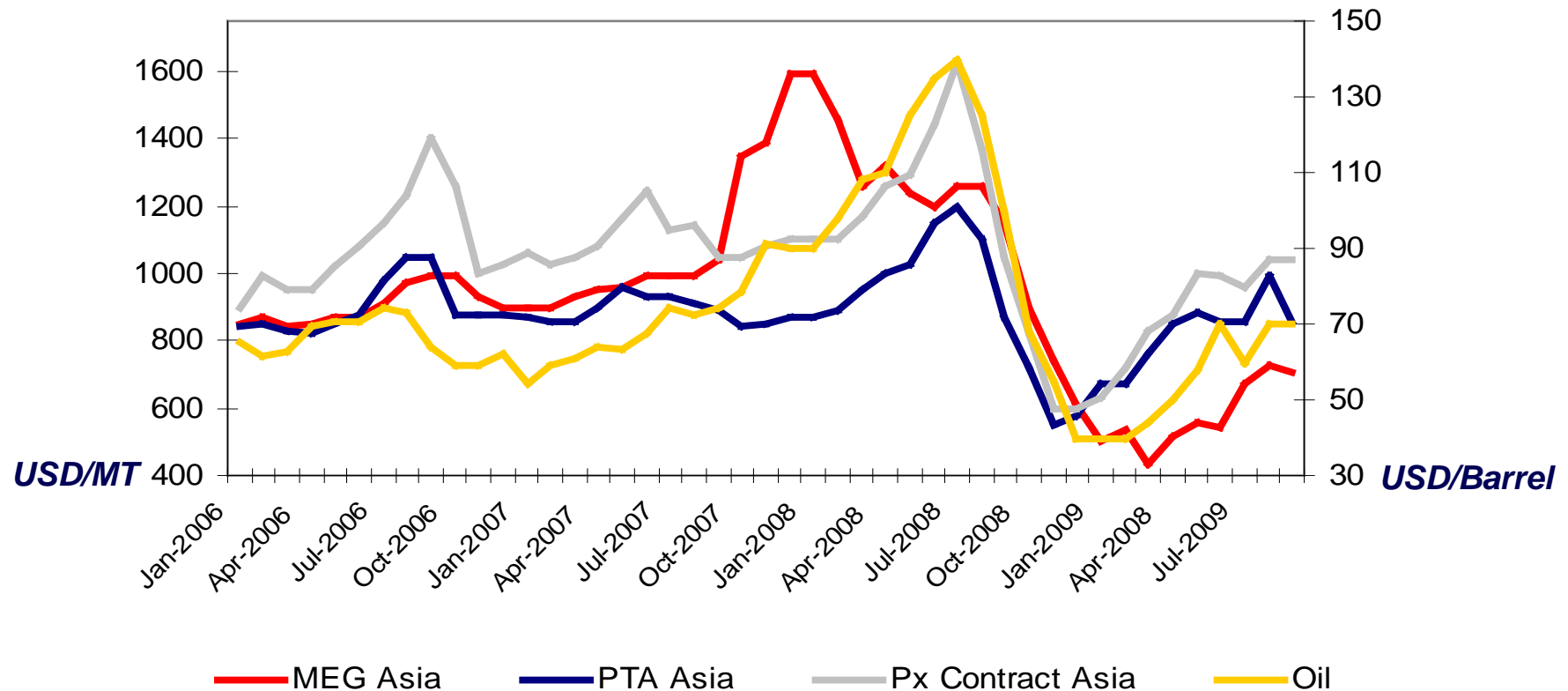


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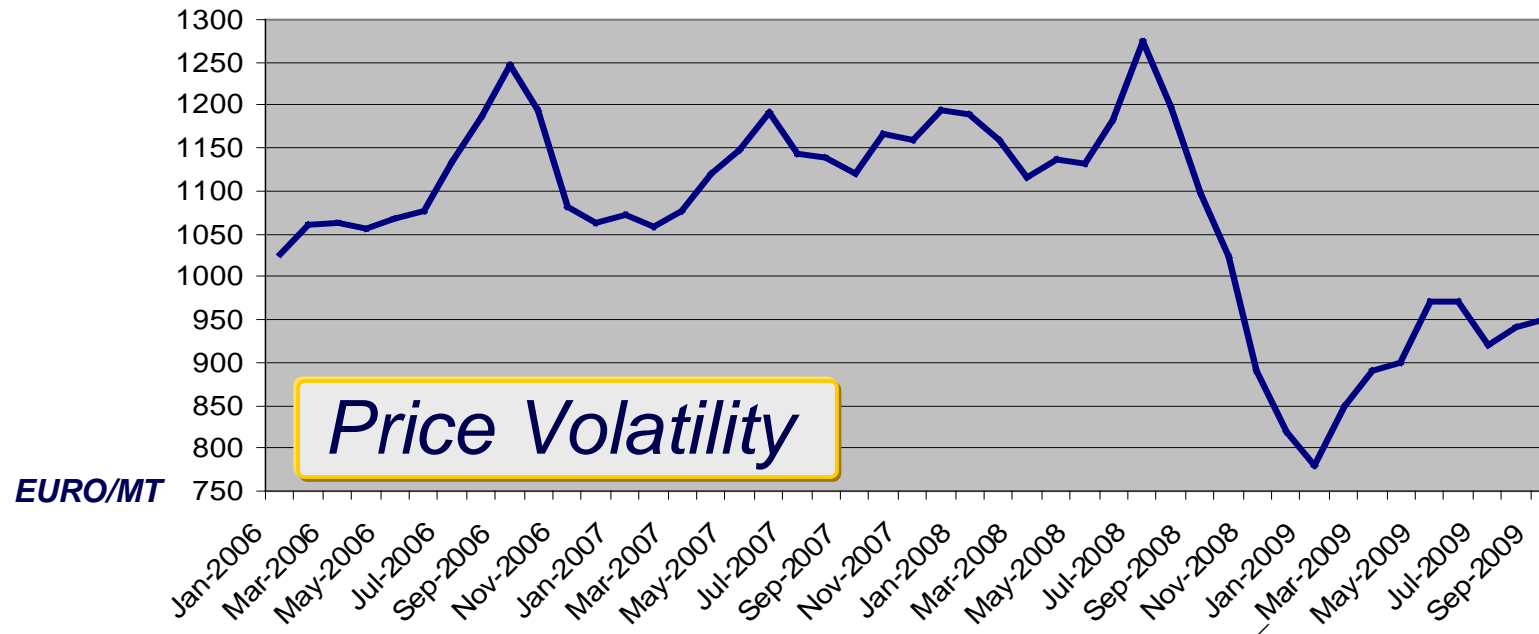
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Is the World Economic Crisis having an impact on Oil, Px, PTA, MEG? YES



European PET Producers Price Jan06-Sep09



*100/200 Euro Price volatility is becoming common.
The Premium for understanding the Price movements
in advance is becoming more and more relevant*

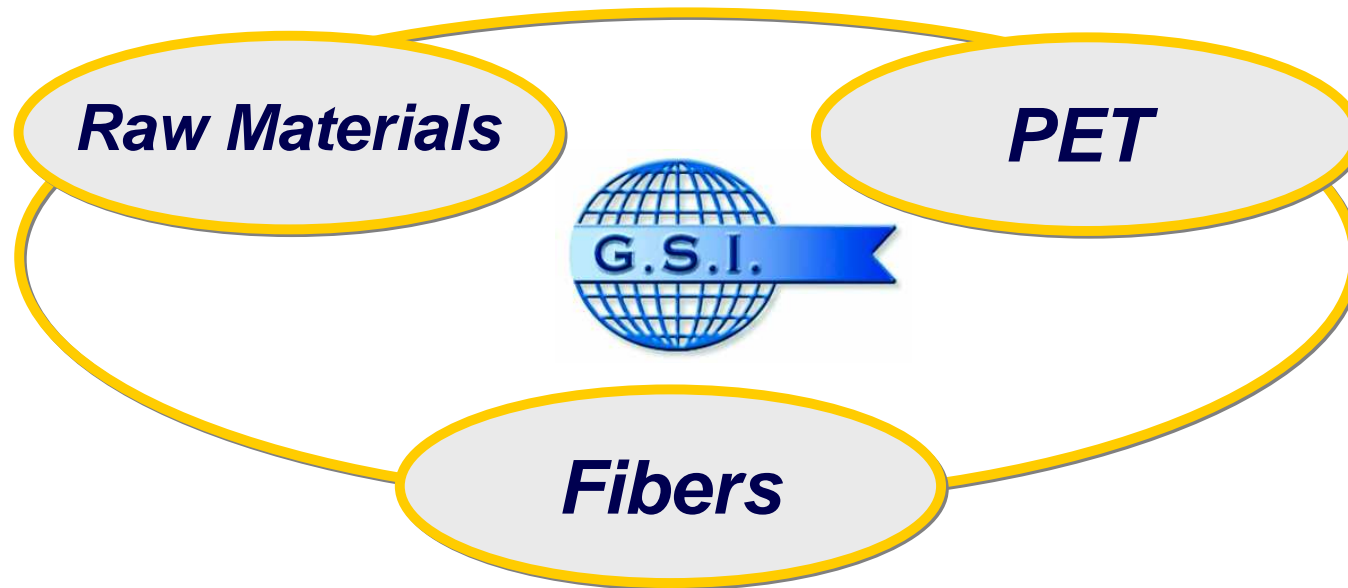


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Polyester Business - GSI's Global view



The long lasting business relationships, developed during these years, allow GSI to have updated information throughout the entire Polyester chain



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GSI - Business Model



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GSI - Business Model

We are not a speculative partner



- Marketing
- Business knowledge
- Logistical support
- Customer Care
- Specialized personnel
- Informative flow
- Claim management
- Regulatory Issues

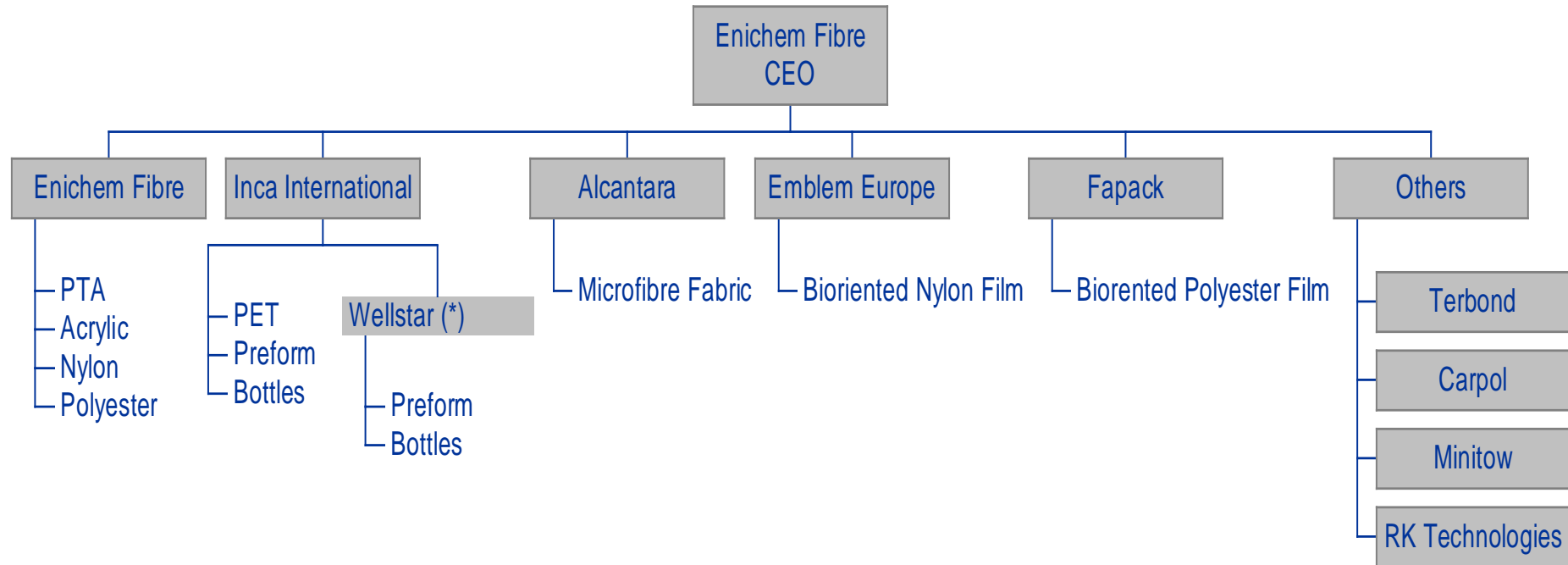


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GSI - Focus on CEO's experiences in 80s'



(* J/V between Wellman and Constar



GSI - The Network

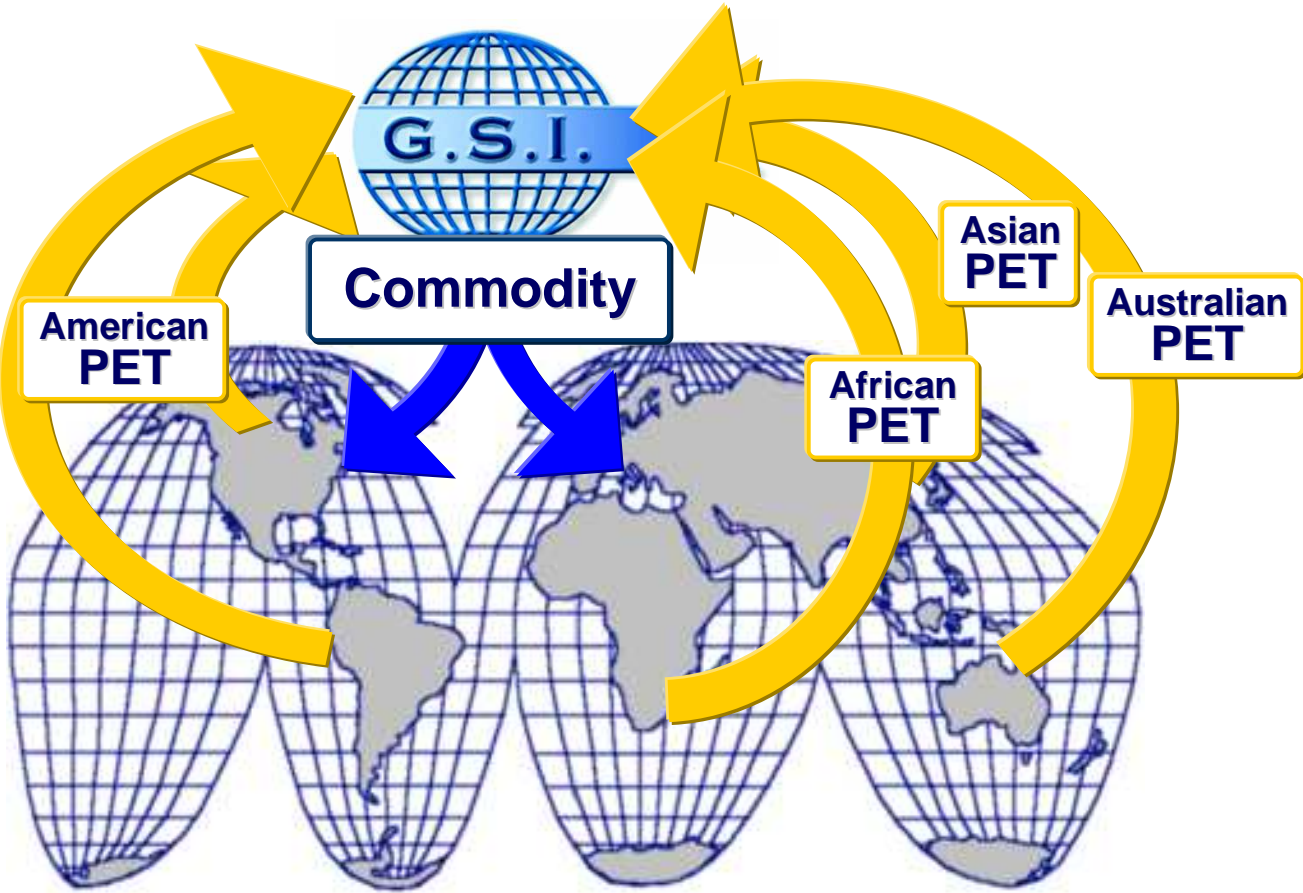


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GSI transforms PET into a commodity



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*Why Asian PET producers
have a cost advantage?*

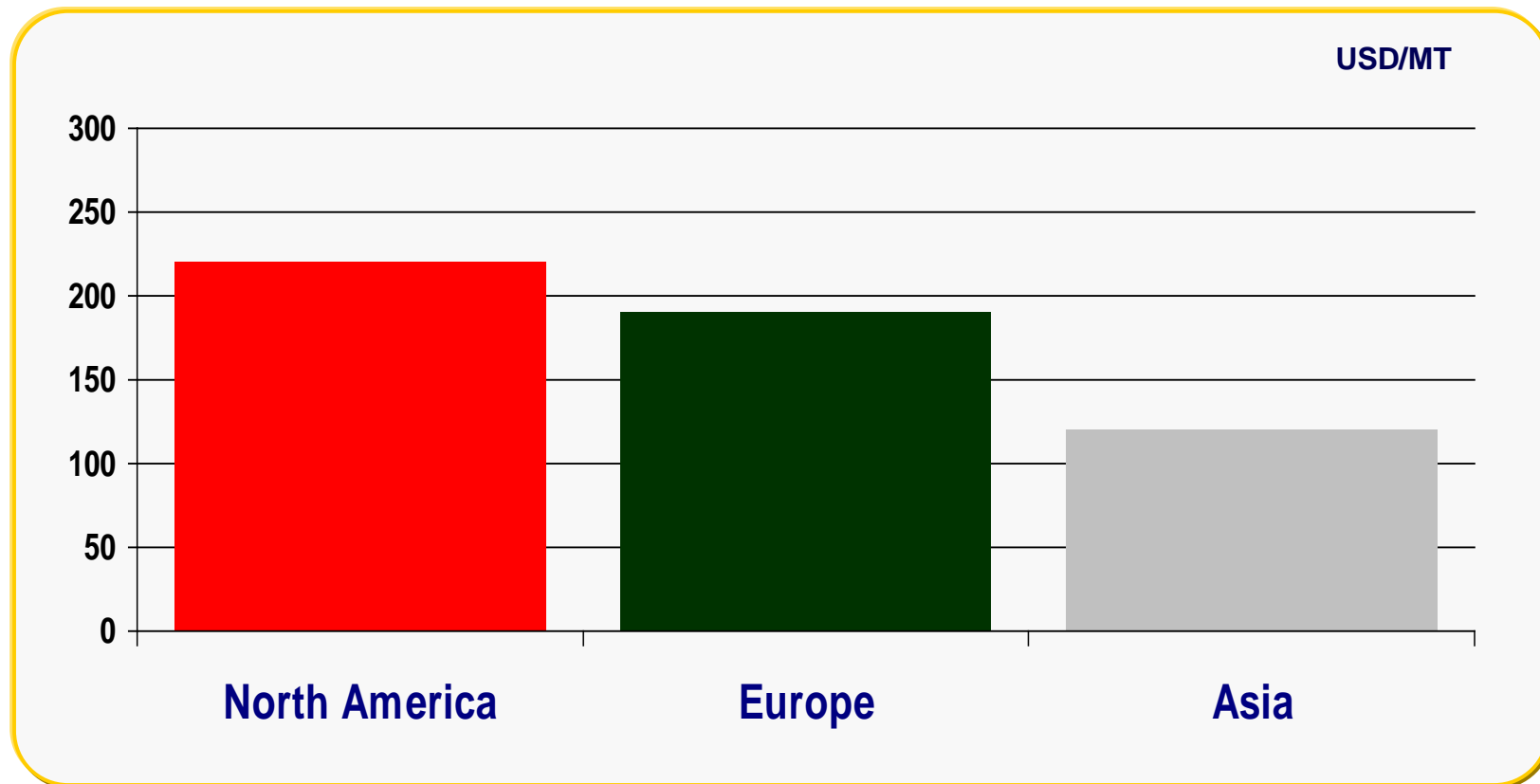


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Lowest acceptable conversion fee

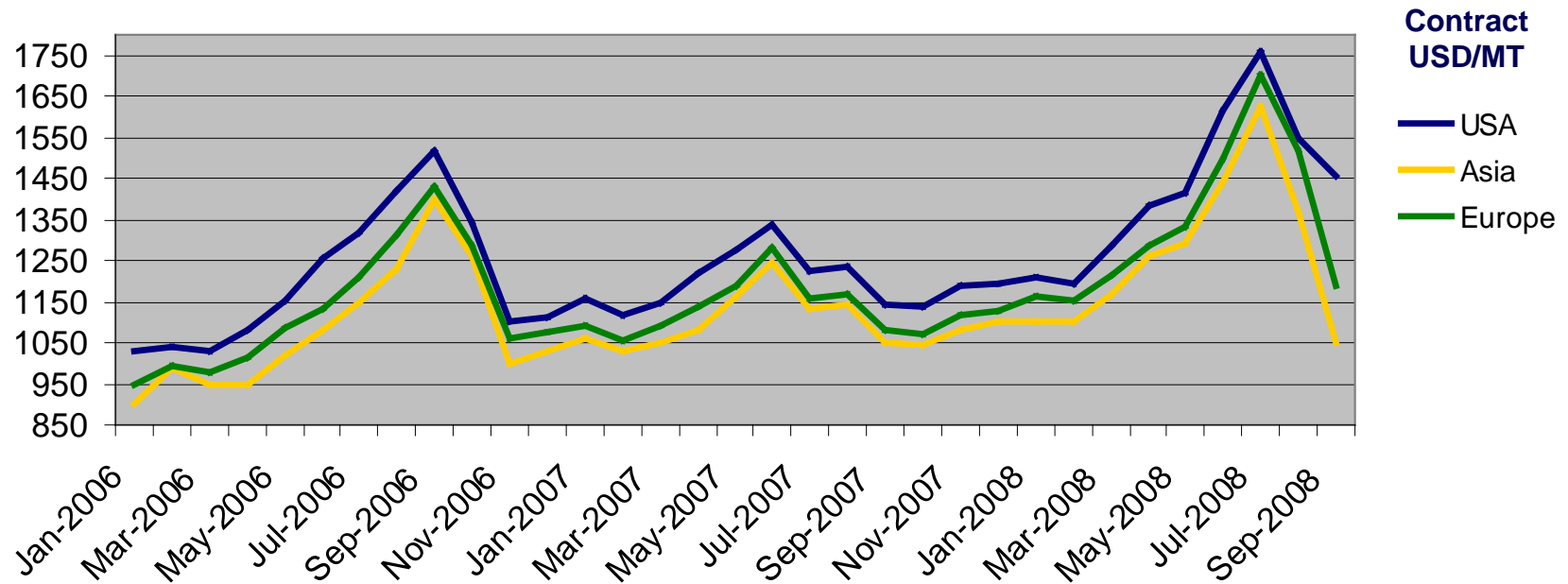


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Lower PX Price



Jan-Sep09 Average Asian Px advantage vs USA 104 USD/MT
Jan-Sep09 Average Asian Px advantage vs EU 66 USD/MT

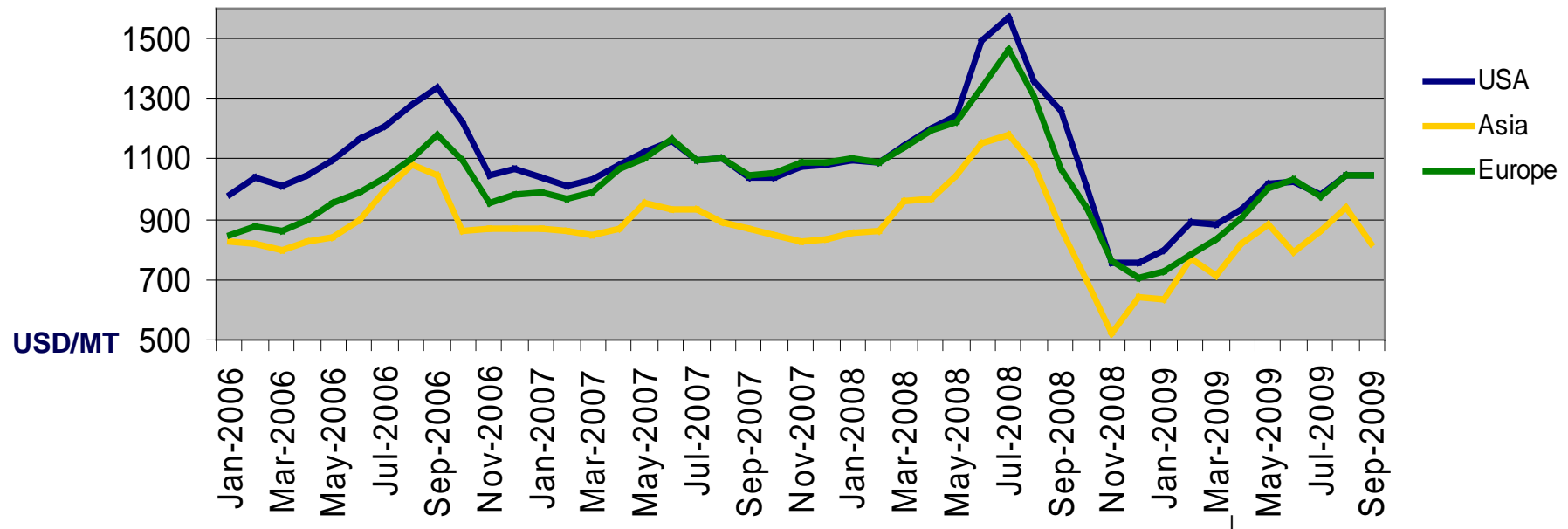


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Lower PTA Price



Jan-Sep09 Average Asian PTA advantage vs USA 155 USD/MT
 Jan-Sep09 Average Asian PTA advantage vs EU 125 USD/MT



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Asian Raw Materials Advantage



Assuming a similar level of Price for MEG in the different areas



The Raw Materials advantage in producing 1 MT of PET in Asia to be exported to the USA or Europe is:

132 USD/MT vs USA

106 USD/MT vs Europe



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Impact of the Economic Crisis on Ocean Freights



The decrease in Ocean Freights costs, driven by the reductions of the World trade, is a further advantage for the Asian Producer

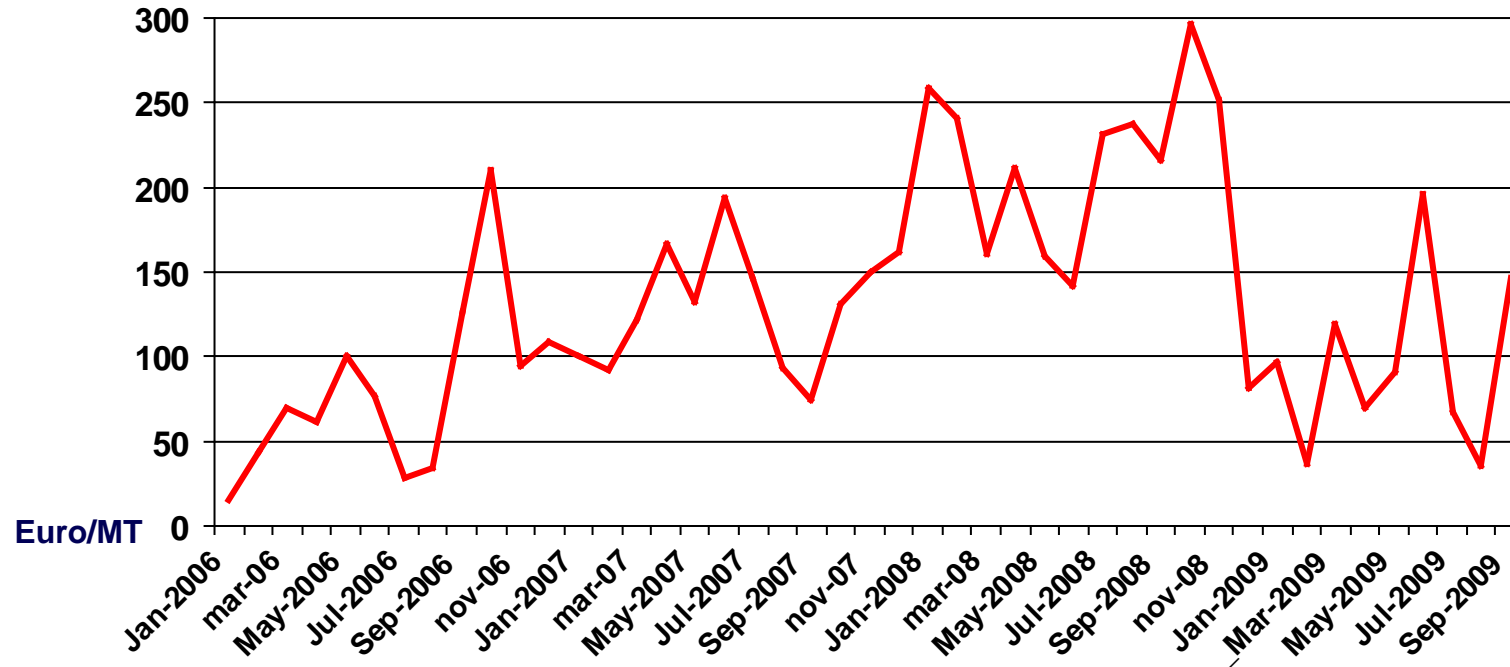


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European PET Prices vs lowest acceptable Asian DDP Prices



Eu Producers Price - Break Even Asian Price DDP*

* Asian Producer with 3% duty and an in land transportation cost of 25 Euro/MT

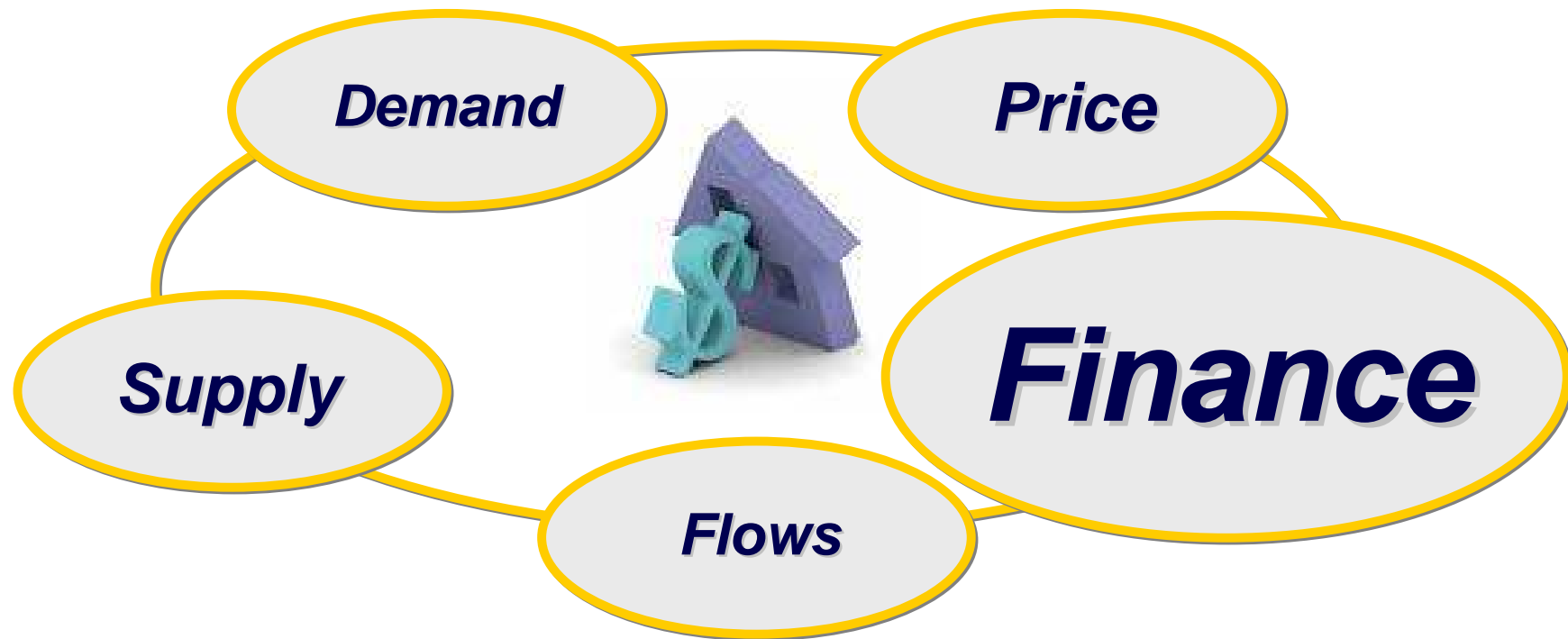


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Impact of the Global Financial Crisis on the PET Market



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*Why is Finance becoming a
competitive advantage for
Sourcing PET?*

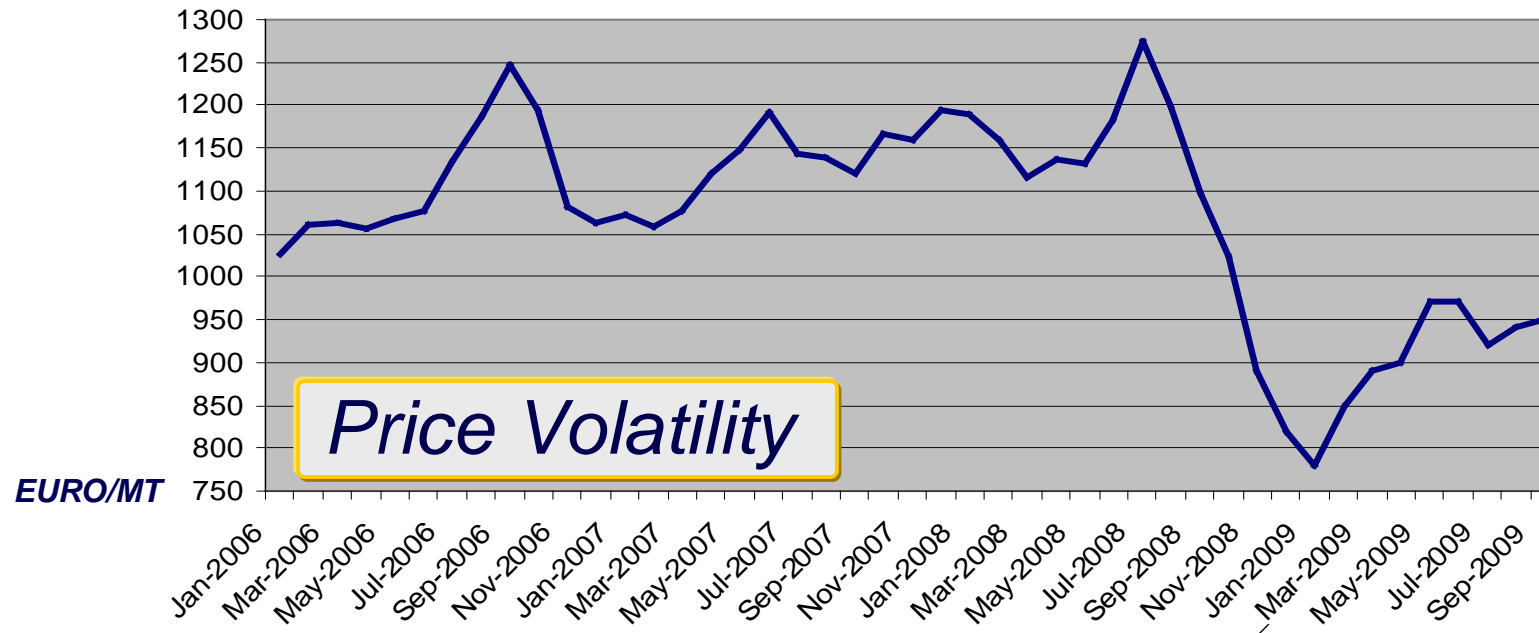


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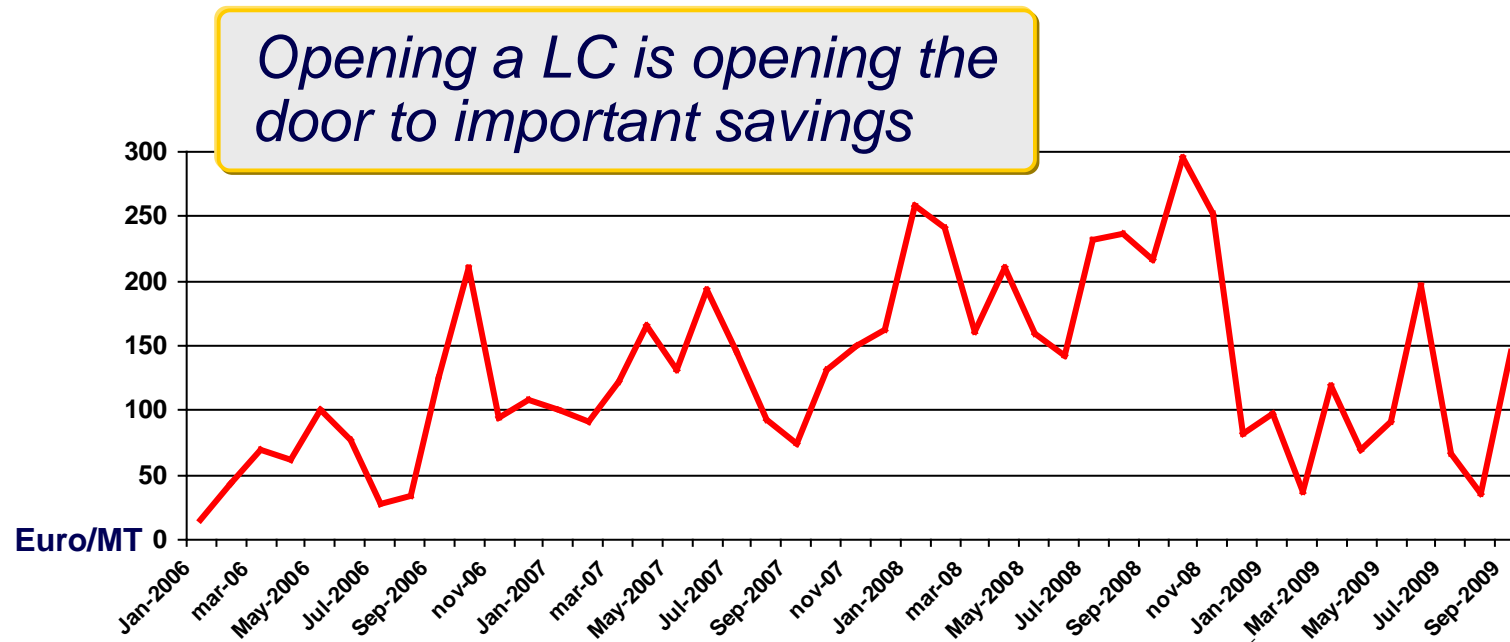


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European PET Prices vs lowest acceptable Asian DDP Prices



Eu Producers Price - Break Even Asian Price DDP*

* Asian Producer with 3% duty and an in land transportation cost of 25 Euro/MT



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Is it more convenient to optimise the cash flow or the PET Purchasing?

Opening a Letter of Credit to purchase PET from an Asian Producer is guaranteeing a consistent advantage in comparison to the European Pet Producers Price

3%-8%

With a Price volatility of 100/200 Euro/MT in few months, taking the decision to purchase at the right time is a consistent competitive advantage

10%-20%

Interest rate 1% - cash costs 2%-6%



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Conclusions



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Impact of the Financial Crisis on the PET industry

- The financial crisis hit PET bottles final demand at the very end of 2008 and the beginning of 2009. During the season we saw important signs of recovery that we expect to continue during 2010*
- PET production industry rationalization is moving most of the World production to the Middle East and Asia*
- European PET imports increased during 2009 (+24% vs '08) and we expect this trend to continue whatever will be the result of the new Anti-Dumping investigation*
- Finance availability allowing to be flexible in purchasing from the most competitive sources at the right time is becoming a must*



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Key factors for success in 2010

- 1) Choose the right time to buy*
- 2) Be flexible in purchasing from different sources*
- 3) Optimize logistic costs*

***In today's fast developing scenario
GSI is proud to be your partner in
generating value sourcing PET***



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Thank You

***October 8th, 2009
Artimino - Italy***



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2010 PET Price forecast

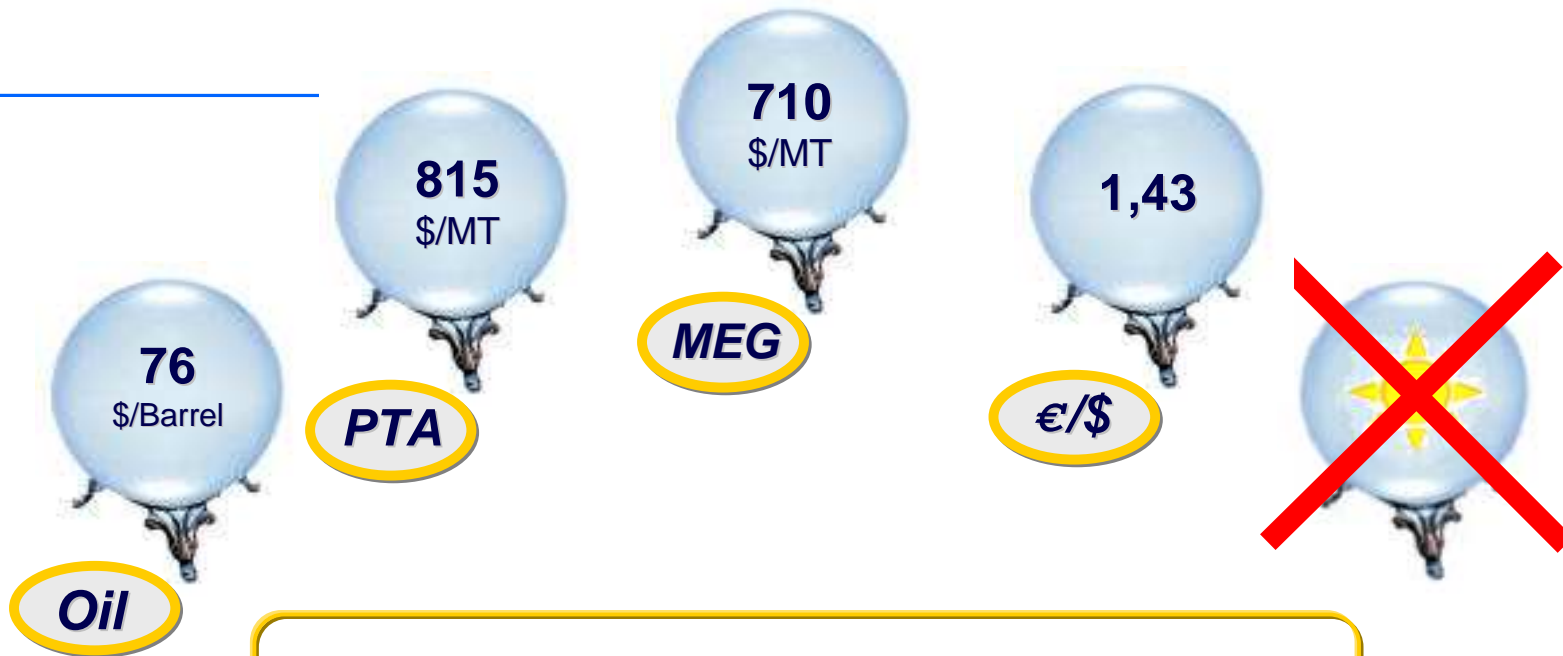
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We asked the major Players in the Polyester business, Financial institutions, and Oil Companies their 2010 forecasts on the major factors having an impact on PET Prices.



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PET Price forecast for 2010



EU Player <input type="checkbox"/>	Non EU Player <input type="checkbox"/>		
PET - Bottler <input type="checkbox"/>	PET - Converter <input type="checkbox"/>		
2010 Price Forecast (Please specify delivery terms)	<input type="text"/>	<input type="checkbox"/> Euro/MT	<input type="checkbox"/> USD/MT

If you want to participate at the forecast award please insert your name

Name _____ Surname _____



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