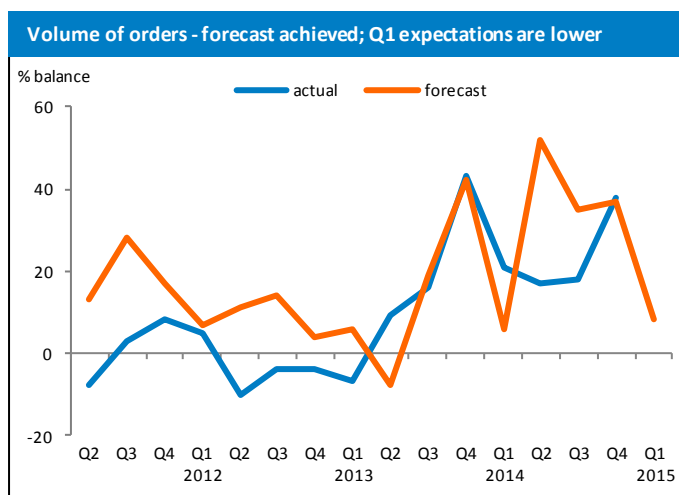


PRESS RELEASE

10 Feb 2014

Q4 BOOSTED BY SEASONAL SURGE IN ORDERS – CONFIDENCE PERSISTS BUT SO DO THE CHALLENGES

2014 finished on a positive note as both printing output and orders continued to grow in Q4. Orders in Q4 experienced a strong improvement over Q3 and just surpassed expectations for the period according to the latest BPIF *Printing Outlook* survey. More than half (56%) of printers were able to grow their order levels – just over a quarter (27%) managed to keep orders at a steady level whilst 18% suffered from falling orders in Q4. The resulting overall balance (+38) just crept above the forecast for the period (+37). The Q4 performance for both orders and output extends the positive growth run to seven consecutive quarters.



The orders balance of +38 was marginally above the forecasted balance of +37. A balance of +8 is projected for the coming three months.

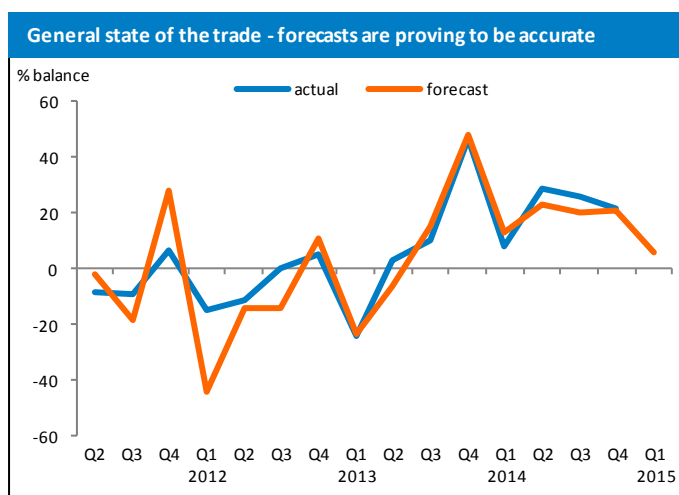
Expectations for orders in Q1 are less upbeat – though still remaining positive overall. The majority of respondents (54%) believe that they will be able to maintain orders at their current level in Q1; 27% predict that they will be able to increase order levels, whilst 19% expect that order levels will drop. Whilst the resulting balance (+8) is a downward chart movement from Q4 it is, albeit marginally, the most positive Q1 forecast for at least 10 years.

Confidence in the general state of trade in the printing industry remains positive. However, printers are less confident about Q1 than they have been at any point in the last year-and-a-half. Businesses don't like uncertainty and it would seem that the looming election, economic

performance, energy and input costs and exchange rates are creating some uncertainties at the moment.

The balance between those believing that the general state of trade improved, rather than fell, in Q4 was +22. This was a reduction from +26 in Q3, but marginally above the Q4 forecast of +21. As with orders and output this is now the seventh consecutive positive result and has come from 40% believing the general state of trade in the printing industry had improved; whilst 18% reported a deterioration. 42% reported no change in the general state of trade in Q4 2014.

The forecast for Q1 is less optimistic – though remains positive. Over three-fifths (61%) believe that the general state of trade in the industry will hold stable. Of the remaining respondents: 22% compared with 16% believe that the UK print market will improve rather than worsen.



The balance of +22 was just above the forecast of +21. A balance of +6 is forecast for the coming three months.

Competitors pricing below cost remains by far the main business concern among printers – on this occasion 85% of respondents noted that this was one of their top three business concerns. The ability of profit levels to sustain required investment levels remained the second ranked concern – this time being selected by 34% of respondents. Late payment by customers has now become the third ranked concern – as selected by 28%. Further concerns were raised regarding output price levels and access to skilled labour.

Kyle Jardine, BPIF Research Manager, said:

“The orders and output results suggest that there was a post-recession period during which expectations were overly optimistic and in which actual performance was subdued.

However, since 2013 demand has picked-up and the positive forecasts have been more

closely matched. The forecasts for Q1 2015 are less optimistic than the seasonally boosted Q4 but nonetheless remain positive in what is a traditionally quieter period for many companies. An examination of current order books does seem to support the Q1 forecasts.”

Charles Jarrold, BPIF Chief Executive, said:

“Our sector is characterised by a strongly seasonal pattern to demand. The industry was very busy indeed in Q4, and it's encouraging to see that the industry has experienced seven consecutive quarters of growth. However, with members expecting to operate at around 80% of capacity in Q1, the focus will be on controlling costs and negotiating as carefully as possible on prices.”

Summary of key findings:

- Output and orders finish 2014 on a positive note as they continued to grow in Q4; Q1 is expected to be more challenging.
- Confidence in the general state of trade in the printing industry was marginally above the forecast in Q4; as with orders and output the outlook for Q1 is less upbeat.
- Competitors pricing below cost remains by far the biggest concern for firms; profit levels and late payment are the next most common worries.
- Capacity utilisation was lower in January (compared to October); the majority of firms were operating in the 70-89% ranges.
- Employment levels continued to exhibit a positive recruitment balance in Q4; though below the forecasted level. Q1 may see a drop in employment.
- Output prices continue to be under pressure; this is not expected to change in Q1.
- Input costs have continued to be stable for the majority; the main cost pressure in Q4 was from labour. Respondents predict that average energy costs and paper and board costs will fall, on balance, in Q1.
- Expectations that margins might just move into positive territory in Q4 unfortunately proved to be unfounded.
- Export demand took a turn for the worse in Q4, despite the positive expectations.
- The industry is continuing to make strong capital investment plans; especially to deliver product and process innovation.
- Access to finance appears to have improved throughout 2014; however, levels of bad debt are a concern.
- UK demand for printing papers and boards decreased very slightly in the first three-quarters of 2014. Prices down slightly in 2014.

Also in *Printing Outlook* this quarter:

- Pay Reviews – what have companies done and what do they expect to do?
- Web to Print - just how much of printing companies turnover is currently derived through Web to Print?
- How do respondents view the current position of their business?
- Consumables – paper consumption data and printing ink volumes and values.
- A more in-depth look at energy costs.

Printing Outlook is available (free to BPIF members and £40 to non-members) from the BPIF website: www.britishprint.com/printingoutlook/

ENDS

Editors' Notes

The online trading trends survey was carried out during 6-21 January 2015 and received responses from 100 companies employing 4,103 people with a combined turnover of £442 million. For more information on Printing Outlook, visit www.britishprint.com/printingoutlook/

The BPIF is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. We are one of the country's leading trade association and we strive to ensure our members' requirements come first. Through listening to their needs we have developed an unrivalled range of products and services that go well beyond those provided by a traditional trade association.

We provide the highest standard of support for printers to grow and develop healthy, sustainable and profitable businesses, aiming to provide an environment geared towards their businesses success. Here at the BPIF we offer practical, value-adding solutions for all areas of a print organisation, ranging from Health, Safety, Environmental and Quality issues; with the implementation of HR requirements; provide resolutions of technical or legal issues; as well as advice and support on marketing, sales and finance. This is all delivered by individuals and teams of highly skilled and experienced print and media industry specialists.

We also offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups, seminars, conferences, workshops, training and short courses on a wide range of topics and skills.

For more information on the BPIF, visit www.britishprint.com