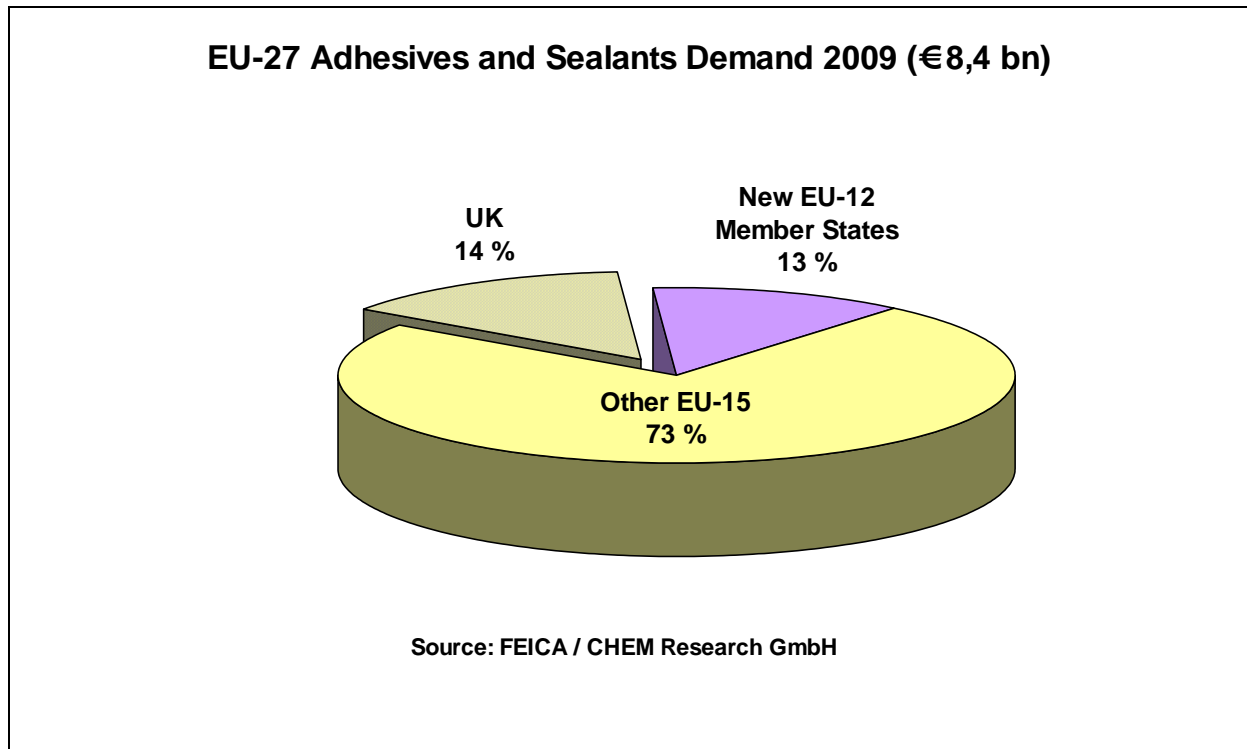


The UK Adhesives and Sealants Market in the European Union

The recent update of the FEICA¹ Report on the European market for adhesives and sealants performed by CHEM Research puts the size of the UK market at 385 thousand tonnes in 2009, which corresponds to a manufacturers' sales value of €1,2 billion (ca. £ 1 bn).

From an EU-27² perspective the UK market ranks third from a value (14%) and fourth from a tonnage consumption (13%) standpoint in 2009.



EU-27 Market Growth 2007-2010

The EU-27 demand for adhesives and sealants maintained practically the same levels in 2007 and 2008. In 2009, however, the EU-27 demand is experiencing a contraction of about 5,5%, which is mainly influenced by the strong production drops in the automotive and durable goods sectors – these manufacturing sectors being typically export orientated.

The growth of the demand for adhesives and sealants varies from country to country. The UK, Italy and Spain are the countries where the adhesives and sealants demand has been most severely impacted by the economic crisis.

¹ FEICA: Federation of European Adhesive and Sealant Manufacturers

² EU-27 regional market comprises:

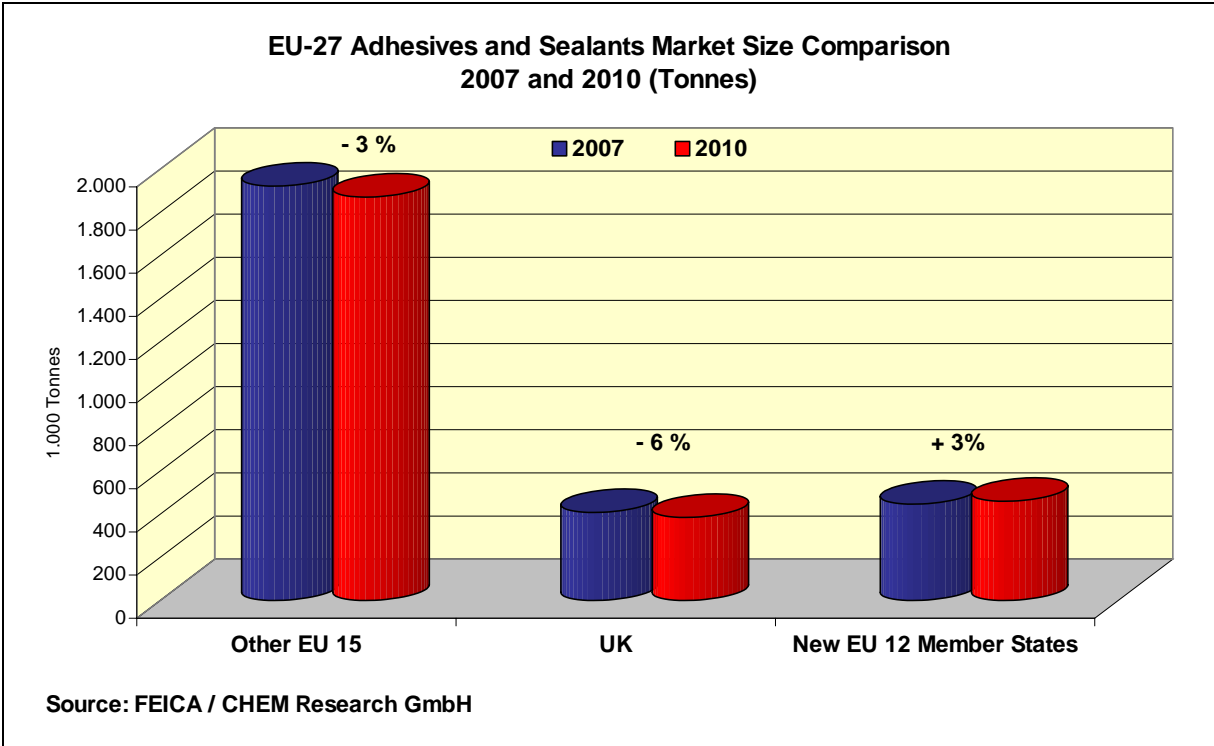
EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom

EU-12 (New Member States): Bulgaria, Czech Rep., Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia

The other Member States, even the new Member States (EU-12), having enjoyed more sustained demand growth than EU-15 in recent years, are all experiencing a demand contraction in 2009.

Modest recovery is expected in 2010. While the EU-27 demand for adhesives and sealants is projected to average nearly 2% growth the EU-12 countries should enjoy higher than average growth.

The demand for adhesives and sealants will be primarily driven by the sectors related to consumer products such as packaging and DIY. On the other hand, industrial assembly will be in part stimulated by resuming export activities as the global economy improves.



The UK adhesives and sealants market has shrunk about 7% between 2007 and 2009. The demand will start stabilising in late 2009 and experience low growth in 2010, which, nevertheless, will be below the projected EU-27 average of nearly 2%. The building and several industrial sectors (automotive, woodworking) will remain weaker than the consumer and packaging markets. On the other hand, the fall in the pound sterling exchange enhances the UK competitiveness in export markets.

End-Use Markets

The UK demand for adhesives and sealants shows a few noteworthy differences when compared with the typical usage pattern of EU-15. The UK market is characterised by the prevalence of packaging and building applications. Construction, impacts the demand for both adhesives and sealants, while packaging only consumes adhesives.

The major differences between the relative importance of end-use markets in the EU-27 versus the UK are displayed in the next table in terms of tonnage usage.

2009 Market Share of Selected Adhesive and Sealant End-Use Markets (Tonnes)

End-Use Markets	EU-27	UK
Packaging	37%	43%
Woodworking	10%	7%
Transportation	8%	4%
Consumer/DIY	9%	11%
All Other End uses	36%	35%
Sum	100%	100%

Products

As far as the adhesive and sealant product usage is concerned the structure of the UK market has a positive effect on the demand for adhesive emulsions, natural products such as starch and casein based adhesives and hot melts (packaging).

Conversely, the demand for reactive assembly adhesives has lesser significance than in other European countries with higher output of consumer durables and durable goods.

The usage of VOC products continues decreasing and controls a share of less than 12% of the UK adhesives and sealants demand in 2009, in terms of tonnage consumption.

Outlook

In 2010 the demand for adhesives and sealants in the UK - alike in other EU-15 States - will have reached approximately the size of the demand in 2005/2006. This contracted and mature market will provide the base for moderate annual growth of 2 to 3%, in the medium term.