INDIANA HORTICULTURAL CONGRESS and TRADE SHOW

Janos Radvanyi Jr.
Commercial Director – Wine & Spirits
Scholle Packaging

29 January 2007

Evidence of Change

- Packaging trends in the retail beverage market
- Packaging trends for the wine market within and outside of North America
- Wine sales growth in North America
- The future

Convenient packaging.

Orange juice

Milk

Coffee

Water

Children's drinks

What’s the Point?

Lessons Learned

- Consumers accept new packaging when it delivers convenience or value
- New packaging can grow the segment by increasing the base

Australia: The Results

- Bag-in-Box has 53% of all domestic sales
- Per capita consumption increased from less than 8 liters in the early ’70’s to over 18 liters today
- Extensive sales of Bag-in-Box brands in the UK, Scandinavia and the U.S

The Trend in North America

- Premium wine versus the traditional 5-liter offering
- Extension of existing bottle brands
- New price points offering value to consumers but not extreme value

The Consumer Perspective

- Convenience
  - 3 liters of wine in less space than 4 bottles
  - No cork screw needed
  - A glass at a time
- Value
  - The last glass is as fresh as the first glass
- Quality
  - Taste the wines

Wine Market Council

“Freshness and keepability are issues for a majority of marginal wine drinkers that tend to deter them from developing the habit of having an open bottle of wine on hand for by-the-glass enjoyment at home.”

The Wine Industry Perspective

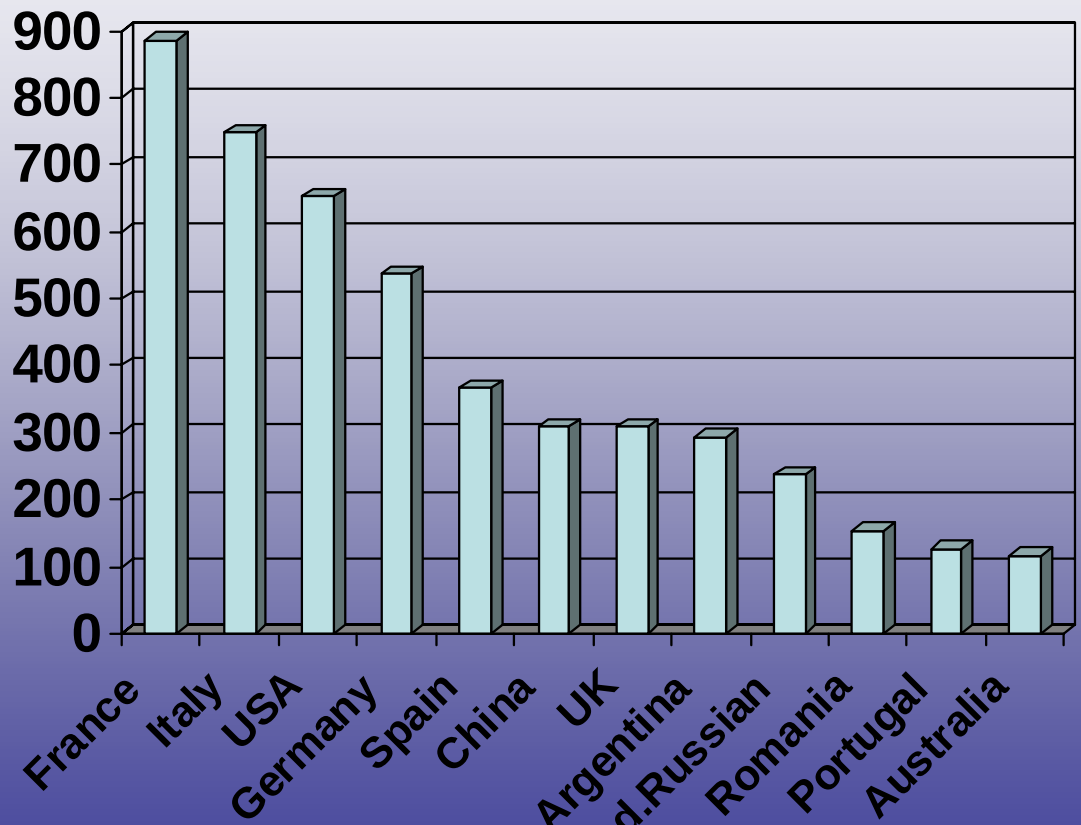
- Increased consumption among marginal wine drinkers
- A package that positions wine as a viable alternative to beer and other adult beverages

GLOBAL CONSUMPTION SNAPSHOTS

Top 12 Consumers

Gallons, million

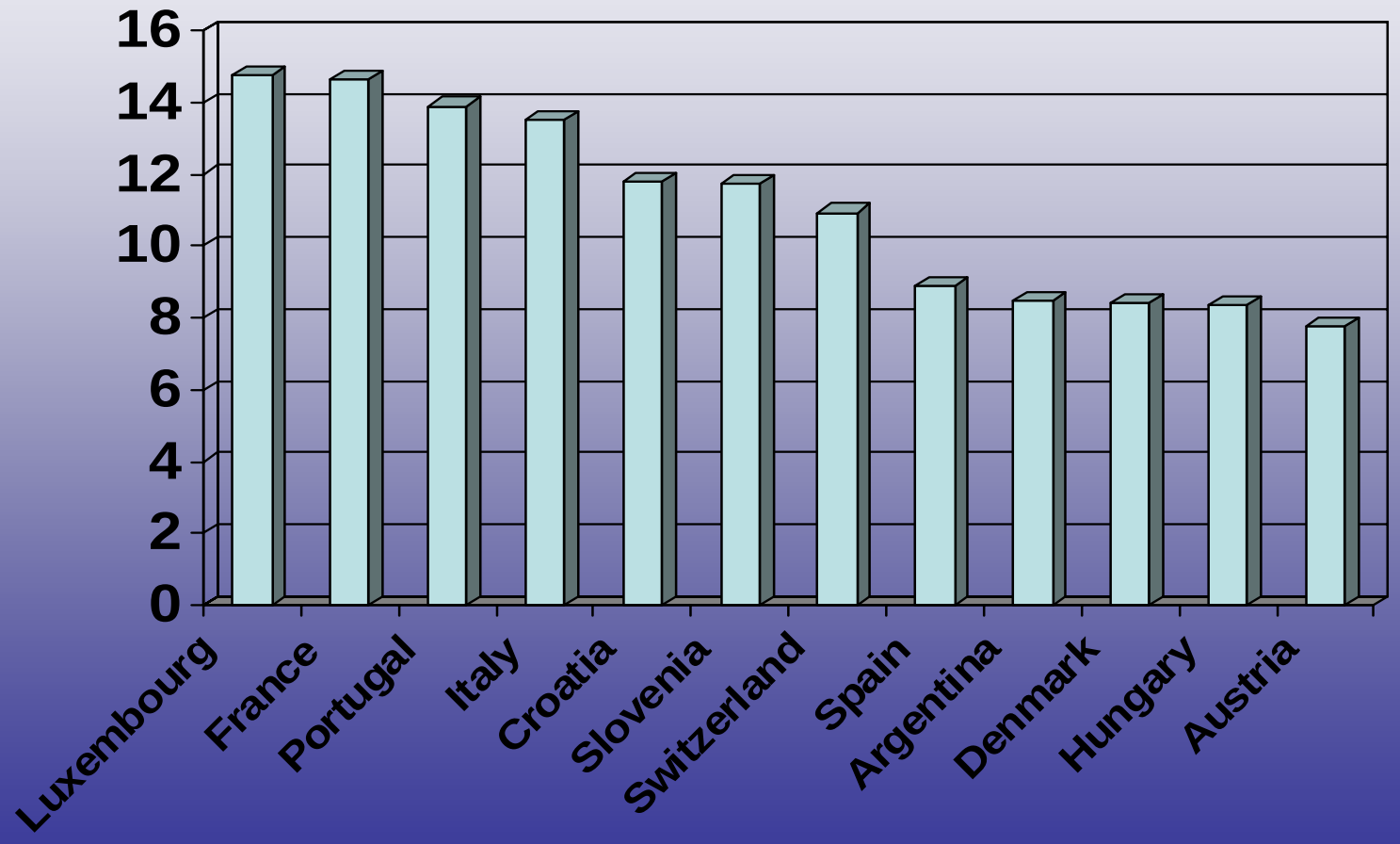
2005



Top 12 Consumers (per capita)

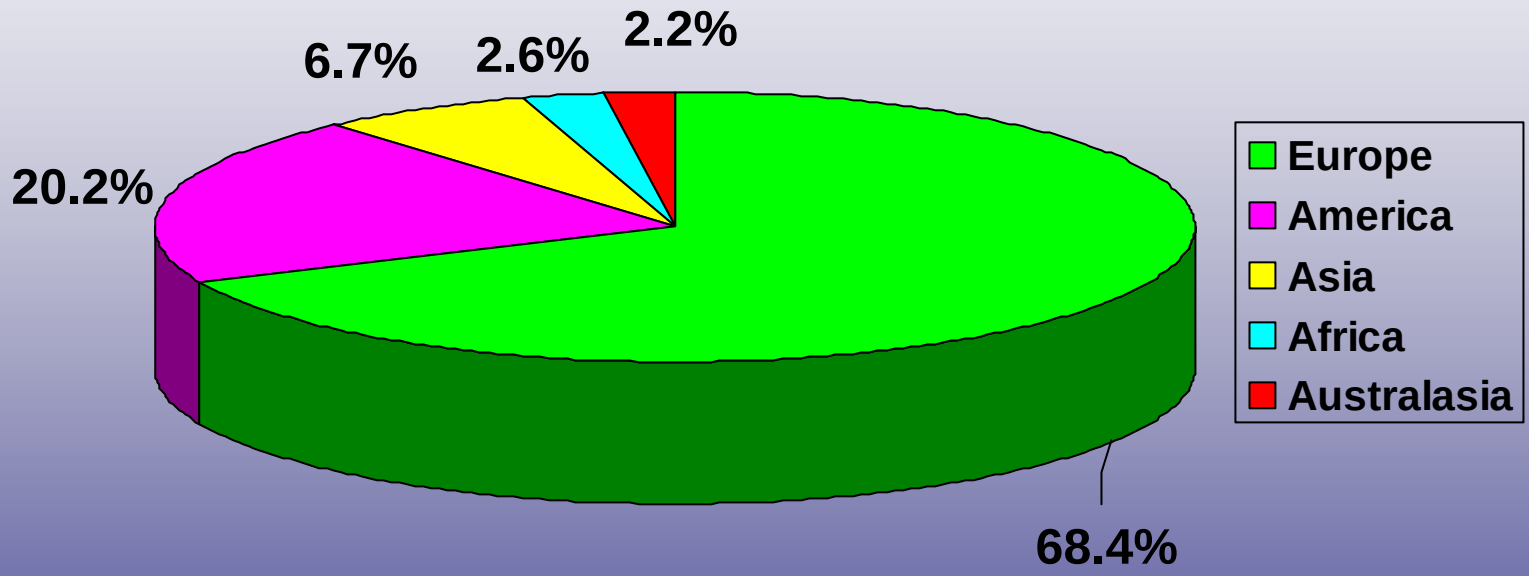
Gallons per capita / yr:

2005



Global Share of Consumption

2005



SNAPSHOT OF WINE and BIB

	Global Wine		
	2004	2005	Change
Global Production (Gal)	6.6b	7.4b	7.7%
Global Consumption (Gal)	6.0b	6.0b	2.5%
BIB Volume (Gal)	0.3b	0.321b	6.6%
BIB Market Share	4.9%	5.1%	4.0%

GLOBAL CONSUMPTION

Consumption by region:

USA
10 liters/consumer/annum.
20% BIB **Growing**

UK
20 liters/consumer/annum.
9% BIB **Growing**

Scandinavia
22 liters/consumer/annum.
48% BIB **Steady**

Continental Europe
Up to 50 liters/consumer/annum.
<5% BIB **Growing**

Latin America
Up to 35 liters/consumer/annum.
1% BIB **Starting**

Australia
20 liters/consumer/annum.
53% BIB **Steady**

New Zealand
18 liters/consumer/annum.
25% BIB **Growing**

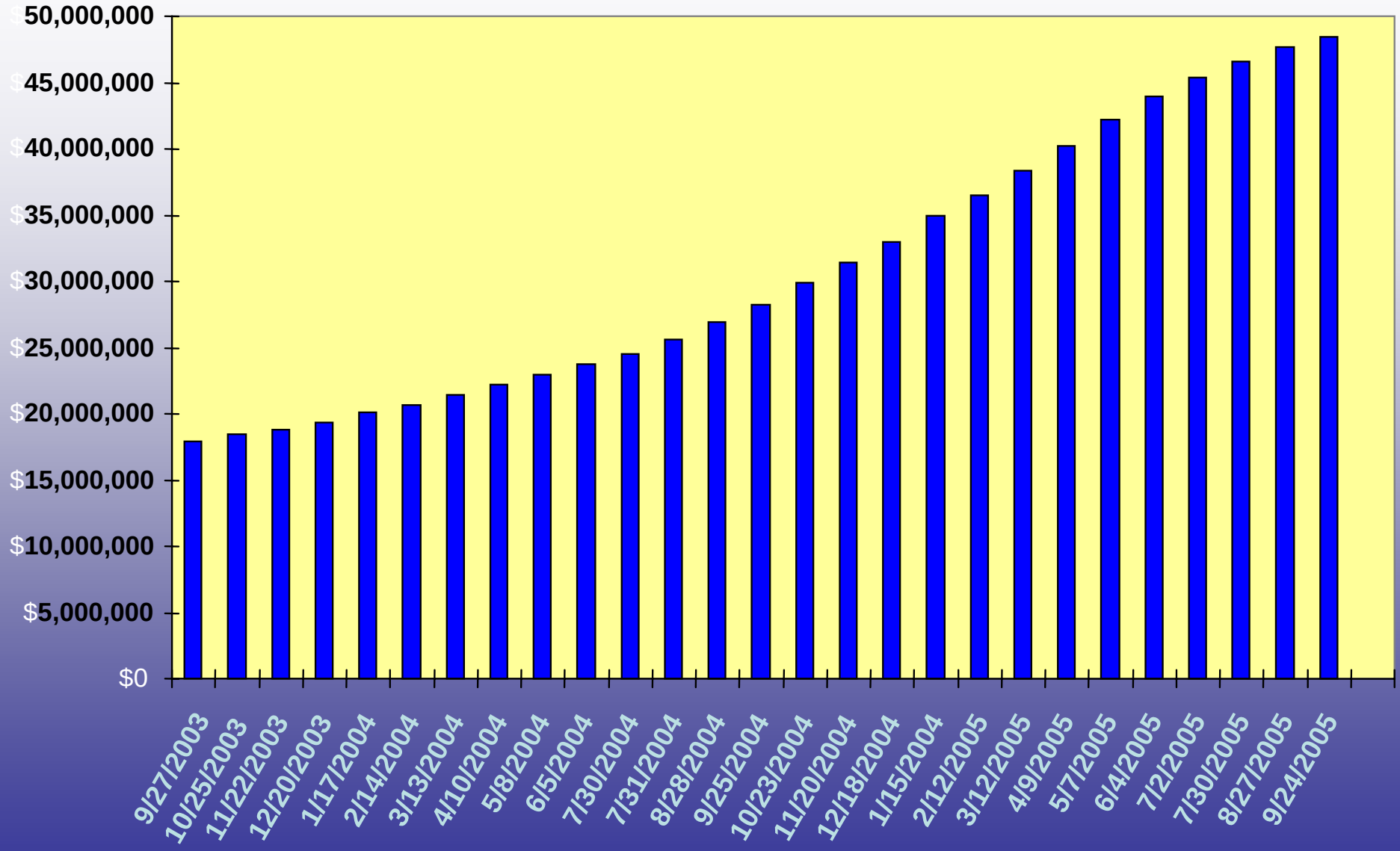
"3L cask wines growing faster
than any other wine package segment"

Source: ACNielsen “What’s Hot” by the numbers

The numbers are in…

North American 3 L Cask - 52 week rolling $

FROM SEPTEMBER 2003 TO SEPTEMBER 2005



Source: ACNielsen
TI U.S. Grocery & Drug, Liquor Mkt Aggregate

2005 - US Trend A.C. Nielsen

3 Liter "Cask" Wine Fastest Growing Segment in the US at 47.40%

	$ Volume, 52 wks ending 7/30/05	$ Volume % Change vs. Year Ago	Equalized Unit (a) Volume 52 Wks Ending 7/30/05	Equalized Unit (a) Volume % Change vs. Year Ago
Total Table Wine	$3,890,686,430.00	8.80%	63,775,926	3.50%
Total Boxed Table Wine	$231,000,872.00	12.00%	11,436,020	3.70%
5L	$199,083,397.00	5.40%	10,525,342	1.00%
3L	$30,681,268.00	77.00%	890,904	47.40%
3L less Than $12	$18,060,006.00	24.80%	651,128	19.20%
3L $12 - $15.99	$3,925,152.00	161.20%	82,784	155.30%
3L $16+	$8,696,255.00	536.70%	156,991	515.00%

(a): One Equalized Unit is equal to 9 liters

As the chart above shows, while the entire table wine category is enjoying strong growth, dollar volume of three-liter cask wines is growing nearly nine times faster than the overall category. The highest-priced segment of 3L cask wines - those selling for $16 or more per unit - is growing nearly 61 times faster.

2006 Package Growth Led by 3L Premium Cask; Significantly by the Dominant/Traditional 750ml Package

Tl Table Wine	$ Share	% Chg - Current Year $ vs YAG			
750 ML	65.7%			+10.5%	
1.5 L	22.9		+3.0%		
5 L	4.4		+3.1%		
3 L Glass	2.6	-2.2%			
4 L	1.7		+0.6%		
187 ML	1.3			+13.2%	
3 L Prem Cask	0.7				+44.2%
375 ML	0.1			+13.4%	

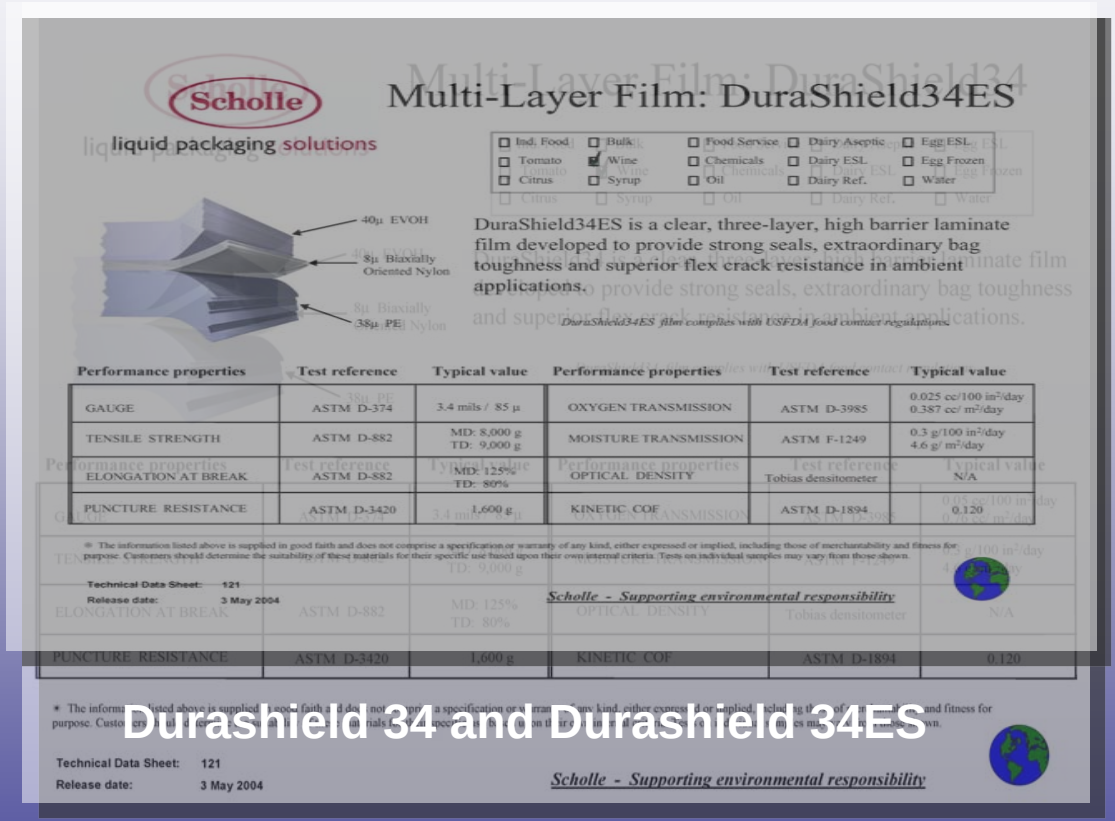
Source: Nielsen, Total U.S. Grocery & Drug, Liquor Mkt
Aggregate + Select Liquor Retailers, 52 weeks ending 12/16/06

What are we doing to improve our products for wine?

FlexTap

Continually improving key features through:

- **New Innovations in processes and materials**
- **Customer Feedback**
- **Internal monitoring of processes**

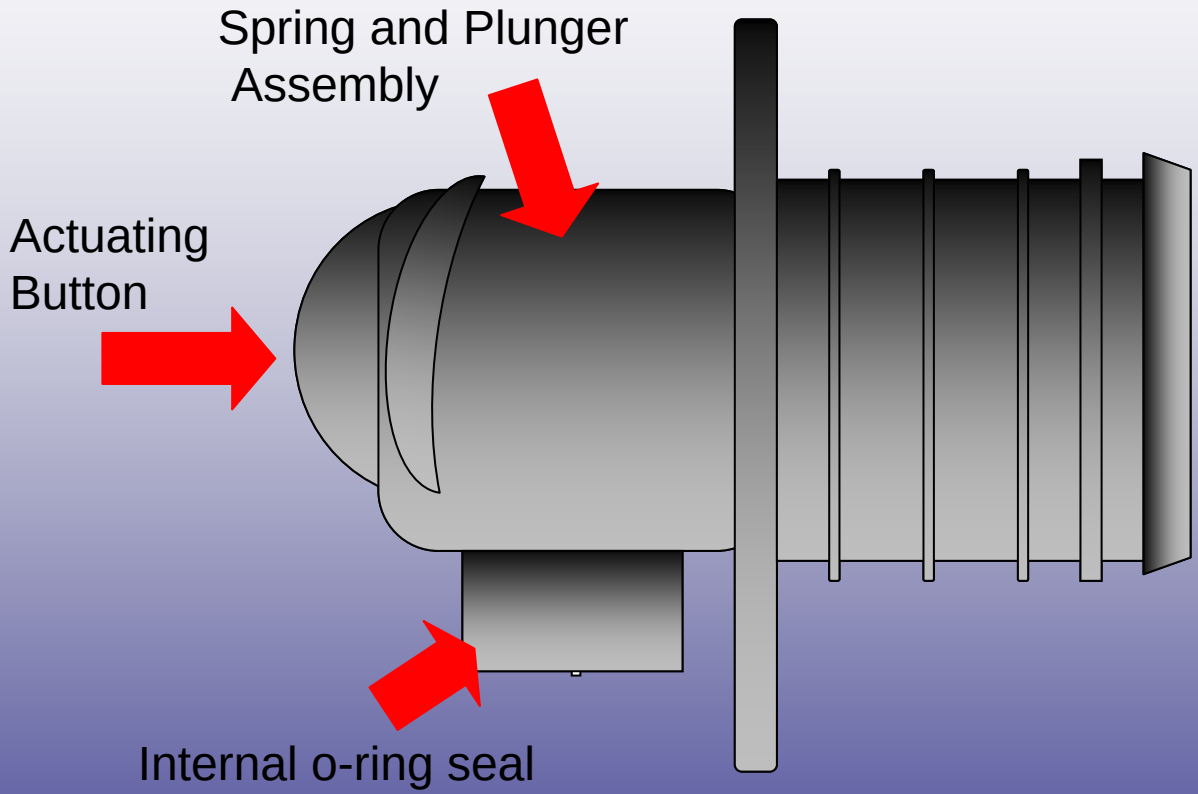


Durashield 34 and Durashield 34ES

Continuous Improvement: Closure

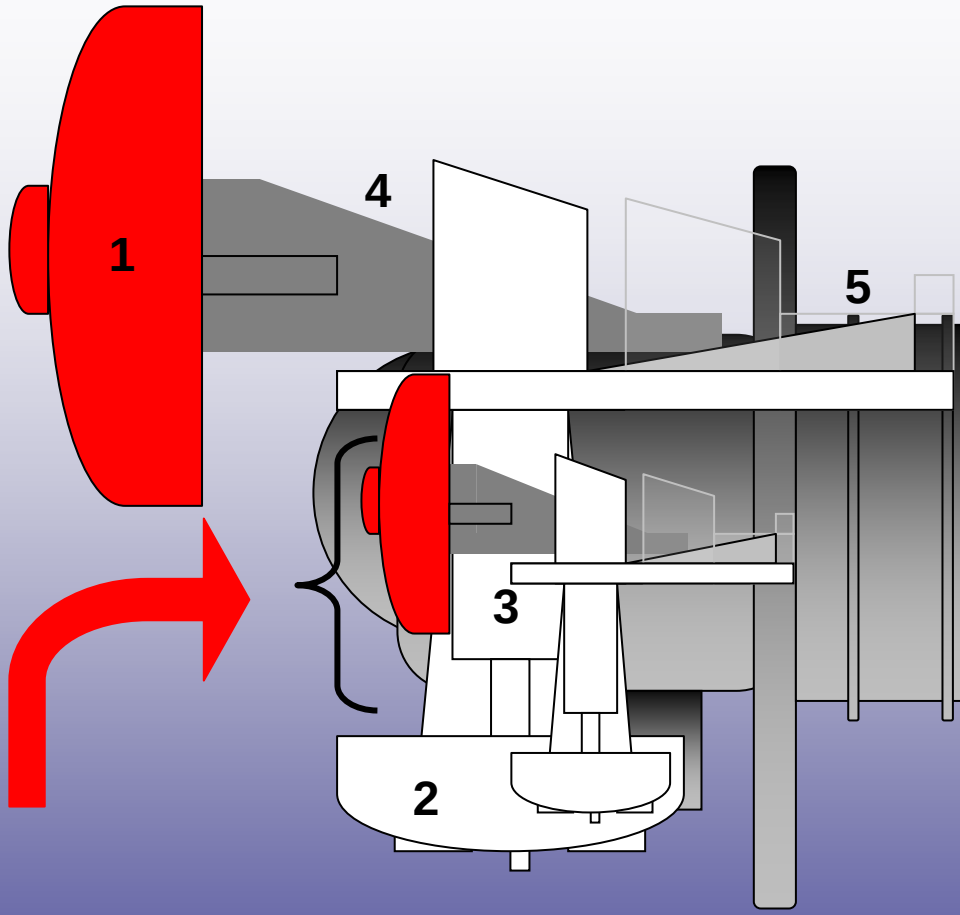
•Improvement of product flow rate
•Improvement of oxygen barrier properties of the actuating button
•Improvement of the oxygen barrier properties of the tap body

TAP (Detail)



The FlexTap was the first front push tap created for bag-in-box wine dispensing. The unique, ergonomic design fits naturally in the hand, and in independent consumer studies was found to be more comfortable / intuitive to use than other tap types.

FlexTap (Details)

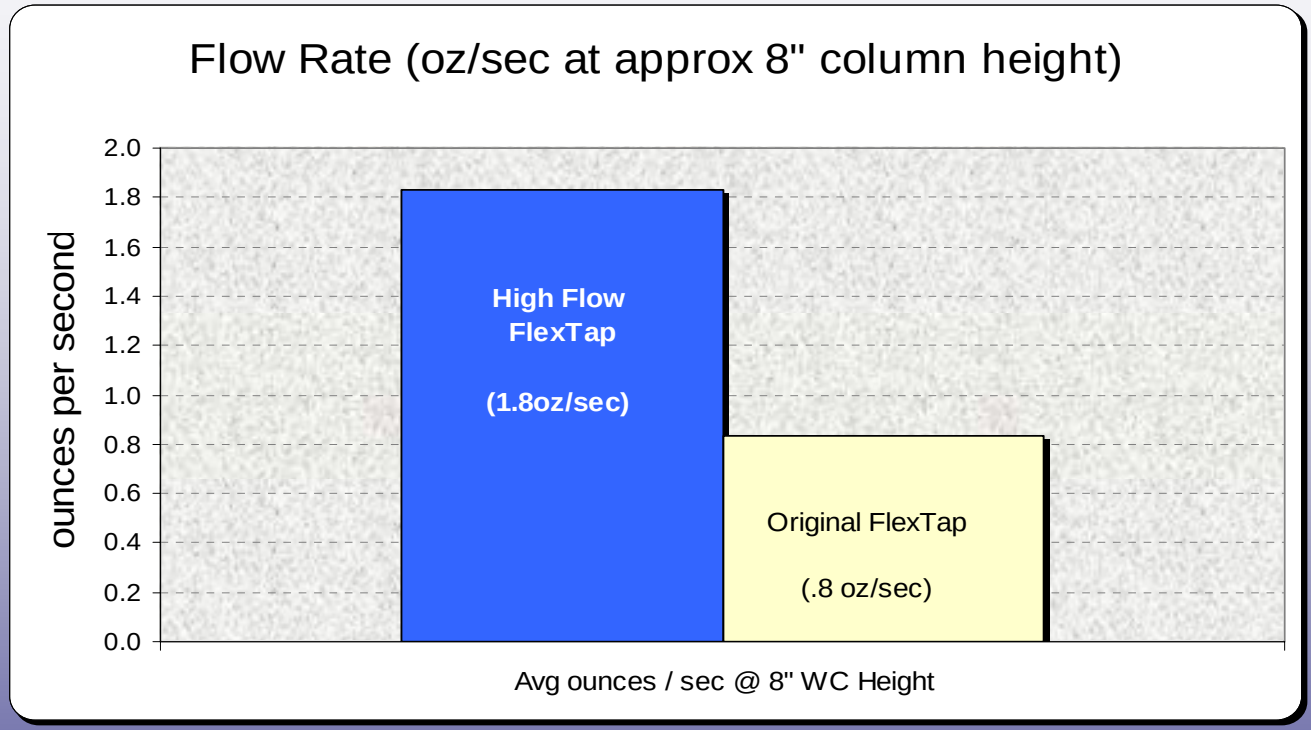


1 **Actuator Button**
2 **Seal Plunger**
3 **Spring**
4 **Lifter “Cam”**
5 **Lifter “Ramp”**

The flow rate of the original FlexTap by adjusting the angle and height of the Lifter Ramp (No. 5)

A slight lengthening of the plunger stalk was also incorporated into the spring assembly to increase “tap closed” preload pressure on the o-ring seal *(further enhancing integrity of valve seal).*

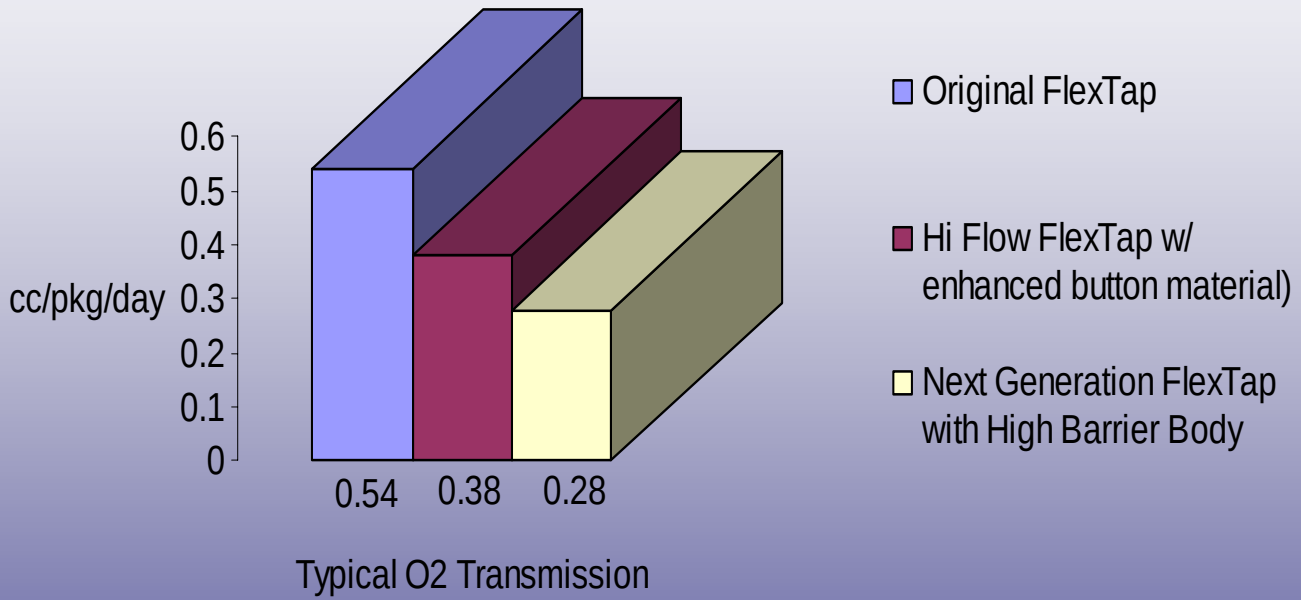
Improved flow rate over original fitment



Ramp modifications more than doubled the average FlexTap Flow rate

(From .8oz/sec@ 8” WC height to 1.8oz/sec@ 8” WC height)

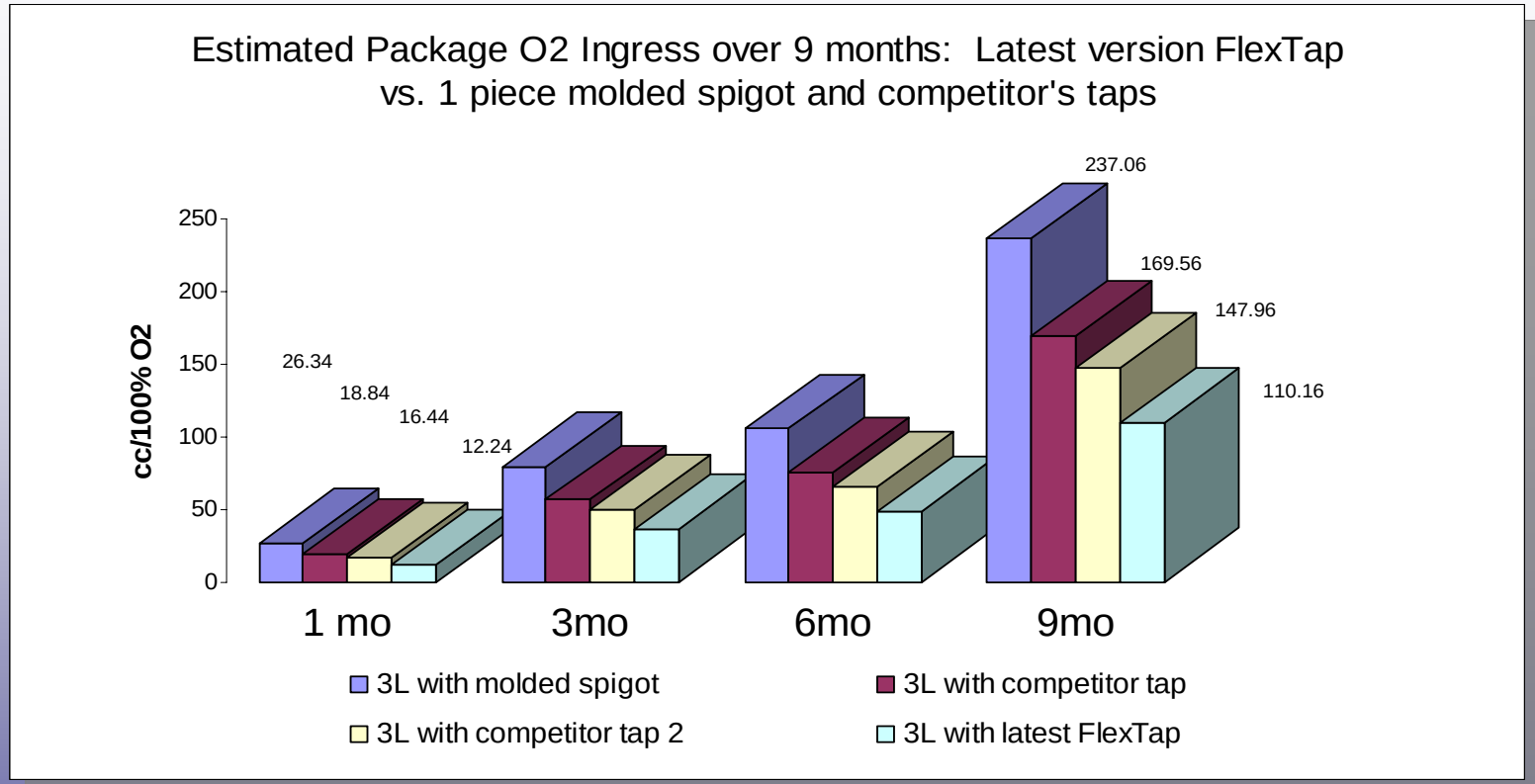
FlexTap Continuous Improvement: Oxygen Barrier



Improvement to the barrier properties of the FlexTap have been ongoing: The most recent Updates to the FlexTap **(High Barrier Body Material)** will bring the barrier of the tap down to The low O2 transmission rates of taps made completely of rigid material.

Intuitiveness / ease of use, highest level of aesthetic appeal, and the O2 barrier properties of Fitments of 100% rigid material. **Tamper Evident.** The best of all worlds, and still improving.

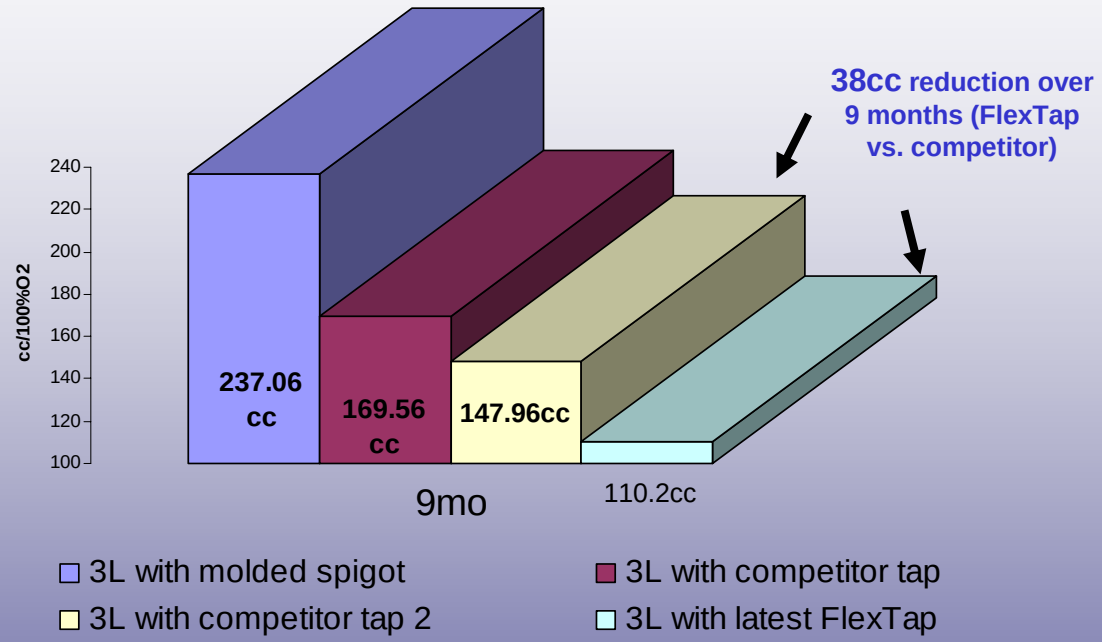
Oxygen Ingress Over Time



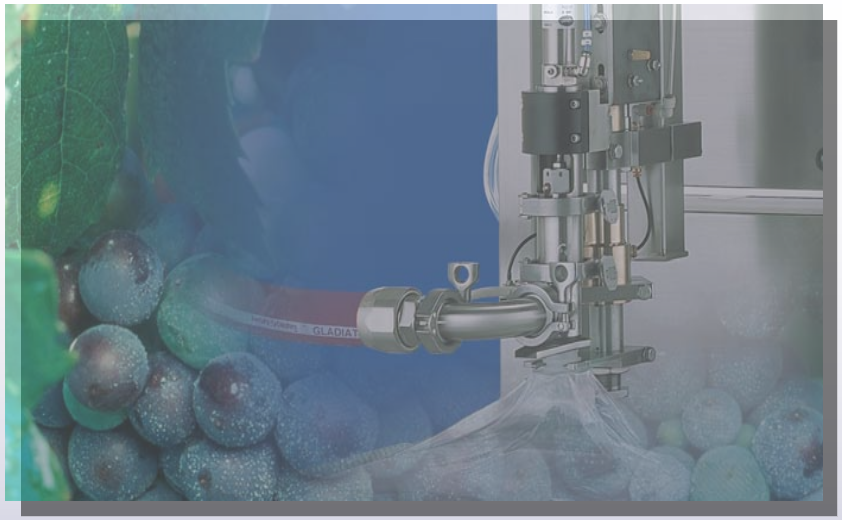
Film Transmission Rate: .05cc/day @ 100% O2 / 254mm x 254mm sample: The area of a typical 3L bag(263mm x 314mm= 825.8cm) Multiplied by 2 (represents both sides of the bag) equals the base package

Transmission rate without fitment. Fitment Transmission rates (Spigot: .75cc/day, Competitor 1: .50cc/day, Competitor 2, .40cc/day, FlexTap: .28cc/day) were then added to the calculated bag transmission rate to complete the formula.

Oxygen Ingress Over Time (Small reductions add up)



A 38 cc ingress reduction over 9 months might not seem significant, but if that difference is divided by the average daily O2 Transmission rate of a FlexTap 3L bag (.408cc/day), an estimated 93 day's worth of O2 ingress is saved



Progressive Filling Solutions

Web-Fed Inline Automatic

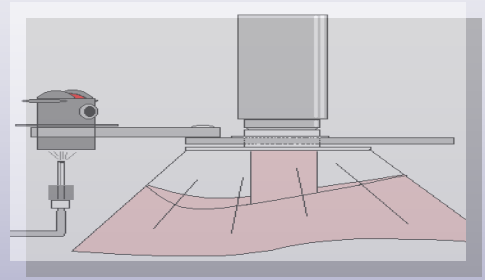
Semi-Automatic

Web-Fed Rotary Automatic

Nitrogen “Puff” Tap Cavity Gassing System

- **Nitrogen flow controlled by the fill valve position sensor** (Fill valve in filling position – gas on, filling tap cavity. Fill valve in ready position – gas off).
- **Nitrogen flows under the uncapped tap to flush out resident air in the tap’s internal cavity.**
- **System is easily integrated into the existing nitrogen “puff” feature** of the filling valve**

***N^2 puff feature on the filling valve itself purges the vacuum valve and “puffs” a small amount of nitrogen into the bag spout neck prior to bag recap.*



Nitrogen Tap Gassing System

•**Product is visible in the filled package**

•**Entrained air in the package is clearly visible**

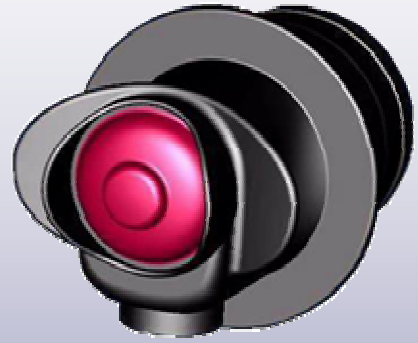
- **User can see the product in the filled package**

Making it all happen through:

•A focus on innovation

•State-of-the-art product development

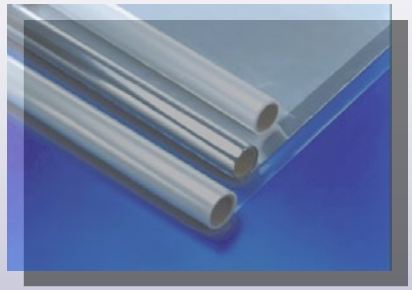
•A commitment to packaging partnerships

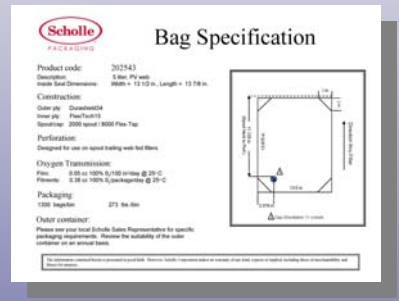


•Proven startup processes

• Dedication to package testing

•Global technology Resources





North American Customer Base