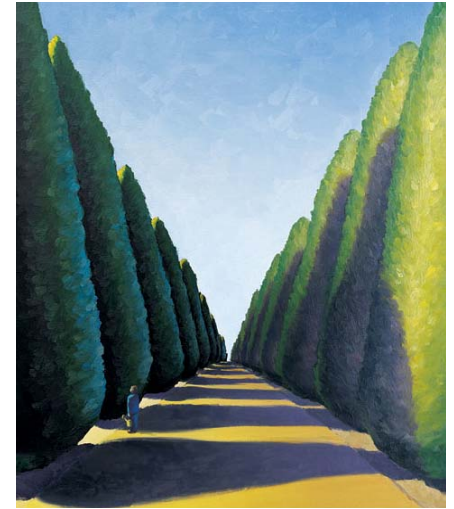


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PIMA Leadership Conference 2006

May, 2006

Agenda

- < About Vertis
- < About the marketplace Vertis serves
- < Recommendations
- < Success stories

Vertis, Inc.

- ◀ Vertis is the premier provider of targeted advertising, media, and marketing services that drive consumers to marketers more effectively
- ◀ Vertis is an advertising services provider. One service offers newspaper insert printing (19 locations across the United States). Another service offers direct mail printing (3 locations). A third service offers sheetfed and narrow web commercial printing (1 location)
- ◀ We print coldset and heatset web offset with some flexographic capabilities
- ◀ We consume 1.1 million+ tons year of newsprint, Uncoated freesheet, SNC, SCB, SCA, Coated No. 5, Coated No. 4 and Coated No 3

Today's print customer expectations

- ◀ Quality is not an option and quality must be consistent
- ◀ Quality of print must be matched by quality of folding, skidding, and delivery
- ◀ Pricing is competitive
- ◀ Turn-around times are dropping:
 - **File release to first truck dispatch ranges from 12 hours to one week. Typically 24 to 48 hours for grocery and publication work and 48 to 96 hours for retail events**
 - **Time from paper delivery to use on press ranges from 24 to 48 hours**
 - **As much as 60% of all jobs ship within 24 hours of being off press**

Today's print customer expectations

- ◀ Last-date-to-change (LDC) time periods are shrinking (7 to 10 days)
- ◀ Even with tighter LDCs, competition among print buyers is resulting in an increase in new jobs and changes to product / format / page counts after the LDC:
 - As many as 20% + of all jobs change on the LDC
 - As many as 40% + of all jobs change after the LDC – or are dropped into the schedule
- ◀ Like to or not, printing has become a just-in-time business that has little margin for delays or rework

Today's paper vendor quality and service

- ◀ Paper quality is good, with average paper-caused web breaks / 100 rolls between 1 and 2
- ◀ Best in Class mills and paper are under 1 / 100 rolls
- ◀ With some notable exceptions, linting and piling are acceptable. Not always good support when these exceptions occur
- ◀ Improvement in the consistency of both areas is critical – paper being supplied to Japan is made to a specification of 1 / 1000 rolls for paper-caused web breaks
- ◀ Big exception: paper brokers and merchants

Today's paper vendor quality and service

◀ Paper vendor service (responsiveness to technical issues, billing questions, claims discussions, technical training) is OK:

- **Pressroom audits**
- **Web break identification training**
- **Tech rep availability / knowledge**

but

- **Tech rep consistency**
- **Claims processing**
- **Transit damage support**
- **Rail service support**

Today's paper vendor quality and service

- ◀ Significant problems exist with the paper transportation pipeline that are costing Vertis large sums of money and creating competitive risk
 - **Rail: delivery and customer service**
 - **Trucks: water damage**
- ◀ We need to develop an action plan now to address these process shortcomings since they affect the competitiveness of print. Unhappy print customers lead to unhappy printers, paper suppliers, and freight carriers

Vertis Claims Summary 2005

- < 972 claims (quality and transit damage)
- < 244 are for transit damage = 25%
- < Total claims made: \$2.7 Million
- < \$181,000 are for transit damage = 6%
- < Number of transit claims associated with railroads = 23%
- < Dollar value of transit claims associated with railroads = 22%
- < Number of transit claims associated with water damage = 56%
- < Dollar value of claims associated with water damage = 72%

What Vertis wants

- ◀ Consistent paper quality
- ◀ Consistently on-time paper delivery within published windows (not too early and not too late), especially by rail
- ◀ Delivery of paper that is not wet or damaged
- ◀ When by truck, minimum of 24 - 48 hours advance notice / scheduling
- ◀ When by rail, improved railroad delivery and responsiveness / customer service
- ◀ From all mills: a recognition that their role does not end when they load the truck or railcar but rather when the shipment arrives to Vertis in a dry and undamaged and timely manner

What Vertis wants

- ◀ For especially customer-supplied paper, use EDI, fax, or email to send the printer the manifest to confirm what is being shipped, when it is being shipped, how it is being shipped, and the name of the firm delivering the paper
- ◀ Make sure that the Vertis purchase order number is clearly identified on the packing list / Bill of Lading since paper cannot be received without it (third-party and cross-docking shipments can create issues)
- ◀ Always include a roll manifest / packing list with each truck and rail car shipment

What Vertis wants

- ◀ Shorter LDCs
- ◀ Technical training support (Abitibi, Bowater, White Birch, Catalyst, and other mills perform)
- ◀ Technical audit support (Abitibi, Bowater, and other mills perform)
- ◀ Timely settlement of paper quality and paper transit claims

What Vertis wants

- ◀ Load rolls onto trucks and box cars with labels facing clamp truck operator
- ◀ Collaboration on how to avoid filling out trucks railcars (freight costs versus over-inventory)

What Vertis wants

From brokers and merchants:

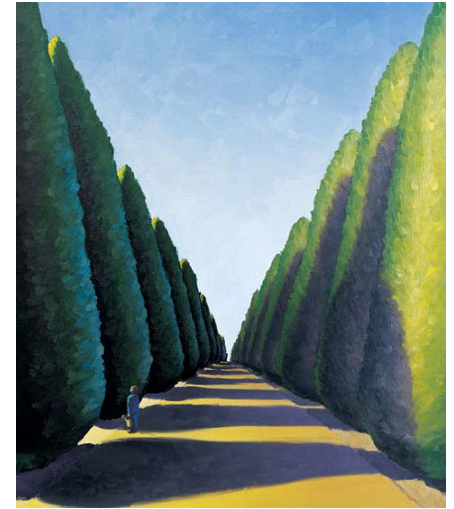
- ◀ More consistent paper (including avoiding winding several different sheets onto one roll)
- ◀ Taking greater responsibility for what is shipped in terms of paper performance / paper claims

Success stories

◀ Bowater, Pemberton, and the Trailer Tracking Form

Questions? Comments? Concerns?

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