

Future Focus...

IMPACT INTRODUCTION

...After the extremely difficult market conditions we experienced in 2009 caused by the worst recession we have ever seen in our business, the first half of 2010 for IMERYS Pigment for Paper has shown a slow recovery. For several years IMERYS has been concentrating on efficiency improvement projects and this strategy has benefited us considerably throughout the downturn and puts us in a stronger position as the market improves. **Our volume performance during 2010 so far has been particularly encouraging as we have been able to exceed the pace of the market recovery.** In North America and Europe we have been able to increase both our Kaolin and carbonate volumes significantly above market growth utilising our existing asset base more efficiently and in Asia we have achieved volume growth through investment in new capacity in India and China. An additional important strategic step for us in Asia has been the ramp up of deliveries from our New Zhongshan mine in Southern China. It is pleasing to see therefore that IMERYS Pigments for Paper profitability has significantly improved on the back of our rigorous fixed and variable cost control and this improved demand.

Significant growth is anticipated over the next few years in the paper markets in Asia, particularly China and India, and we are positioning to participate in this growth. However, the long term view of our business in the traditional large mature markets of North America, Western Europe and Japan remains weak. The graphic paper markets we serve depend not only upon the overall level of economic activity in the regions, which is thankfully, improving, but, crucially, also depend upon the level of print based advertising carried out. Over the past few years there has begun a switch away from traditional printed media such as magazines and catalogues towards web based media which has noticeably impacted the graphic paper markets. It is predicted that paper will continue to lose share to these new web based media and hence the result of this is that even with improving economic conditions the traditional large graphic paper markets are actually expected to decline slowly or at best remain static over the next few years.



Operating in these conditions in the mature markets will be a significant challenge for the paper industry and its suppliers and this could all sound rather gloomy. However we believe that by leveraging our technological know-how there can, nevertheless, still be real growth opportunities for IMERYS Pigments for Paper. We are in an excellent position to help our customers rise to the challenges they face by helping them to make their products more efficiently and more cost effectively. As minerals are lower cost than fibre the use of mineral pigments can have a very beneficial impact on the overall cost of production for a paper mill. For this reason we have invested and will continue to invest heavily in technologies to help the global paper industry increase pigment use in their raw material portfolio. This will make the paper products more affordable as advertising media and simultaneously improve Print Quality, Paper Brightness and Opacity.

The paper industry is also continually striving to enhance the environmental performance of its products and to convince the end consumers that paper is indeed a long term sustainable product. **Again we are in a position to impact positively our customer industry and another key focus of our activity is to contribute to the sustainability of our customers' paper products by continuously decreasing the energy, carbon and water footprints of our products.**

I am convinced that Innovation for our customers and Innovation together with our customers will grant future growth for the IMERYS Pigments for Paper business despite the challenging market forecasts we all are aware of.

Mikko Likitalo

Vice President of Paper - Marketing & Technology