

IRCC & PPSA

A perfect combination

The recent acquisition of **PPSA** by the **IMERYS Pigments for Paper** group is a significant move in our strategy to remain one of the leading suppliers of kaolin to the worldwide paper industry but it is also a tangible sign of the continuation of IMERYS' commitment to the paper industry to ensure sustainable long term supplies of high quality kaolin. Our paper markets are changing. However, kaolin still constitutes an important strategic raw material for the industry and we strongly believe that there is a long term requirement by the paper industry for the quality attributes offered by Brazilian kaolin. Our investment is a demonstration of our commitment to make sure we have the reserves and assets that are required to maintain the quality, reliability and service associated with our products. We believe kaolin has a long term future, for segments that require the functionality that kaolin brings either alone or in association with calcium carbonate. This investment will allow IMERYS to better serve key coated paper and packaging segments and the combination of assets in Brazil along with our assets in the USA and UK will also facilitate further development of our high brightness filler kaolin portfolio for uncoated mechanical and other paper grades.

A world class pigment supplier requires a combination of a number of key attributes. Key amongst these is the ability to offer reliably and sustainably the right products at the right quality in the right quantities at the right cost.

This acquisition further reinforces our ability to do this in a number of important ways:

Reliability:

It improves the security of supply for our customers. The combination of IRCC and PPSA in Brazil provides a focussed and committed team devoted to maximising the performance, quality and efficiency of the world's largest single source production operation. The enhanced production capabilities give added security and also give us the opportunity to focus on the key strengths of each element of the Brazilian operation to maximise the benefit to our customers. Further, the addition of the PPSA port facilities to our existing operations provides increased capacity, flexibility and security of supply.

Sustainability:

Product form standardisation will allow us to focus on the lowest practicable environmental footprint.

Products:

It broadens the reserve position to better match our raw material resources to the product portfolio allowing us to make our products with minimum processing. The combined resources will allow us to make highly efficient use of the reserve to produce a wide ranging portfolio. IRCC and PPSA reserves are complementary and together provide the full range of products required for the key segments identified by IMERY'S. Looking forward, the newly expanded reserves will enhance IMERY'S' ability to develop our product range to meet the future needs of the industry.

Quality:

The newly expanded reserves will secure the long-term availability of kaolin from Brazil which further strengthens our long-term quality position. Additionally economies of scale can be leveraged to reinforce the high record of quality consistency of PPSA and IRCC.

Quantity:

Access to the reserves of PPSA and the combination of their mining with IRCC reserves extends the long term availability of IMERY'S' world class kaolin resources. Together these reserves constitute an outstandingly wide and diversified range of raw materials for paper production.

Continued overleaf



Cost:

Importantly this acquisition also reinforces our ability to deliver consistent quality cost effectively. Product range optimisation to give a product portfolio well suited to the reserves will allow us to ensure a sustainable low cost production platform. Increased volume throughput will allow efficient utilisation of current production assets and production facilities to maintain the strong cost position of high quality Brazilian kaolin in the global market.

As well as these great attributes the interface with our customers is of huge importance and the acquisition of PPSA also brings benefits to us here. The combination of PPSA and IRCC will give us improved market coverage. Furthermore it will allow us continuing focus on technical service and applications development due to greater volume; IMERYYS has long been recognised as a technical leader in the application of pigments in papermaking and at a time when all costs are under pressure greater volume will support our ability to continue in this role. Combining the existing strong presence of PPSA in Asia and Brazil with IMERYYS' current involvement in the European and North American markets generates a supplier with improved global reach. This combination of PPSA and IRCC will provide enhanced geographical market coverage which will lead to significant benefits for customers.

Last but not least our ability to get our products to customers in good condition at the right time is enhanced through the combination of PPSA and IRCC which will further optimise logistics for the global market. Better use of regional distribution infrastructure will lead to improved throughputs and utilisation and will help secure the low cost operating philosophy. Optimisation of port facilities in Brazil provides increased security as well as additional opportunities to manage throughput effectively at peak times, allowing optimisation of shipping, improved utilisation of vessels and increased flexibility to manage variations in the supply chain.

The acquisition of PPSA is a major step to reinforce our Brazilian operations and they are an ever more important element of IMERYYS' global kaolin supply strategy. However this does not mean that our other existing production sites are losing their importance to IMERYYS. The North American and UK production operations remain important due to the different nature of the reserves, products supplied and markets served. Additionally their location in the world's major established paper production regions provides added security to IMERYYS' global supply chain.

