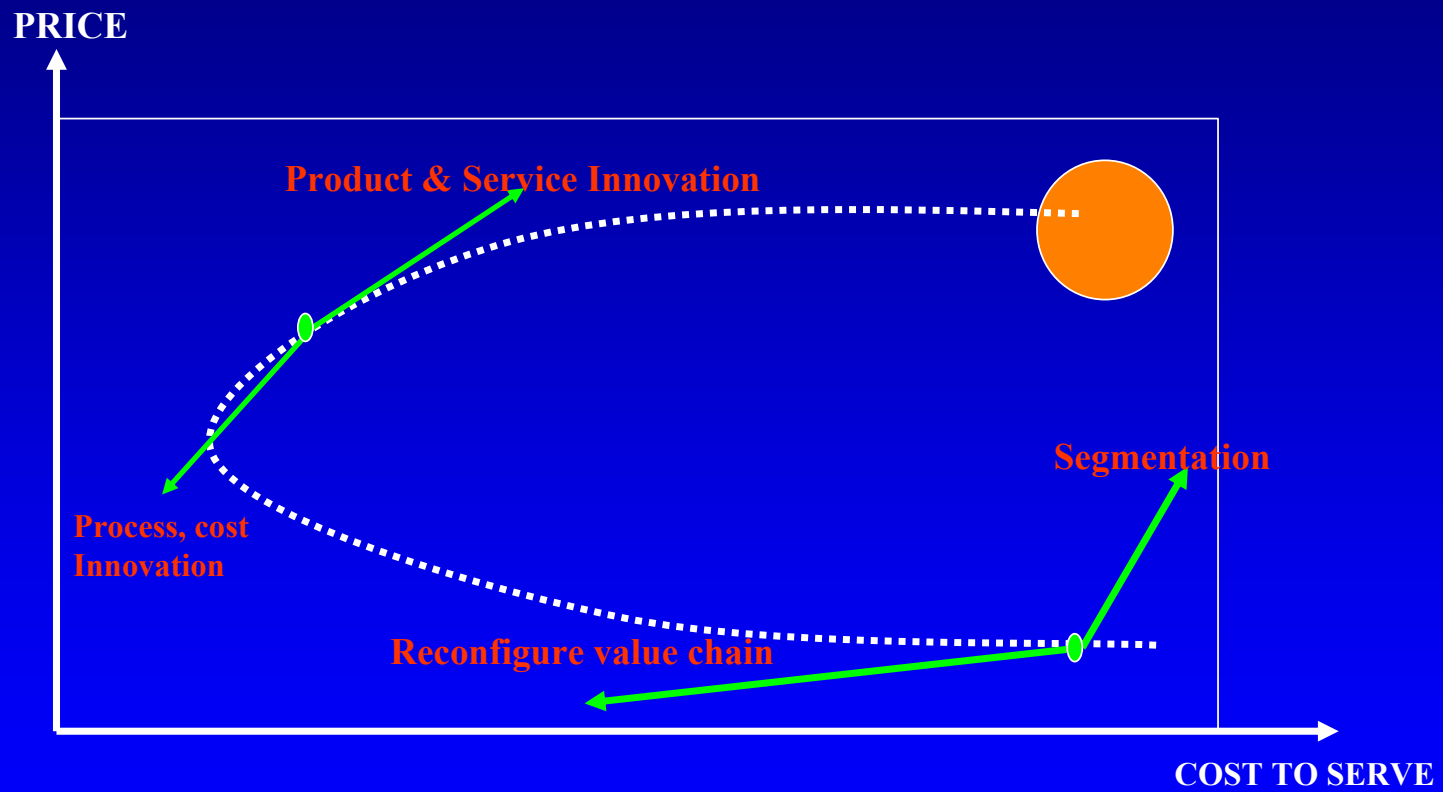


CHALLENGES FOR THE EMD INDUSTRY

□ Background

Commodity Syndrome



□ Swot analysis

	S	W	O	T
Industry	<ul style="list-style-type: none"> ● Importance of China ● Mn ore availability ● Competitiveness ● Experience ● Location on big/growing market 	<ul style="list-style-type: none"> ● <i>Overcapacity</i> ● <i>Mn ore availability</i> ● <i>Limited margin</i> ● <i>Different status</i> ● <i>Capital intensive Industry</i> ● <i>Learning curve</i> 	<ul style="list-style-type: none"> ● Globalization ● Rationalization ● Rapid growth ● Differentiation 	<ul style="list-style-type: none"> ● <i>REACH</i> ● <i>Environmental regulations</i> ● <i>Proper resources availability</i> ● <i>Corporate social responsibility (CSR)</i> ● <i>Exchange rate vs USD</i> ● <i>Export duties, rebates ...</i>
Market	<ul style="list-style-type: none"> ● Significant demand for EMD ● GDP growth ● Alkaline battery growth ● China market ● Global players 	<ul style="list-style-type: none"> ● <i>Metals price increase (Zn >>)</i> ● <i>Lack of elasticity in battery selling price</i> ● <i>Overcapacity</i> ● <i>Global players (80/20)</i> ● <i>Learning curve</i> 	<ul style="list-style-type: none"> ● Globalization ● Pick up growth in China 	<ul style="list-style-type: none"> ● <i>Ups & downs on demand</i> ● <i>New/other batteries for audio-video applications</i>

STRENGTHS

- **INDUSTRY** :
 - Importance of China
 - Mn ore availability
 - Competitiveness
 - Experience
 - Location on big/growing market.
- **MARKET** :
 - Significant demand for EMD
 - GDP growth
 - Alkaline battery growth
 - China market (delocalisation)
 - Global players

WEAKNESSES

- **INDUSTRY** :

- Overcapacity
- Mn ore availability
- Limited Margin
- Different status
- Capital intensive industry
- Learning curve

- **MARKET** :

- Metals price increase
- Lack of elasticity in Battery selling prices
- Overcapacity
- Global players (80/20)
- Learning curve

OPPORTUNITIES

- **INDUSTRY** :
 - Globalization
 - Rationalization
 - Rapid growth
 - Differentiation
- **MARKET** :
 - Globalization
 - Pick up growth in

THREATS

- **INDUSTRY** :

- REACH
- Environmental regulations
- Proper resources availability
- Corporate social responsibility (CSR)
- Exchange rate vs USD
- Export duties, rebates

- **MARKET** :

- Ups & downs on demand
- New/other batteries for audio-video applications

□ Key success factors

What could contribute to succeed on a long term basis ?

- Integrated & global operations
- Market exposure
- Consistent pricing behavior
- Competitiveness
- Comply with local & worldwide rules & legislations
- Quality/performance oriented organization

- Keep aiming at EMD “moving target”
- Long term commitment & perseverance
- Appropriate resources to keep up with market/industry requirements
- Profitability to be able to support EMD product line

Not all of these are required but each item will contribute to success.

Today EMD is in a commodity logic while succeeding in this market implies to commit resources for a “specialty” type product, while each player will face additional costs to support current operations.