Further strategic acquisitions in Portugal – Corbário (ball clays) and Gralminas (quartz, potassium feldspar) round off the product portfolio. Export activities expanded.

The Mota Group’s managing partner, Carlos Cardoso Mota (CCM), explained the strategies aimed at securing further growth in exports and stabilizing the Group’s dominant position on the domestic market.

**CFI:** In an interview you gave us in 2003, you said that the further development of your business would be focussing on entering the export business and increasing the added value of your product portfolio. What have you already achieved on these fronts?

**CCM:** First, with the selective acquisitions of Corbário (ball clays) and Gralminas (quartz, potassium feldspar), we have been able to round off our range of raw materials. This has naturally also strengthened our presence on the domestic market. Moreover, with our range of prepared ceramic bodies and its further development, we have become independent of batch components from competitors. With these activities centred at Mota Pastas, we have not only increased the added value of our raw materials, but can respond more flexibly to market needs. We ensure that the raw materials are used to meet performance requirements.

In recent years we have always managed to achieve double-figure growth rates in the Group sales. That has only been possible with selective investment programmes. By way of example, I should like to mention Felmica, a company we took over ten years ago. In the period 1996 to 2005 we invested EUR 18 million in this company and in this year too we are spending another EUR 4 million to guarantee sufficient availability of material in the quality demanded by the market even if we expand our export business. In 2007 Felmica will celebrate its 40th anniversary and it is likely that it will manage to increase its sales by a third compared to last year.

**CFI:** With your takeover of Corbário this year, Mota now has direct access to clay deposits. Will you be developing new products here?

**CCM:** Corbário clays are a very important new element in our supply range. We are going into the processing of raw clay in a big way because, for example, we want to further expand our activities in the ceramic sanitaryware industry. With our newly developed SAS 50 sanitaryware kaolin, we have already received very positive ratings from the market – including globally operating, leading sanitaryware manufacturers here in Portugal. The specific properties of sanitaryware bodies can be adjusted based on the casting clays, for this reason we have assigned a high priority to the development projects for Corbário.

**CFI:** Is R&D centrally coordinated at Mota?

**CCM:** TecCer, a company only integrated in the business.

**CFI:** What investments will be realized in the next few months.

**CCM:** At Mota Pastas, a spray tower for porcelain bodies (3600 l/h H₂O evaporation rate). The opening of another pit at Mota Mineral, which is to extract 50 000 t kaolin and 150 000 t quartz by next year already. At Felmica too, operations are to be started up at another pit, which will supply a body feldspar that is intended mainly for the Spanish market.

**CFI:** How high is the Group’s budgeted turnover this year?

**CCM:** We shall certainly reach the planned EUR 60 million. That will secure our planned investments for the short term. It is a principle of our family business to completely reinvest any profits. This secures the future for our children too, who as the fifth generation are already being integrated in the business.

**CFI:** Many thanks for talking to us.
Group Structure

The Carlos Cardoso Mota Group owns Felmica Minerais Industriais S.A. (feldspar extraction and processing), Motamineral Minerais Industriais S.A. (kaolin extraction and processing), Mota Pastas Ceramicas S.A. (prepared ceramic bodies for the production of tableware and electric porcelain, ornamental ceramics-faience/stoneware and VC ceramic sanitaryware), Tecnologica Ceramica Lda. (internal/external R&D activities) as well as the companies Corbário (ball clays) and Gralminas (quartz, potassium feldspar) taken over this year. With these additional activities, the Mota Group has a market penetration of more than 80%. It holds a total of 30 mining licences in Portugal (feldspar: 21, kaolin: 3, clay: 2, quartz: 4); others are at the application stage.

As efforts towards the international orientation of the market activities are already underway, implementation of high capacity increases had become necessary especially in the processing of kaolin and feldspar. An existing network of representatives (Spain, Turkey, France, Poland, Czech Republic, Syria, Lebanon) will be further expanded (Tunisia, Algeria). The quick links to harbours (Leixões, Vigo) enabled the implementation of higher capacity, logistical solutions especially in the mediterranean region for exports. The activities of the individual companies are explained briefly below.

Felmica

In the current business year around 300 000 t of feldspars will be extracted by Felmica. The material is sold as crushed material, partly as a cleaned product following magnetic separation, and will be marketed as a micronized powder. To meet more extensive enquiries from abroad, this summer an investment programme worth EUR 4 mill. was completed to triple the magnetic separation to a capacity of 30 t/h and the dryer capacity to 60 t/h. The micronization plant has a capacity of 6 t/h.

The products are also used at Motas Pastas and the affiliated company Adelino Duarte Mota (spray-dried tile bodies).

For the export market, especially the products DFLI 2000 (petalite- and lepidolite-containing lithium feldspar), DFV 2000 (Na/K mixed feldspar for ceramic sanitaryware bodies, glazes and frits), DFC 2000 (Na/K mixed feldspar for tile bodies) have been developed. The plant allows a blending of the different grades to meet customer specifications. To meet the purity requirements for very high-grade porcelains, frits, glazes and glasses, a hand-picked potassium feldspar that is low in iron and titanium was developed. Currently three prospecting projects are underway, two already at the stage of applying for an extraction licence, in order to extend the range of feldspars for very white porcelain bodies. Felmica has 21 extraction licences covering an area of 120 km². Of these licences, eight are currently in active use.

Gralminas

With the acquisition of Gralminas in June 2006, the range of hard materials has been extended with quartz and other potassium feldspar grades. A production of around 15 000 t/a quartz is expected. Two thirds of the output will be marketed for the production of silicon and one...
Motamineral

The Group's kaolin activities are concentrated at Motamineral. The kaolin is extracted at three sites: Somical (taken over in 1990), Vialpo (taken over in 1996) and Alvarães (taken over in 1999). Especially the increased demand for the SAS 50 sanitaryware kaolin made it necessary to double the washing and filter press plant at Alvarães. There raw kaolin is extracted both from primary and secondary deposits. The matrix material passes a washing drum and a three-stage hydroclone plant before it is sent via the thickener to the mixing tanks, where the blends for use in bodies and glazes (tiles, tableware and electric porcelain, sanitaryware) are selectively defined. The products feature a high aluminium and low iron content, they are supplied either as filter cake or noodles. A total of 100 000 t kaolin will be produced this year. In addition, Motamineral processes from the matrix materials white and red-firing kaolinitic clays and 150 000 silica sands for the construction industry.

Motas Pastas

The Mota Group has been involved in the production of prepared bodies since 1987. Today a variety of standard blends are available for application in tableware and ornamental ceramics (hard-paste and soft porcelain, earthenware, stoneware), sanitaryware (vitreous china) and electro ceramics (quartz and alumina porcelain). The preparation plants at Vagos and Caldas produce over 90 000 t/a. The products are supplied as slurry, filter cake, pug rods granulate. They are specifically adjusted to the shaping and firing processes of the customers (e.g. conventional casting, pressure casting, manual, mechanized or automated plastic shaping processes, fast firing and conventional firing). Customers at home and abroad (Spain, Turkey, Tunisia, Algeria, France, Colombia, etc.) are supported by the technical service, which, if requested, will also address problems concerning glaze and engobe adaption.

TecCer

The Mota Group has extensive know-how in the extraction and processing of raw materials and their further processing to high-performance bodies, glazes and engobes for a wide range of industrial applications in silicate ceramics. The concentration of the R&D activities in one profit centre equipped with modern laboratory instruments and pilot plants enables the selective expansion of these activities for internal needs, but also the creation of service packages for customers wanting to outsource their laboratory work. In addition, fundamental R&D projects are launched in close cooperation with relevant departments at the Portuguese universities, in which foreign consultants and institutes are often incorporated, to make provision for specific market conditions abroad. Further information: www.mota-sc.com (see also statement of the Panaria Group E50).
Panaria Group/I
Successfully Operating in Portugal

The raw material resources are a key advantage of Portugal as a manufacturing base.

Marco Mussini (MM) kindly agreed to give us an assessment of the situation on the Portuguese market from the point of view of an Italian tile manufacturer.

Cfi: How many plants does the Panaria Group operate and what products are manufactured?

MM: When my father set up the company in 1974, essentially red-firing tiles were produced in a single-firing process. Today top-quality, white-firing bodies dominate our range as we concentrate on the up-market sector for wall and floor tiles. In this way, we have so far succeeded in side-stepping competition from cheap products (e.g. Chinese imports). We market seven brands: Panaria, Cotto d’Este, Fiordo and Lea in Italy, Novagrés und Magrés in Portugal as well as Florida Tiles which we took over at the beginning of the year in the USA. In Portugal we now manufacture 7 mill. m\(^2\)/a, that is around 10 % of the Portuguese tile production.

Cfi: You have taken over Portuguese plants. What have you had to change since the takeovers?

MM: At Margrés we had to make extensive changes as the product range was too strongly oriented to industrial applications. Besides design and marketing, which immediately led to the new name, it was necessary to adapt the production process to meet these new requirements. It was different at Novagrés (started up in 1990), where we took over a high-capacity, flexible, state-of-the-art plant with an output of 4.5 mill. m\(^2\)/a. Naturally, here we are always developing new designs for mosaic sizes (4x4 cm\(^2\) or 2,5x6 cm\(^2\) cut) to large sizes (45x85, 35x100, 60x120 cm\(^2\)). Our strengths are brilliant white glazes as well as mono-coloured matt glazes meeting the highest standards. In Portugal we can economically produce products associated with considerable technical difficulty.

Cfi: What advantages does Portugal have as a manufacturing base compared to Italy?

MM: We found a very good tile culture here, which ensures the availability of a competent workforce, which is also cheaper in Portugal. Supply with excellent local raw materials is another advantage of Portugal as a manufacturing base. With the experts at the Mota Group we maintain intensive technical transfer. In development projects we work very openly with each other and that to an extent that we are not used to in Italy. From Portugal we export around 50 % abroad. France, Belgium, the Netherlands, the UK and Germany too are key export markets for us.

Cfi: Are you going to continue investing in Portugal?

MM: We are doing just that at the moment at our Margrés facility, where a 6 200-t press supplied by Sacmi is set to go into operation soon, and we are definitely thinking about a third plant. This is to be designed as a supply facility for the entire Panaria Group. We have already acquired a site for it.

Cfi: Thank you for the interview.