

# Global Thermal Paper Update

March 14, 2018

Dear Valued Customers,

It's been over thirty days since our last update regarding the unprecedented events that have impacted the global thermal paper market. To date our strategy, with your support, has effectively prevented supply interruptions for our customers compared to those being widely felt across the global marketplace. Please allow me to once again express our gratitude for your unwavering support. As our team continues to monitor the leuco dye constraint, the primary cause of the shortage, we wanted to provide the latest information affecting the situation.

We have confirmed that Connect Chemical has begun production of leuco dye, however their current capacity is being constrained by a shortage of the intermediary chemical MAP, which is limiting their production to 50-70% of available capacity. We have also confirmed that Fukang has resumed their production, but we have not verified their capacity level. It is rumored that Chameleon Chemical is planning to resume production in the near future, maybe as early as this week.

While chemical production is coming back online, it is important to note that market pricing for leuco dye remains at historically high levels. Logically we assume as production comes online the prices of leuco dye will begin to decrease, however the constraint on intermediary chemicals and the pent-up demand for leuco dye may delay or prevent immediate reductions in market pricing. Iconex continues its commitment to providing solutions for an industry burdened by a fragile supply chain. In partnership with the major paper suppliers, we are developing a mitigation strategy for leuco dye production that would lessen the impact of an incident in the future.

As previously communicated, many of the other underlying costs of thermal paper have risen dramatically such as pulp, freight, currency, other chemicals, etc. The strengthening economy in North America is putting stress on these additional cost drivers. As such, we do see a potential end in sight to the rapidly rising costs, but we are not predicting a major reversal of the most recent price increases.

In our last announcement Iconex pledged to hold our pricing for a 90-day period beginning March 1. We remain firm on that commitment, but based on current market conditions it is still possible that we could experience additional price increases in 2018.

Iconex's highest priority continues to be ensuring adequate supply for all our existing customers. Our partnership with the paper suppliers, proactive purchase measures, and market intelligence have made our efforts successful while several competitors have failed. As such, we will continue to execute against our strategy with your support to maintain adequate paper supply to meet your needs until the situation is completely resolved.

It remains our responsibility to provide you, our customers, with as much detailed and proactive information as possible. We hope that these updates continue to provide clarity. I remain personally committed to managing these uncontrollable market circumstances as they evolve. As always, you can also find the latest market information by contacting your Iconex Sales Representative or visiting [www.iconex.com](http://www.iconex.com).

We appreciate your valued business and continued support!

Sincerely,



Craig A. Gunckel  
Chief Executive Officer