

# 2007 Results Presentation

**February 13, 2008 meeting**

- **Gérard Buffière**      **Chief Executive Officer**
- **Christophe Daulmerie**   **Executive Vice-President  
Finance & Strategy**



➤ **2007 highlights**

➤ **2007 results**

➤ **2008 outlook**



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# Healthy markets overall in 2007

- **Paper:** growth in global paper production, driven by Asia; capacity closures in Europe and the USA, leading to better supply/demand balance
- **Performance Minerals:** slight increase in Europe, further downturn in the US
- **French Building Materials:** stable roofing market and further market growth for bricks
- **Refractories:** markets driven by strong demand from high temperature industries
- **Industrial equipment:** buoyant markets supported by industrialization of emerging countries



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# A year of development

- **Unprecedented capital expenditure program**
  - ➔ **€367 million<sup>(1)</sup>, i.e. 186% of depreciation expense**
    - Improve the competitiveness of existing assets (kaolin and filtration)
    - Increase capacities, particularly in emerging economies
    - Acquisition of new mineral reserves
  
- **Faster external development**
  - ➔ **12 operations for a total amount of €310 million<sup>(2)</sup>**
    - Enhanced minerals portfolio: fused zircon
    - Greater exposure to growth in emerging countries

(1) Booked capital expenditure

(2) Including Astron China – acquisition closed on February 5, 2008; net of divestments made during the period

# A major acquisition program

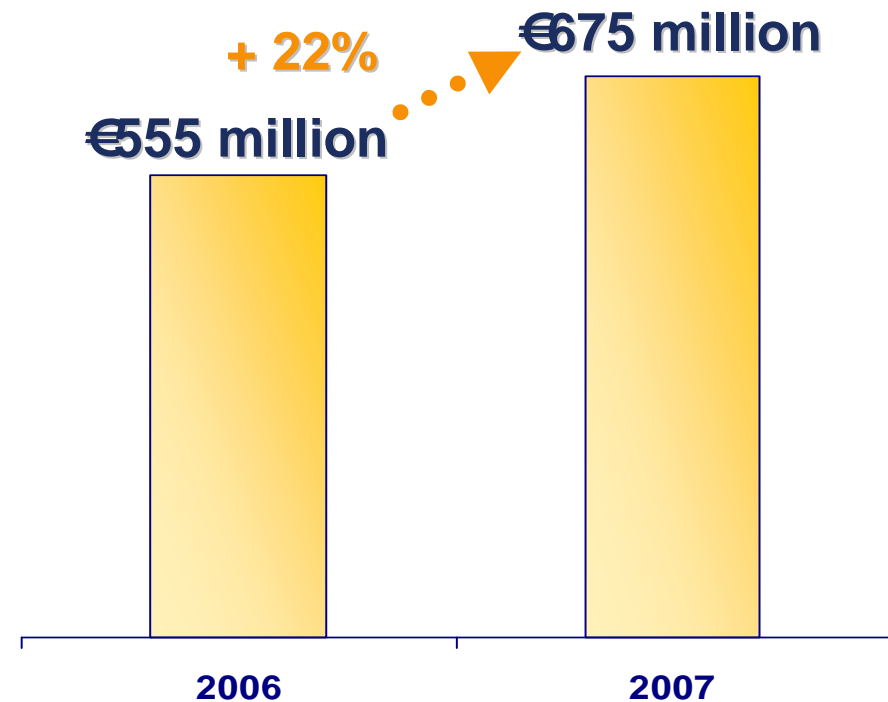
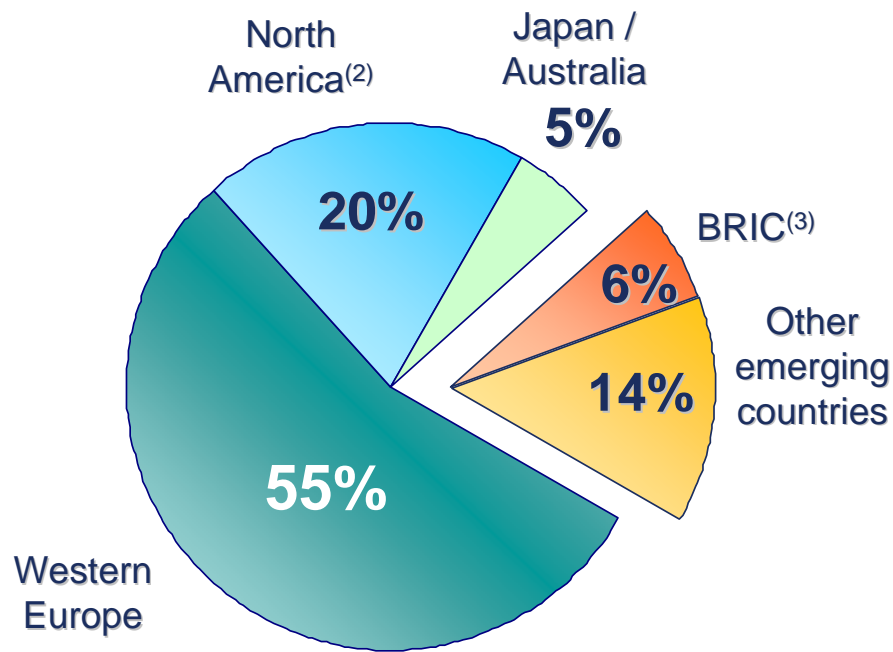


➤ **Approx. €270 million sales and €30 million EBIT<sup>(2)</sup> on full-year basis**

- (1) Acquisition finalized on February 5, 2008
- (2) Net of divestments completed during the period; including Astron China

# Greater exposure to emerging economies

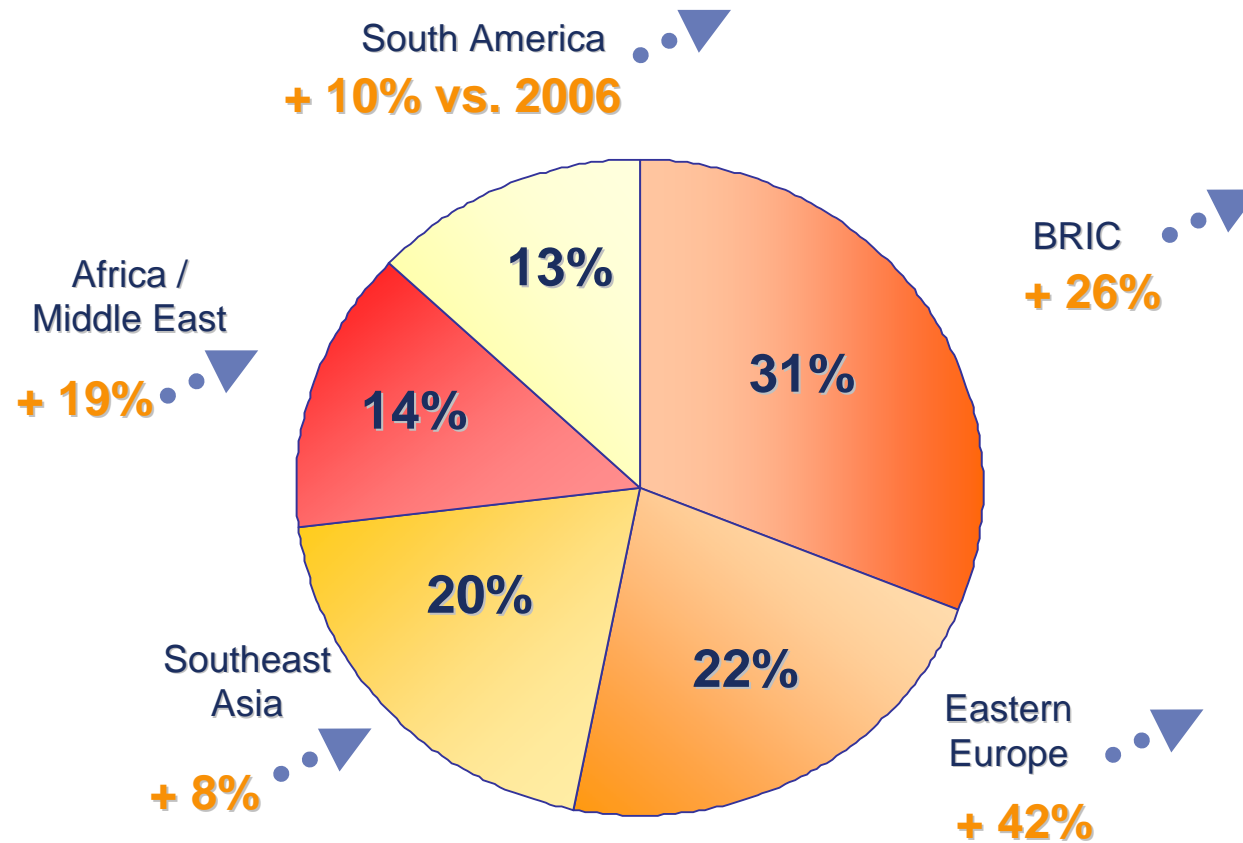
➤ **20%** of 2007 sales in emerging economies<sup>(1)</sup>



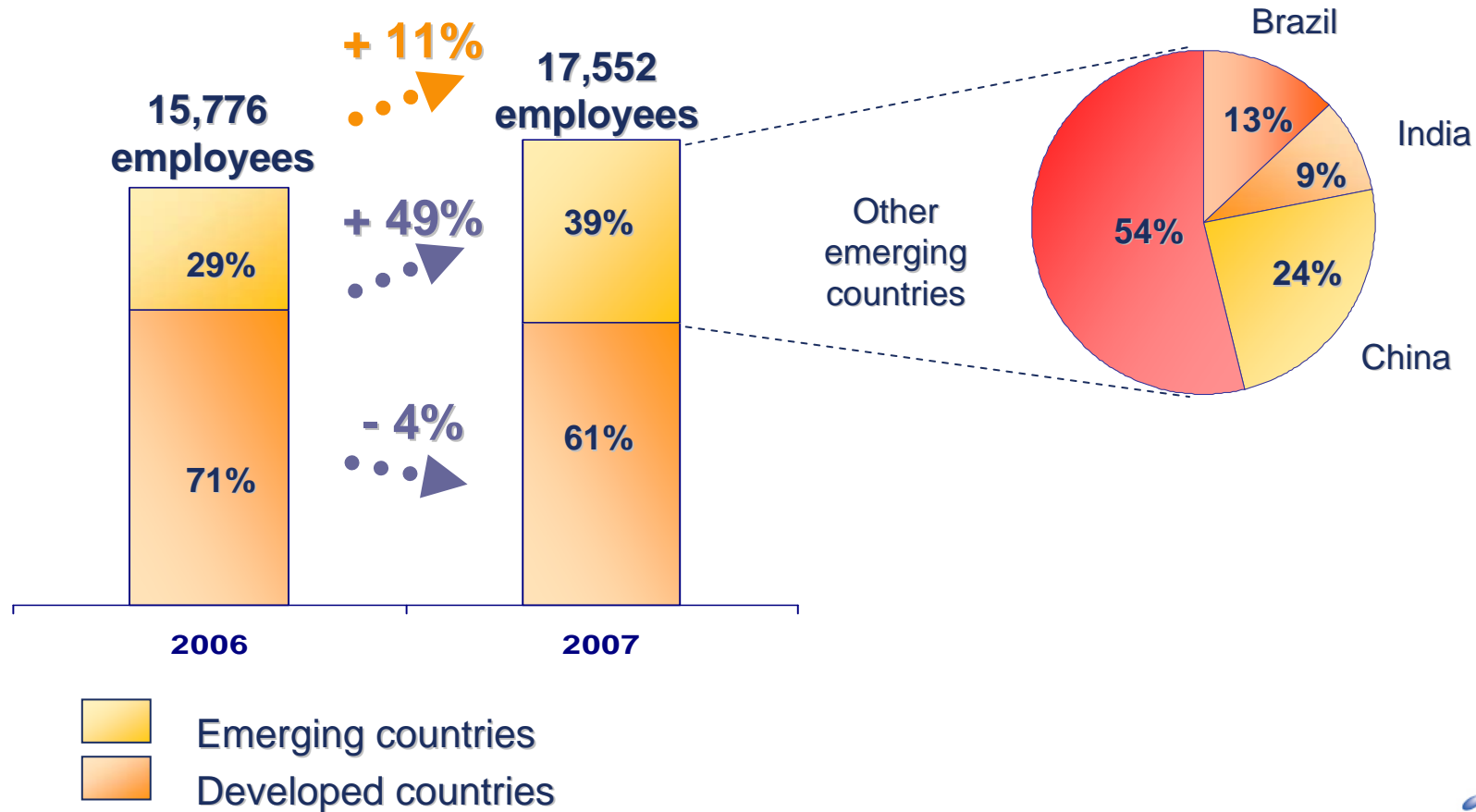
- (1) Group sales 2007: €3,401.9 million
- (2) United States & Canada
- (3) BRIC; Brazil, Russia, India & China

# Development in all growth zones

➤ 2007 sales in emerging countries = €675 million



# Headcount growth in emerging countries



# Stronger world leadership in industrial minerals

|  | 2007                 |                |                       |     |        |     |        |         |           |     |              |            |                  |                   |     |                             |
|--|----------------------|----------------|-----------------------|-----|--------|-----|--------|---------|-----------|-----|--------------|------------|------------------|-------------------|-----|-----------------------------|
|  | Lafarge Refractories | World Minerals | Denain Anzin Minéraux | AGS | Baotou | UCM | Xilong | Xinlong | Perfiltra | ZAF | Jumbo Mining | Vatutinsky | B&B Refractories | The Feldspar Corp | ACE | Astron China <sup>(1)</sup> |
| <b>Extension of minerals range</b><br>→ <i>New minerals for existing markets</i> |                      | X              | X                     |     |        | X   |        |         |           |     |              |            |                  |                   |     | X                           |
| <b>New markets</b><br>→ <i>New minerals for new markets</i>                      |                      | X              |                       |     |        | X   |        |         |           |     |              |            |                  |                   |     | X                           |
| <b>Geographic development</b>  | X                    |                | X                     | X   | X      |     | X      | X       | X         | X   | X            | X          | X                |                   | X   | X                           |



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(1) Acquisition closed on February 5, 2008

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# Another year of growth

## ➤ Firm organic growth, high operating performance maintained

- Sales and current operating income rose **+ 4.2%** and **+ 7.9%** at comparable Group structure and exchange rates
- **14.1%** operating margin, **15.0%** ROCE<sup>(1)</sup>
- Continued high cash flow generation

## ➤ Substantial exchange rates impact and inflation in some cost factors during 2<sup>nd</sup> half

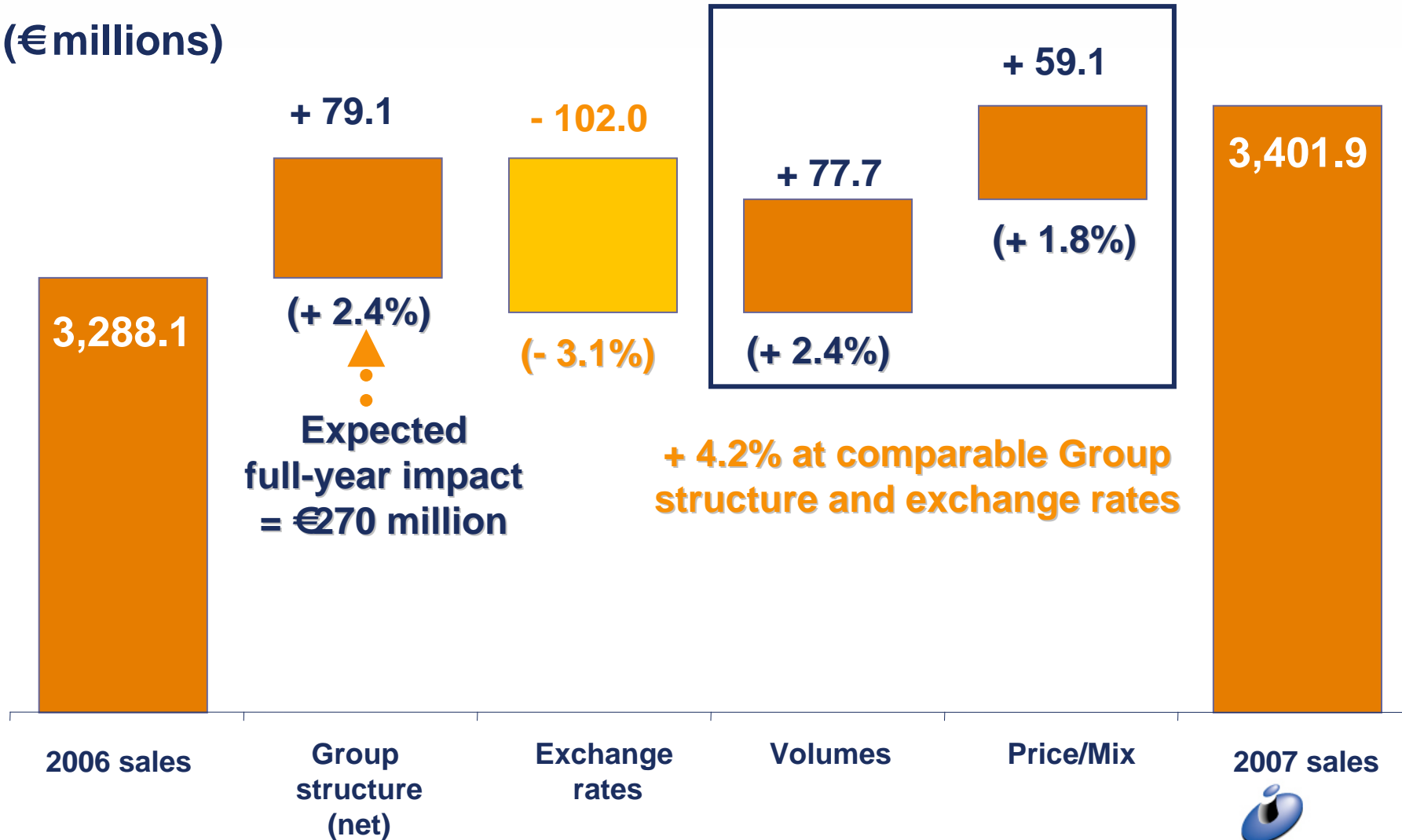
- Continued depreciation of US dollar vs. euro average - 9.1% vs. 2006 (1.37 vs. 1.26)

## ➤ 16<sup>th</sup> year in a row of growth in net current income per share → **+ 3.0%**

(1) Current operating income divided by average capital invested (including goodwill)

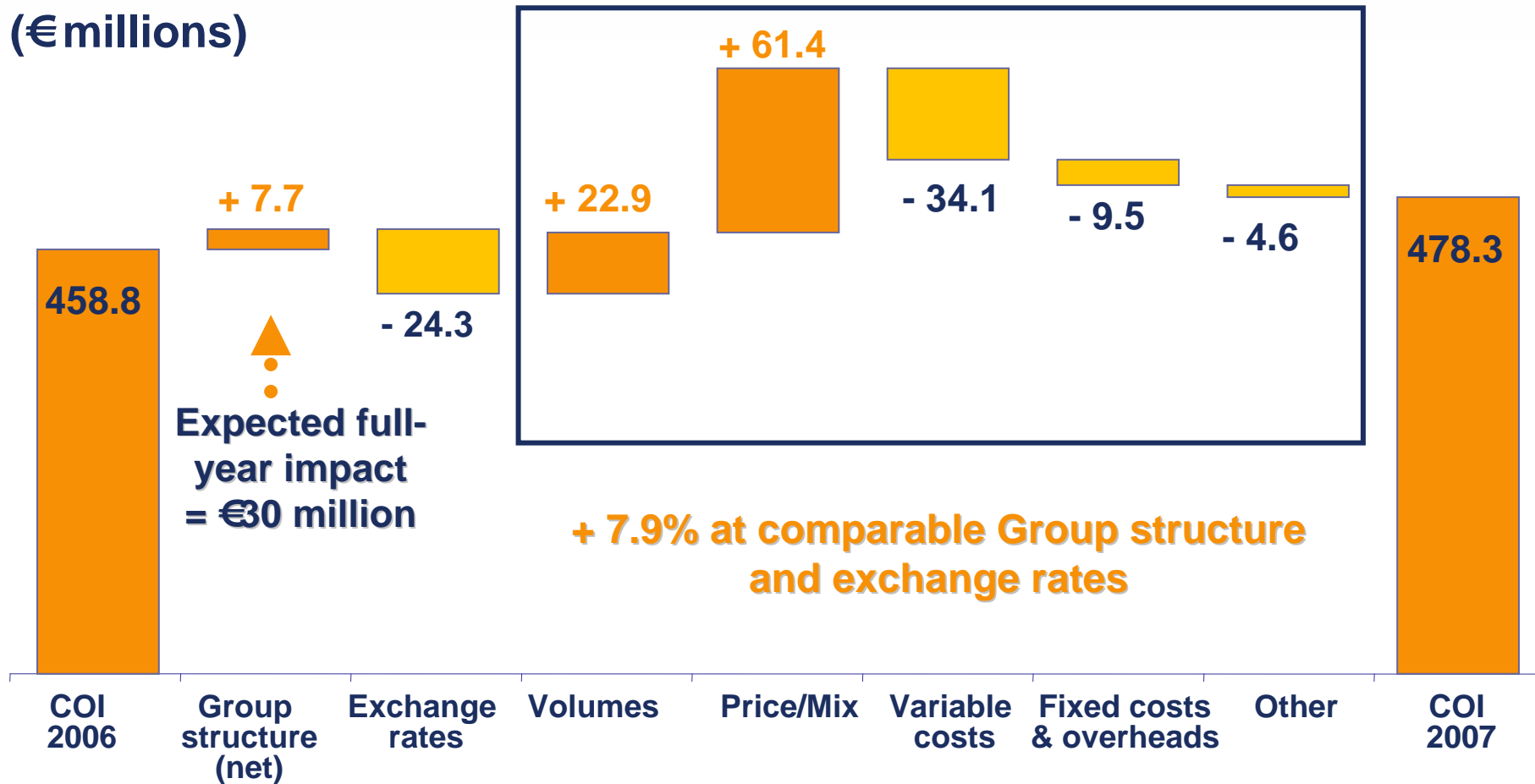
# Firm organic growth

(€millions)



# Higher operating performance

(€millions)

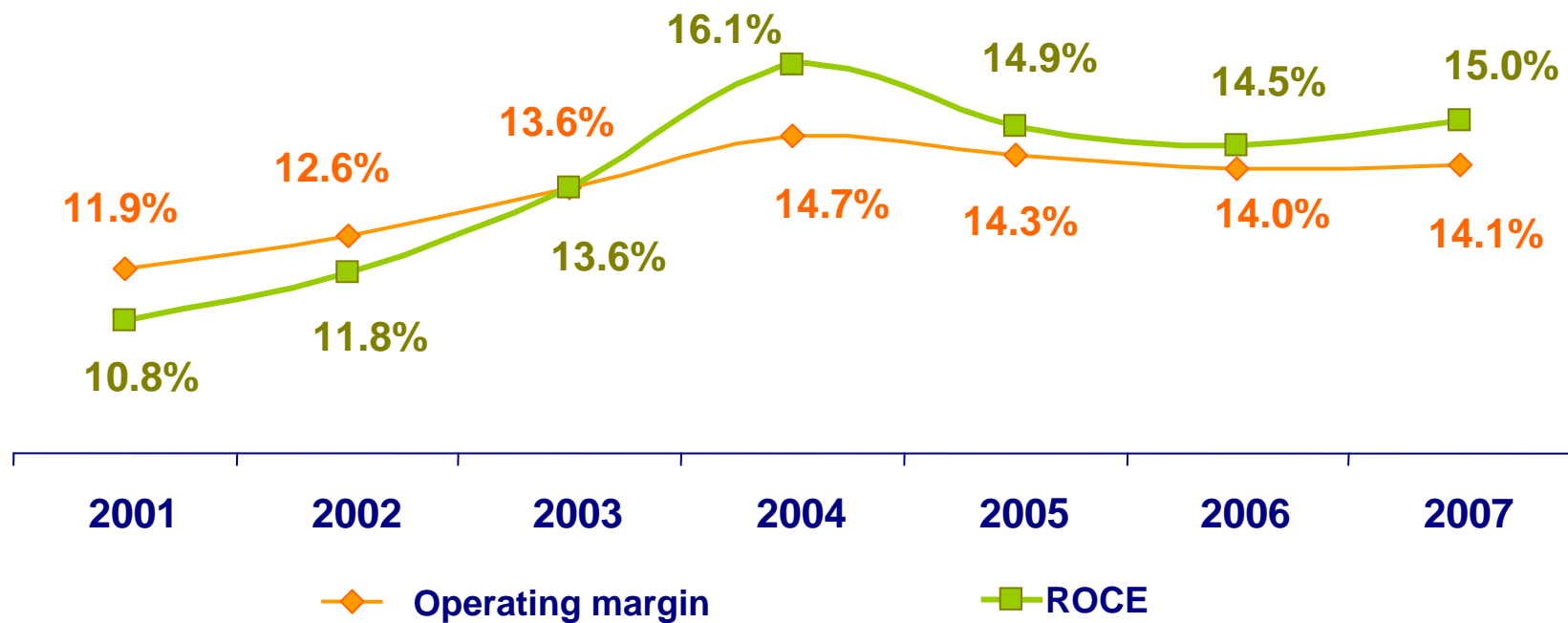


➤ **14.1%** operating margin (14.0% in 2006)



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# Operating margin and ROCE remain high



# Performance Minerals & Pigments

## > Healthy business in Pigments for Paper; downturn in Performance Minerals US

- Higher volumes in pigments for paper; firm product offering

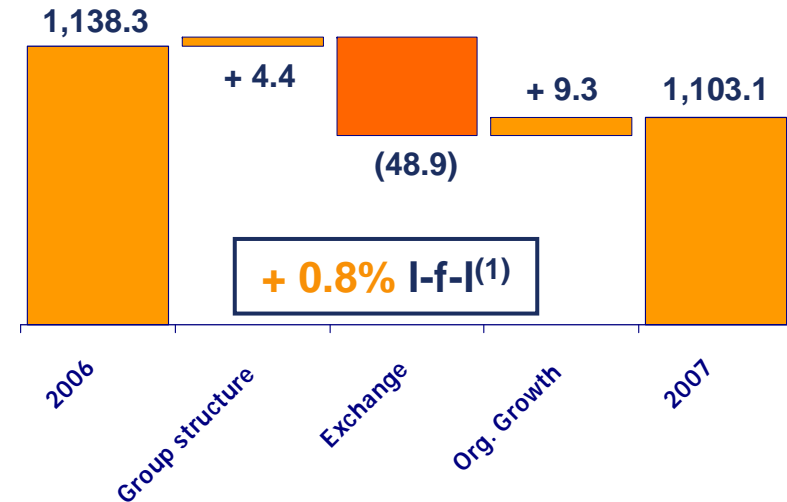
## > Improved operating margin → 9.5% vs. 9.1% in 2006

- Lower energy bill
- Tight control of fixed costs

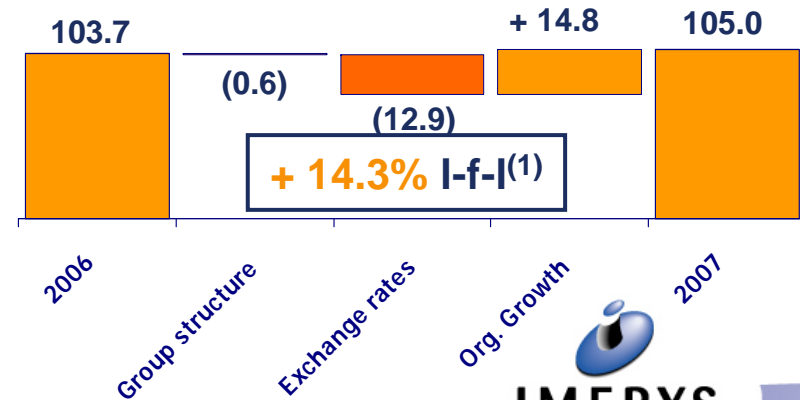
## > Record capex levels → €191 million

- Completion of kaolin plan
- Continuation of Asia development strategy in carbonates for paper (reserves, plants)

## > Sales (€millions)



## > Current operating income (€millions)



(1) I-f-I: At comparable Group structure and exchange rates

# Materials & Monolithics

➤ Strong growth driven by brisk business in monolithic refractories; firm building materials markets in France

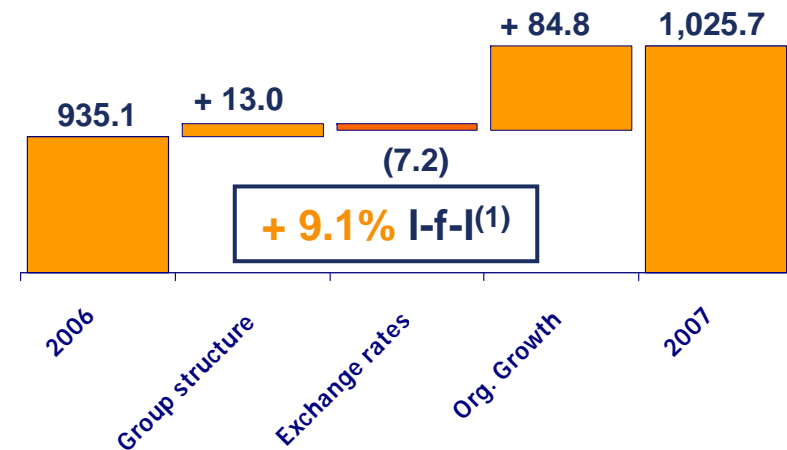
➤ Steady operating margin  
→ **22.9%**

- Rise in some cost factors (energy, raw materials) more than offset by the impact of volumes and the product offering

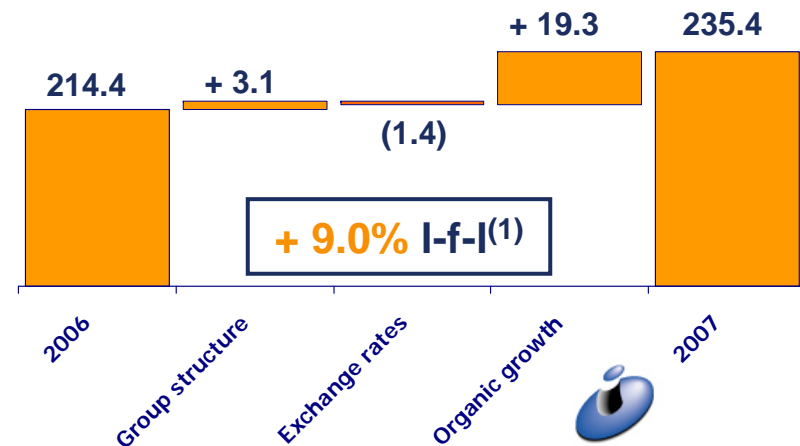
➤ Strong growth momentum

- Capex program (bricks plan begun, new equipments in roof tiles)
- Acquisitions of ACE, Indian leader in monolithic refractories, and B&B (South Africa)

➤ Sales (€millions)



➤ Current operating income (€millions)



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(1) I-f-I: At comparable Group structure and exchange rates

# Ceramics, Refractories, Abrasives & Filtration

➤ Firm business, driven in particular by industrialization in emerging countries

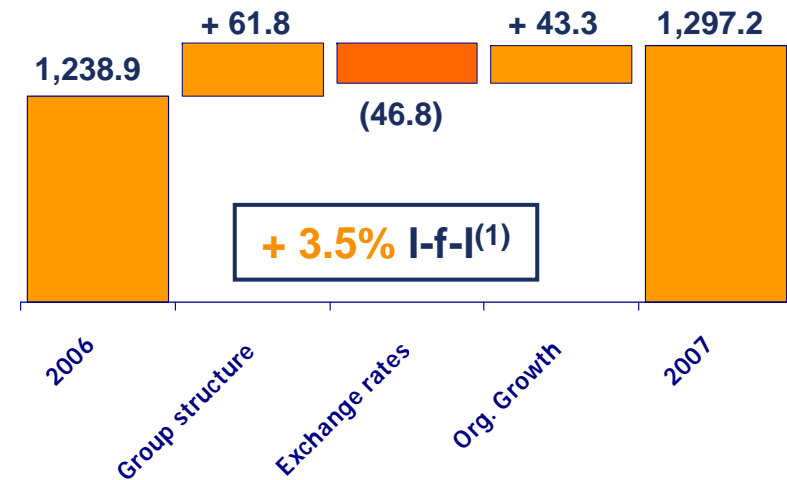
➤ Operating margin at **13.3%** vs 13.8% in 2006

- Significant inflation in some raw materials (mainly in 2<sup>nd</sup> half)
- Impact of new acquisitions

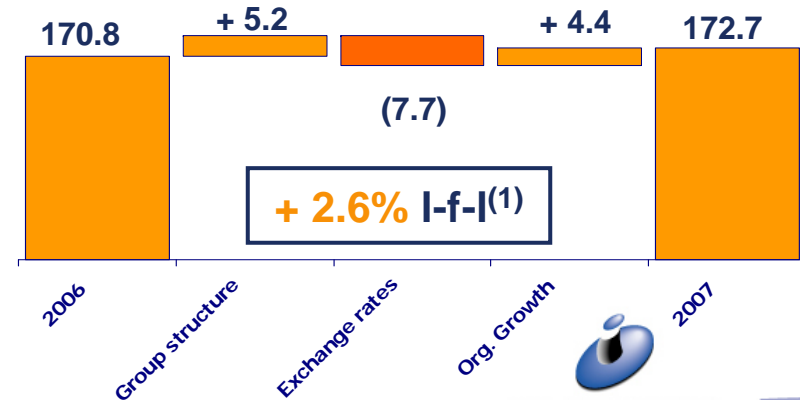
➤ High capex and faster external growth

- Industrial optimizing of WM
- Expansion of mineral reserves (ceramics, refractories, filtration)
- 10 operations<sup>(2)</sup> completed, 8 of which in emerging countries

➤ Sales (€millions)



➤ Current operating income (€millions)

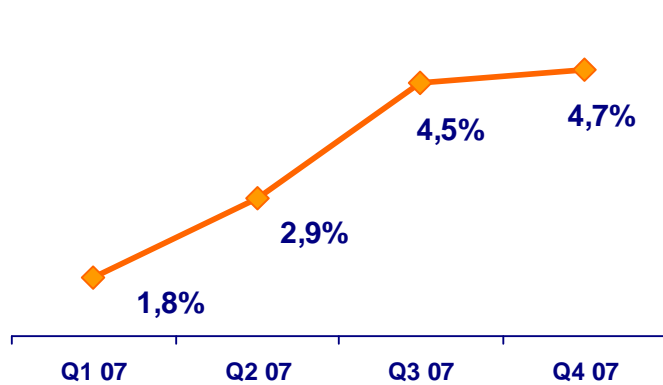


(1) At comparable Group structure and exchange rates

(2) Including Astron China – acquisition closed on February 5, 2008

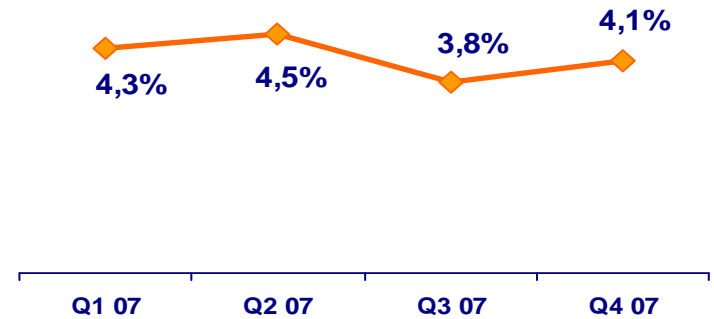
# Quarterly performances 2007

## > Sales growth (%)

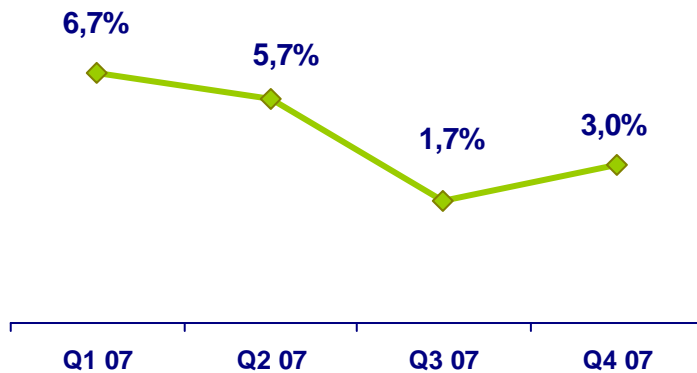


Steady sales growth throughout the year

## > L-f-I sales growth (%)

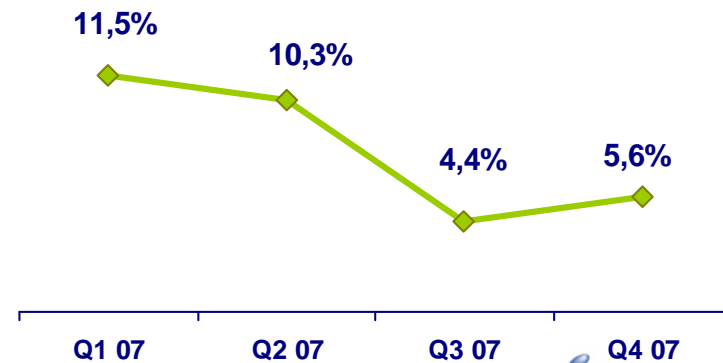


## > COI growth (%)



H2 affected by some cost increases

## > L-f-I COI growth (%)



# Growth in net income from current operations

| (€ millions)   | 2007         | 2006         | Change        |
|--|--------------|--------------|---------------|
| <b>Current operating income</b>                            | <b>478.3</b> | <b>458.8</b> | <b>+ 4.3%</b> |
| Financial income (expense)                                 | (55.7)       | (46.7)       |               |
| Current income tax   | (110.1)      | (106.4)      |               |
| Minority interests & equity method                         | 4.2          | 2.6          |               |
| <b>Net income from current operations<sup>(1)(2)</sup></b> | <b>316.7</b> | <b>308.3</b> | <b>+ 2.7%</b> |

(1) Net income before other operating revenue and expenses, net

(2) Group's share

➤ **Stable tax rate at 26.0% vs. 25.8% in 2006**

# Financial expense

| (€ millions)                        | 2007          | 2006          |
|-------------------------------------|---------------|---------------|
| <b>Interest expense</b>             | <b>(58.0)</b> | <b>(49.3)</b> |
| Other financial income and expenses | 2.3           | 2.6           |
| <b>Financial expense</b>            | <b>(55.7)</b> | <b>(46.7)</b> |

- *Estimated average debt for the period* 1,302 1,159
- *Average apparent cost of financing (after hedging)* 4.46% 4.25%

## ➤ Increase in financial expense due to:

- Higher average financial debt
- Higher average cost of financing

## ➤ Gains on interest rate transactions → €6.6 million in 2007 (€5.8 million gains on foreign exchange transactions in 2006)



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# Net income

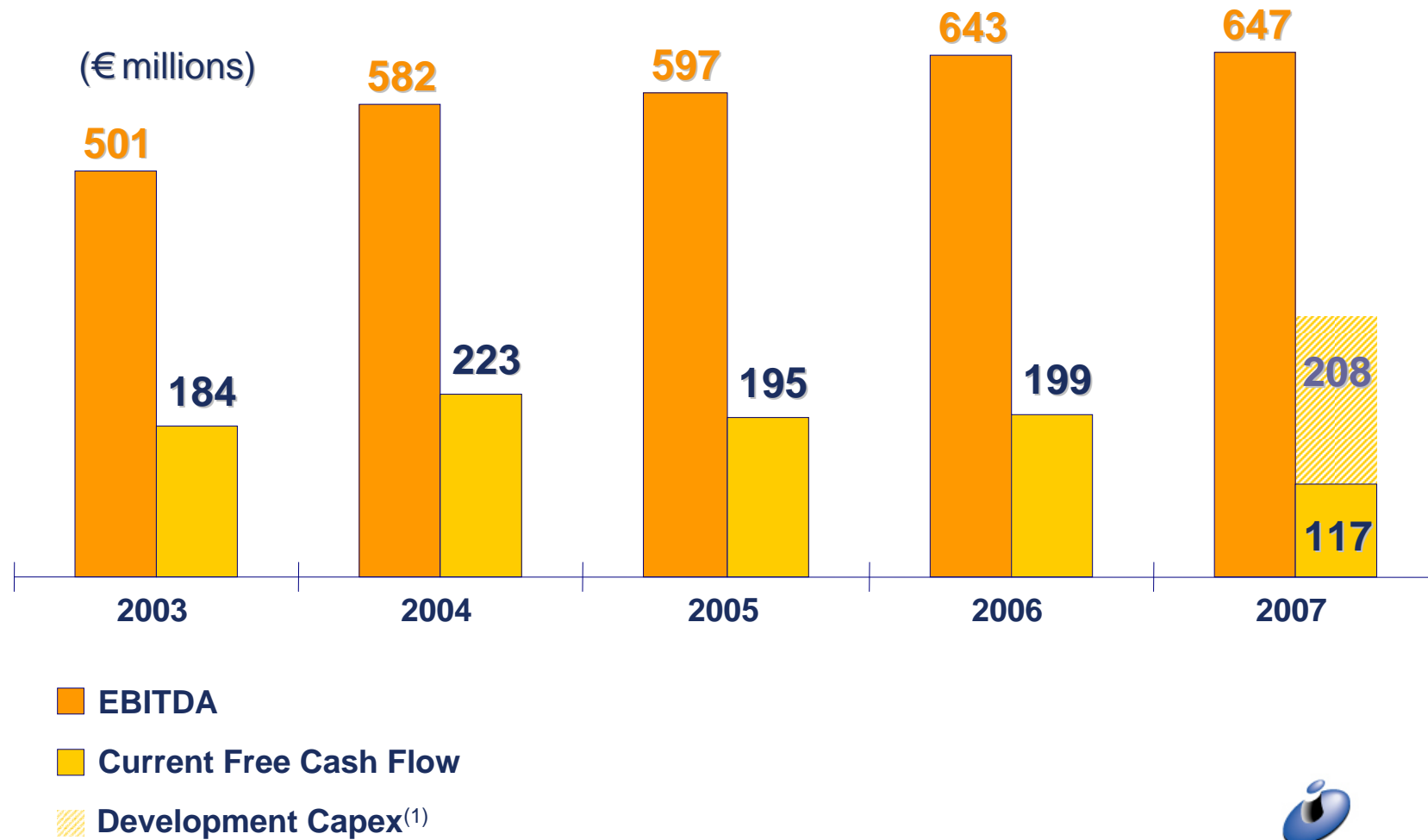
| (€ millions)  | 2007          | 2006           | Change        |
|---|---------------|----------------|---------------|
| <b>Net income from current operations<sup>(1)(2)</sup></b>                                  | <b>316.7</b>  | <b>308.3</b>   | <b>+ 2.7%</b> |
| <b>Other income and expense, net<sup>(2)</sup>,<br/>of which:</b>                           | <b>(32.5)</b> | <b>(120.9)</b> |               |
| • Value adjustments and restructuring expenses relating to UK plan, net of tax              | –             | (87.0)         |               |
| • Revenues from divestments, other value adjustments and restructuring expenses, net of tax | (32.5)        | (33.9)         |               |
| <b>Net income<sup>(2)</sup></b>   | <b>284.2</b>  | <b>187.4</b>   | <b>n.a.</b>   |

(1) Net operating income before other operating revenue and expenses, net

(2) Group's share

## ➤ Restructuring of Performance Minerals US industrial assets

# Extensive cash flow generation

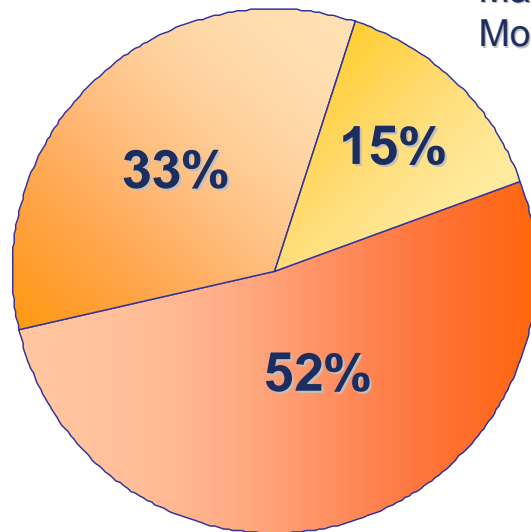


# An ambitious capex program

➤ Booked capital expenditure of **€367 million**, i.e. **186%** of depreciation expense (**€226.2 million**, i.e. **111%** in 2006)<sup>(1)</sup>

Ceramics, Refractories,  
Abrasives & Filtration

Materials &  
Monolithics



Performance Minerals  
& Pigments



Development  
57%

- Kaolin plan
- WM plan
- Clay tiles/bricks units
- Mineral reserves

Maintenance  
43%

2007

  
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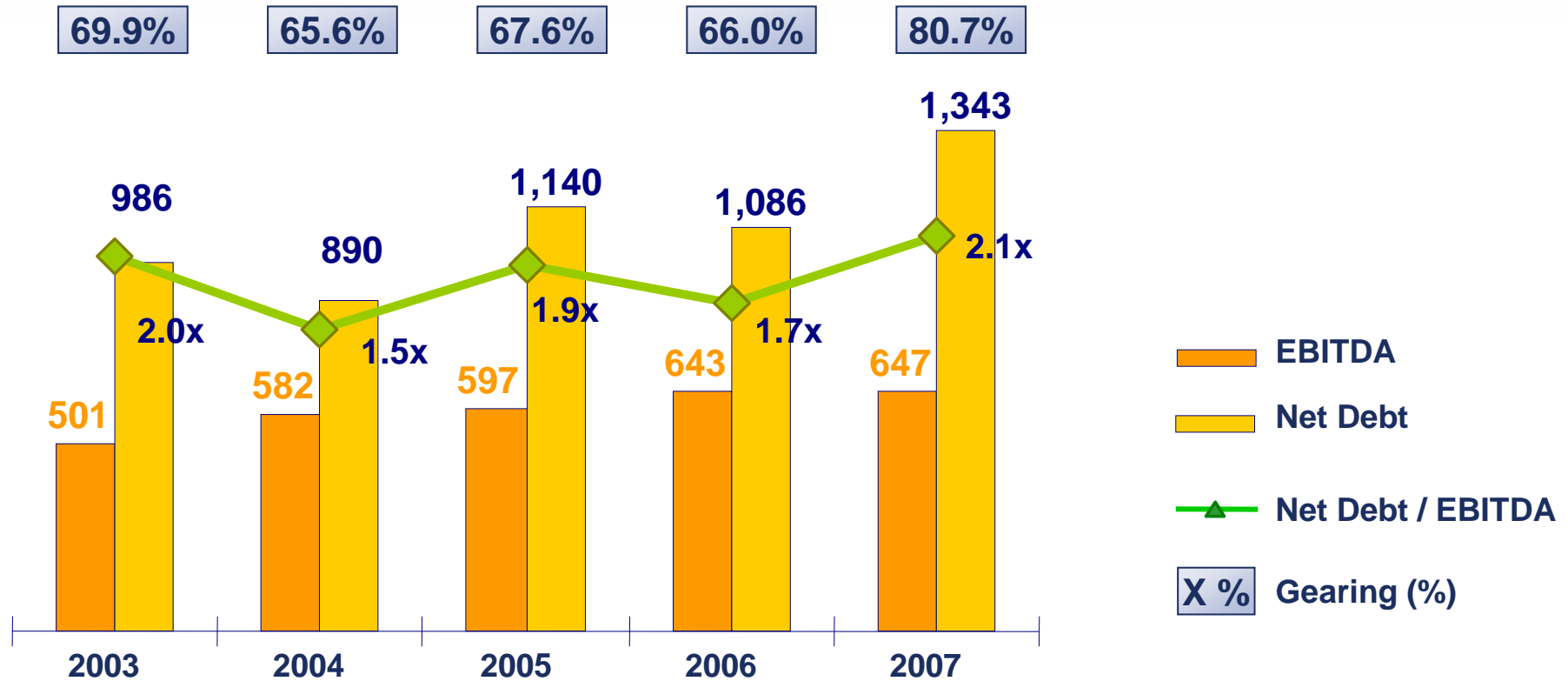
(1) Capital expenditure paid in 2007 = €352.6 million (€217.0 million in 2006)

# Change in net debt

| (€ millions)                            | 2007                   | 2006         |
|---|------------------------|--------------|
| <b>Current free cash flow</b>           | <b>117.4</b>           | <b>199.0</b> |
| External growth                         | (232.8) <sup>(1)</sup> | (33.0)       |
| Divestments                             | 40.7                   | 19.2         |
| Non-recurrent cash flow                 | (41.2)                 | (31.2)       |
| Dividends                               | (116.0)                | (106.2)      |
| Share buybacks                          | (39.9)                 | (21.6)       |
| Currency/Other flows                    | 14.9                   | 27.6         |
| <b>Increase / reduction in net debt</b> | <b>(256.9)</b>         | <b>53.8</b>  |

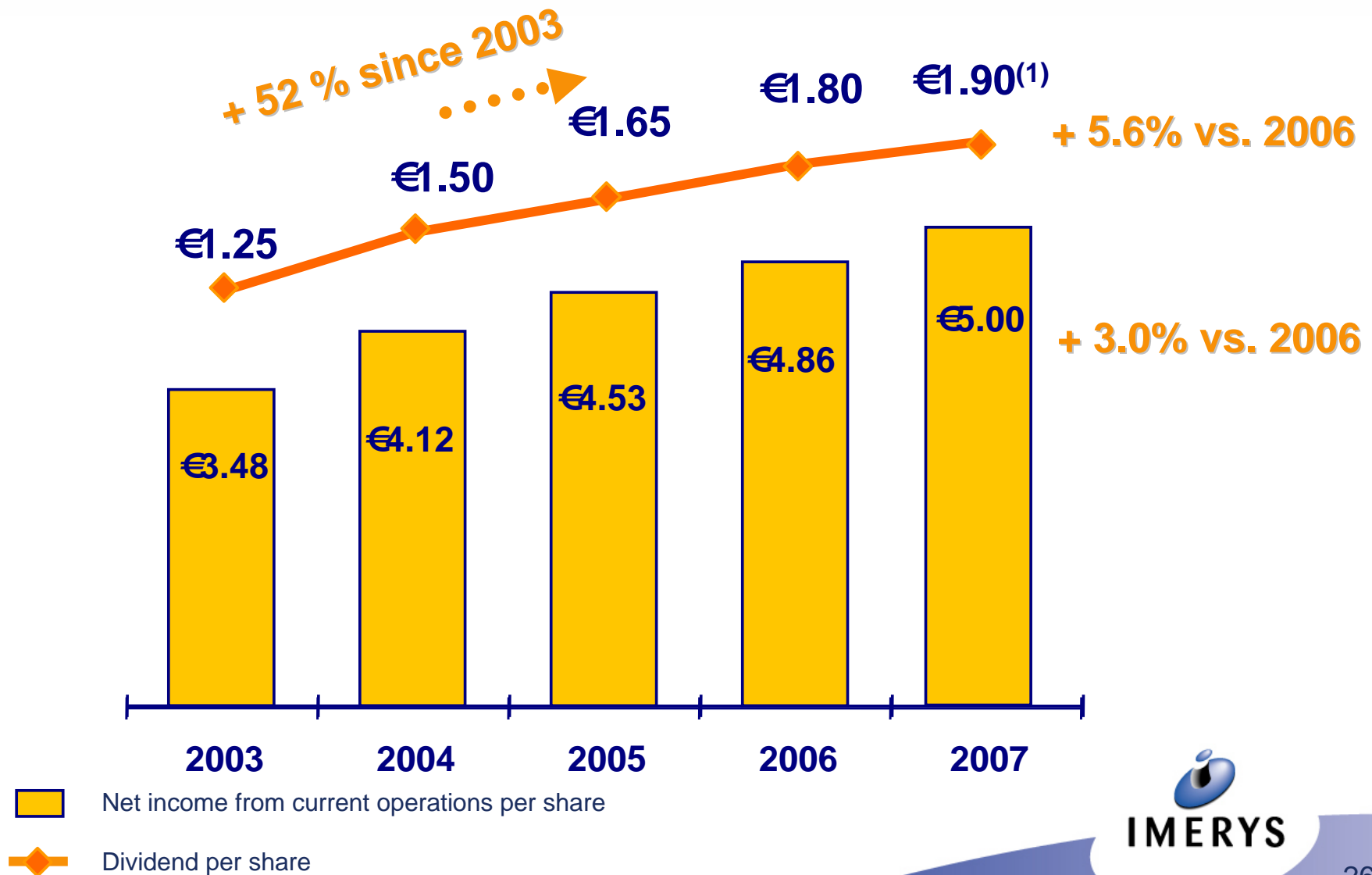
<sup>(1)</sup> Not including Astron China, of which acquisition was closed on February 5, 2008

# Financial flexibility remains high



- Financial ratios still very sound
- Total financial resources: €2,328.9 million
- Average maturity 6.4 years vs. 4.6 years in 2006

# Further rise in dividend per share



(1) Proposed to the General Shareholders' Meeting on April 30, 2008



➤ **2007 highlights**

➤ **2007 results**

➤ **2008 outlook**



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# 2008: macro-economic uncertainties

- **Growth rate of global economy**
- **Evolution of the US economy**
- **Dollar exchange rates**
- **Energy price trends**



# Imerys will benefit in 2008 from the actions taken in 2007

## ➤ Significant improvement in Imerys' competitive position in kaolin and Minerals for Filtration

- Kaolin plan completed → cost base reduced by **€20-25 million** on full-year basis; fully ramped-up in Q1 2008
- Minerals for Filtration plan fully implemented in Q1 2008 → operating margin in line with Group average

## ➤ Greater contribution of acquisitions made since beginning of 2007

- Approx. **€200 million** and **€20 million** additional sales and COI, respectively, in 2008

## ➤ Greater exposure to fast-growing emerging economies

- Imerys now achieves almost a quarter of its sales<sup>(1)</sup> in emerging economies

(1) After full consolidation of the acquisitions made since beginning of 2007  
(inc. Astron China)

# Imerys: a limited risk profile

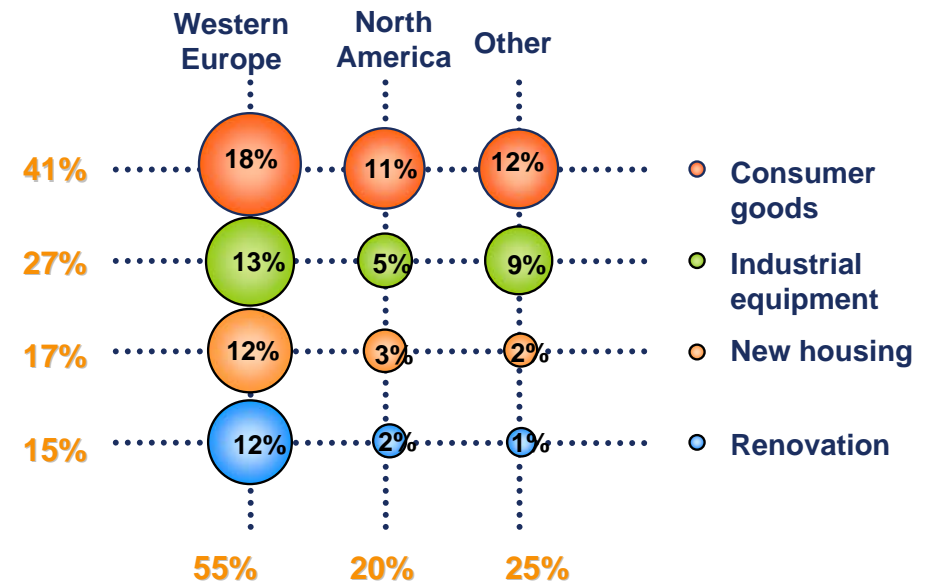
## ➤ Highly diverse markets served

- A great number of applications
- Activities in different geographic zones

## ➤ Sound ability to keep up satisfactory operating margins

## ➤ Financially very robust, with long-term cash resources

### Sales by end markets<sup>(1)</sup>



(1) Imerys estimates

# Favorable 2008 outlook

## ➤ **Great confidence in the Group's ability to improve its performance in 2008**

- A robust business model
- Seasoned teams

## ➤ **Further growth**

- Major organic growth projects
- Innovation Department's first successes expected in 2008
- Many external growth opportunities



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# Organization

## ➤ Jérôme Pecresse appointed Chief Operating Officer of Imerys → will assist CEO Gérard Buffière in:

- defining and implementing the Group's strategy
- reviewing major reorganization and capital expenditure projects

## ➤ Group operational organization modified in four business groups

- **Minerals for Ceramics, Refractories, Abrasives & Foundry** is comprised of the Minerals for Ceramics, Minerals for Refractories, Fused Minerals and Graphite
- **Performance & Filtration Minerals** is comprised of Performance Minerals and Minerals for Filtration activities
- **Pigments for Paper**
- **Materials & Monolithics**

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