

Results to September 30, 2008 (non-audited)

Conference call, November 4, 2008

- Gérard Buffière Chief Executive Officer
- Christophe Daulmerie Chief Financial Officer and
Vice-President Strategy



Highlights to September 30, 2008 (1/2)

- **Acceleration of the economic downturn in the USA and Europe in the 3rd quarter**

- **By market**
 - **Industrial equipment:** firm markets related to global industrial equipment (refractories, abrasives, graphite, etc.)

 - **Consumer goods:** stable global output for paper and filtration

 - **New housing:** decrease in European new construction markets, intensifying in the 3rd quarter; sector at all-time low in North America



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Highlights to September 30, 2008 (2/2)

- **Further energy price increases, as expected**
 - ➔ **peak reached in the 3rd quarter**
 - **Brent** → **+ 67%** vs. 9 months 2007
 - **US gas** → **+ 36%** vs. 9 months 2007
 - **UK gas** → **+ 137%** vs. 9 months 2007

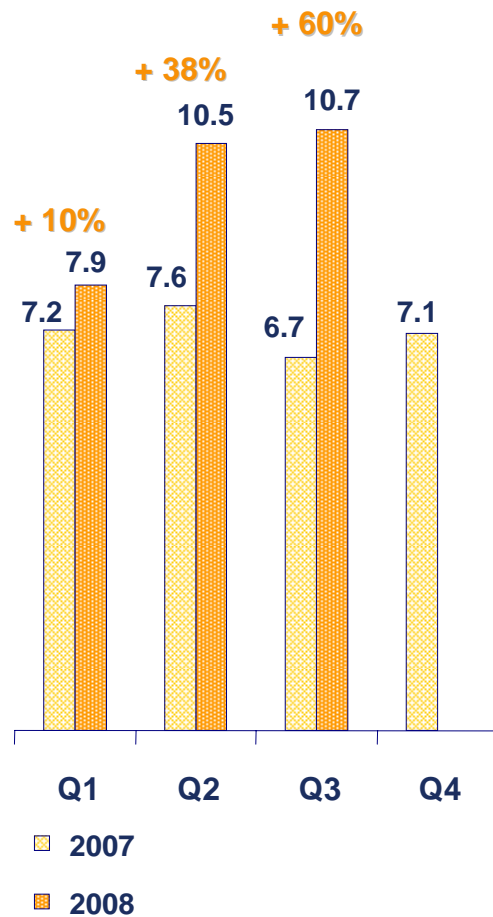
- **Repercussion on many cost factors** ➔ **chemicals, raw materials, freight, etc.**



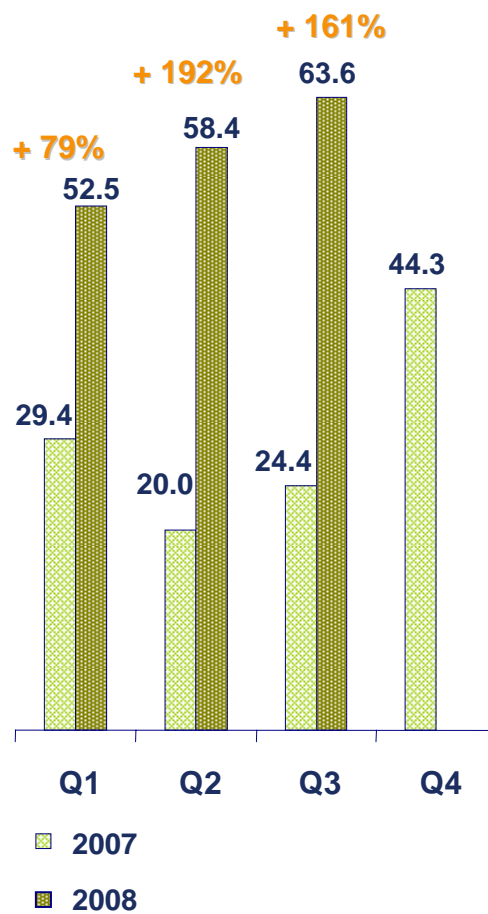
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Energy price inflation still high in Q3⁽¹⁾

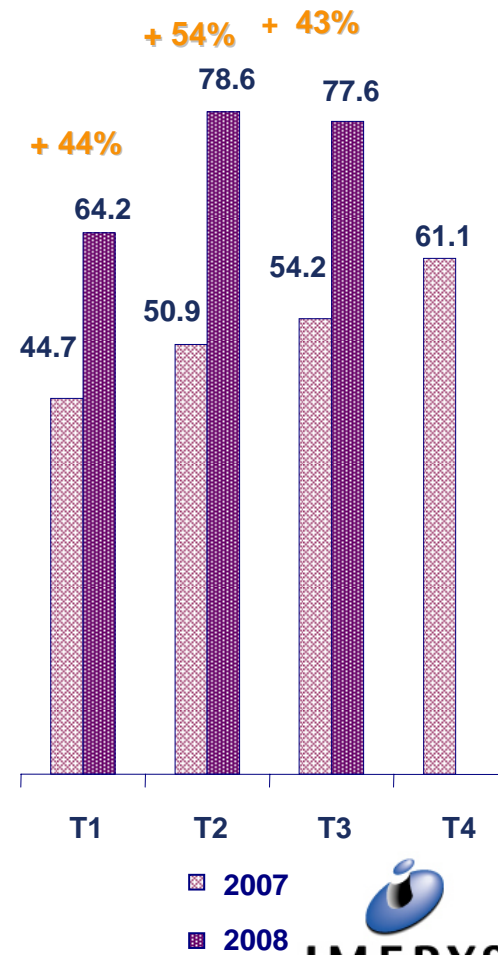
> US gas (\$/MMBTU)



> UK gas (pence/therm)



> Brent (€/barril)

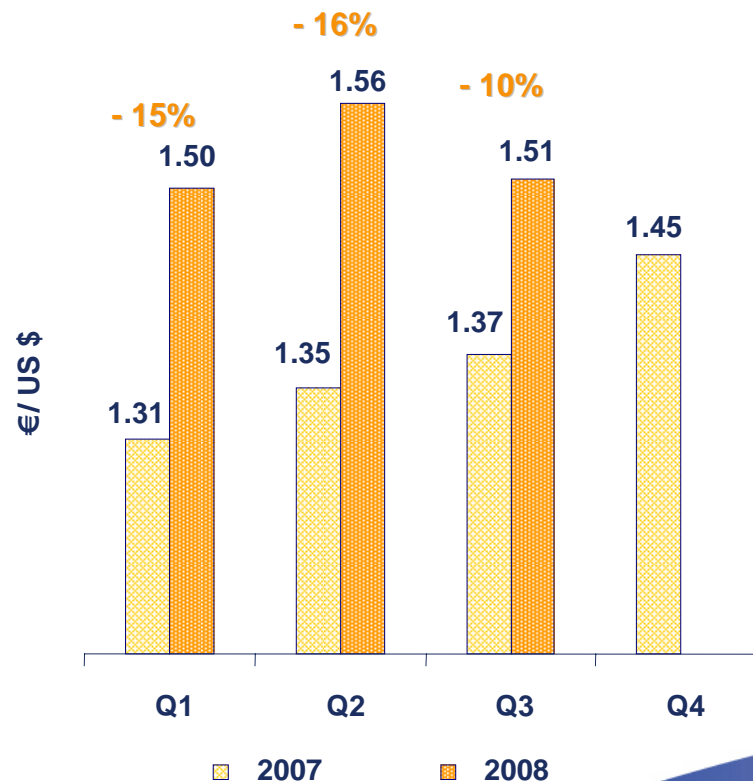


(1) Quarterly average

Ongoing adverse currency trends

➤ Continued weakness of US dollar vs. euro and Brazilian real

- **€US\$** → - **13.2%** on average vs. 9 months 2007
(1.52 vs. 1.34 for 9 months 2007)
- **US\$/BRL** → - **15.7%** on average vs. 9 months 2007
(1.68 vs. 2.00 for 9 months 2007)



Key figures as of September 30, 2008

➤ Firm sales

- Up **+ 4.2%** on current basis vs. first 9 months of 2007
(**+ 4.5%** at comparable Group structure and exchange rates)

➤ Current operating income affected by record inflation in variable costs in 3rd quarter and by slump in European construction markets

- Down **- 9.3%** on current basis vs. first 9 months of 2007
(**- 6.0%** at comparable Group structure and exchange rates)

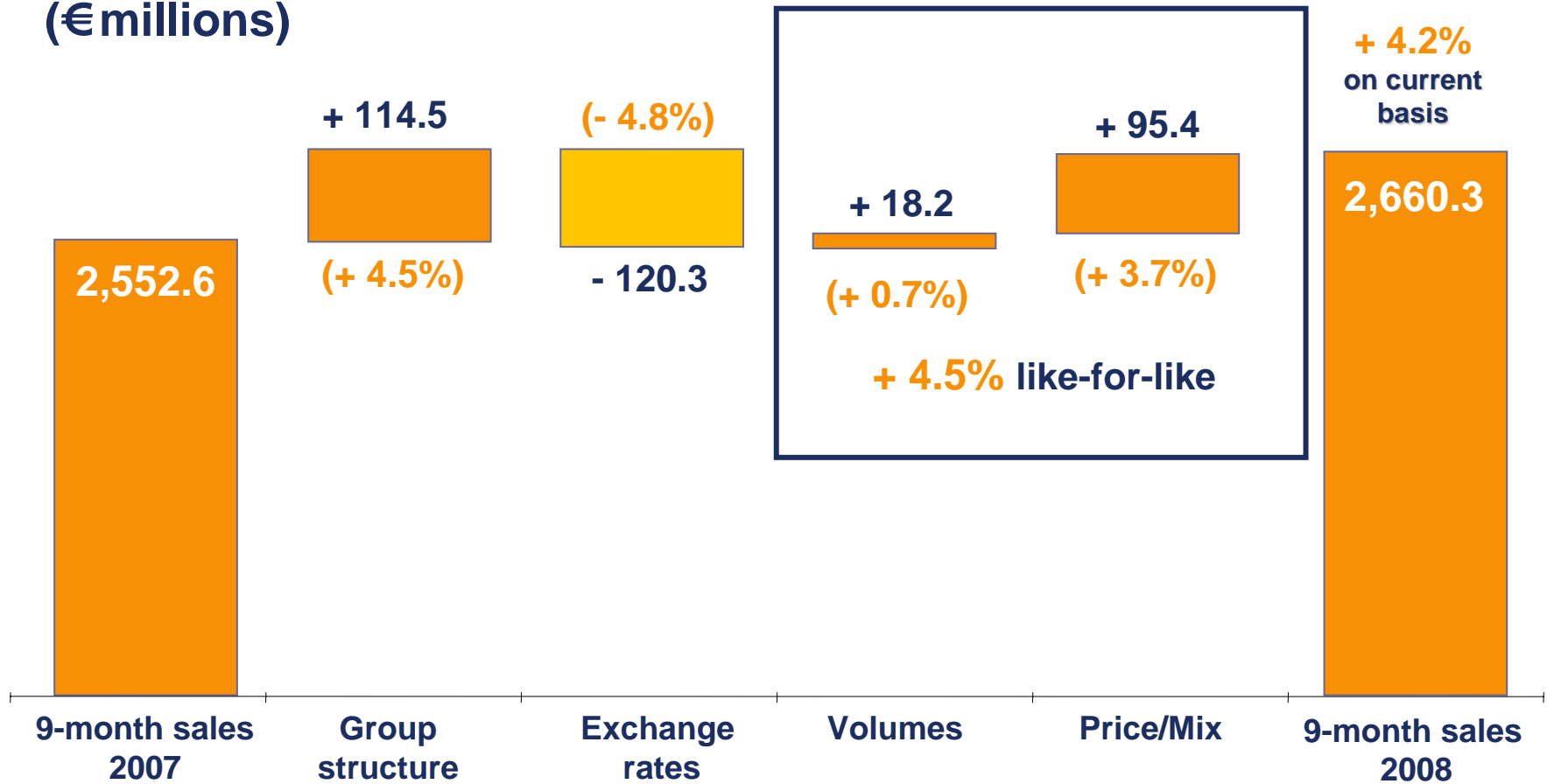
➤ Net income from current operations - **4.8%** over the period



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Firm consolidated sales

(€millions)

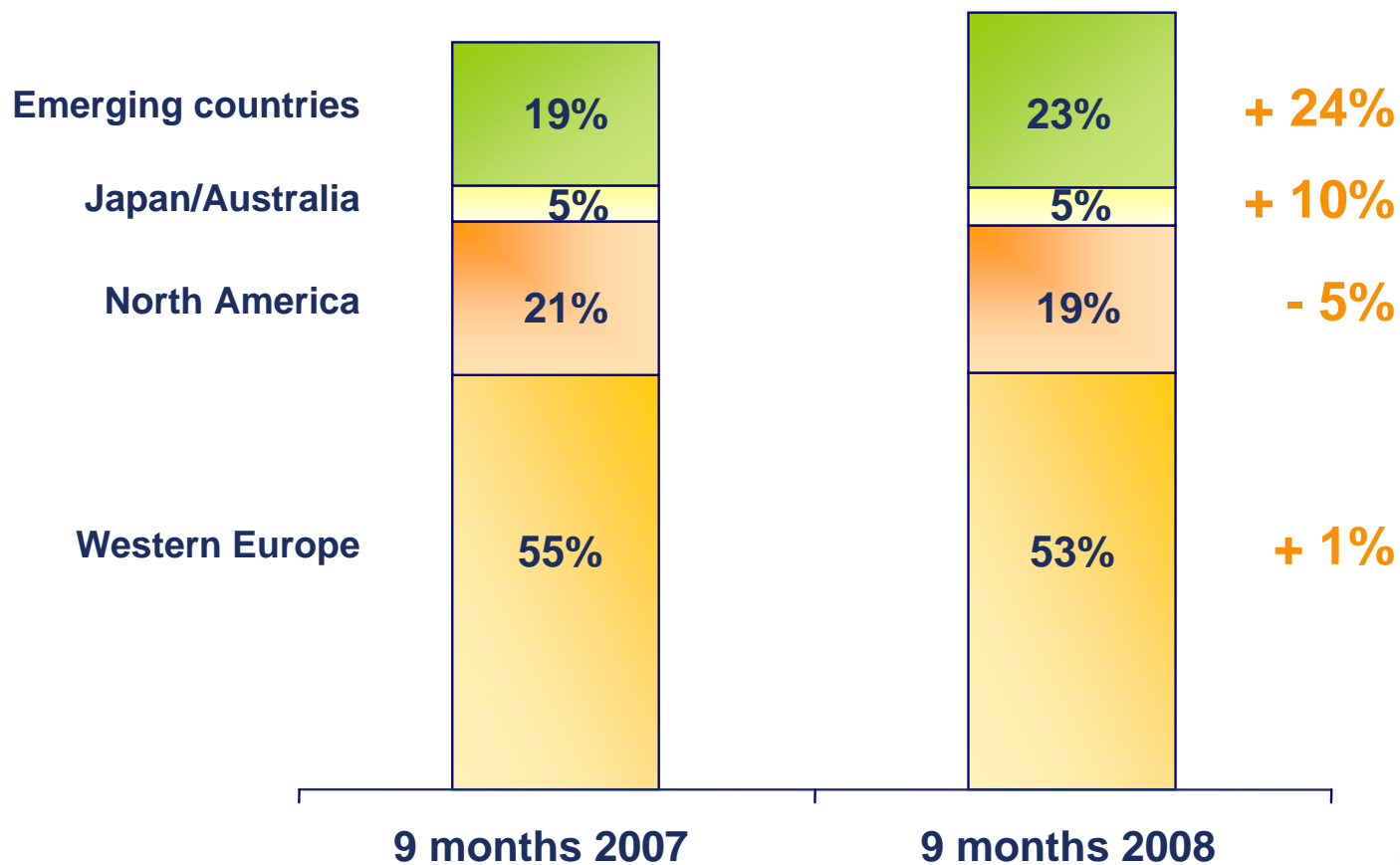


- Positive Group structure impact (2007 acquisitions program)
- Continued substantial negative effect of exchange rates
- Improved price/mix component, slight increase in sales volumes



Further growth in sales in emerging countries

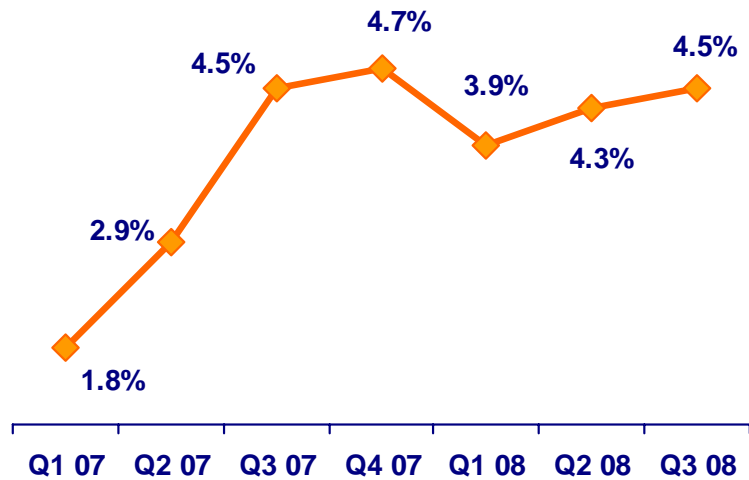
> Consolidated sales by geographic zone (€millions)



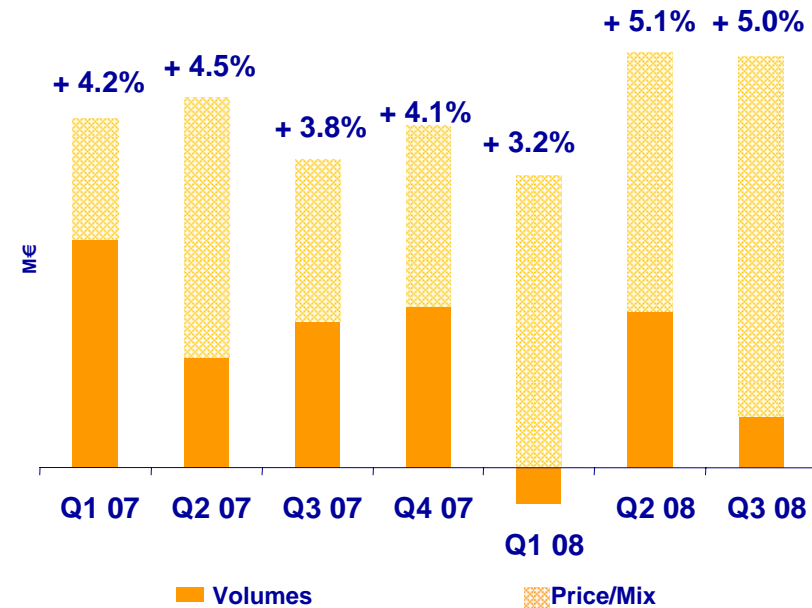
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Sales growth keeps up steady pace

➤ Current sales growth (%)



➤ Organic sales growth (%)

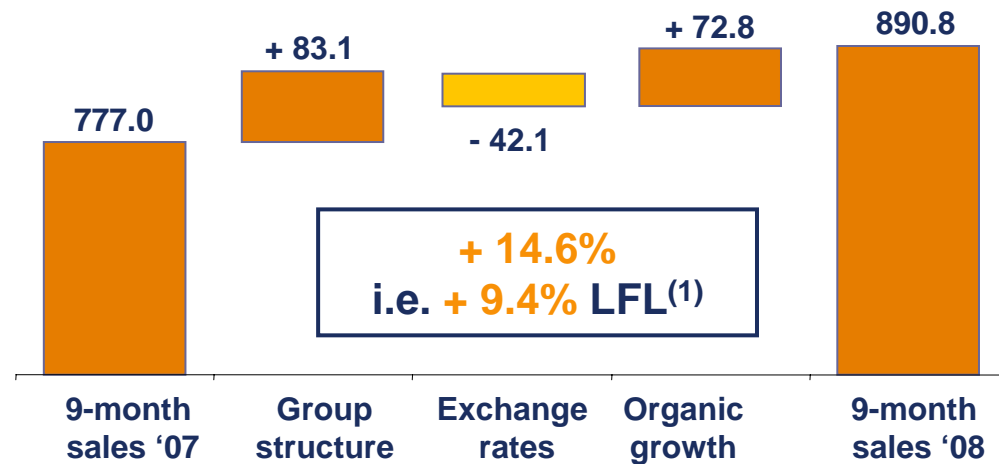


➤ Mainly due to improvement in the price/mix component

- Further rises achieved since the end of June 2008

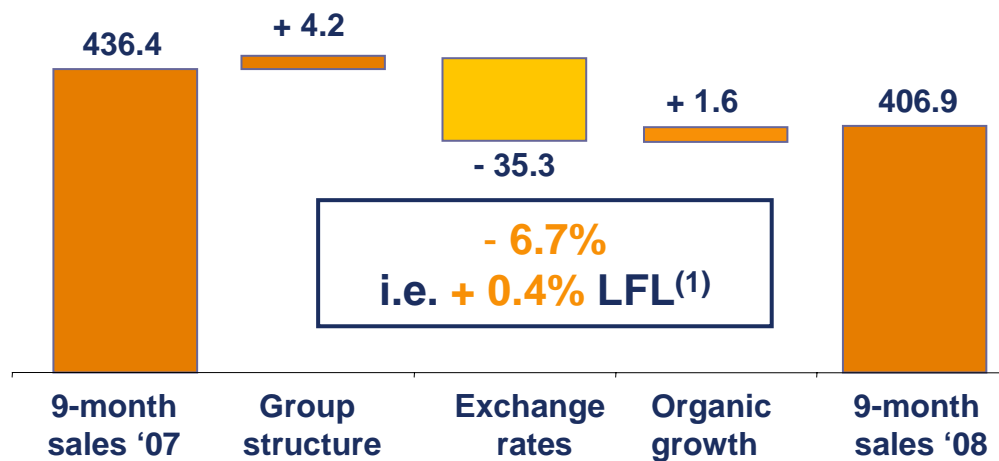
Sales by business group (€millions) (1/2)

> Minerals for Ceramics, Refractories, Abrasives & Foundry



- Contribution of acquisitions
- Overall rise in volumes: decrease in Ceramics offset by firm sales in industrial equipment-related sectors
- Substantial improvement in price/mix component

> Performance & Filtration Minerals



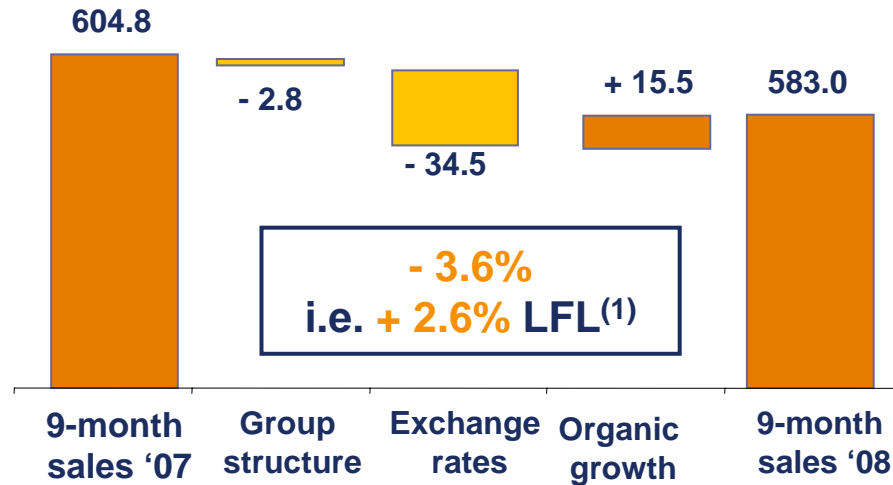
- Downturn on construction-related markets in Europe; Filtration markets stable
- Firm price/mix component
- North American acquisition in mica in October (sales: \$20 million)



(1) At comparable Group structure and exchange rates

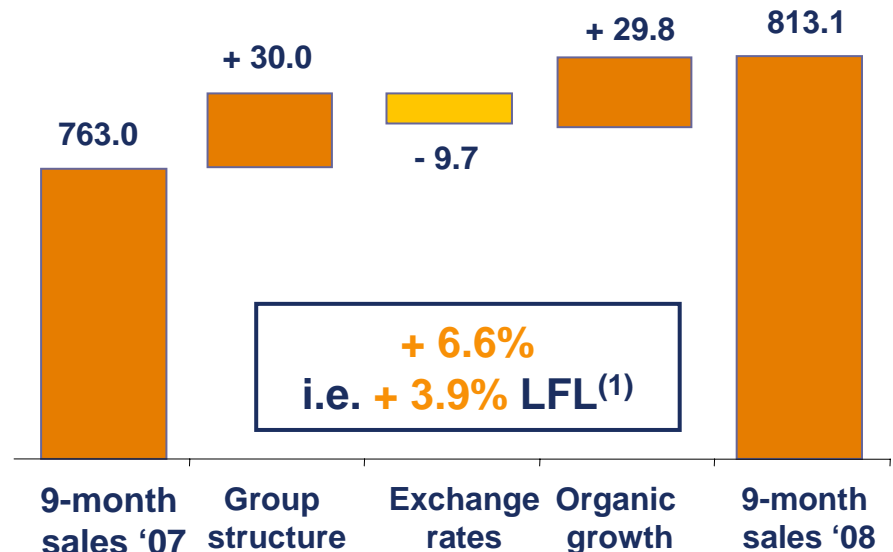
Sales by business group (€millions) (2/2)

> Pigments for Paper



- Stable worldwide paper production: dynamic business in emerging countries; downturn in United States and Europe
- Slight improvement in price/mix component and volumes

> Materials & Monolithics



- Contribution of ACE (India)
- Buoyant Monolithic Refractories markets; further downturn in new housing in France, stable renovation segment
- Improvement in price/mix component; volume growth in Monolithic Refractories
- Closure of a clay products site (Bessens)

(1) At comparable Group structure and exchange rates

Decrease in current operating income

➤ **Current operating income (COI) - 9.3%**

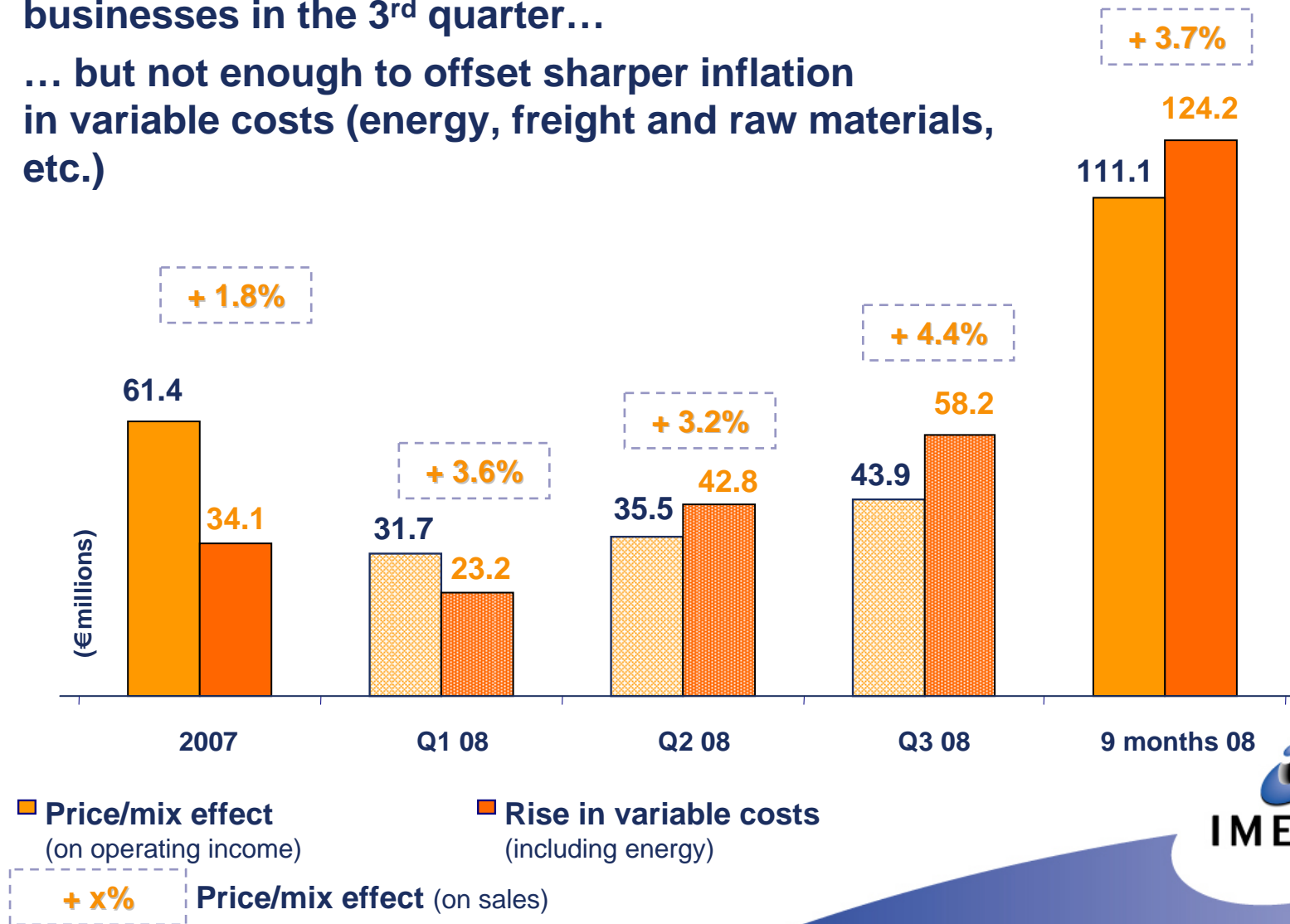
- High negative impact of exchange rates → **- 6.0%**
- Limited Group structure impact → **+ 2.7%**

➤ **Current operating income - 6.0% at comparable Group structure and exchange rates**



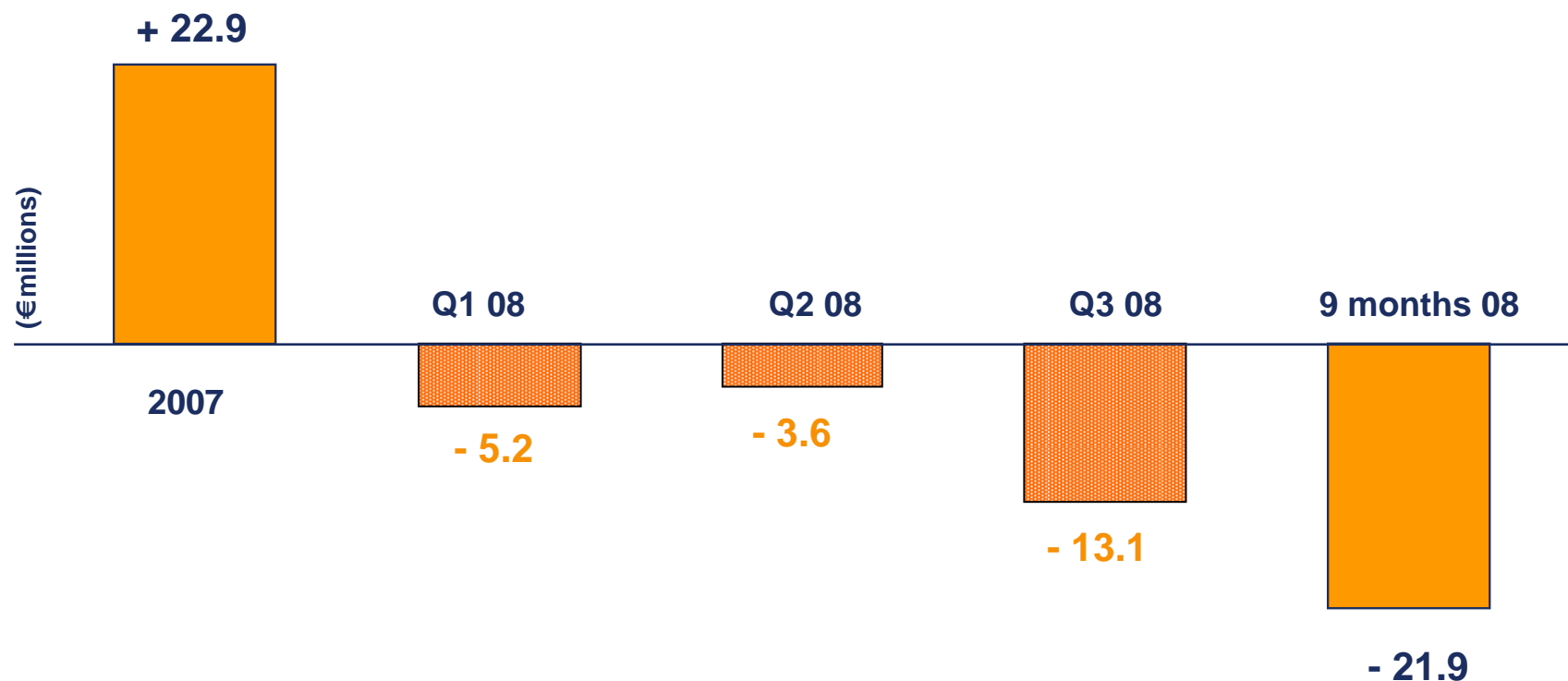
Price/mix and variable costs

- Further price increases achieved in some businesses in the 3rd quarter...
- ... but not enough to offset sharper inflation in variable costs (energy, freight and raw materials, etc.)



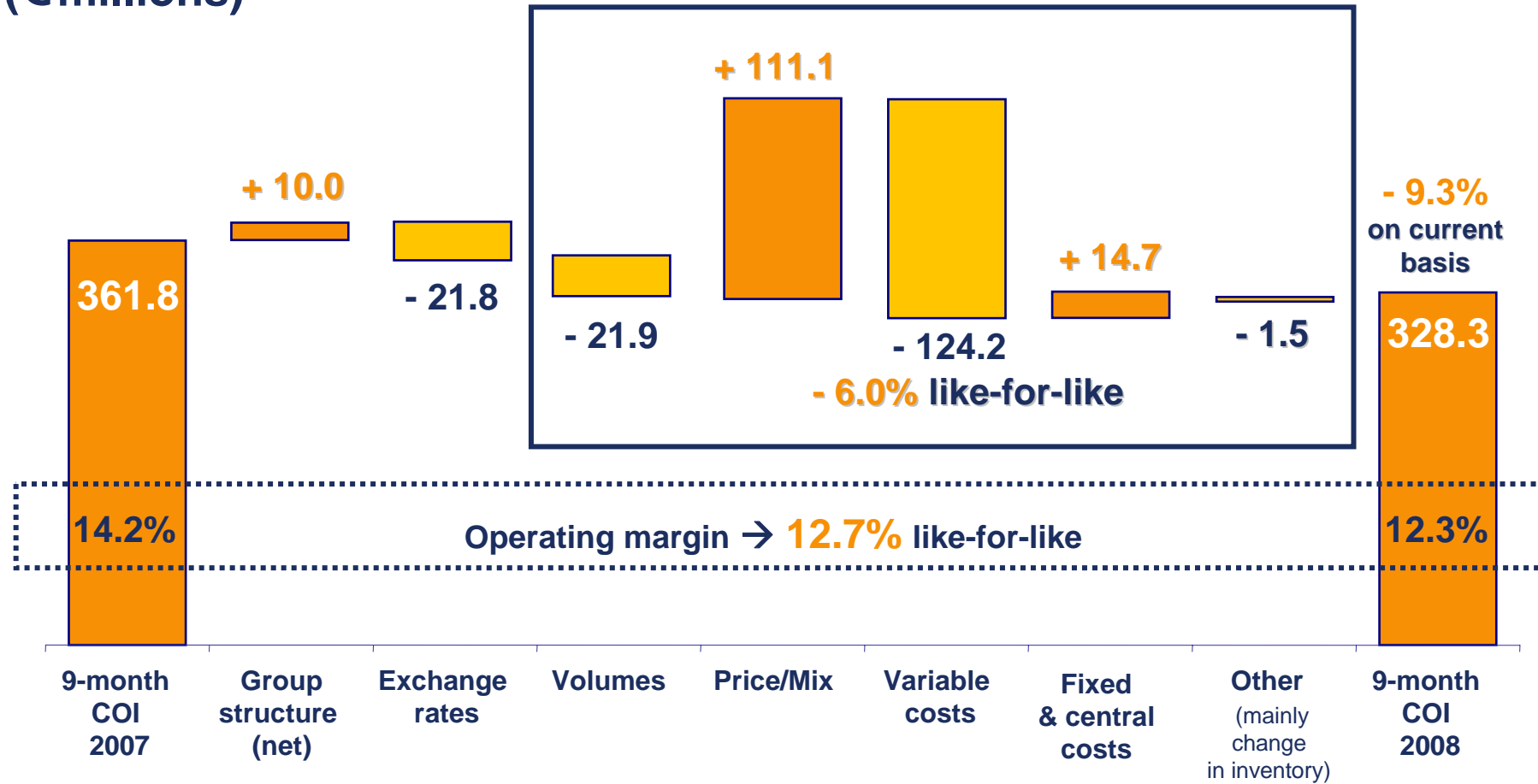
Impact of volumes on Current Operating Income during the period

- Lower volumes on construction markets not offset by increases in other business segments



Change in current operating income

(€millions)



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Decrease in net income from current operations

(€ millions)	9 months 2008	9 months 2007	Change
Current operating income	328.3	361.8	- 9.3%
Financial income (expense)	(29.8)	(41.9)	
Current income tax	(82.1)	(89.0)	
Net income from current operations, Group share⁽¹⁾⁽²⁾	220.8	231.9	- 4.8%
Other operating revenue and expense, net	(25.1)	(15.2)	
Net income, Group share	195.7	216.7	- 9.7%

(1) Including minority interests and equity method

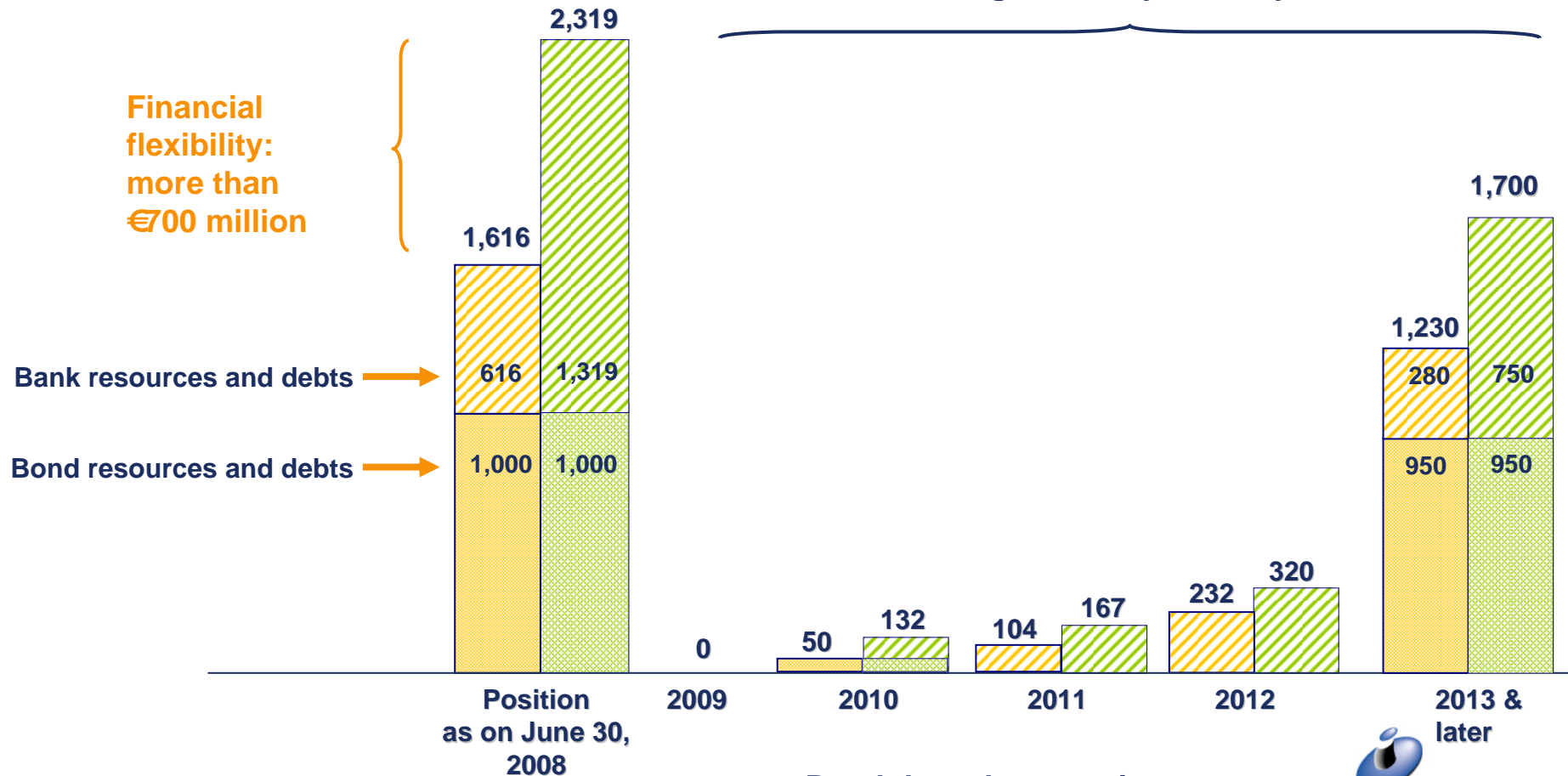
(2) Net income before other operating revenue and expense, net

- **Improvement in financial expense**
- **Stable tax rate (27.5%)**
- **Continuation of restructuring efforts in Q3**

Secure financial resources

➤ No significant repayment before 2013 (data as on June 30, 2008)

Average maturity → 5.9 years



Financial flexibility: more than €700 million

Bank resources and debts

Bond resources and debts

Breakdown by maturity

- Financial resources (€millions)
- Net debt (€millions)



2008 outlook

- **Drop in energy prices and appreciation of USD → if confirmed, less adverse impact on Group's results**
- **Uncertainty on economic environment over Q4**
- **For 2008 as a whole, the Group's net income from current operations may decrease by around - 15%**



2008 outlook

➤ **A proven and resilient business model**

- Free cash flow-generating activities
- Diversity of markets served (geography, end markets)
- Available financial resources over 700 M€;
no significant repayment before 2013
- Cost reduction programs in line with expectations

➤ **Teams mobilized around free cash flow generation**



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