

Full-Year 2008 Results Presentation



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➤ **2008 highlights**

➤ **2008 results**

➤ **Outlook**



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2008: an unprecedented run of adverse events

➤ First part of year

- Record inflation in cost factors over first 9 months

➤ 4th quarter

- Dramatic slowing of economic activity; collapse of sales volumes



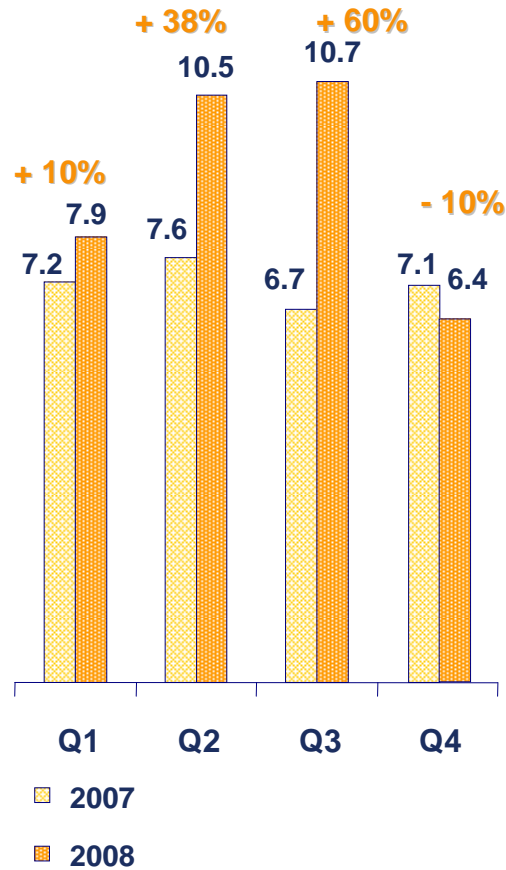
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Adverse external factors

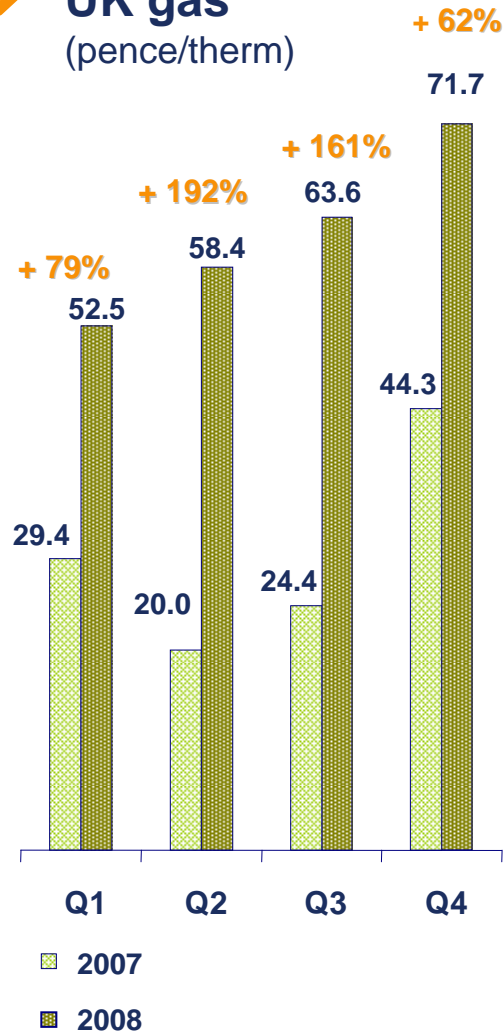
- **High inflation in average energy prices in 2008:**
Brent up + 34% / UK gas up + 109% / US gas up + 25% ...
 - All-time high reached in 3rd quarter
 - Decrease in Brent in 4th quarter
- **.... with repercussions in many cost factors (chemicals, raw materials, freight)**
 - No price decreases in most of these factors in 4th quarter
- **Unfavorable currency trends: slide in average US dollar vs. euro and Brazilian real rates**
 - €/\$ → down - **7.3%** on average vs. 2007
(1.47 vs. 1.37 for 2007)
 - \$/BRL → down - **6.5%** on average vs. 2007
(1.82 vs. 1.94 for 2007)

Energy price⁽¹⁾

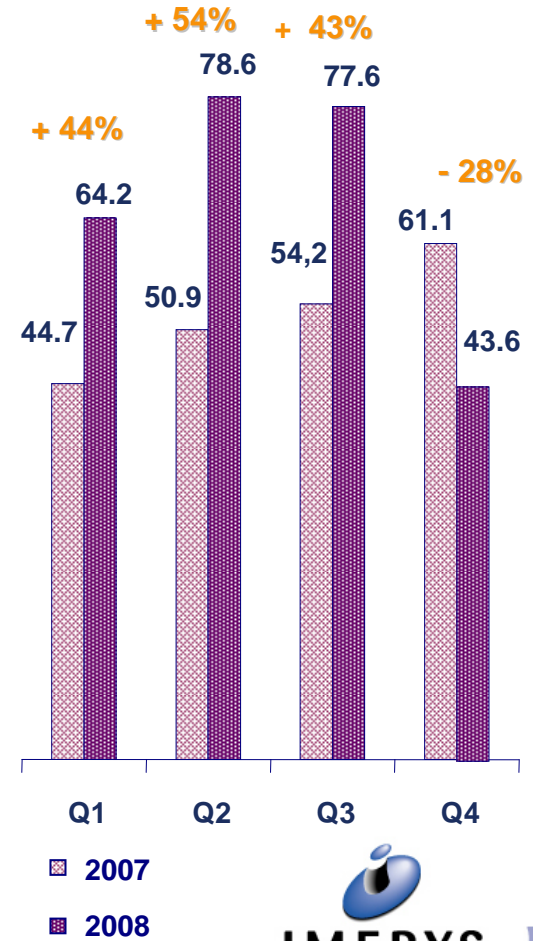
> US gas (\$/MMBTU)



> UK gas (pence/therm)



> Brent (€/barrel)



(1) Quarterly averages

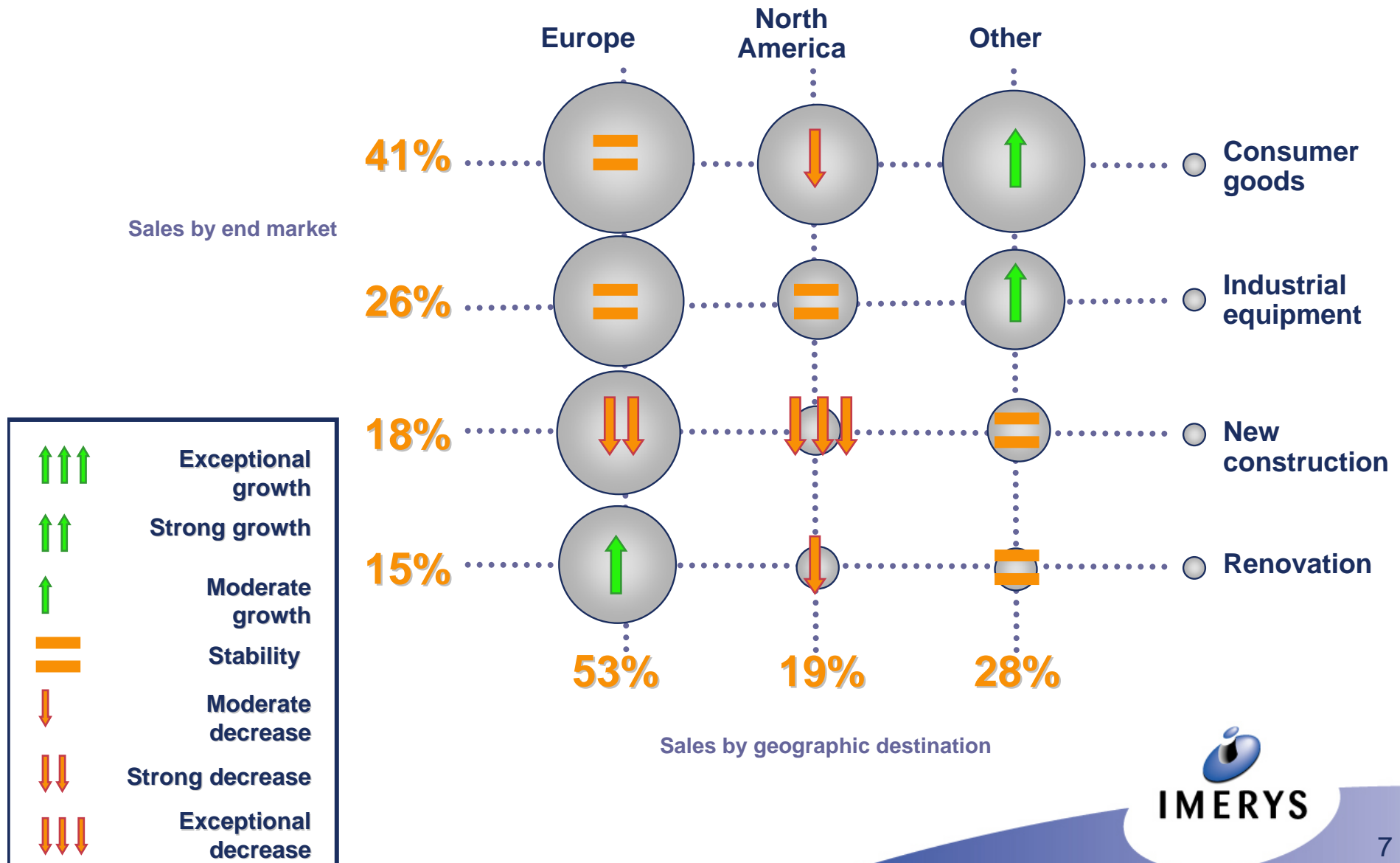
A tough global economic environment

- **For 2008 as a whole, the Group's markets showed contrasting trends, but unfavorable overall**
 - **Industrial equipment:** firm global markets relating to industrial equipment (refractories, abrasives, graphite, etc.) for the first nine months of the year; sharp fall in 4th quarter due to production stoppages, particularly in the steel and automotive industries
 - **Consumer goods:** firm filtration activities; decrease in global paper production despite growth in Asia
 - **Construction:** European and American new construction-related markets badly affected; maintenance-related activities stable overall



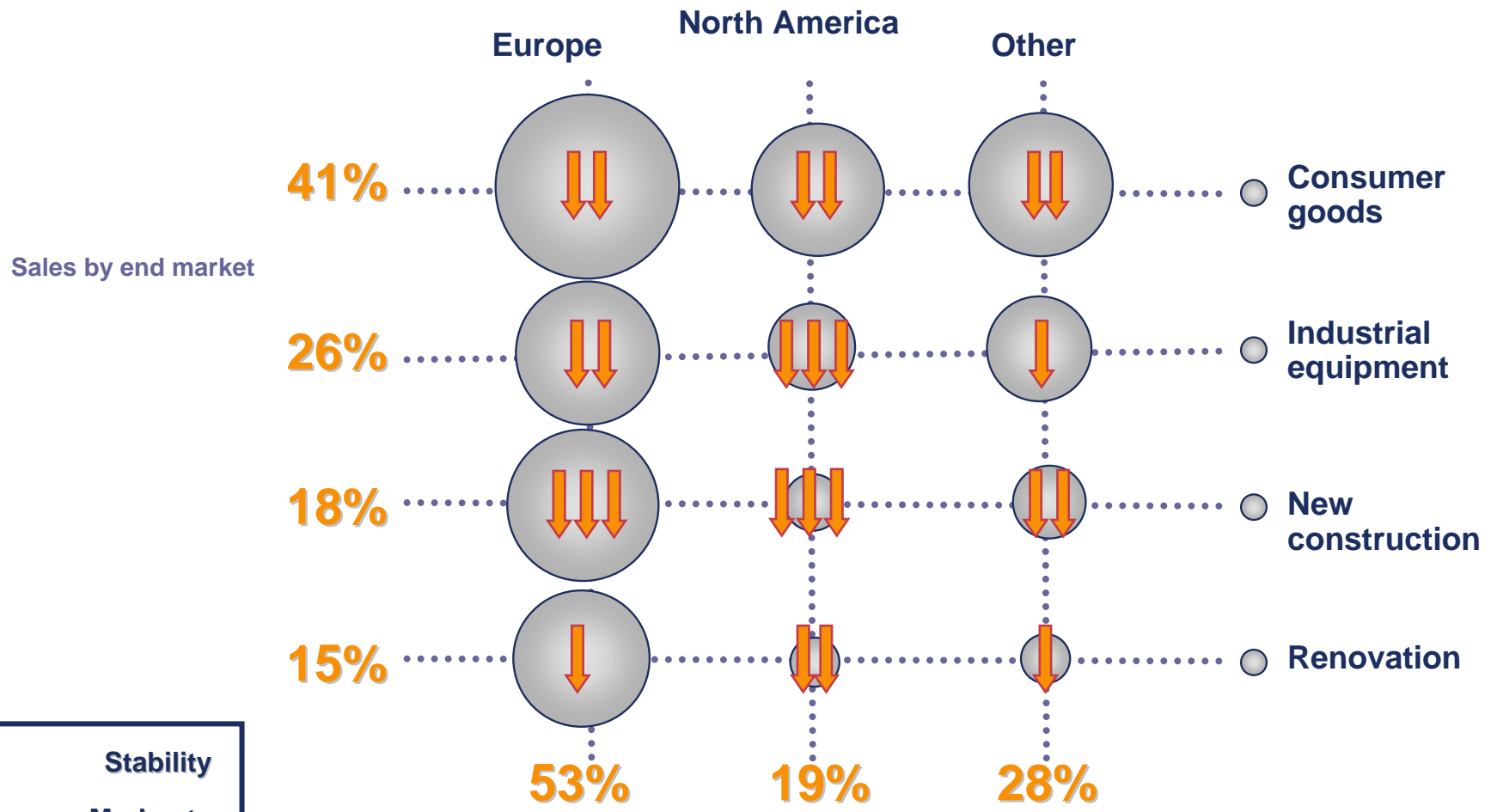
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Market trends in 2008



Source: Imerys estimates - based on 2008 sales

4th quarter market trends



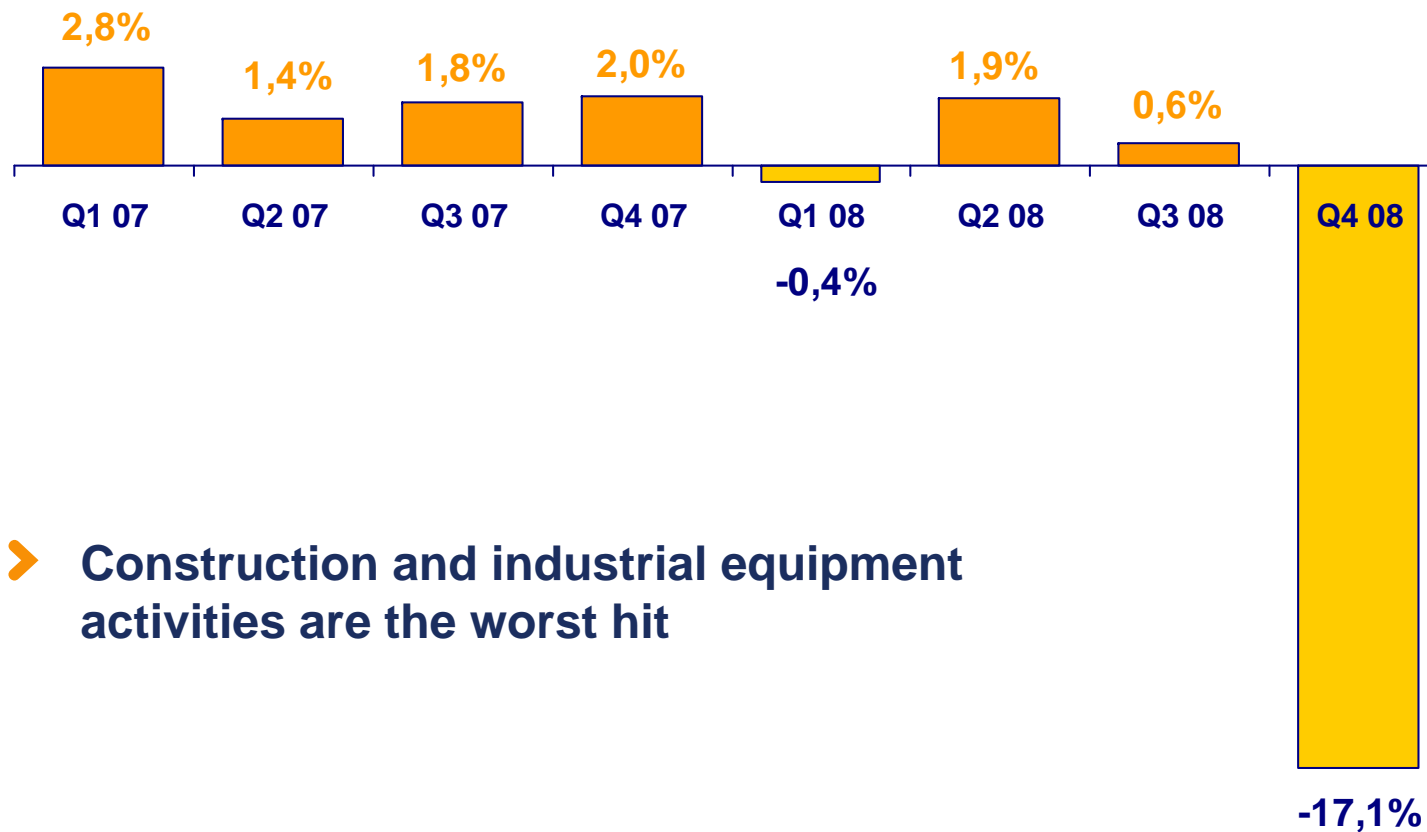
	Stability
	Moderate decrease
	Strong decrease
	Exceptional decrease

Source: Imerys estimates – based on 2008 sales



Unprecedented volume slump in 4th quarter

Impact of volumes on sales



- Construction and industrial equipment activities are the worst hit

Swift response from the Group

- **In that difficult context, the Group was quick to react**
 - **Price control that offset the substantial inflation observed**
 - **Completion of substantial industrial performance improvement programs** undertaken since 2007 (kaolin for paper, Minerals for Filtration)
 - **Integration of companies acquired since 2007**
 - ➔ positions strengthened in emerging zones
 - **Since the summer:**
 - Priority given to cash flow generation through strict management of capital expenditure and working capital
 - Measures stepped up to adjust output to demand



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Key figures 2008

➤ Slight increase in sales

- Up **+ 1.4%** on current basis vs. 2007
(**+ 0.7%** at comparable Group structure and exchange rates)

➤ Decrease in current operating income entirely due to lower volumes

- Down **- 15.7%** on current basis vs. 2007
(**- 13.5%** at comparable Group structure and exchange rates)

➤ Net current income down **- 15.7%** over the period

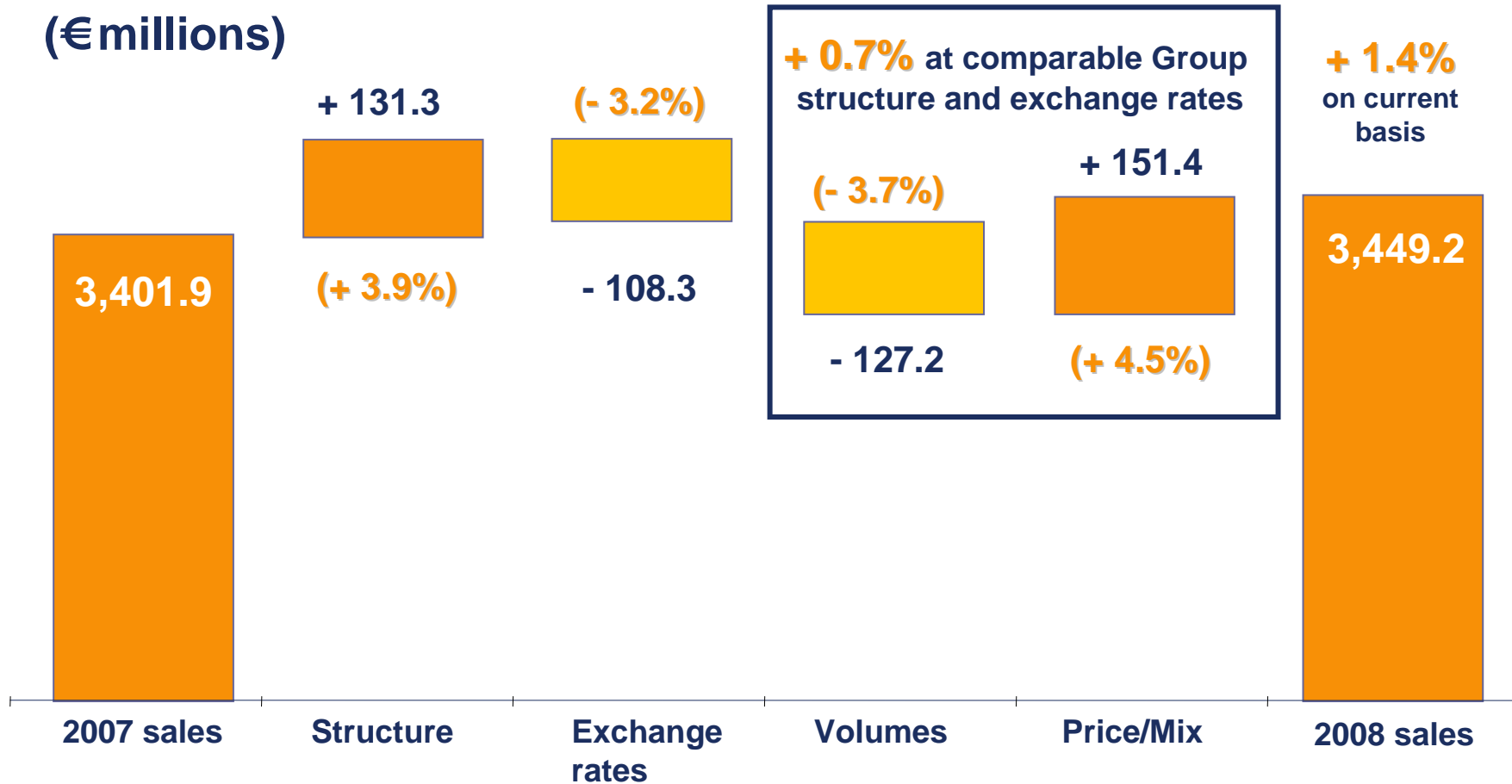
➤ Current free cash flow up **+ 53.2%**



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Slight increase in sales

(€millions)

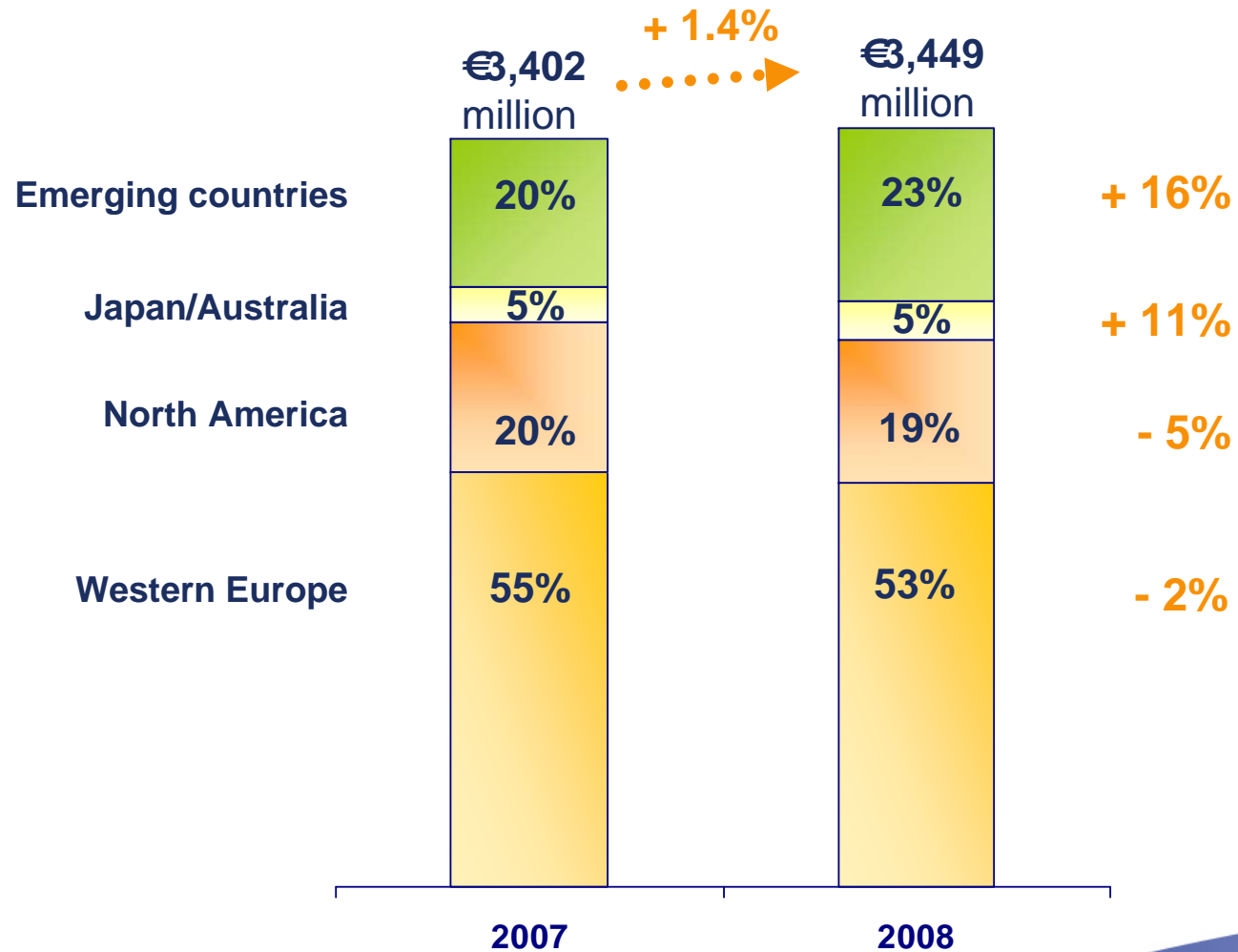


- Impact of changes in structure (2007/2008 acquisitions program)
- Ongoing heavy negative effect of exchange rates
- Decrease in volumes more than offset by improvement in price/mix component



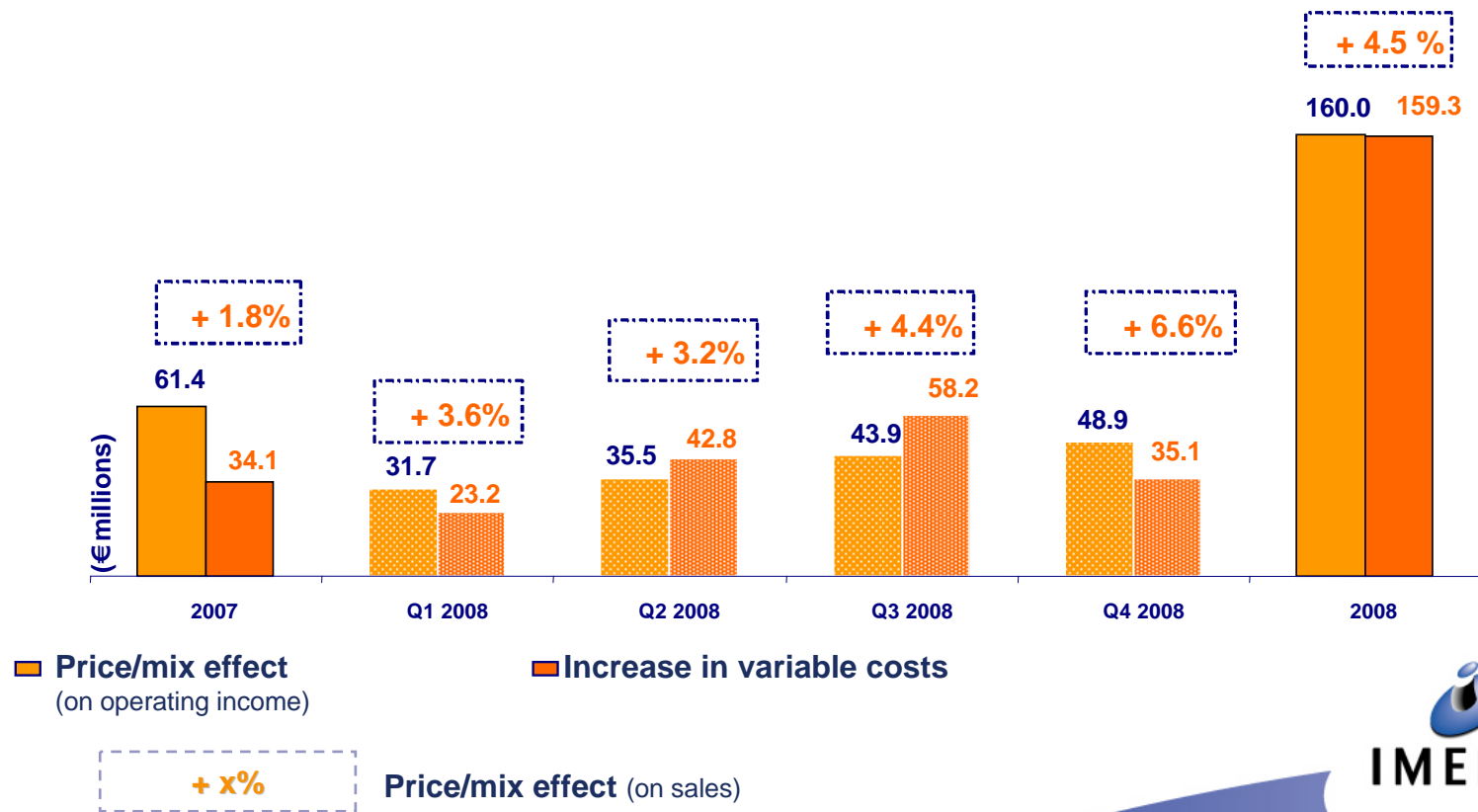
Development in emerging countries

> Sales by geographic zone



Price/mix and variable costs

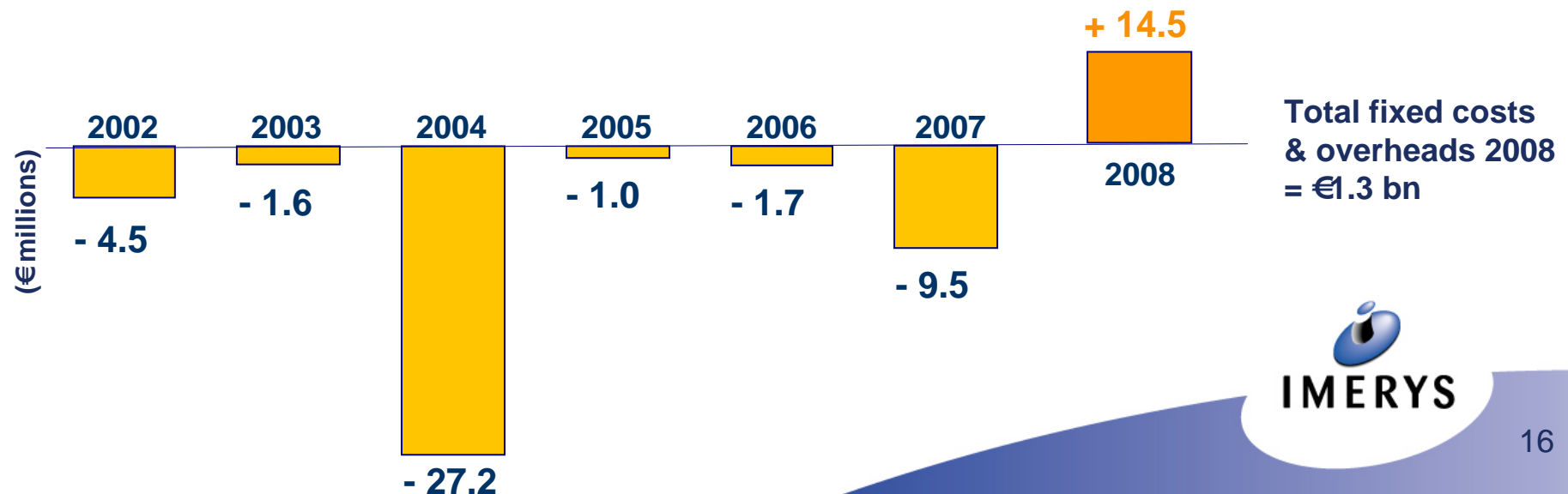
- Over the year, variable cost inflation was fully offset by improvement in the price/mix component
- In the 4th quarter, slowdown in variable costs inflation (but with some raw material and chemical prices remaining high all year long)



Decrease in fixed costs in 2008

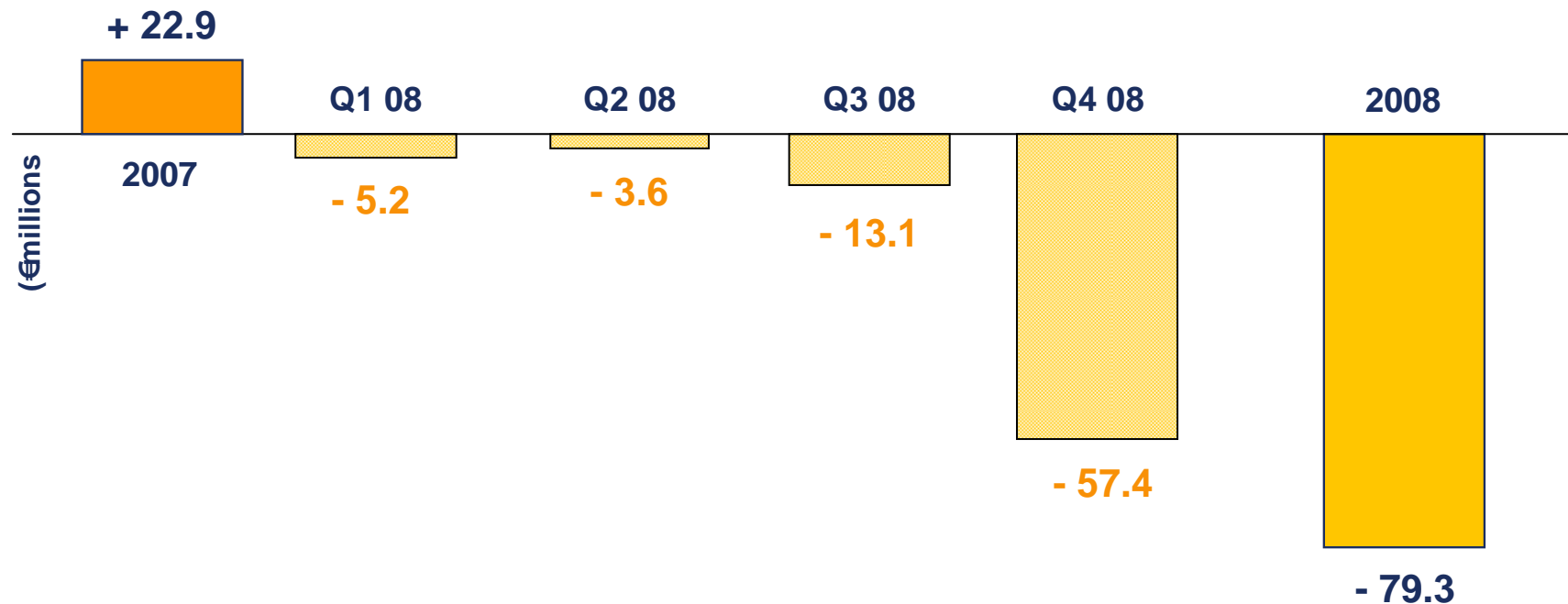
- Capex projects to upgrade and improve productivity of existing assets → results in line with expectations
- First production capacity adjustment plans launched

Impact of fixed costs and overheads
on current operating income

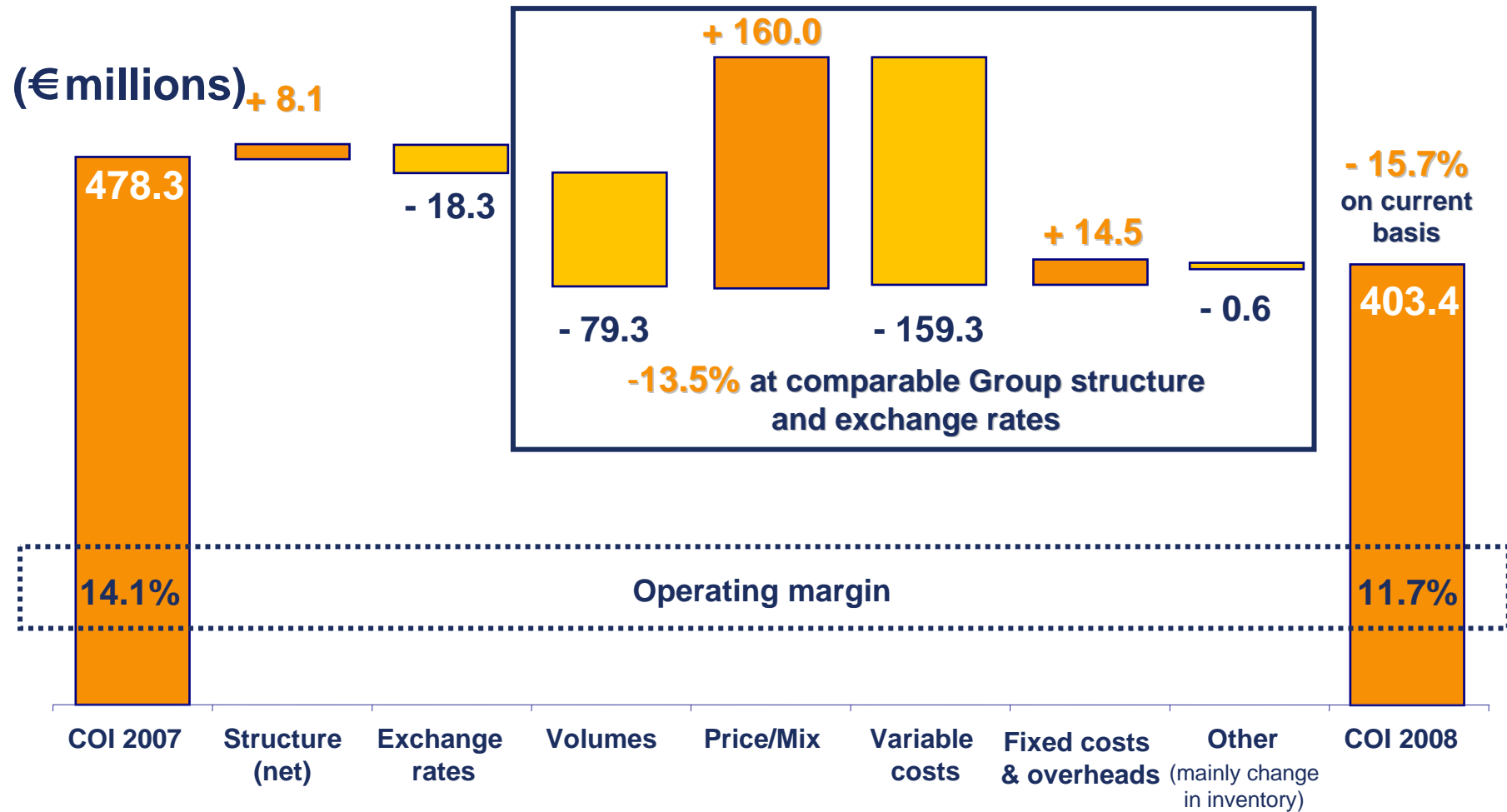


Sharper fall in volumes in 4th quarter

Impact of volumes on current operating income



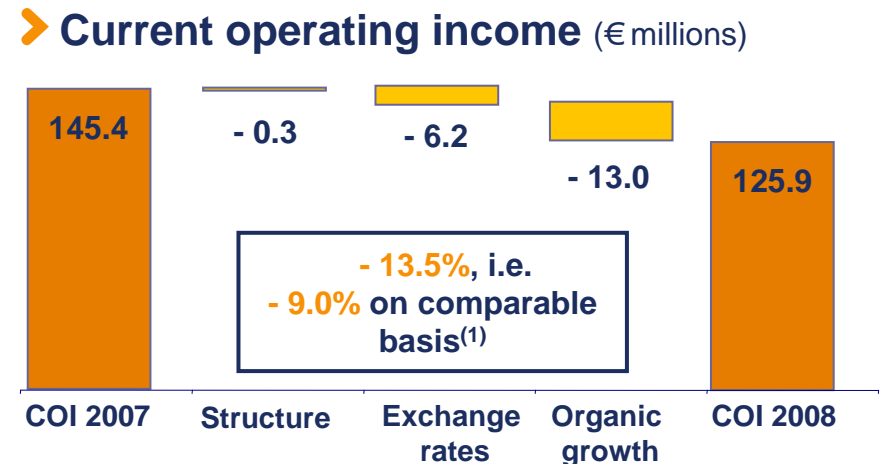
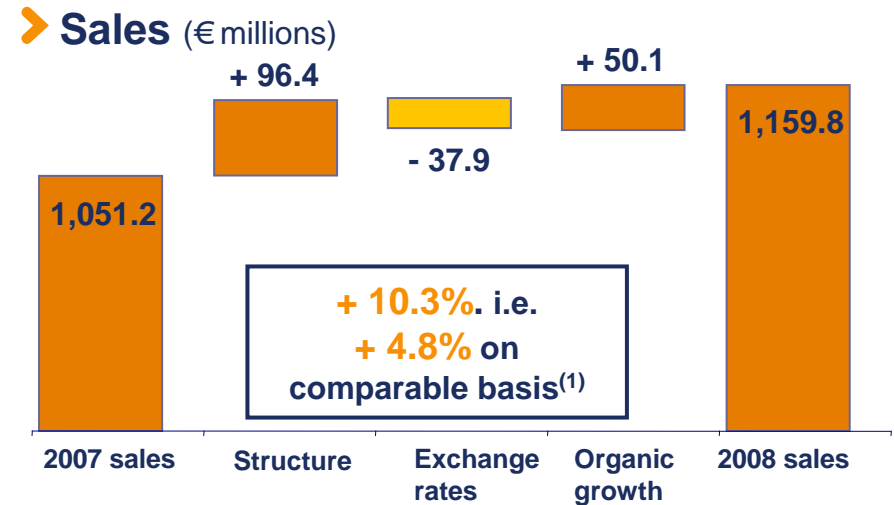
Trends in current operating income (COI)



Minerals for Ceramics, Refractories, Abrasives & Foundry

- Dynamic industrial equipment markets for the first 9 months of the year; sharp decrease of activity in 4th quarter
- Greater presence in emerging countries

- Operating margin **10.9% vs. 13.8%** in 2007:
 - Improved price/mix offsetting very high inflation in variable costs; increase in fixed costs
 - Lower volumes
 - Astron integration plan behind schedule

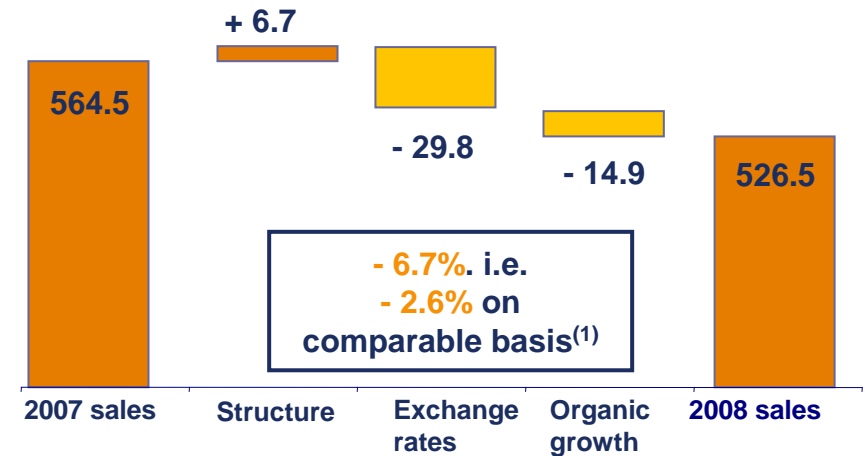


(1) at comparable structure and exchange rates

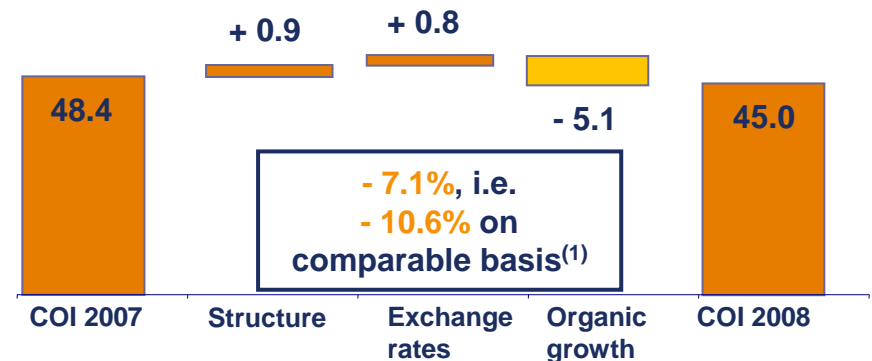
Performance & Filtration Minerals

- Significant downturn in construction markets (paint, plastics); stable filtration markets with softening demand at year end
- Lower volumes; firm price/mix
- Stable operating margin
→ 8.5% vs. 8.6% en 2007 :
 - Improved price/mix offsetting variable cost inflation
 - Satisfactory results of industrial plans and cost reduction actions (USA; UK)
 - Good performance of acquisitions
- Acquisition in October of mica mineral reserves and production units in North America (sales = \$20 million)

➤ Sales (€ millions)



➤ Current operating income (€ millions)



(1) At comparable Group structure and exchange rates

Pigments for Paper

➤ Significant drop in printing & writing paper production in Europe and the United States

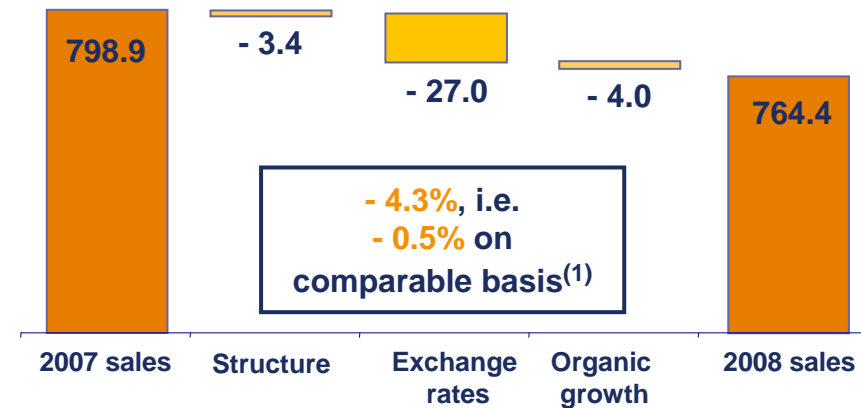
➤ Production growth in Asia

➤ Decrease in operating margin
➔ 7.2% vs. 10.5% in 2007

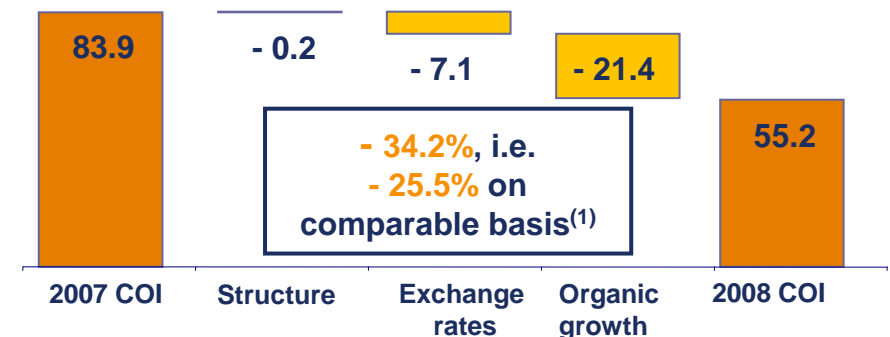
- Lower volumes in Europe and the United States
- Price campaign insufficient to offset record rise in variable costs
- Increase in fixed costs (kaolin plan effective since early 2008; capacity reduction in USA)

➤ Development in carbonates in Asia in line with market growth

➤ Sales (€ millions)



➤ Current operating income (€ millions)



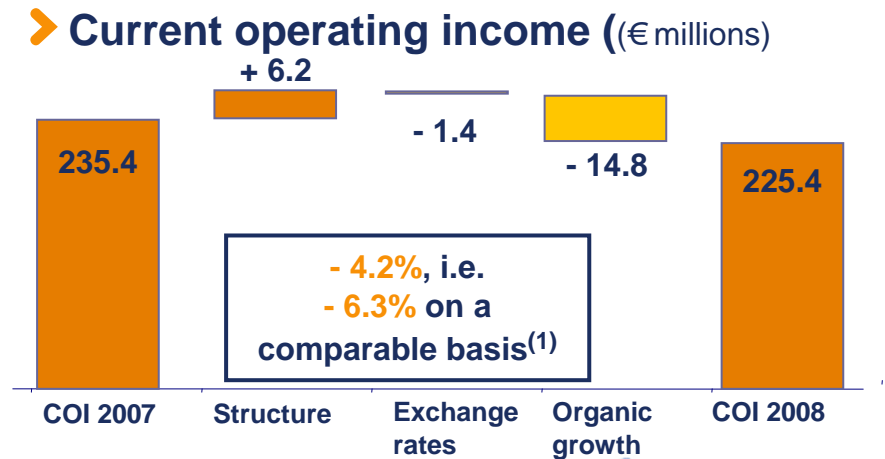
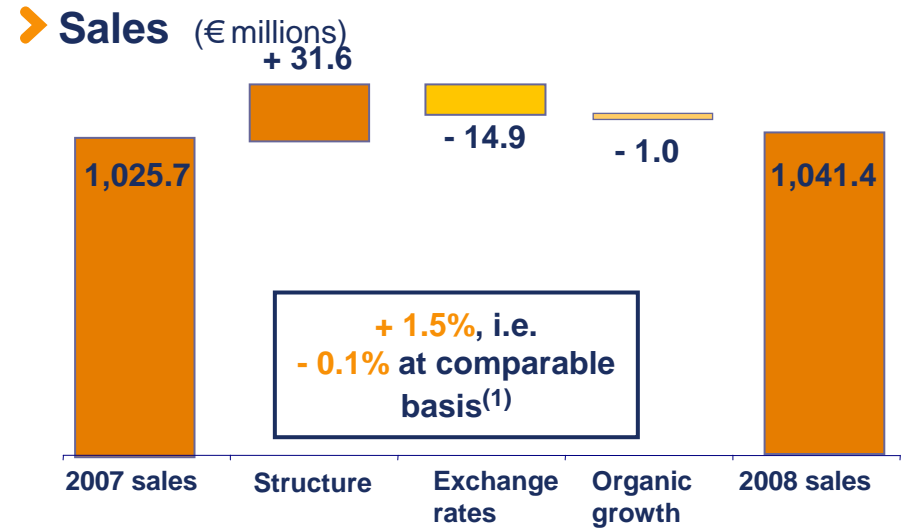
(1) At comparable Group structure and exchange rates

Materials & Monolithics

- Weak new construction (housing starts - 15% year-on-year), stable renovation markets → roof tile market down - 7%, brick market down - 2%
- Dynamic monolithic refractory markets over first 9 months of the year

- Operating margin remained high → 21.6% vs. 22.9% in 2007
 - Good performance of acquisitions
 - Improved price/mix component offsetting rise in variable costs
 - Lower income entirely due to drop in volumes

- Acquisition in Monolithic Refractories in Sweden; partnership with EDF/ENR in photovoltaic tiles



(1) At comparable structure and exchange rates

Decrease in net current income

(€ millions)	2008	2007	Variation
Current operating income	403.4	478.3	- 15.7%
Financial income (expense)	(46.2)	(55.7)	
Current income tax	(98.1)	(110.1)	
Minority interests & equity method	8.0	4.2	
Net current income⁽¹⁾⁽²⁾	267.1	316.7	- 15.7%

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

(2) Group's share

- **Rise in current income tax to 27.5% vs. 26.0% in 2007**
 - ➔ **Depreciation of Brazilian real weighed on taxation rate**

Financial income (expense)

(€ millions)	2008	2007
Interest expense	(57.0)	(58.0)
Other financial income and expenses	10.8	2.3
Financial expense	(46.2)	(55.7)

- *Apparent average cost of financing (after hedging)*

3.6%

4.5%

> **Improvement in financial expense**

- Decrease in average cost of financing (decrease in short-term interest rates and gains on interest rate instruments)
- €11.8 million gains on foreign exchange transactions in 2008

Net income

(€ millions)	2008	2007	Change
Net current income operations⁽¹⁾⁽²⁾	267.1	316.7	- 15.7%
Other income and expenses, net⁽²⁾, of which:	(105.8)	(32.5)	
• Cash expenses (Restructuring, litigations)	(35.9)	(6.4)	
• Non-cash expenses	(69.9)	(26.2)	
- <i>Depreciation of goodwill</i>	(48.9)	(0.1)	
- <i>Industrial asset depreciations</i>	(21.0)	(26.1)	
Net income⁽²⁾	161.3	284.2	- 43.2%

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

(2) Group's share

- **First adjustment of industrial assets to market conditions**
- **Goodwill depreciation following impairment tests
(Performance Minerals North America)**

Priority given to free cash flow generation

(€ millions)	2008	2007
EBITDA	569.1	646.7
Current operating cash flow	458.4	522.6
● Change in operating working capital	32.3	(4.9)
● Paid capital expenditure	(248.8)	(352.6)
Current free operating cash flow⁽¹⁾	253.4	174.1
● Financial expense (net of tax)	(33.6)	(41.2)
● Other working capital items	(40.0)	(15.5)
Current free cash flow	179.8	117.4

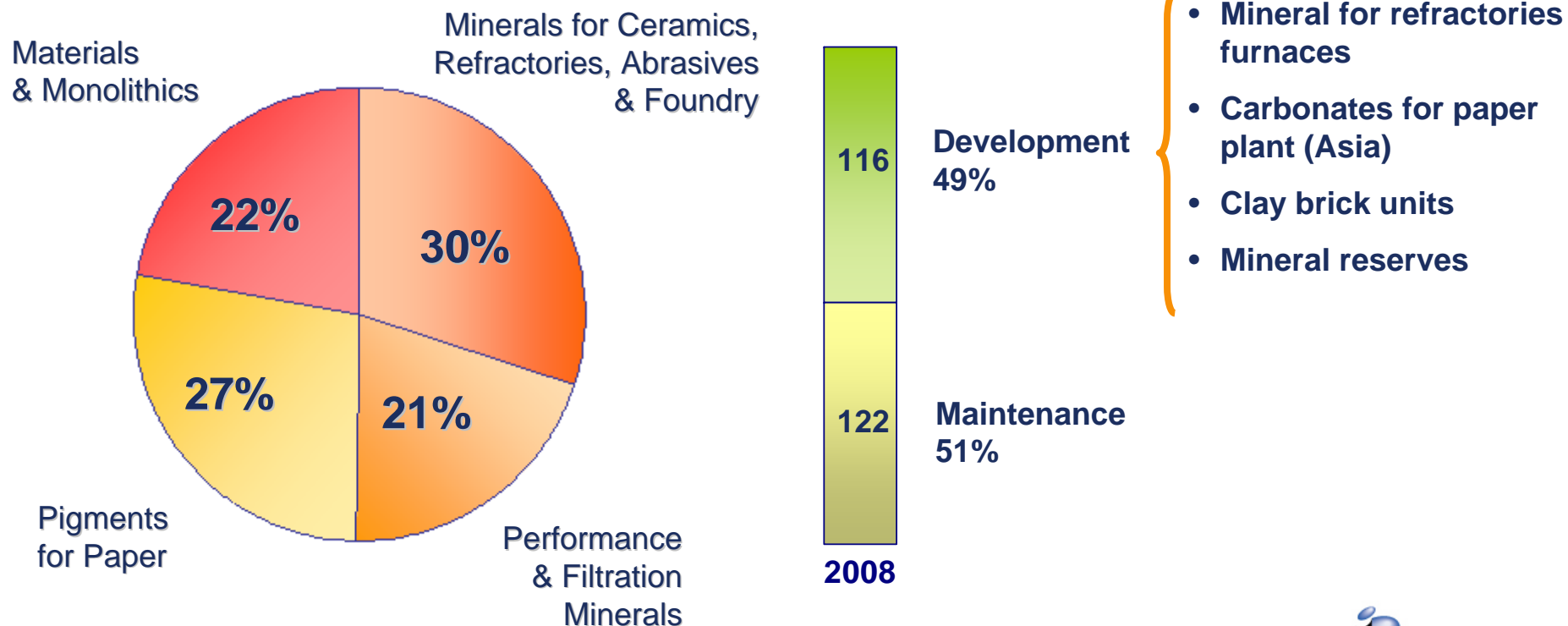
(1) Including divestments & subsidies:

11.5

9.0

Development capital expenditure: €116 million

➤ Booked amount **€238 million**, i.e. **123%** of depreciation expense (**€367 million**, i.e. **186%** in 2007)⁽¹⁾



(1) Paid capital expenditure in 2008 = €248.8 million (€352.6 million in 2007)

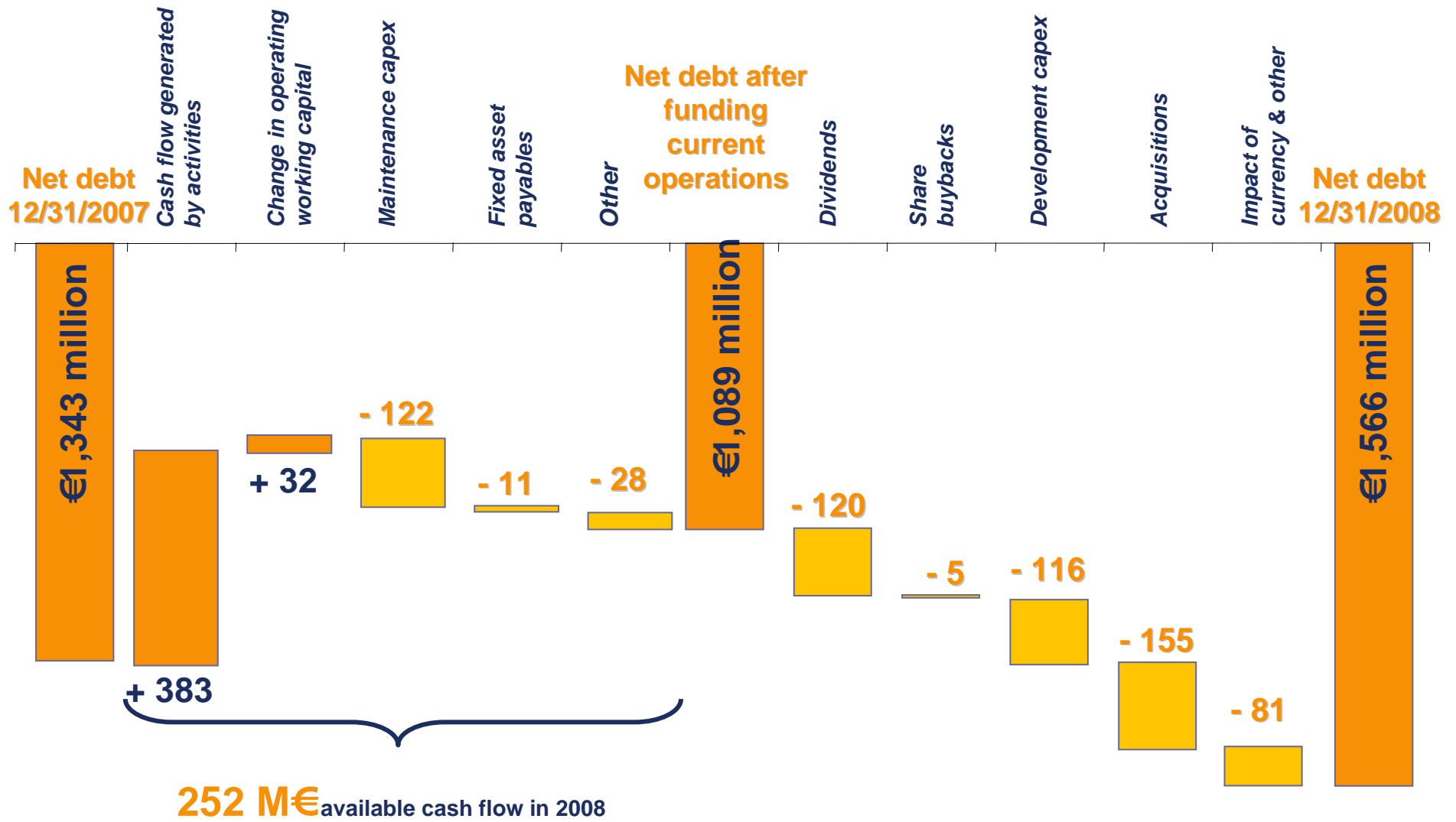
Change in net debt

(€ millions)	2008	2007
Current free cash flow	179.8	117.4
External growth	(155.8) ⁽²⁾	(232.8) ⁽¹⁾
Divestments	1.2	40.7
Extraordinary cash flow	(42.4)	(41.2)
Dividends	(119.7)	(116.0)
Share buybacks	(5.0)	(39.9)
Impact of currency / others flows	(81.2)	14.9
Increase / decrease in net debt	(223.1)	(256.9)

(1) Not including Astron China, of which the acquisition was completed on February 5, 2008

(2) Including Astron China

Change in net debt



Financial structure still sound at year-end 2008

➤ Financial structure indicators as of December 31, 2008

Net debt	€1,566 million
Shareholders' equity	€1,546 million
EBITDA	€569 million

Net debt / shareholders' equity → 101%

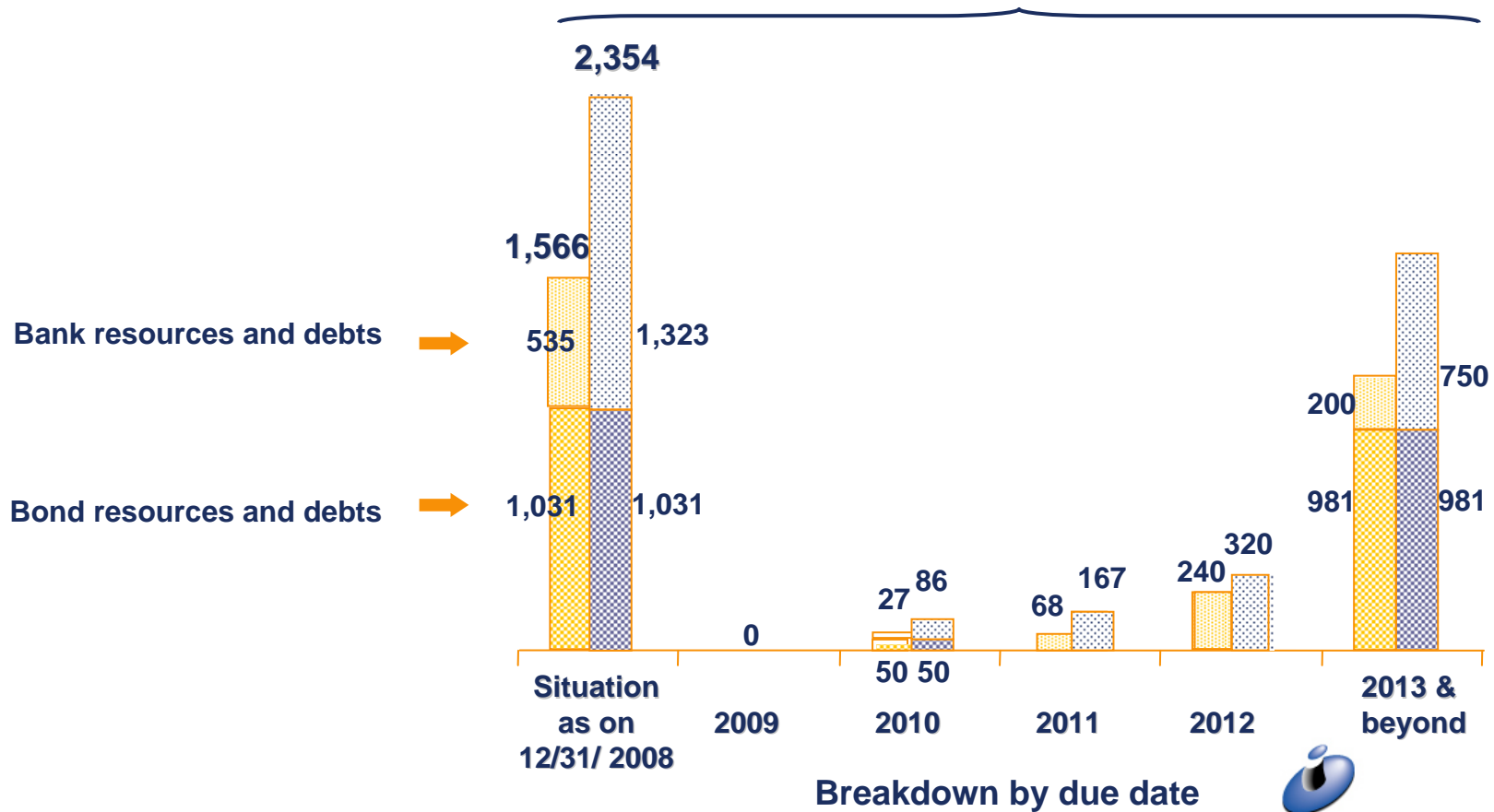
Net debt / EBITDA → 2.8 x

➤ These ratios give the Group good flexibility with respect to its covenants (160% and 3.75 x, respectively)

Available liquidity

➤ No significant repayments until late 2012

Average maturity of financial resources → 5.5 years



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

Dividend

	2008	2007	Change
Net income from current operations per share (euros)	4.25	5.00	- 15.0%
Dividend per share⁽¹⁾ (euros)	1.00	1.90	- 47.4%
Total distribution (€ millions)	62.8⁽²⁾	119.9	
Current payout	23.5%	37.9%	
Average weighted number of shares	62,801,382	63,330,652	

(1) Proposed to the General Shareholders' Meeting on April 29, 2009

(2) Based on weighted average number as on December 31, 2008

➤ **2008 highlights**

➤ **2008 results**

➤ **Outlook**



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Outlook

➤ **Uncertainty has prevailed since the autumn**

- Markets slumped sharply in the 4th quarter
- We do not see any upturn at this stage

➤ **The Group has to maintain its room to maneuver: actions plans launched**

- Priority given to free cash flow generation
 - Working capital reduction
 - Stringent selection of capex projects
- Reduction of fixed cost & overheads base to adapt the Group's structures to lower demand
 - Production unit closures
 - Manpower reductions

➤ **Imerys will emerge from the period as a stronger leader in industrial minerals**



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