



# 2009 Results

Meeting of February 15, 2010

➤ **G rard Buffi re**

**Chief Executive Officer**

➤ **Michel Delville**

**Chief Financial Officer**



➤ **2009: sharp collapse in volumes**

➤ **Efficiency of action plans**

➤ **Strengthened financial structure**

➤ **Outlook**

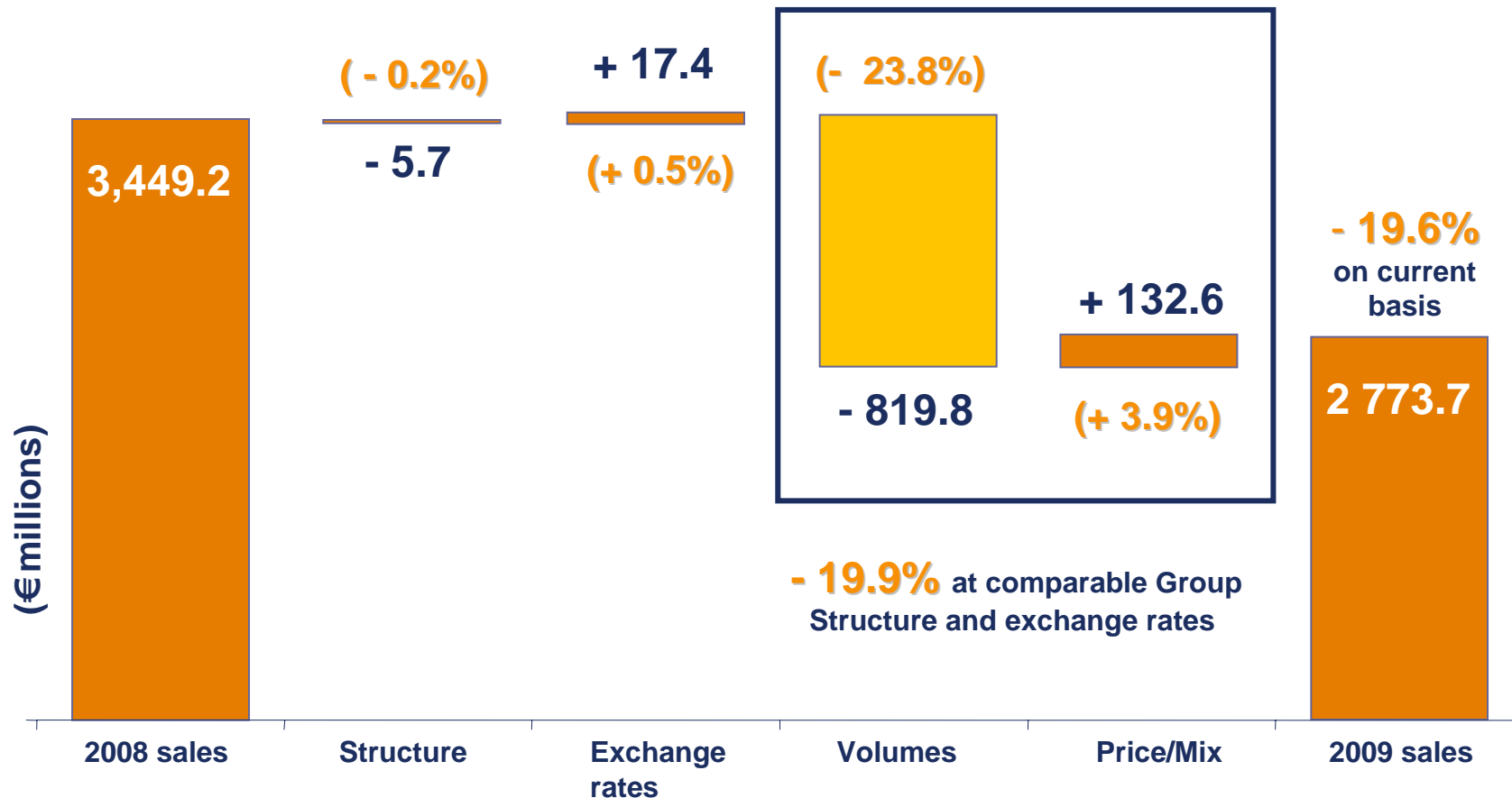
## > Record collapse in volumes

- **Sales: €2,773.7 million**
  - -19.9% at comparable Group structure and exchange rates of which -23.8% volume effect

## > Efficiency of action plans

- **Current operating margin: 9.0% (- 3.0 points)**
  - Reduction in fixed costs and overheads (cash): - 15%
- **Current free operating cash flow: €450.3 million**  
(vs. €257.8 million in 2008)
  - Substantial inventory reduction
  - Control of capital expenditure

# Unprecedented collapse in volumes in all business groups



- Positive price/mix effect in all 4 business groups
- Positive year-on-year exchange rate effect

- Positive effect of US dollar's appreciation against the euro **1 € = 1.39 USD** in 2009 vs. **1.47 USD** in 2008, i.e. **+5.2%**; but weakened in Q4
- Euro appreciated against other currencies



➤ **2009: sharp collapse in volumes**

➤ **Efficiency of action plans**

➤ **Strengthened financial structure**

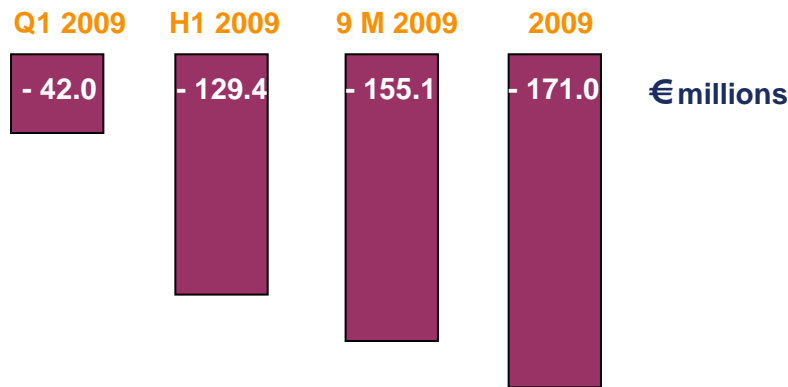
➤ **Outlook**

# Efficiency of action plans

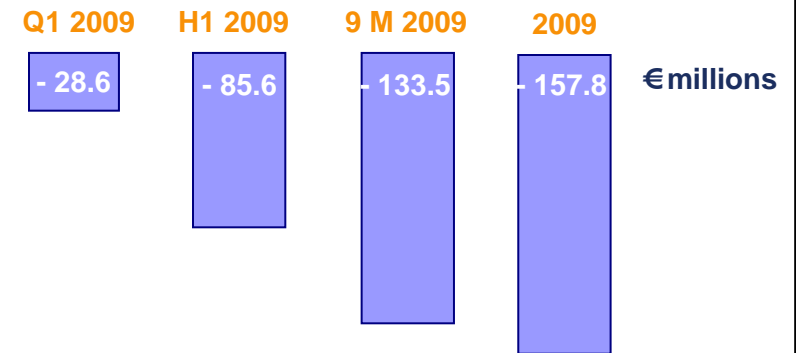
## ➤ Results of action plans exceed our expectations

- Inventories: - €171 million
- Fixed cost savings: - €158 million

Sharp decline in production

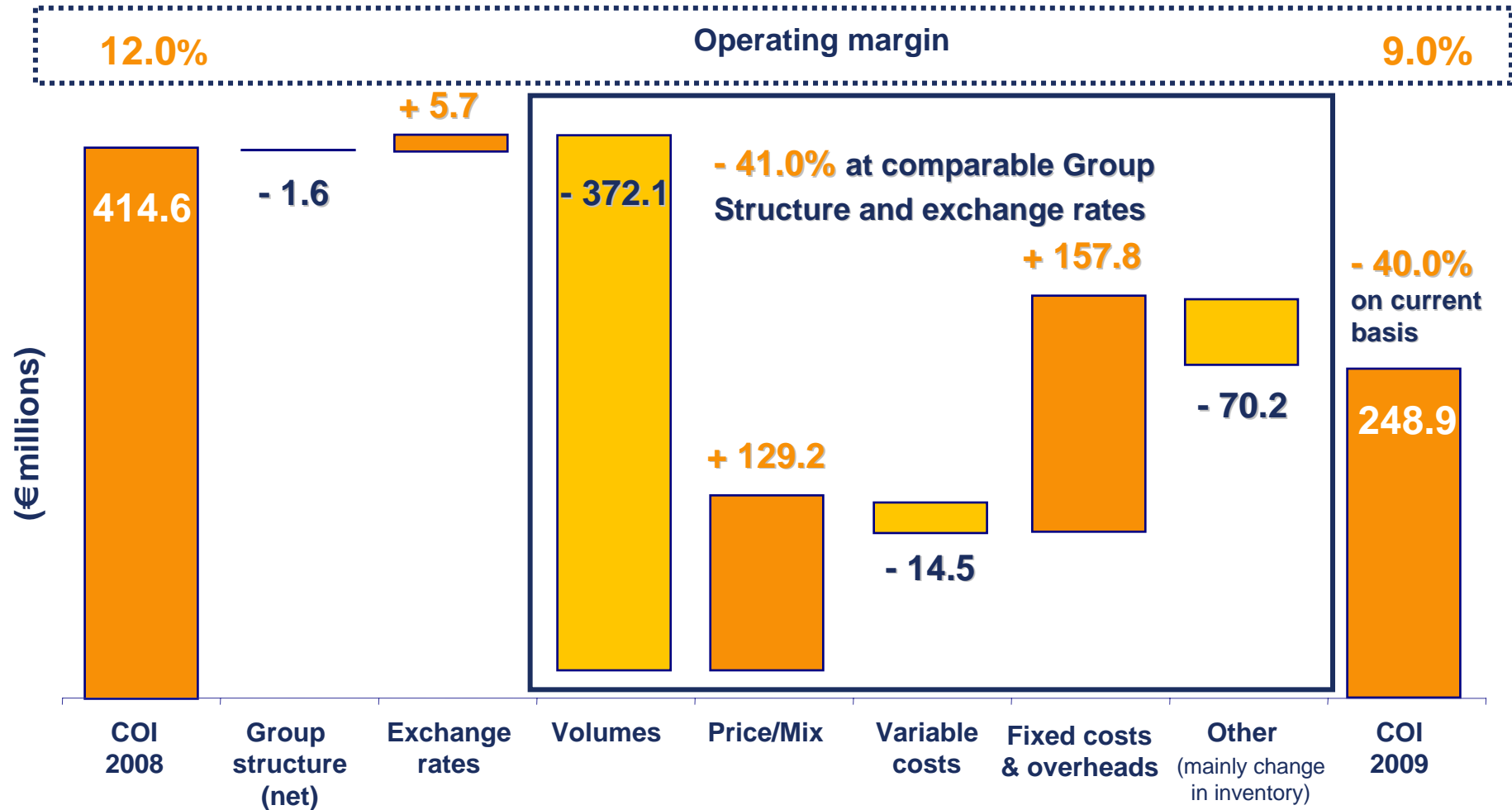


Group inventories: - 27%



Fixed costs and overheads (cash): - 15%

# Operating margin in line with 10% target for early 2010



➤ Operating margin in 2<sup>nd</sup> half 2009: **9.9%**



# Minerals for Ceramics, Refractories, Abrasives & Foundry (28% of consolidated sales)

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(€ millions)	2009	2008 <sup>(1)</sup>	Change
Sales	794.5	1,159.8	- 32.2% Comparable <sup>(2)</sup>
Current operating income	44.0	127.8	- 65.6%
Current operating margin	5.5%	11.0%	- 5.5 points

➤ **Sharp downturn in industrial equipment, automobile and infrastructure markets**  
→ **Europe and US steel: approx. - 30% in 2009 vs. 2008**

- Trend heightened by many production stoppages and extensive inventory reduction in 1<sup>st</sup> half 2009
- Inventory rebuilding towards end of year
- Recovery on emerging markets

➤ **Persistently slack construction market in North America and Europe; production stoppages**

➤ **Significant production decrease in all activities and geographies**

➤ **Mineral reserves portfolio bolstered in the USA**

(1) 2008 results were restated following two presentation changes applied as of January 1, 2009

(2) At comparable Group structure and exchange rates



# Performance & Filtration Minerals

(18% of consolidated sales)

9

(€ millions)	2009 <sup>(1)</sup>	2008 <sup>(2)</sup>	Change
Sales	500.7	571.5	- 14.5% Comparable <sup>(3)</sup>
Current operating income	26.9	46.1	- 41.7%
Current operating margin	5.4%	8.1%	- 2.7 points

- **US housing starts at lowest level since 1963 (- 43% in 2009 vs. 2008)**
- **US housing prices: - 28% since 2005**
- **Slack construction market in Europe**
- **Resilient filtration sector**
- **Mining programs stopped, production reduced**
- **Geographic reorganization in Europe, Asia-Pacific and South America**

(1) Transfer of some activities in Asia and South America from Pigments for Paper to Performance & Filtration Minerals

(2) 2008 results were restated following two presentation changes applied as of January 1, 2009

(3) At comparable Group structure and exchange rates



# Pigments for Paper

(23% of consolidated sales)

10

(€ millions)	2009 <sup>(1)</sup>	2008 <sup>(2)</sup>	Change
Sales	631.9	719.2	- 14.0% Comparable <sup>(3)</sup>
Current operating income	41.6	60.2	- 30.9%
Current operating margin	6.6%	8.4%	- 1.8 point

- **Slow recovery in paper production since 3<sup>rd</sup> quarter (- 11% year-on-year)**
- **Strong emerging markets**
- **Reduction of overcapacity and strategic refocusing on adjacent markets (packaging) in mature countries**
- **Industrial assets adjusted to downturn in demand**
- **Two new carbonate units commissioned in Asia to support new local customers' development**

(1) Transfer of some activities in Asia and South America from Pigments for Paper to Performance & Filtration Minerals

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# Materials & Monolithics

(31% of consolidated sales)

11

(€ millions)	2009	2008 <sup>(1)</sup>	Change
Sales	875.6	1,041.4	- 13.9% Comparable <sup>(2)</sup>
Current operating income	168.0	228.3	- 26.4%
Current operating margin	19.2%	21.9%	- 2.7 points

- Downturn in single-family housing starts in France  
→ - 20% in 2009 vs. 2008
- Robust renovation sector
- Positive impact of thermal regulation standards on clay construction
- Significantly lower demand for steel and foundry; satisfactory trend of high-temperature activities
- Recovery in Asia
- Industrial reorganization in both activities
- Resilient operating margin
- Divestment of Planchers Fabre



(1) 2008 results were restated following two presentation changes applied as of January 1, 2009

(2) At comparable Group structure and exchange rates

➤ **2009: sharp collapse in volumes**

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➤ **Outlook**

➤ **Sharp decrease in operating working capital : - €235 million**

Allowing for the factoring program

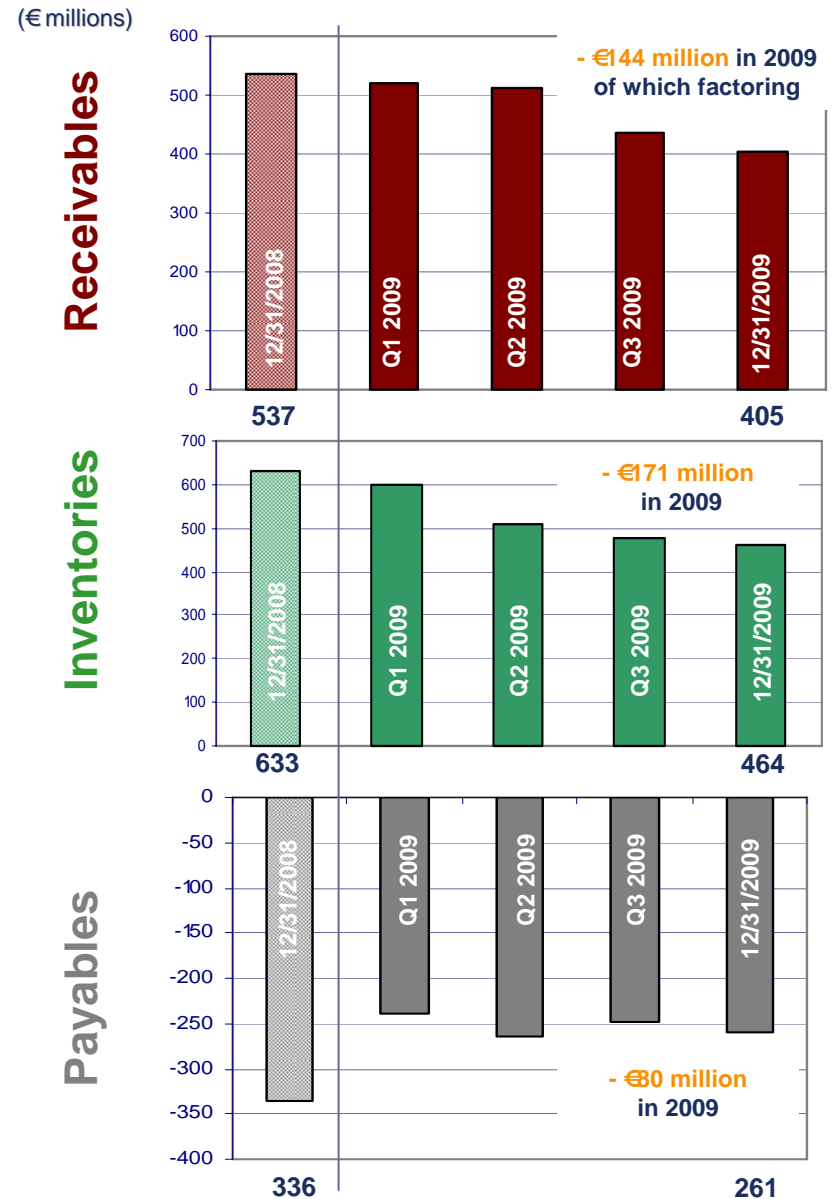
➤ **Net debt reduction of approximately €600 million  
at €964 million**

➤ **Financial structure**

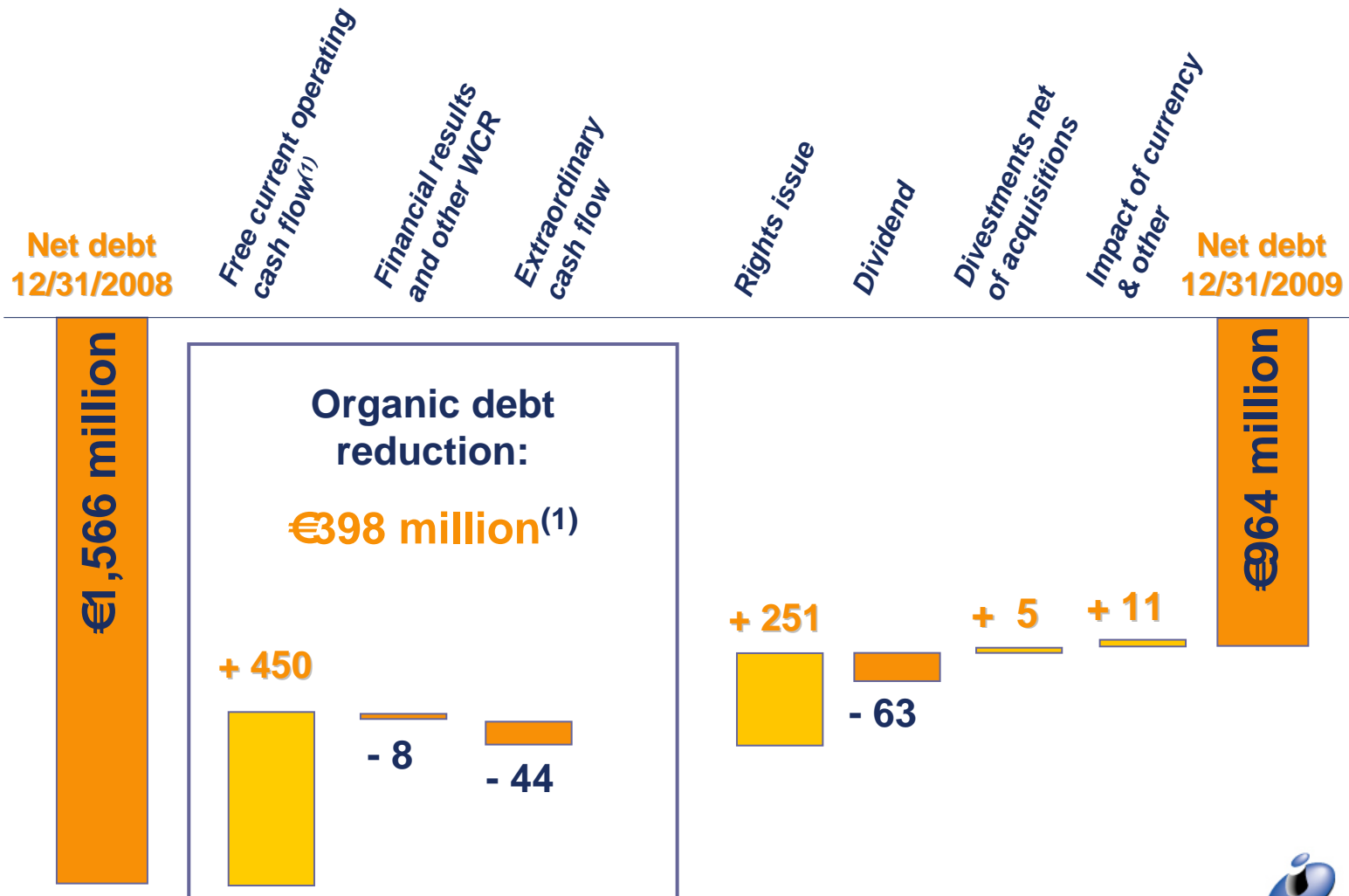
- Net debt / EBITDA: **2.3x**
- Net debt / Shareholders' equity: **52%**
- Total financial resources: **€2.3 billion**

# Tight management of Operating Working Capital (OWC)

- Implementation of a deconsolidating factoring contract in 3<sup>rd</sup> quarter 2009 (€83.0 million trade receivables transferred as on December 31, 2009)
  
- Substantial inventory reduction (- 27%, i.e. - €171 million)
  
- Reduction in trade payables due to lower activity
  - ➔ Working capital at 21.9% of sales



# Net debt below €1 billion



IMERYS

(1) Of which factoring: €83 million

# Financial expense

16

(€ millions)	2009	2008 <sup>(1)</sup>
<b>Net financial debt expense</b>	<b>(69.2)</b>	<b>(57.0)</b>
Change	(5.8)	11.8
Net financial expenses related to pensions	(6.8)	(0.8)
Other financial income and expenses	(1.6)	(1.1)
<b>Financial expense</b>	<b>(83.4)</b>	<b>(47.1)</b>

(1) 2008 results were restated following two presentation changes applied as of January 1, 2009

- **Reminder: in 2008, positive impact of interest rates financial instruments and exchange rates (interest rates: €13.5 million and exchange rates: €11.8 million respectively )**



# Net income from current operations

17

(€ millions)	2009	2008 <sup>(1)</sup>	Change
<b>Current operating income<sup>(2)</sup></b>	<b>248.9</b>	<b>414.6</b>	<b>- 40.0%</b>
Financial expense	(83.4)	(47.1)	
Current income tax	(46.2)	(98.0)	
<b>Net income from current operations, Group share<sup>(3)(4)</sup></b>	<b>119.3</b>	<b>267.1</b>	<b>- 55.3%</b>

- (1) 2008 results were restated following two presentation changes applied as of January 1, 2009
- (2) Including share in income (loss) of affiliates
- (3) Net of minority interests
- (4) Net income, Group share, before other operating revenue and expenses, net

➤ **Current tax rate: 27.9% vs. 26.7% in 2008**



# Net income affected by restructuring plans

18

(€ millions)	2009	2008 <sup>(1)</sup>	Change
<b>Net income from current operations, Group share<sup>(2)(3)(4)</sup></b>	<b>119.3</b>	<b>267.1</b>	<b>- 55.3%</b>
<b>Other revenue and expenses, net</b>	<b>(78.0)</b>	<b>(105.8)</b>	
<ul style="list-style-type: none"> <li>• <b>Income from asset disposals</b></li> <li>• <b>Cash expenses</b> <i>(restructuring, litigations)</i></li> <li>• <b>Non-cash expenses</b> <i>(value adjustments, depreciation of industrial assets)</i></li> <li>• <b>Income taxes</b></li> </ul>	<p>11.3</p> <p>(53.0)</p> <p>(45.4)</p> <p>9.1</p>	<p>0.1</p> <p>(55.6)</p> <p>(59.4)</p> <p>9.1</p>	
<b>Net income, Group share<sup>(3)</sup></b>	<b>41.3</b>	<b>161.3</b>	<b>n.s.</b>

(1) 2008 results were restated following two presentation changes applied as of January 1, 2009

(2) Including share in income (loss) of affiliates

(3) Net of minority interests

(4) Net income, Group share, before other operating revenue and expenses, net

- **Divestment of Planchers Fabre in May 2009 (reinforced concrete beam and joist manufacturing and marketing activity)**



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# Stable dividend despite fall in current net income

	2009	2008	Change
<b>Net income from current operations per share (euros)</b>	<b>1.66</b>	<b>3.96</b>	<b>- 58.3%</b>
<b>Dividend per share (euros)</b>	<b>1.00<sup>(1)</sup></b>	<b>1.00</b>	<b>Stable</b>
<b>Total payout (€ millions)</b>	<b>75.4</b>	<b>62.8</b>	<b>+ 20.0%</b>
<b>Payout ratio</b>	<b>63.2%</b>	<b>23.5%</b>	
<b>Average weighted number of shares<sup>(2)</sup></b>	<b>72 054 523</b>	<b>67 486 365</b>	

(1) Proposed at Annual General Meeting on April 29, 2010

(2) Based on the number of outstanding shares at the end of the year  
(Historical figures adjusted following the June 2, 2009 capital increase)

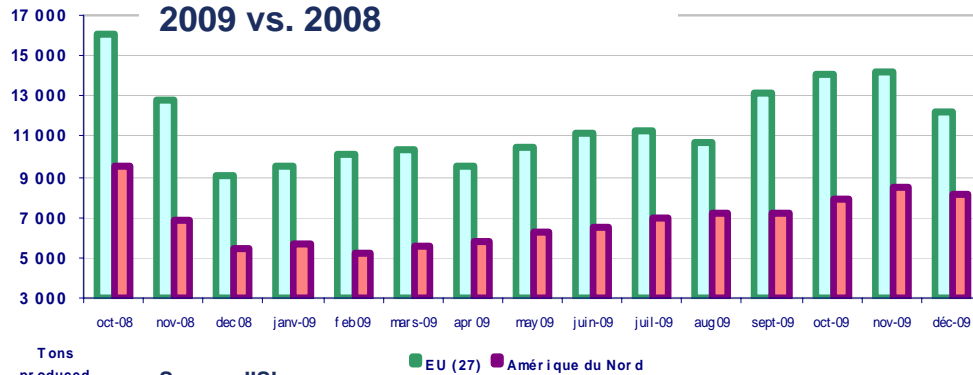
➤ **Average payout ratio: 35.8% of net current income over the past two years**



# Very slow economic recovery

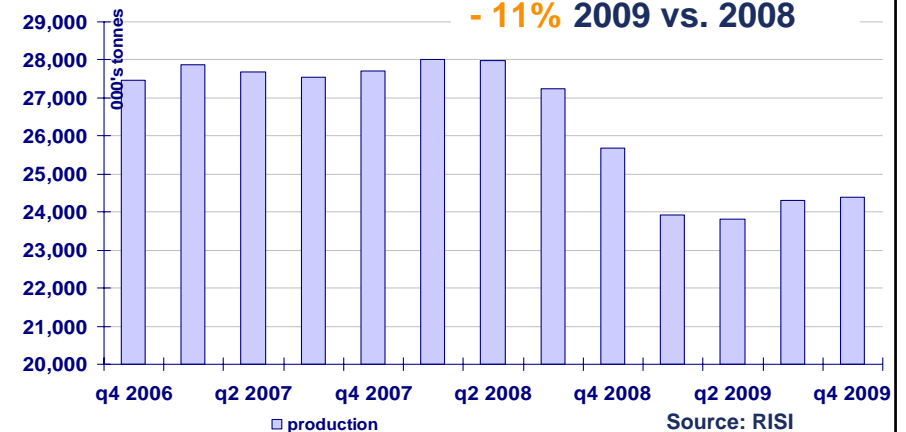
## Steel production in Europe and North America

EU (27): - 30% USA: - 34%  
2009 vs. 2008



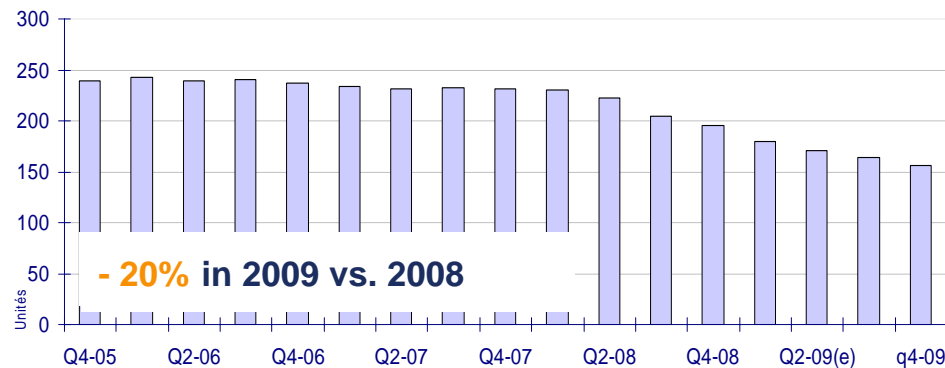
## Global production of printing and writing paper

- 11% 2009 vs. 2008



## Single-family housing starts, France – last 12 months

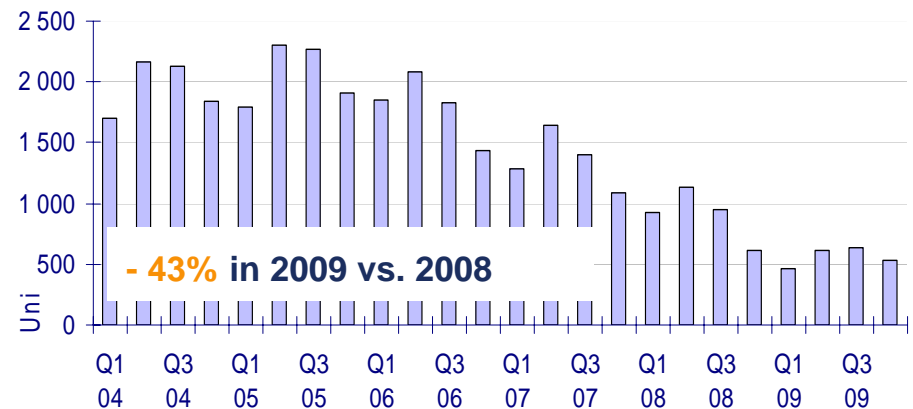
- 20% in 2009 vs. 2008



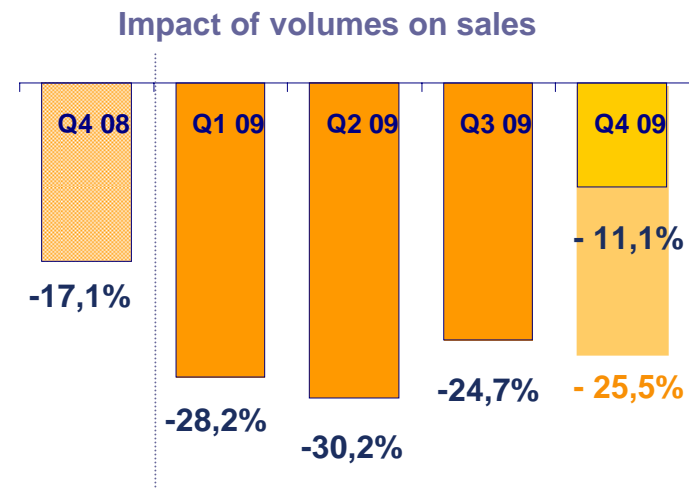
Sources: Ministry of ecology, Environment, Sustainable Development and Land Planning as at end December 2009, excluding constructions on existing buildings (Imerys estimate)

## US quarterly housing starts - annual trend

- 43% in 2009 vs. 2008



- Slight improvement in volumes since 3<sup>rd</sup> quarter 2009
- Favorable base effect towards end of year  
→ Q4 2009 vs. Q4 2007: - 25.5%



- **Limited visibility into business momentum for the coming quarters**
- **Target of 10% operating margin in early 2010 confirmed**
- **Priorities remain cash flow generation and disciplined management**
- **Industrial assets in perfect working order to benefit fully from the upturn**
- **Higher growth potential**
  - **Fast pace of innovations**
  - **Emerging countries**



# In conclusion, Imerys means

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- **A proven business model**
  - **Steady growth, accelerated by acquisitions**
  - **Cash generation**
  - **Ability to achieve a double-digit operating margin on a regular basis**
  
- **A world leader in its business**
  
- **Strong competitive advantages**
  - **High quality industrial assets (mines, production facilities)**
  - **Expertise in technology and processes (geology, marketing, R&D, sales)**
  - **Sound, experienced teams**
  
- **Debt reduced to less than 1 billion euros**
  
- **High payout (35% - 40% of Net income from current operations)**





# 2009 Results

Meeting of February 15, 2010

➤ **G rard Buffi re**

**Chief Executive Officer**

➤ **Michel Delville**

**Chief Financial Officer**

