

First-Half 2007 Results

August 1, 2007 meeting

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- Christophe Daulmerie Executive Vice-President
Finance & Strategy



➤ **Business review**

➤ **1st half 2007 results**

➤ **Recent developments**

➤ **2007 outlook**



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Market environment in the 1st half of 2007

- **Positive market trends overall, driven by the dynamic global economy**
- **Ongoing depreciation of the US dollar against the euro**
 - - 8.1% on average vs. H1 2006 (1.33 vs. 1.23 in H1 2006)
- **Stable energy bill**
 - Disparity among geographic zones



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1st half 2007 highlights

➤ **Improvement in operating performances**

- + 2.3% increase in sales (+ 4.4% at comparable Group structure and exchange rates)
- Growth of + 6.2% in current operating income and + 3.0% in net income from current operations
- Strong negative impact of exchange rates on both sales and current operating income
- Further improvement in quality of product offering
- Lower inflation in external costs

➤ **Further external growth**

- Acquisition of new minerals with UCM
- Development stepped up in fast-growing regions

➤ **Continued implementation of kaolin plan and optimization of World Minerals**

1st half 2007 key figures

(€ millions)	H1 2007	H1 2006	Change
Sales	1,704.9	1,665.8	+ 2.3%
Current operating income⁽¹⁾	242.9	228.8	+ 6.2%
Net income from current operations⁽²⁾⁽³⁾	154.8	150.3	+ 3.0%
Net income⁽²⁾	151.4	54.9	n.a.
Current operating cash flow⁽⁴⁾	264.0	250.7	+ 5.3%

(1) Operating income before other operating revenue and expenses

(2) Group's share

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

(4) EBITDA minus notional tax on current operating income



2nd quarter trends

(€ millions)	Q2 2007	Q2 2006	Change	H1 2007	H1 2006	Change
Sales	855.8	831.7	+ 2.9%	1,704.9	1,665.8	+ 2.3%
Current operating income ⁽¹⁾	131.8	124.7	+ 5.7%	242.9	228.8	+ 6.2%
Net income from current operations ⁽²⁾⁽³⁾	86.5	85.6	+ 1.0%	154.8	150.3	+ 3.0%

(1) Operating income before other income and expense

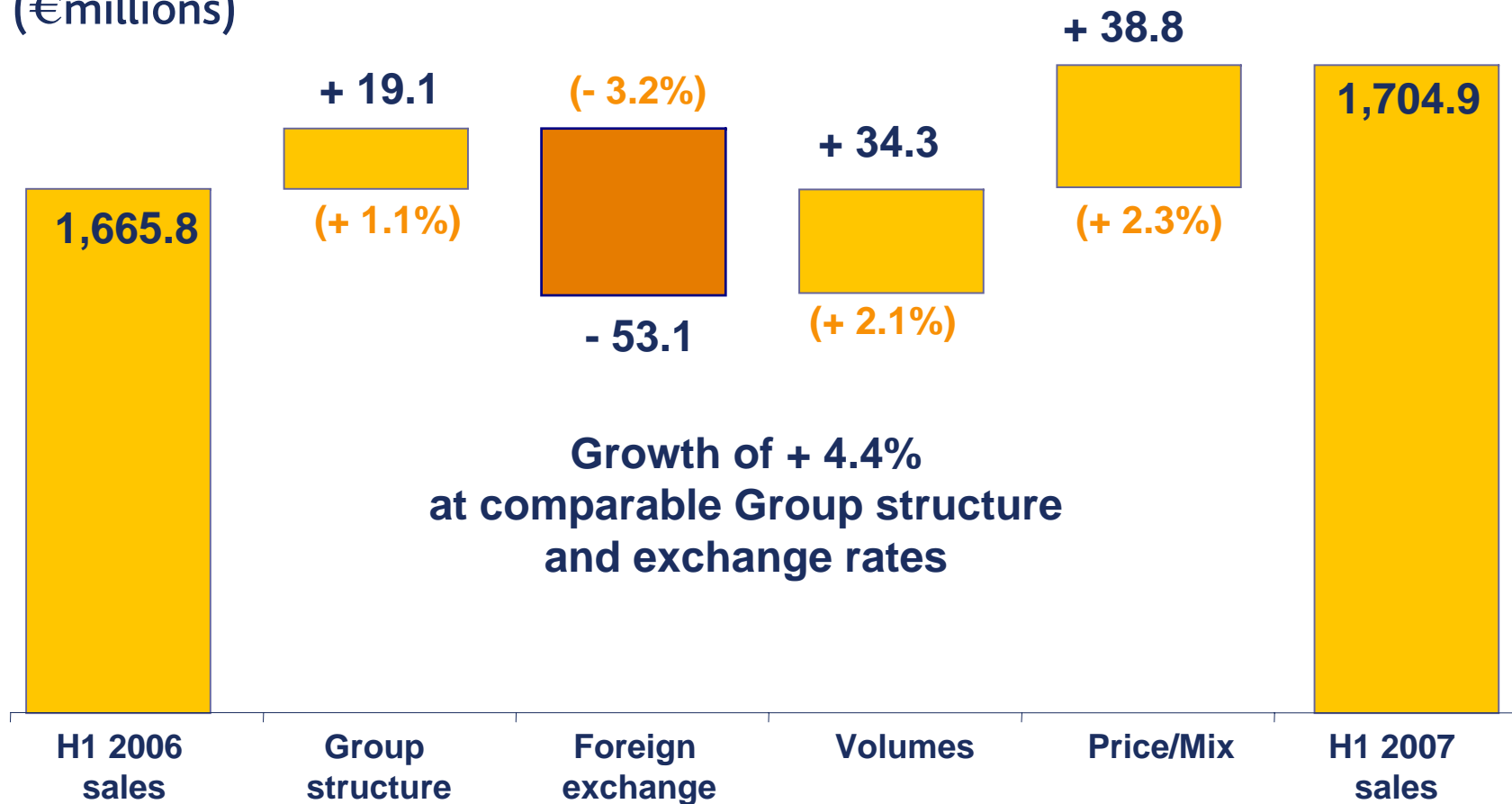
(2) Group share; (3) Net income before other operating revenue and expenses, net

➤ Firm growth rate kept up in 2nd quarter

- Ongoing negative impact of exchange rates
- At comparable Group structure and exchange rates, sales increased + 4.5% and current operating income improved + 10.3%

Sales growth

(€millions)



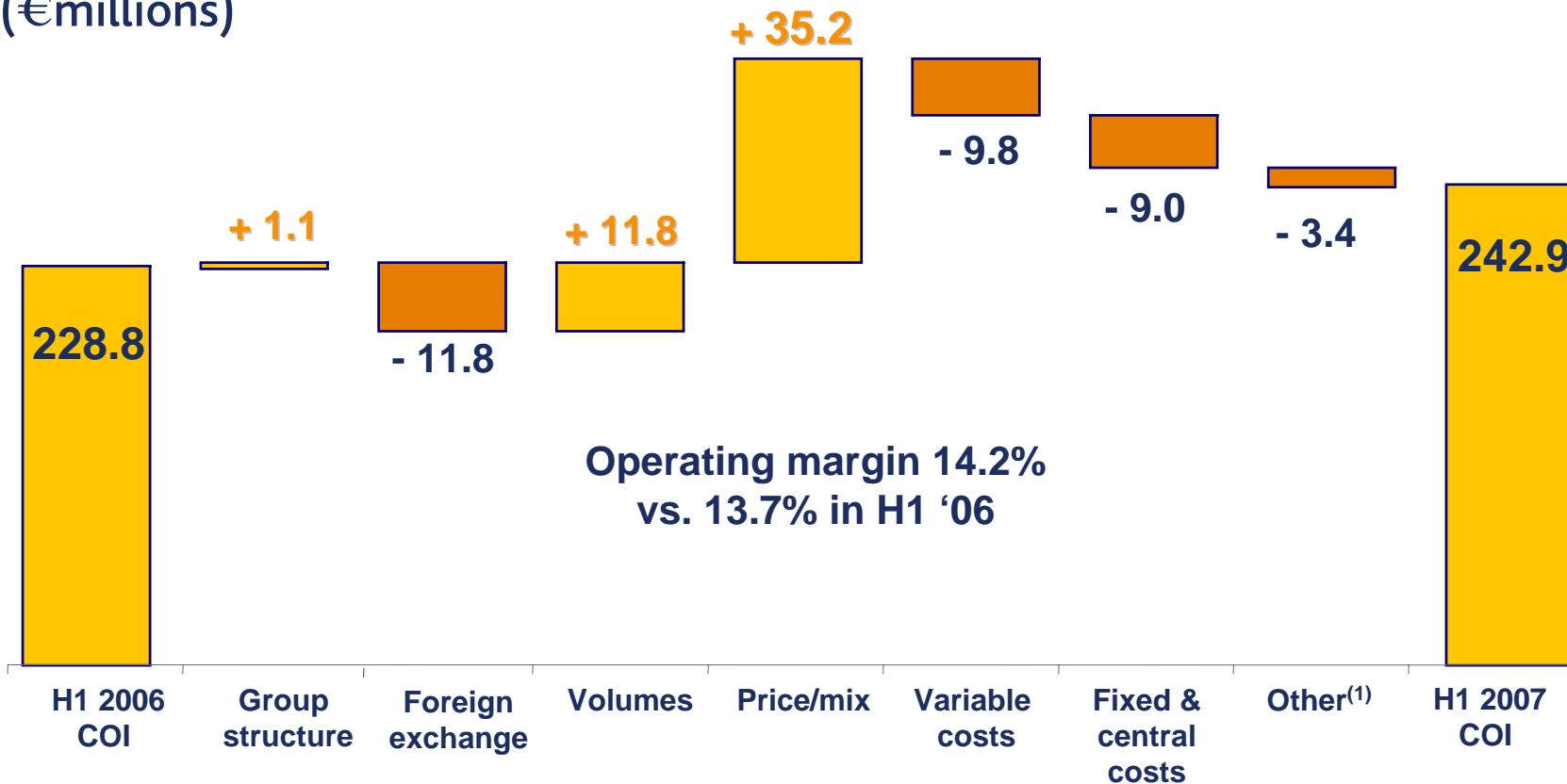
- Contribution of AGS and UCM, acquired in 2006 and 2007
- Strong negative impact of US dollar depreciation
- Improvement in price/mix component in all business groups, overall rise in sales volumes



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Further improvement in current operating income (COI)

(€millions)



- Excluding foreign exchange and Group structure effects, operating performance improved + 10.8%
- Improvement in price/mix component and sales volumes easily offset inflation in other factors



(1) Mainly change in inventory

Performance Minerals & Pigments

(€ millions)	H1 2007	H1 2006	Change
Sales	564.7	583.5	- 3.2%
<i>Of which Pigments for Paper</i>	373.9	388.2	- 3.7%
Current operating income	57.4	54.6	+ 5.1%
<i>Of which Pigments for Paper</i>	42.0	35.6	+ 17.9%
Operating margin	10.2%	9.4%	n.a.

+ 0.9%
+ 1.5%
LfL (1)

> Contrasting markets

- Performance Minerals healthy in Europe, remaining difficult in USA (neither upturn nor downturn in Q2 vs. Q1)
- + 1.6% growth in global paper production, driven by Asia (+ 4.2%); stable European and North American markets, still affected by restructuring

> + 13.7% increase in operating performance, excluding Group structure and exchange rate effects

- Improvement in product offering, decrease in energy costs
- Volume growth in Pigments for Paper, but ongoing difficulties in Performance Minerals

> Carbonate developments, kaolin reorganization

- Continued implementation of Asia strategy in carbonates for paper; additional capacities in carbonates for Performance Minerals (Brazil, Tunisia);
- Reorganization of kaolin production being implemented



(1) LfL : At comparable Group structure and exchange rates

Materials & Monolithics

(€ millions)	H1 2007	H1 2006	Change
Sales	511.0	466.1	+ 9.6%
Current operating income	115.0	104.7	+ 9.9%
Operating margin	22.5%	22.5%	n.a.

+ 10.6%
LfL (1)

➤ Market growth

- Growth on French roofing (+ 1.9%) and clay brick (+ 6%) markets, slowing down during the period
- Outstanding business on monolithic markets (steelmaking in Europe and projects in Asia)

➤ High growth in operating performance (+ 10.7% excluding Group structure and exchange rate impacts)

- Significant improvement in sales volumes and the price/mix component, offsetting the rise in some cost factors (particularly energy)

➤ Major capital expenditure projects announced

- Clay brick development plan (€100 million by end 2011)



Ceramics, Refractories, Abrasives & Filtration

(€ millions)	H1 2007	H1 2006	Change
Sales	641.0	627.5	+ 2.2%
Current operating income	87.4	84.7	+ 3.2%
Operating margin	13.6%	13.5%	n.a.

+ 3.0%
LfL (1)

- **Firm markets overall for the business group, except for ceramics in the USA**
- **+ 7.4% growth in operating performance, excluding Group structure and exchange rate effects**
 - Improvement in product offering
 - Rise in variable costs (energy, raw materials)
- **Industrial asset optimization**
 - Continued implementation of industrial plan in Minerals for Filtration in Lompoc (California) and of energy efficiency drive in all activities
- **Significant external growth**



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Resilient net income from current operations

(€ millions)	H1 2007	H1 2006	Change
Current operating income	242.9	228.8	+ 6.2%
Financial income (expense)	(29.0)	(18.3)	
Current income tax	(60.2)	(60.4)	
Minority interests & equity method	1.1	0.2	
Net income from current operations⁽¹⁾⁽²⁾	154.8	150.3	+ 3.0%

(1) Net income before other operating revenue and expenses, net; (2) Group's share

➤ Increase in financial expense

- Rise in interest rates
- Non-recurring exchange rate impact mainly in Q2 2006 (+ €8.9 million)

➤ Slight decrease in tax rate

(28.2% vs. 28.7% in 1st half 2006)

Net income

(€ millions)	H1 2007	H1 2006	Change
Net income from current operations⁽¹⁾⁽²⁾	154.8	150.3	+ 3.0%
Other revenue and expenses, net⁽²⁾, of which:	(3.4)	(95.4)	
• Value adjustments and restructuring expenses relating to UK plan, net of tax	(0.4)	(73.0)	
• Other value adjustments and restructuring expenses, net of tax	(3.0)	(22.4)	
Net income⁽²⁾	151.4	54.9	n.a.

(1) Net income before other operating revenue and expenses, net; (2) Group's share

- **Low amount of other income and expense vs. H1 2006, which included substantial exceptional items (mainly the Group kaolin restructuring plan)**

Substantial current operating cash flow generated

(€ millions)	H1 2007	H1 2006	Change
Current operating income	242.9	228.8	+ 6.2%
Depreciation, amortization and provisions, net	89.5	89.9	
EBITDA	332.4	318.7	+ 4.3%
Tax on current operating income	(68.4)	(65.7)	
Current operating cash flow⁽¹⁾	264.0	250.7	+ 5.3%

- Rise in current operating cash flow due to improvement in operating performance

Current free operating cash flow

(€ millions)	H1 2007	H1 2006	Change
Current operating cash flow	264.0	250.7	+ 5.3%
Change in operating working capital	(64.2)	(84.8)	
Capital expenditure paid	(145.7)	(100.1)	
Current free operating cash flow⁽¹⁾	58.8	67.0	- 12.2%

(1) Of which divestments & subsidies:

4.7

1.2

➤ **High generation of current operating cash flow, enabling the Group to fund a significant rise in capital expenditure (accounted capex represent 139% of depreciation expense vs. 81.5% in 2006)**

- Implementation of major capital expenditure program related to kaolin reorganization
- Optimization of World Minerals' industrial assets



Current free cash flow

(€ millions)	2007	2006
Current free operating cash flow	58.8	67.0
Financial income (expense)	(29.0)	(18.3)
Tax on financial income	8.2	5.3
Change in other working capital items and miscellaneous	0.5	13.5
Current free cash flow	38.5	67.5

➤ **Decrease in current free cash flow due to expected rise in financial expense**

- non-recurrence of foreign exchange gains recorded in Q2 2006

Resumption of the Group's external growth

➤ Acquisitions totaling €90.3 million

- 6 main operations
- Total sales of approximately €90 million and EBITDA of €14 million on a full-year basis for over 1,000 employees in total

➤ Divestments totaling €3.3 million

- Ceradel and Pottery crafts, companies specializing in trading products for ceramics craftsmen (2006 sales: €14 million)



Main acquisitions during the period (1/2)

➤ UCM, one of the world's leading producers of fused zirconium and magnesia, mainly for the refractories, friction and domestic appliances market

- Good positions in Europe and North America (2 plants in the UK and 2 in the USA) with sales of approximately €55 million in 2006

➤ Acquisitions in high-growth zones

● China

- *Baotou (85% Imerys), a producer of high-performance graphite (February)*
- *Yilong and Xinlong (65% Imerys), producers of vermiculite and andalusite (April)*
- *Joint venture (60% Imerys) agreement with ZAF, a producer of brown fused alumina for abrasives (June)*

● India

- *Jumbo Mining Ltd, a producer of feldspar for floor tiles, sanitaryware and tableware; 2 bases in southeast India (June)*

● Argentina

- *Perfiltra, the Argentinean leader in perlite for filtration; substantial reserves and industrial platform (May)*



Main acquisitions during the period (2/2)

➤ Further development in calcium carbonate businesses

- **Japan**

- *Joint venture agreement with Hokuetsu Paper to build a new production unit (March)*

- **Europe**

- *Extension of white marble reserves in Turkey and Greece*



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Increase in net financial debt

(€ millions)	H1 2007	H1 2006
Current free operating cash flow	38.5	67.5
External growth	(90.3)	(22.6)
Divestments	3.3	0.3
Non-recurring cash flow	(19.2)	(8.1)
Dividends	(114.4)	(106.2)
Other flows ⁽¹⁾	(17.4)	(22.8)
Changes	4.9	16.6
Increase / reduction in net debt	(194.6)	(75.3)

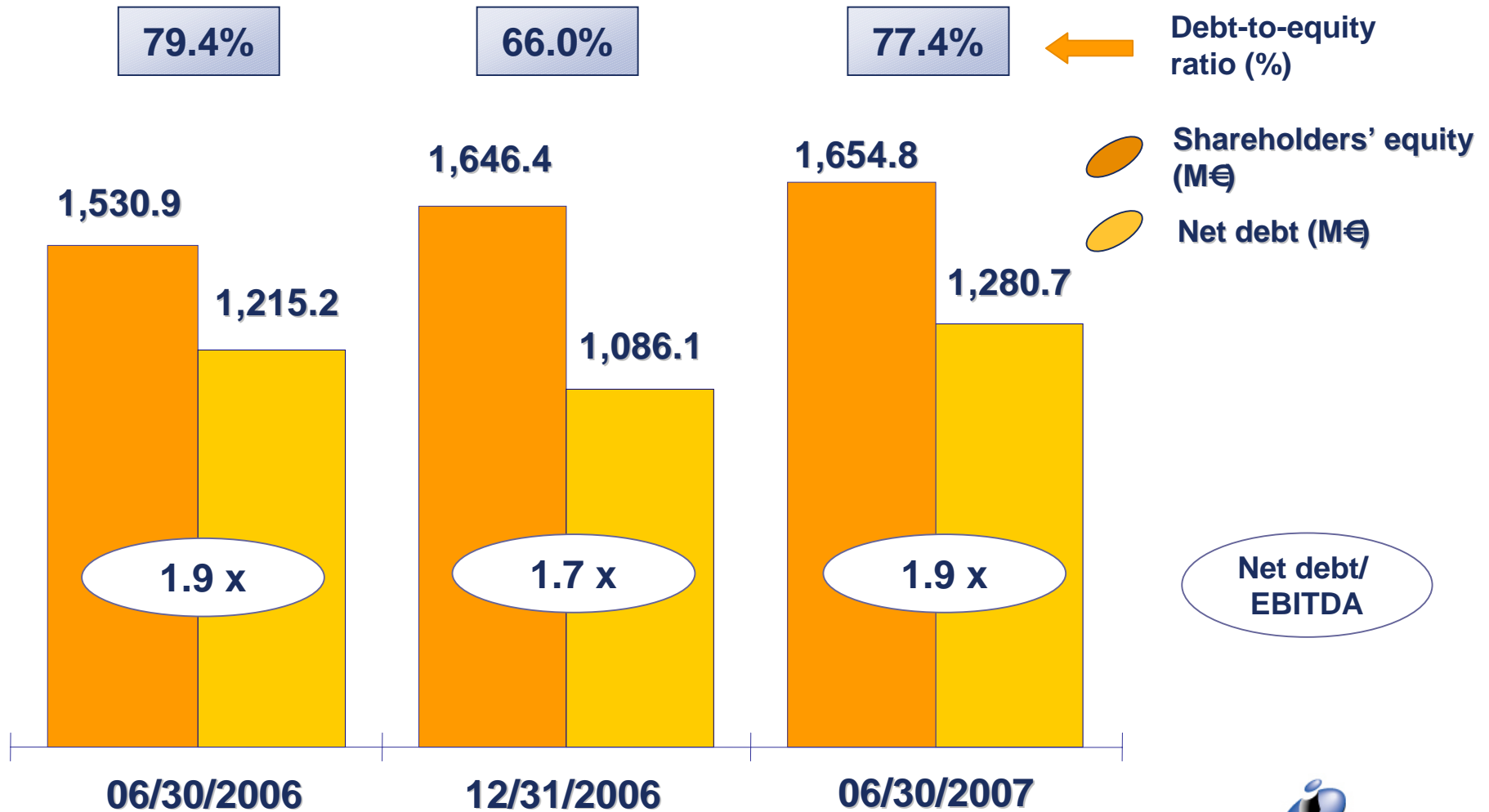
(1) Of which security buybacks:

(16.0)

(26.3)



Robust financial structure



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New operations

➤ 2 new acquisitions

- Total amount €107 million
- Total sales approximately €65 million, EBIT €10 million on full-year basis

➤ Sale to Spanish group Uralita of the 2 clay roof tile production units in Spain and Portugal

- Annual sales approximately €17 million
- Closing expected by September 2007



Acquisition of ACE

➤ Indian leader in monolithic refractories

- Production intended mainly for the steelmaking, cement and thermal power station markets
- Large market share
- Annual sales more than €50 million with approximately 550 employees

➤ Acquisition terms

- Definitive agreement signed with the Indian fund ICICI Venture for a 99% stake in ACE
- Closing expected by the end of August 2007



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ACE: Optimum industrial locations



➤ Two plants in central India

- Katni plant
 - Main facility, active since 1951
- Nagpur plant
 - Start-up in 1995
 - Production of high value-added monolithics

➤ 5 sales agencies in the country's major cities

Great strategic advantages

- **Calderys strengthens its world leadership in silico-aluminous monolithic refractories**
- **A fast-growing market**
 - High volume growth on the Indian refractories market → + 10% per year through to 2010 (2nd Asian growth center after China)
 - Increasing demand for higher value-added monolithic products
- **Additional strengths**
 - ACE: excellent commercial platform and industrial assets → seize new development opportunities in Middle East and Asia
 - Calderys: technological expertise → develop industrial assets and increase value added products and services



Imerys gains a significant foothold on the Indian market and now has a robust base to continue its growth in the country

Other development

➤ Takeover of Vatutinsky in Ukraine (86% Imerys)

- A specialist in low and medium alumina-content chamottes (calcined clay) for refractories
- Customer base mainly in Eastern Europe (including Ukraine and Russia)
- Production extension from existing bases in the USA (CE-Minerals) and France (AGS)



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2007 outlook

- **During H1 2007, the Group's markets were healthy as a whole. The macroeconomic environment was marked by the weak US dollar against the euro and overall stability in energy prices**
- **Higher operating performance, mainly thanks to improvement in the price/mix component**
- **Imerys has stepped up its development strategy in high-growth zones and has the financial flexibility to seize any new opportunities**
- **For the full year 2007, if economic and monetary conditions are unchanged, the Group's net income from current operations should increase by approximately + 3%**



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