

First-Half 2008 Results

July 31, 2008 meeting

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



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➤ **Business review**

➤ **1st half 2008 results**

➤ **2008 outlook**



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Contrasting market trends in 2nd quarter

- **Refractories, abrasives, graphite:** buoyant markets driven by vitality of global industrial equipment sector
- **Filtration:** stable markets overall with growth in emerging countries
- **Paper:** slight growth in global paper production, driven by Asia; slowdown in North America and Europe
- **Construction:** further downturn in North America; decrease on European markets and on new single-family housing in France



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Sharp downturn in macro-economic environment

> Soaring energy prices → high inflation in the Group's variable cost base

- Brent → **+ 72%** vs. H1 '07
- US gas → **+ 25%** vs. H1 '07
- UK gas → **+ 125%** vs. H1 '07

> Further depreciation of US dollar vs. Euro and Brazilian Real

- €/\$ → **- 15.2%** on average vs. H1 2007 (1.53 vs. 1.33)
- \$/BRL → **- 17.1%** on average vs. H1 2007 (1.70 vs. 2.04)



Main trends in 1st half 2008

➤ Continued firm organic growth

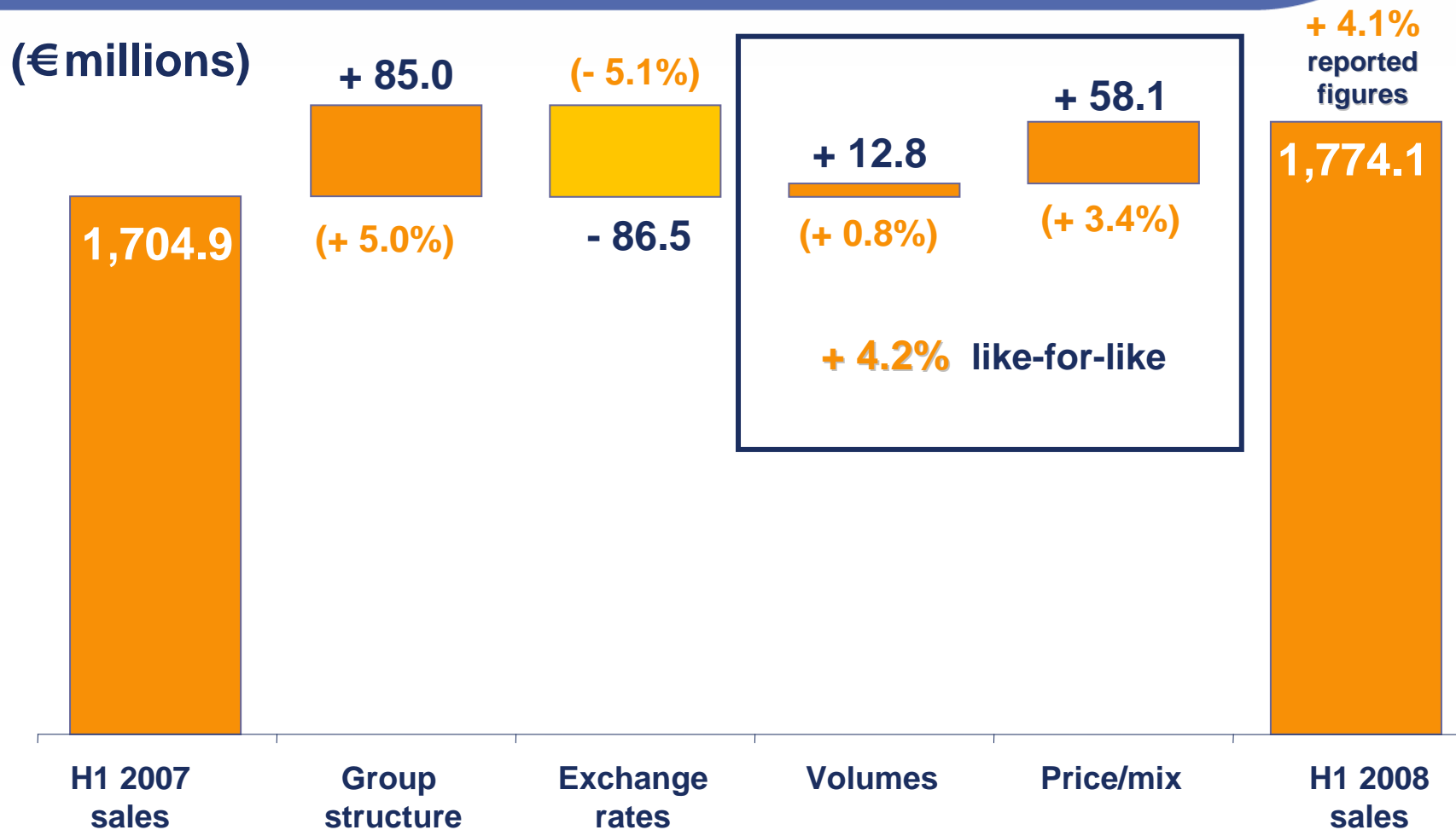
- + 4.1% rise in sales on current basis, up + 4.2% at comparable structure and exchange rates
- Volumes' growth driven by vitality of emerging economies
→ + 25% vs. H1 2007 (22% of Group's sales)

➤ Current operating income down - 2.8%, but + 1.2% at comparable structure and exchange rates

- Very sharp rise in variable costs, offset by increased prices
- Improvement in fixed cost base thanks, in particular, to restructuring programs launched in 2007
- Heavy negative impact of exchange rate

➤ Net current income up + 3.2%

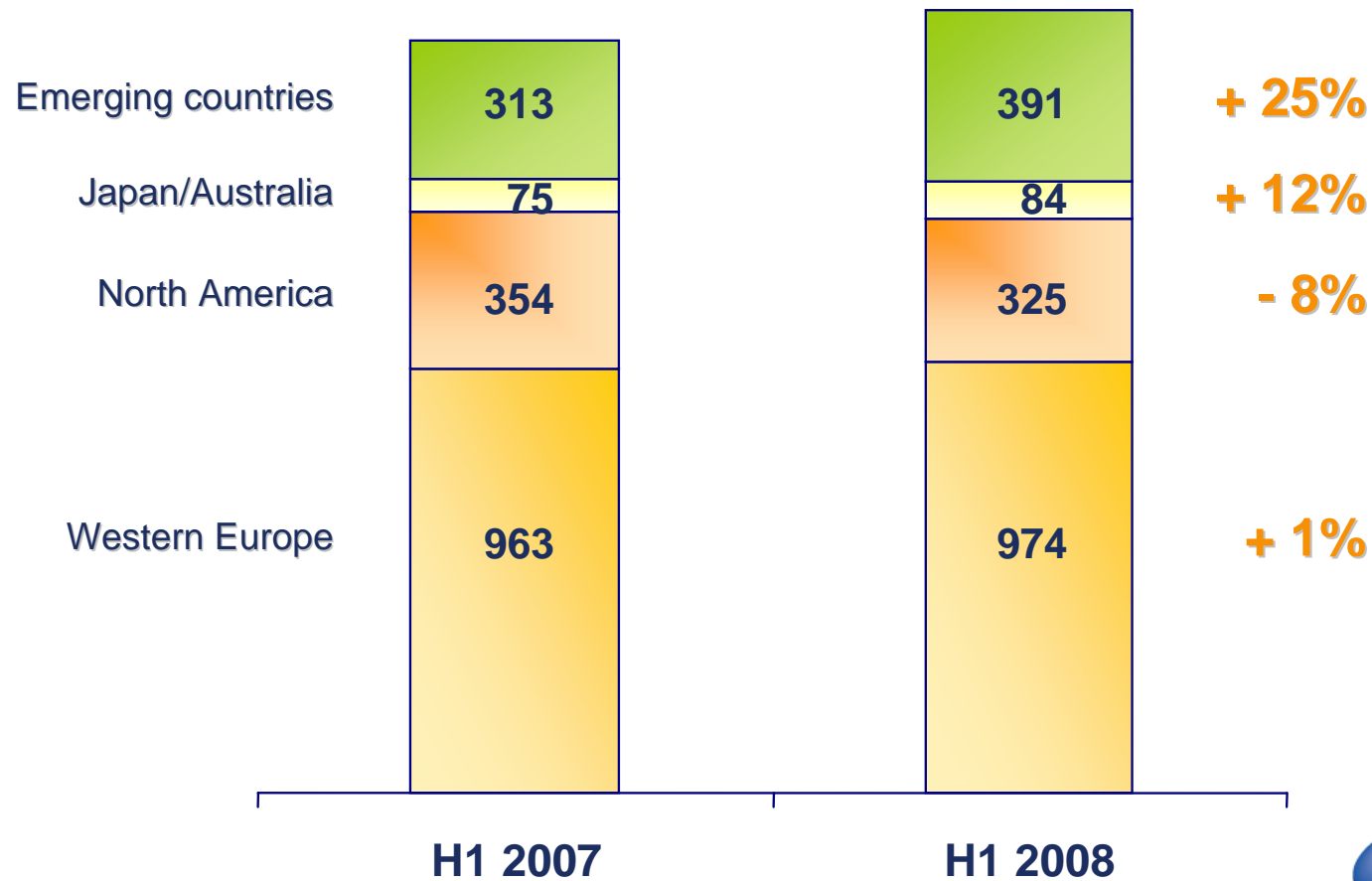
Sales growth



- Contribution of acquisitions made in 2007 and 2008
- Heavy negative impact of US dollar depreciation
- Price increase in all business groups, slightly higher volumes

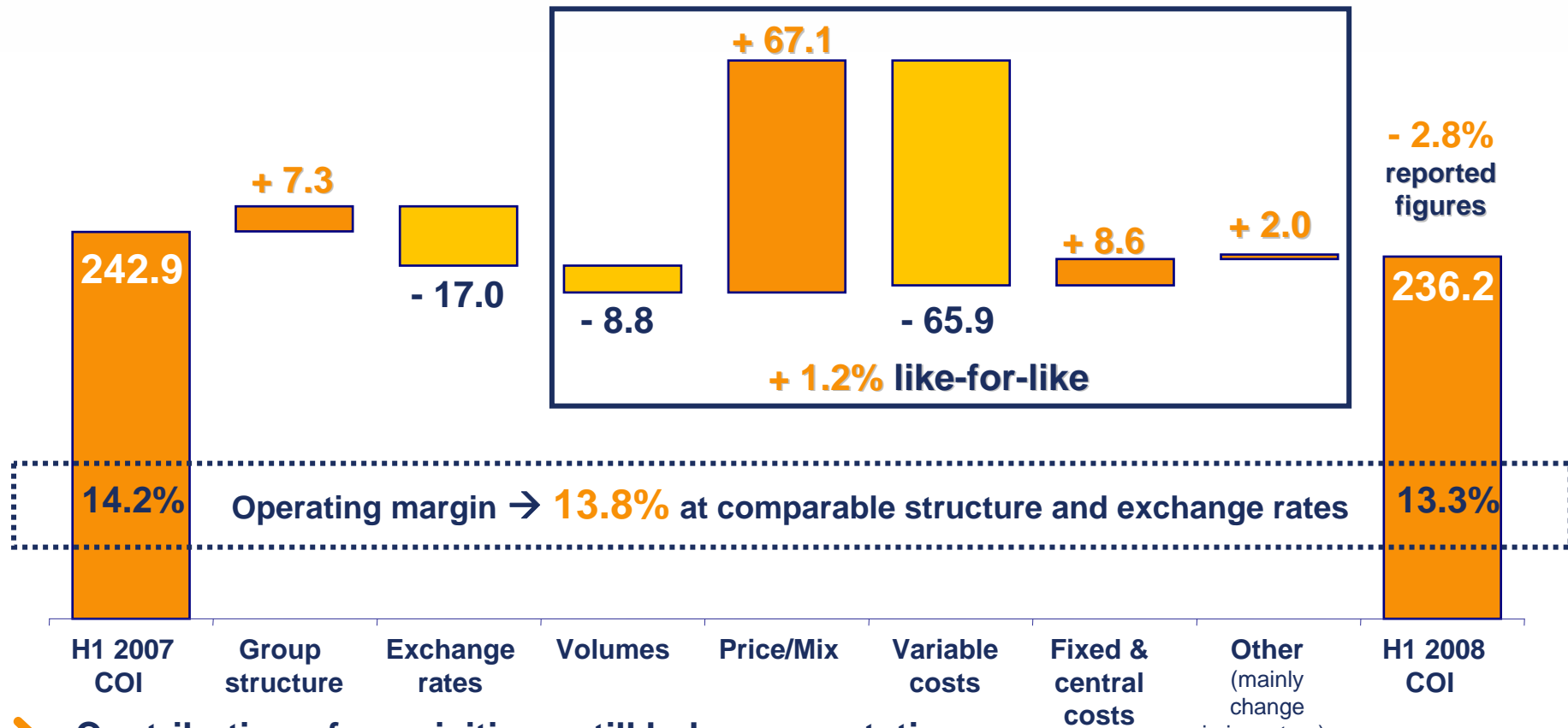
Vitality of emerging economies

> Sales by geographic zone (€millions)



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Slight decrease in current operating income (COI)

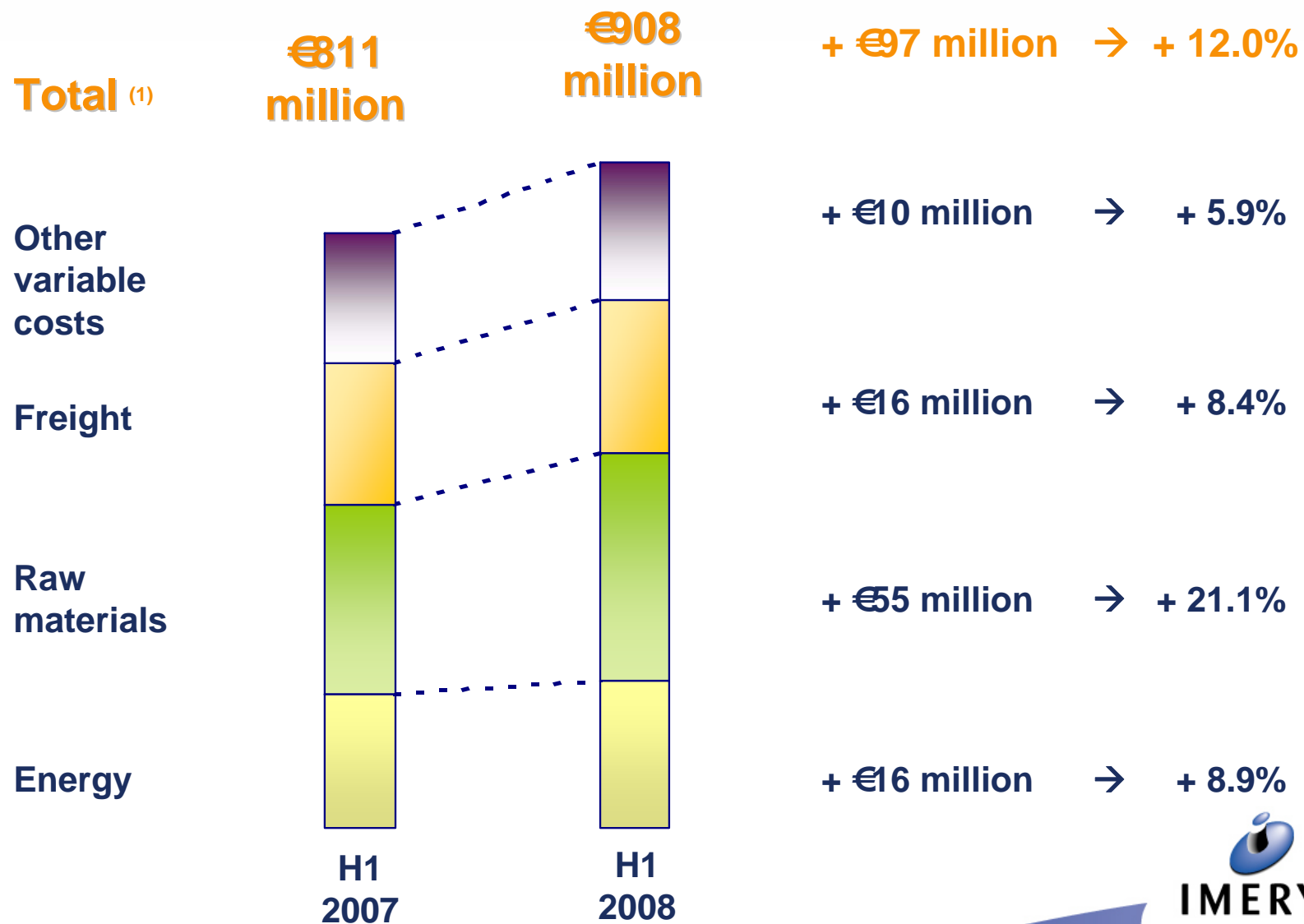


- Contribution of acquisitions still below expectations
- Very high negative impact of exchange rates
- Adverse effect of volumes
- Sharp increase in variable costs, offset by the improvement in product prices and mix
- Improvement in fixed costs thanks, in particular, to restructuring programs launched in 2007



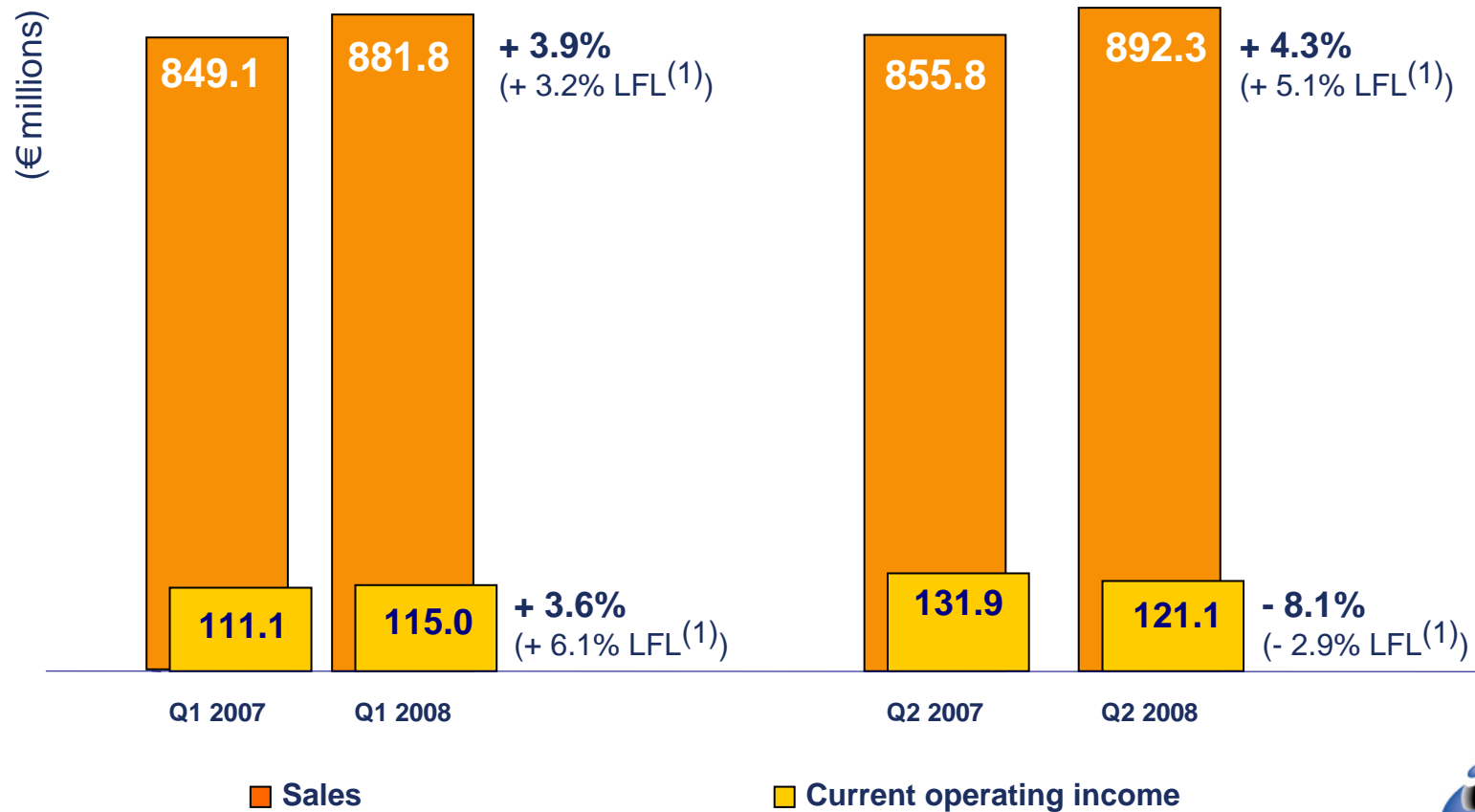
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Generalized inflation in variable costs, resulting from energy crisis



(1) Raw materials and consumables used

Acceleration in inflation in Q2



(1) Like-for-like: at comparable structure and exchange rates

Minerals for Ceramics, Refractories, Abrasives & Foundry

➤ Firm business due to vitality of business group's main markets

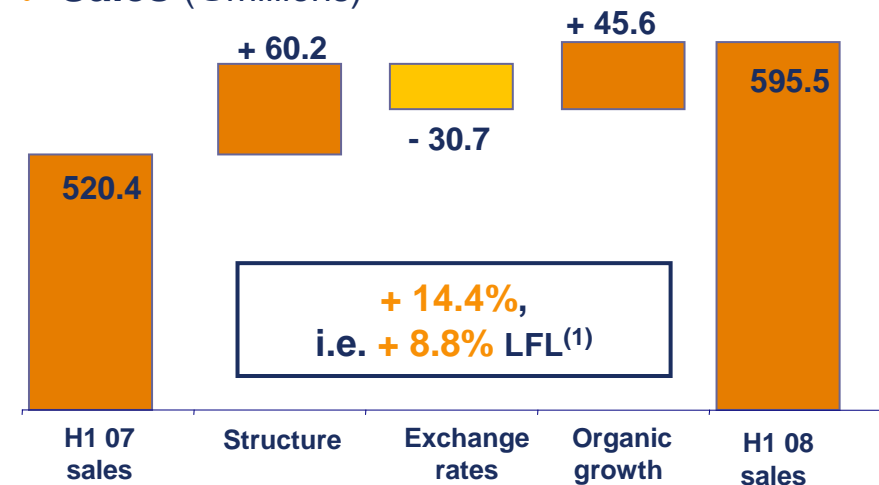
➤ Operating margin at **12.5%** (13.8% like-for-like⁽¹⁾) vs. 14.3% in H1 2007

- Improved price/mix component, offsetting inflation in variable costs
- Contribution of acquisitions still far below expectations (action plans in progress)

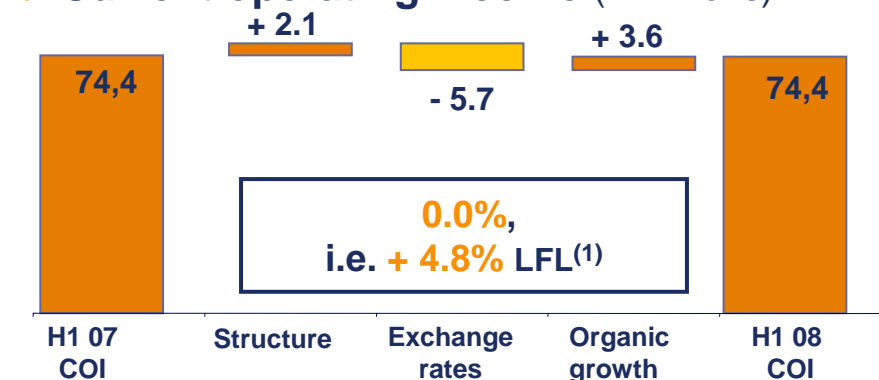
➤ Selective capacity expansion to fulfill demand

- Minerals for Refractories in the US and China; Minerals for Abrasives in Europe

➤ Sales (€ millions)



➤ Current operating income (€ millions)



(1) At comparable structure and exchange rates

Performance & Filtration Minerals

➤ **Difficult business on construction-related markets but filtration markets firm as a whole**

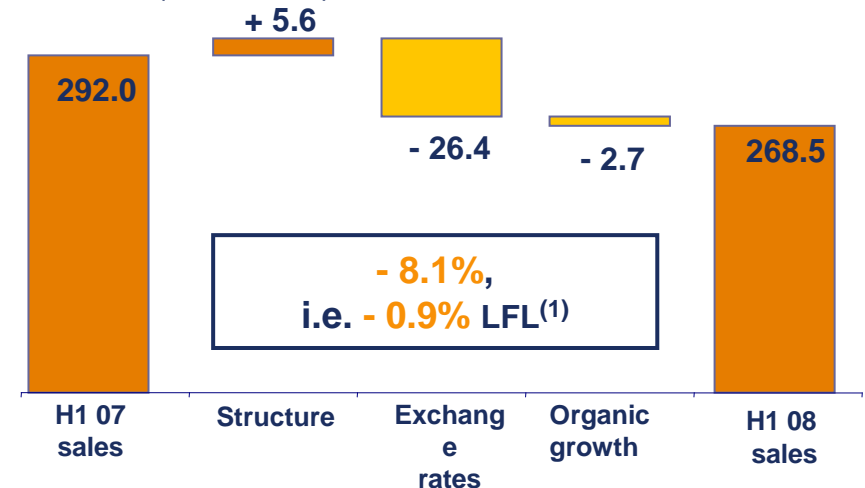
➤ **Improvement in operating margin**
 → **10.9%** (9.9% like-for-like⁽¹⁾)
 vs. **9.0%** in H1 2007

- Good performance by acquisitions (Perfiltra and Xinlong)
- Improved price/mix component offsetting inflation in variable costs
- Positive impact of restructuring

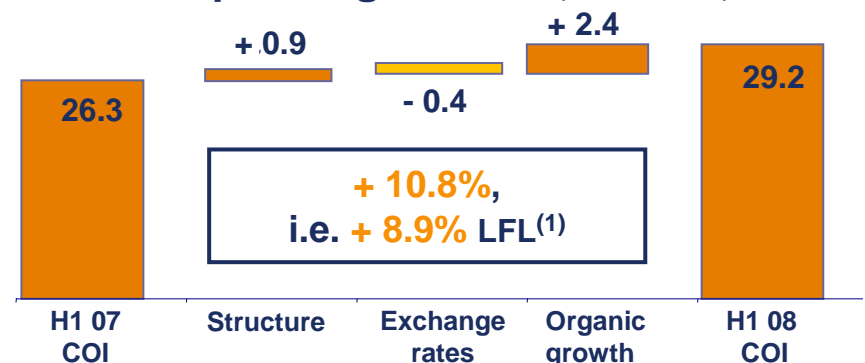
➤ **Minerals for Filtration plan completed**

- Full impact in H2

➤ **Sales (€ millions)**



➤ **Current operating income (€ millions)**

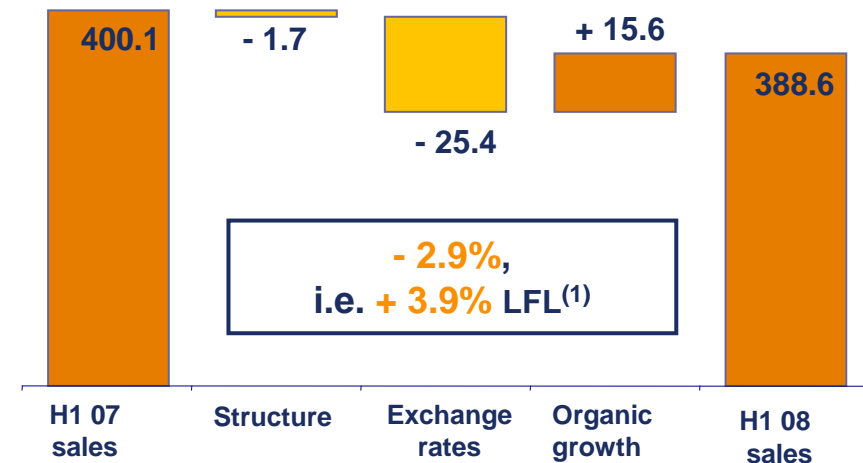


(1) At comparable structure and exchange rates

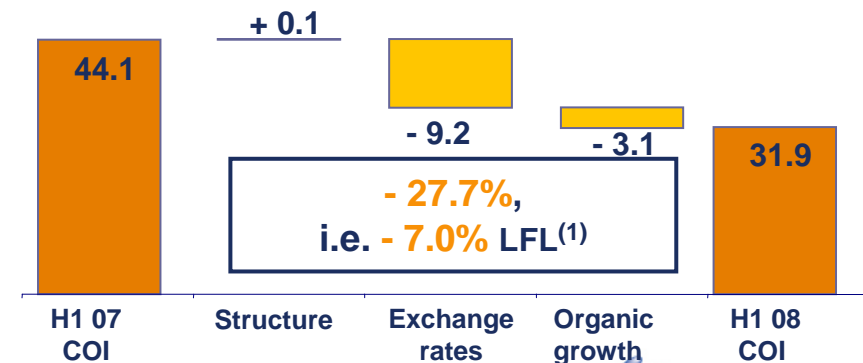
Pigments for Paper

- **Organic growth supported by dynamic markets in emerging countries (Asia)**
- **Decrease in operating margin**
 → **8.2%** (9.9% like-for-like⁽¹⁾)
vs. 11.0% in H1 2007
 - Impact on current operating income of depreciation of US\$ vs. € and BRL
 - Improvement in fixed costs base thanks to kaolin plan launched in 2007
 - But very high cost increases making the price campaign retrospectively insufficient
- **Adaptation of industrial set-up to market change**
 - Reduction in US kaolin production capacity
 - Further development in carbonates in Asia

➤ Sales (€ millions)



➤ Current operating income (€ millions)



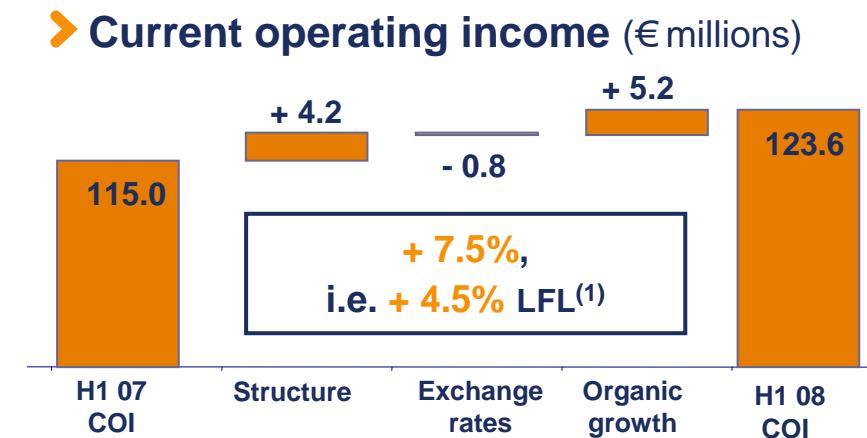
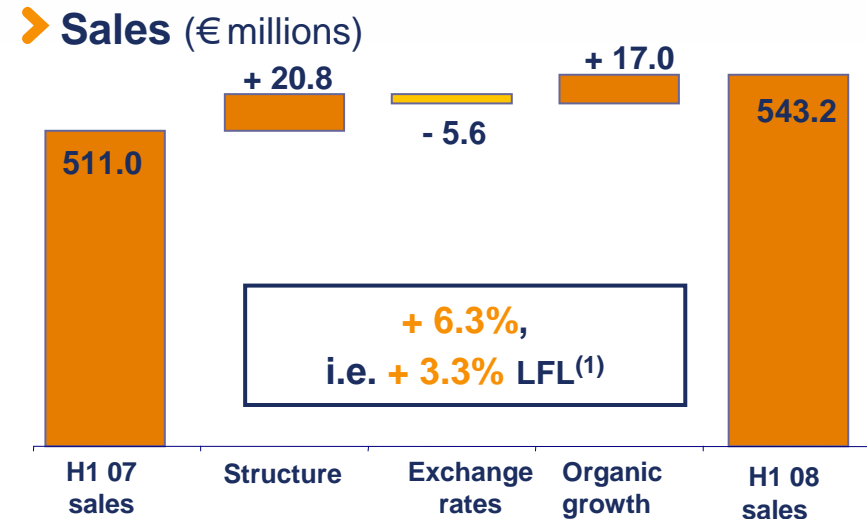
(1) At comparable structure and exchange rates

Materials & Monolithics

- **Volume increase in refractories; downturn in new construction in France, partly offset by:**
 - A buoyant renovation sector
 - Further development in clay bricks

- **Improved operating margin**
 → **22.8% vs. 22.5% in H1 2007**
 - Good operating performance by acquisitions
 - Contribution of price/mix component, making up for increase in variable costs
 - Lower volumes in French Building & Materials activity

- **Integration of ACE (India); acquisition of SVAB (Sweden); investments in clay bricks & roof tiles**



(1) At comparable structure and exchange rates



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Resilient net income from current operations

(€ millions)	H1 2008	H1 2007	Change
Current operating income	236.2	242.9	- 2.8%
Financial income (expense)	(20.2)	(29.0)	
Current income tax	(60.2)	(60.2)	
Minority interests & equity method	4.0	1.1	
Net income from current operations⁽¹⁾⁽²⁾	159.8	154.8	+ 3.2%

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

➤ Improvement in financial expense

- Impact of rise in financial debt more than offset by gains on financial instruments **(+ €13 million)**

➤ Effective rate of current income tax virtually stable at **27.9%** (28.2% in H1 07)

Net income

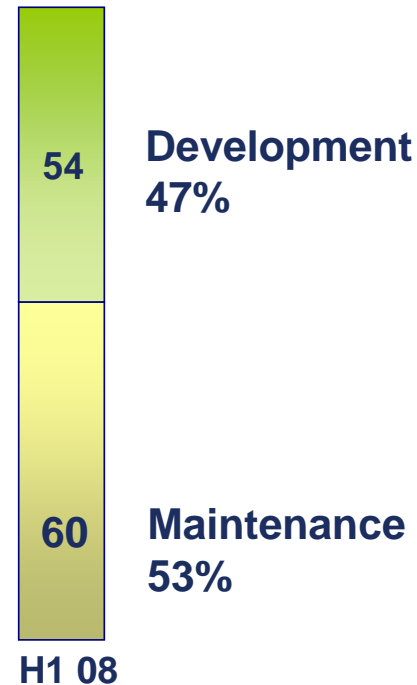
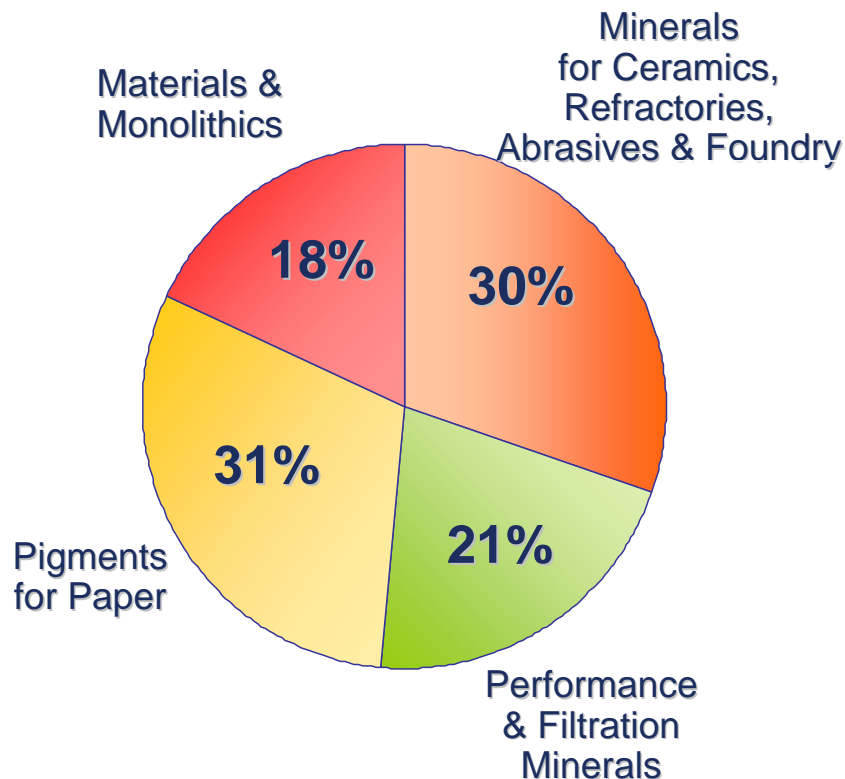
(€ millions)	H1 2008	H1 2007	Change
Net income from current operations⁽¹⁾⁽²⁾	159.8	154.8	+ 3.2%
Other revenue and expenses, net ⁽²⁾	(15.4)	(3.4)	
Net income⁽²⁾	144.4	151.4	- 4.6%

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

- **Adaptation of industrial assets to market conditions (notably kaolin in the United States)**
- **Settlement of a lawsuit with a supplier in 1st quarter**

A sustained capital expenditure program

➤ **Booked capital expenditure of €114 million**
(vs. €138 million in H1 07)



- Kaolin plan
- Minerals for Filtration plan
- Clay bricks units
- Minerals for Refractories
- Minerals for Abrasives

Cash flows and net financial debt

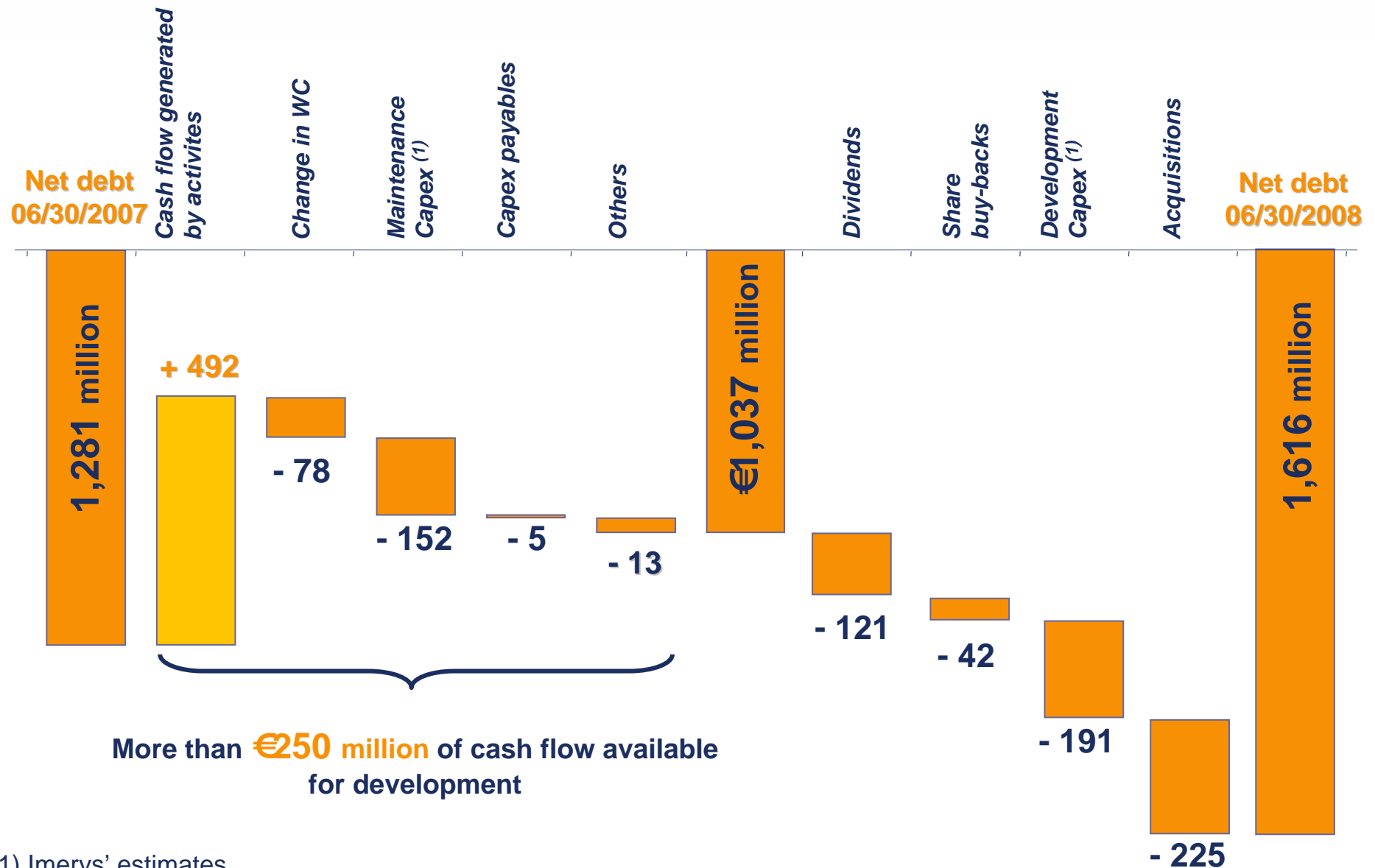
(€ millions)	H1 2008	H1 2007
EBITDA	320.6	332.4
Current operating cash flow ⁽¹⁾	254.6	264.0
Change in operating working capital	(83.0)	(64.2)
Capital expenditures paid	(142.0)	(145.7)
Current free operating cash flow⁽¹⁾	38.5	58.8
Increase in net financial debt	(273.1)	(194.6)

(1) Of which divestments & subsidies:

8.9

4.8

Change in net financial debt



(1) Imerys' estimates



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2008 Outlook

> **Particularly adverse economic conditions in H1**

- Higher inflation → heavy impact on external costs
- Unfavorable currency trends
- Significant decrease on some markets, in particular, towards end of Q2

> **Further improvement thanks to the Group's strengths**

- Diversity of markets served
- Greater presence in emerging economies
- Significant price rises, so far offsetting impact of purchasing inflation
- Reduction in industrial costs, as announced



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2008 Outlook

- **Economic environment not expected to improve in H2 2008**
- **The Group is adapting to this harsher context**
 - Further cost reduction measures
 - Further price rises wherever possible
- **All our teams are mobilized to achieve net income from current operations in 2008 that is as close as possible to the 2007 figure**



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