First-Half 2009 Results

Conference call, July 30, 2009

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

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- Ongoing slackness of markets, collapse of volumes
- Faster pace of cost reduction
- Substantial cash flow generation, improved financial structure
- Outlook

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Ongoing slackness on the Group's markets

- **Continuation in the 2nd quarter of 2009 of the unprecedented downturn in the Group's markets since November 2008**

- **Downturn amplified by widespread inventory reduction**

- **All geographic zones affected**
  - No upturn on markets served in Europe and North America
  - Slight improvement in some emerging markets in 2nd quarter

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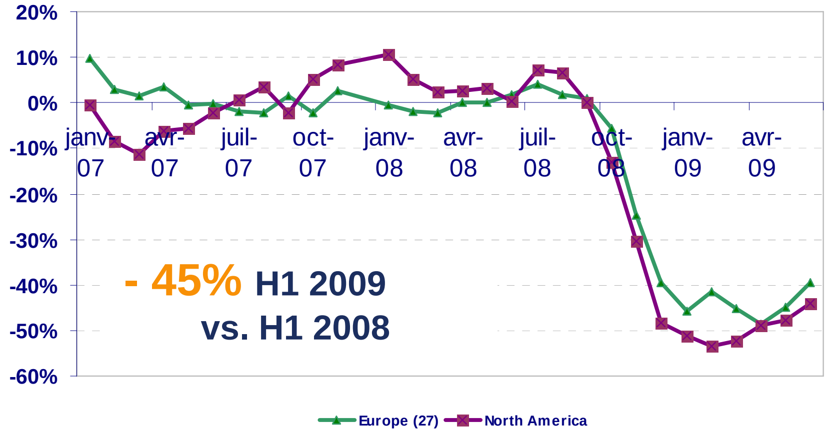
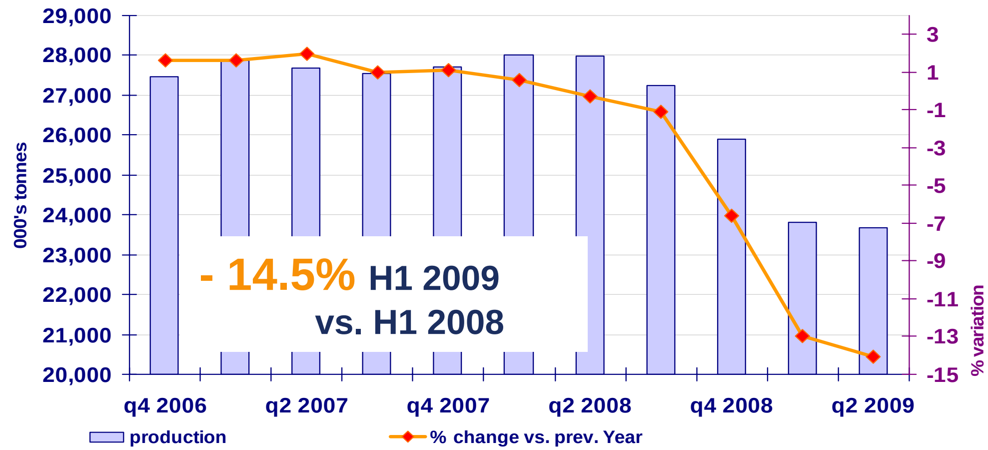
Collapse of volumes on Group's main markets

Steel production in Europe & North America



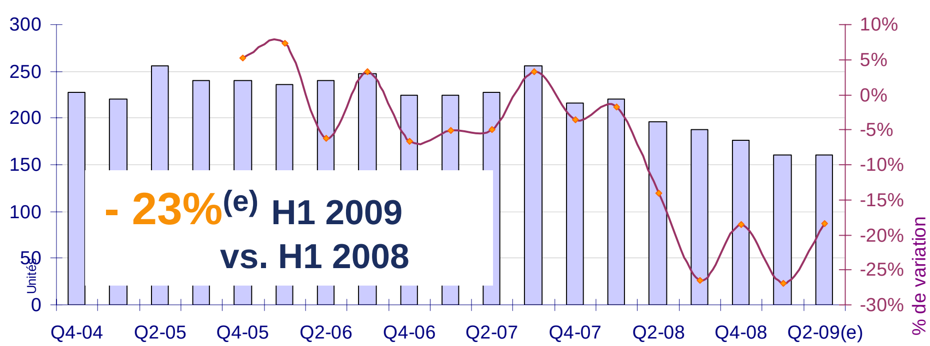
Source: IISI

Global production of printing & writing paper



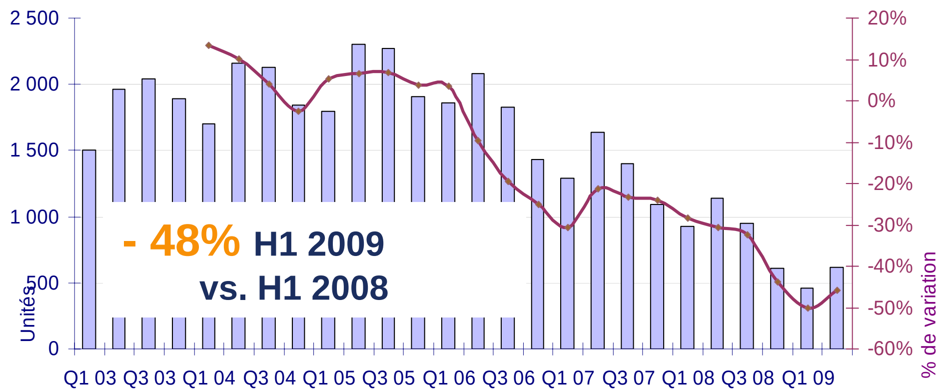
Source: RISI

Quarterly new individual housing starts in France – annual trend



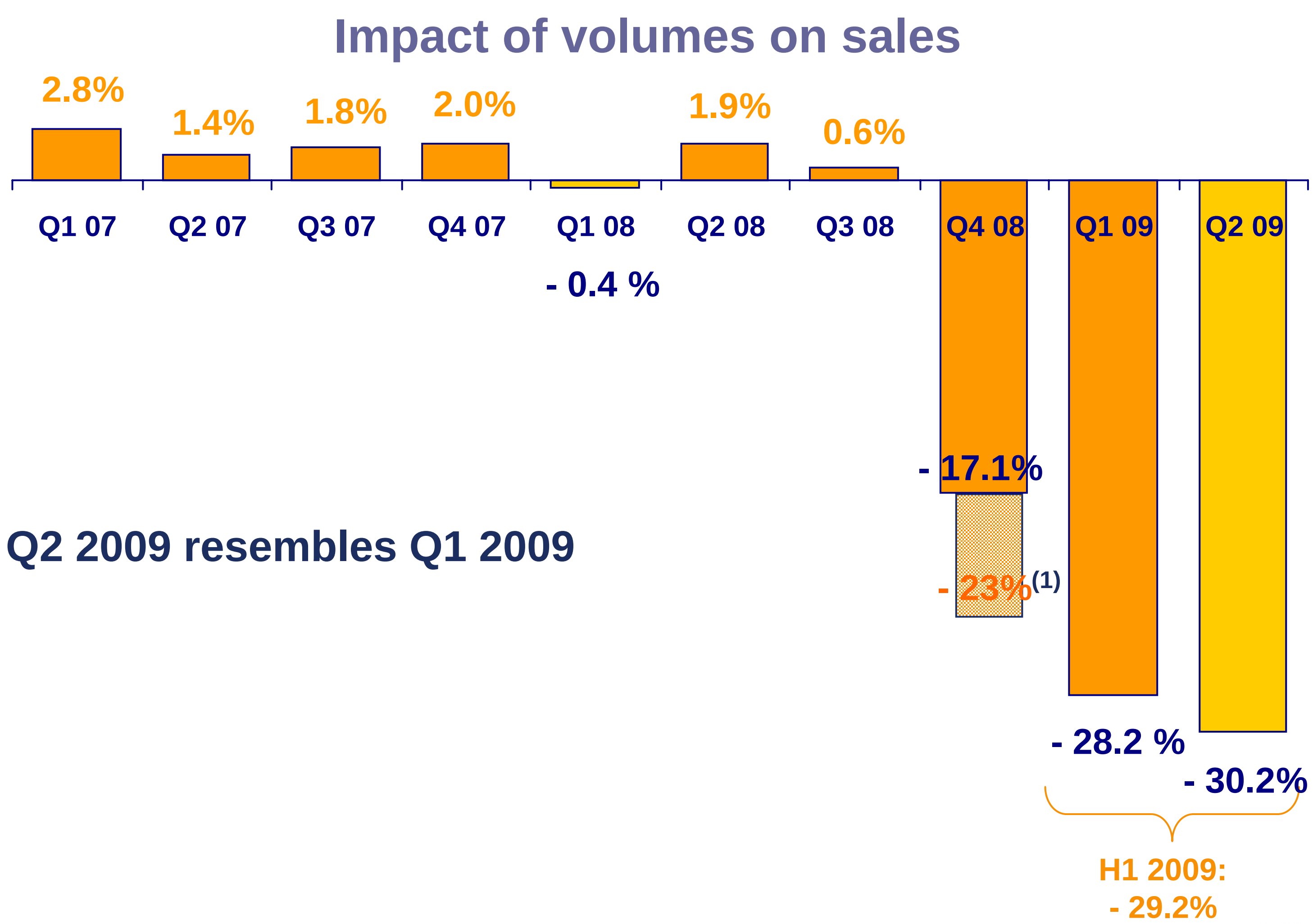
Sources: Imerys estimate / French Ministry of Ecology, Energy, Sustainable Development and National Planning to end February '09 (official data unavailable for March – June '09)

Quarterly new housing starts in USA – annual trend



Source: Census

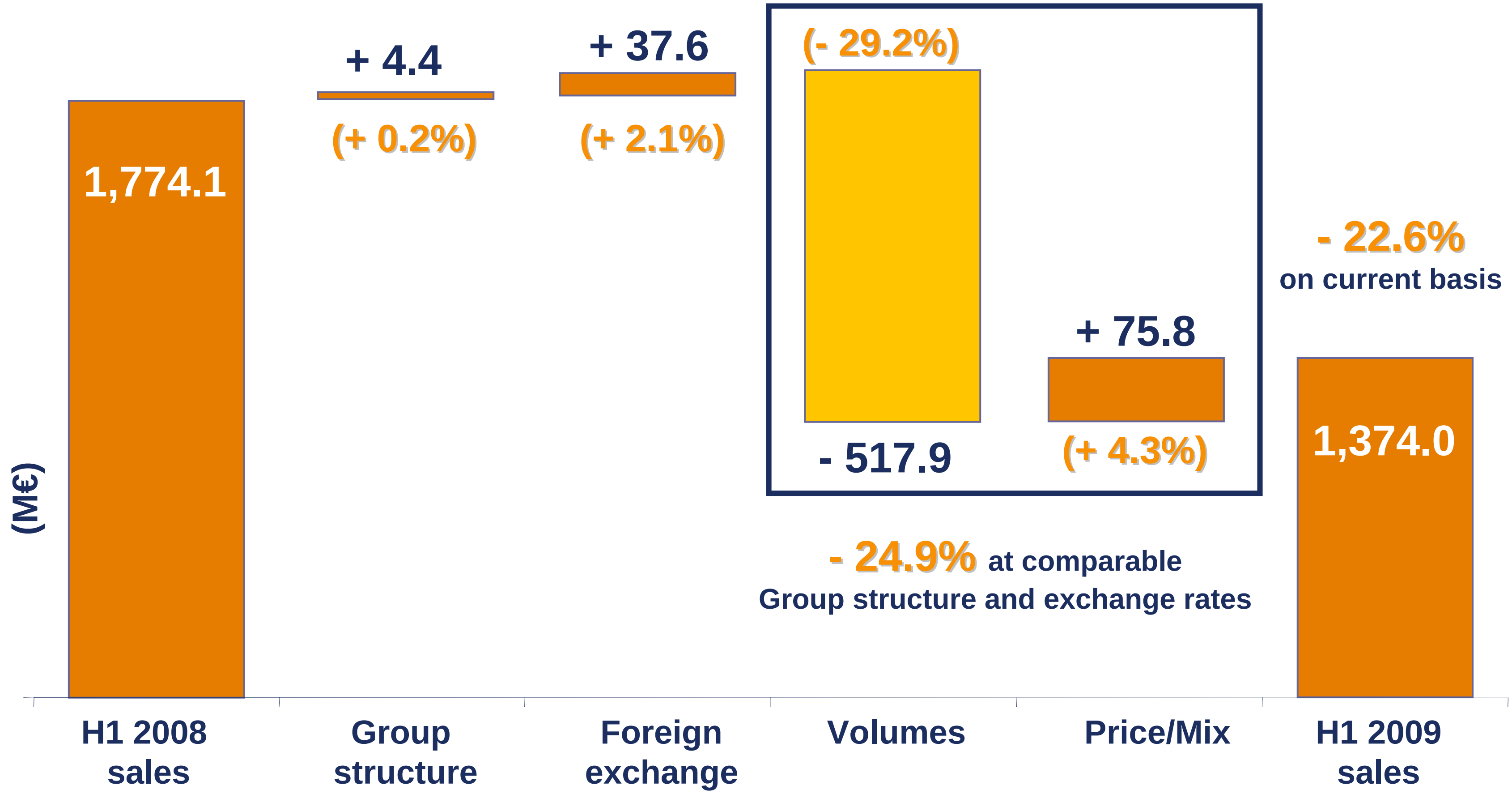
Ongoing heavy negative impact of sales volumes



- **Q2 2009 resembles Q1 2009**

(1) Decrease recorded in November/December 2008 compared with the previous year

Resilient price/mix component



- **Positive exchange rate effect:** appreciation of US$ vs. €
  - **1.33** in H1 '09 vs. **1.53** in H1 '08, i.e. **+13%**

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Results of operating measures

Results of plans in 1st half 2009

- Inventory reduced by **- 129.4 M€**
  → decrease in every kind of inventory
  (raw materials, finished products, packaging, etc.)

- Faster pace in fixed costs reduction: **- 85.6 M€**
  i.e. a **-13%** decrease in the total fixed cost base
  → improvement in all business groups

- Lower booked capital expenditures → **- 50%**
  (including the end of some programs launched in 2008)

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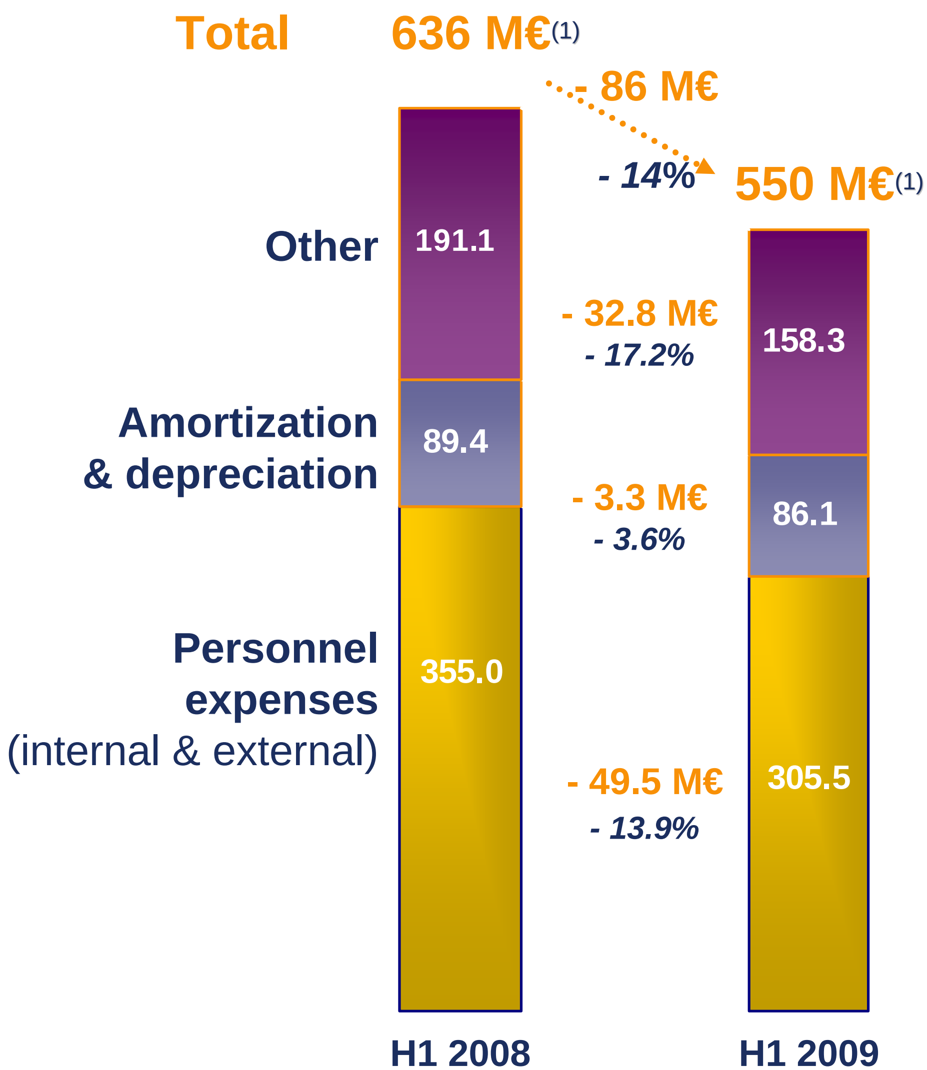
Substantial decrease in fixed costs



- **Structural measures**
  - Decrease in industrial capacities and workforce
- **Temporary measures**
  - No overtime
  - Part-time working
  - Significant reduction in non-priority expenses (maintenance, travel, overheads)

→ **Results partly related to temporary sharp slowdown in production in order to reduce inventory swiftly**

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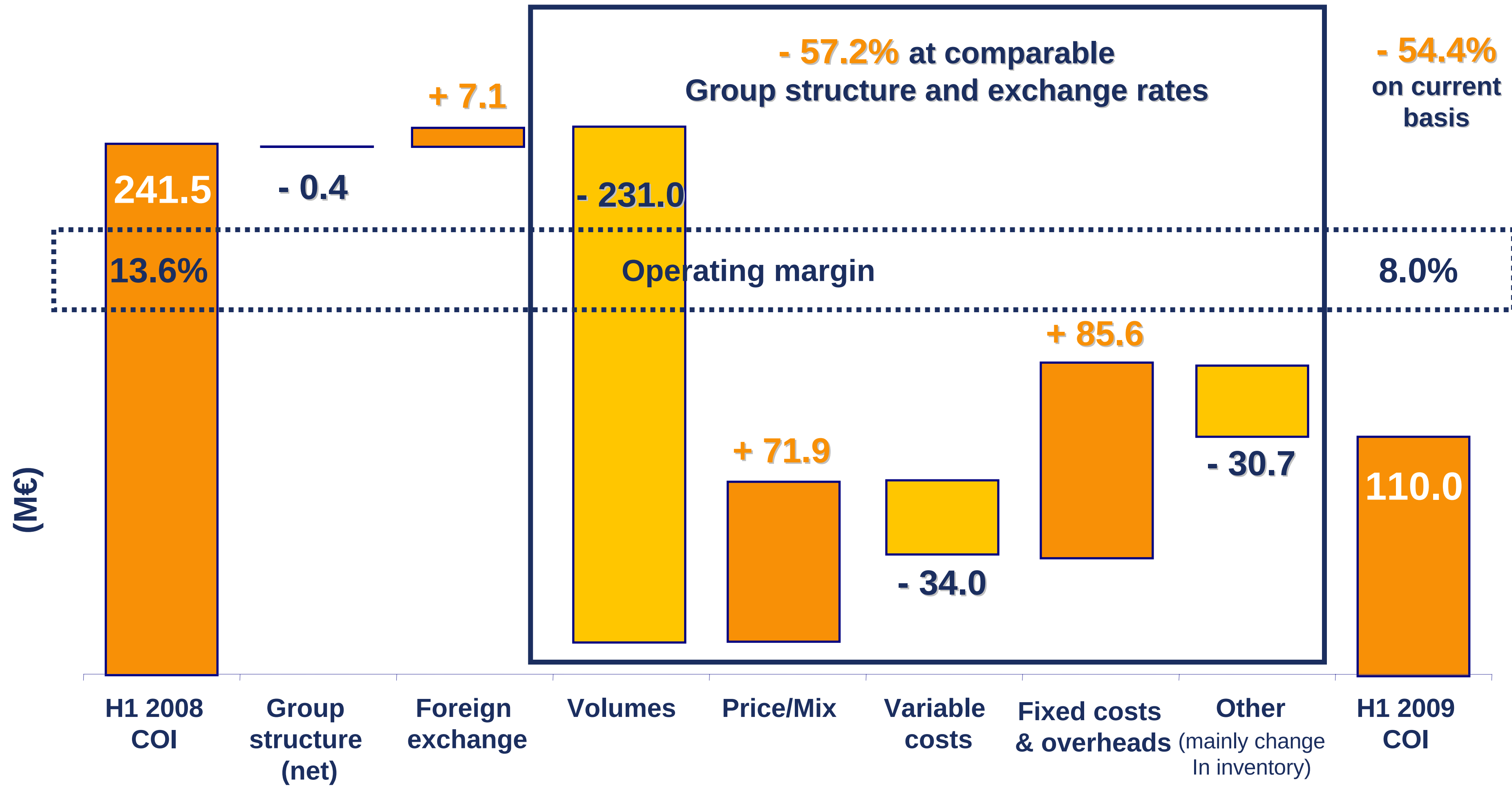
(1) Booked fixed costs, not reprocessed to allow for exchange rate or Group structure effects

Change in current operating income (COI)



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Fall in volumes affecting every business group

(€ millions)	H1 2009	H1 2008[3]	Comparable change[2]
Minerals for Ceramics, Refractories, Abrasives & Foundry	383.2	595.5	- 38.2%
Performance & Filtration Minerals	246.3	291.4	- 21.5%
Pigments for Paper	309.5	365.5	- 19.6%
Materials & Monolithics	443.4	543.1	- 17.5%
Imerys group sales[1]	**1 374.0**	**1 774.1**	- 24.9%

(1) After holding companies and eliminations
(2) At comparable Group structure and exchange rates
(3) Transfer of some activities in Asia and South America from Pigments for Paper to Performance & Filtration Minerals

- **Industrial equipment-related activities still the worst hit**
- **Slump in paper production in mature economies**
- **Slackness in construction**

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Profit posted by all business groups

(€ millions)	H1 2009	H1 2008[(2)(3)]
Minerals for Ceramics, Refractories, Abrasives & Foundry	3.6%	12.7%
Performance & Filtration Minerals	3.7%	9.9%
Pigments for Paper	4.9%	9.4%
Materials & Monolithics	19.0%	23.1%
Imerys group operating margins[(1)]	**8.0%**	**13.6%**

(1) After holding companies and eliminations
(2) Transfer of some activities in Asia and South America from Pigments for Paper to Performance & Filtration Minerals
(3) 1st half 2008 results were restated following two presentation changes applied as of January 1, 2009

- **Margin erosion due to sharp drop in volumes**

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Financial income (expense)

(€ millions)	H1 2009	H1 2008[1]
Cost of debt	(34.0)	(38.5)
Impact of derivatives & hedging	(1.4)	10.5
Net cost of financing	**(35.4)**	**(28.0)**
Foreign exchange	(4.1)	7.7
Financial expenses related to pensions	(3.4)	(0.4)
Other income and expenses	(2.0)	0.1
Financial expense	**(44.9)**	**(20.6)**

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

- **Negative basis effect**
  - → €18 million positive income was posted for the 1st half of 2008 on interest rates and foreign exchange financial instruments
- **Change to presentation of defined-benefit plans for employees**

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Net income from current operations

(€ millions)	H1 2009	H1 2008[3]	Change
Current operating income[1]	**110.0**	**241.5**	**- 54.4%**
Financial income (expense)	(44.9)	(20.6)	
Current income tax	(18.7)	(60.2)	
Net income from current operations, Group share[2]	**46.7**	**159.8**	**- 70.8%**

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

- **Current tax rate 28.7% (27.3% for H1 2008)**

Net income affected by restructuring programs launched

(€ millions)	H1 2009	H1 2008	Change
Net income from current operations, Group share[(1)]	46.7	159.8	- 70.8%
Other revenue and expenses, net of which:	(35.0)	(15.4)	
• Income of assets disposals	11.1	-	
• Cash expenses *(restructuring, litigations)*	(39.0)	(21.2)	
• Non-cash expenses *(value adjustments, depreciation of industrial assets)*	(18.7)	(1.6)	
• Income taxes	11.6	7.4	
Net income, Group share	11.7	144.4	n.a.

(1) Net income 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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Substantial generation of free cash flow

(€ millions)	H1 2009	H1 2008
EBITDA	**204.1**	**322.2**
• Change in operating working capital	93.4	(83.0)
• Paid capital expenditure	(79.0)	(141.6)
Current free operating cash flow(1)	**187.7**	**40.3**
• Financial expense (net of tax)	(32.0)	(15.0)
• Other working capital items	27.0	(38.3)
Current free cash flow	**182.7**	**(13.0)**
(1) Including subsidies, book value of assets divested & other	0.7	8.5

- **Substantial reduction in working capital**
- **Decrease in capital expenditure**

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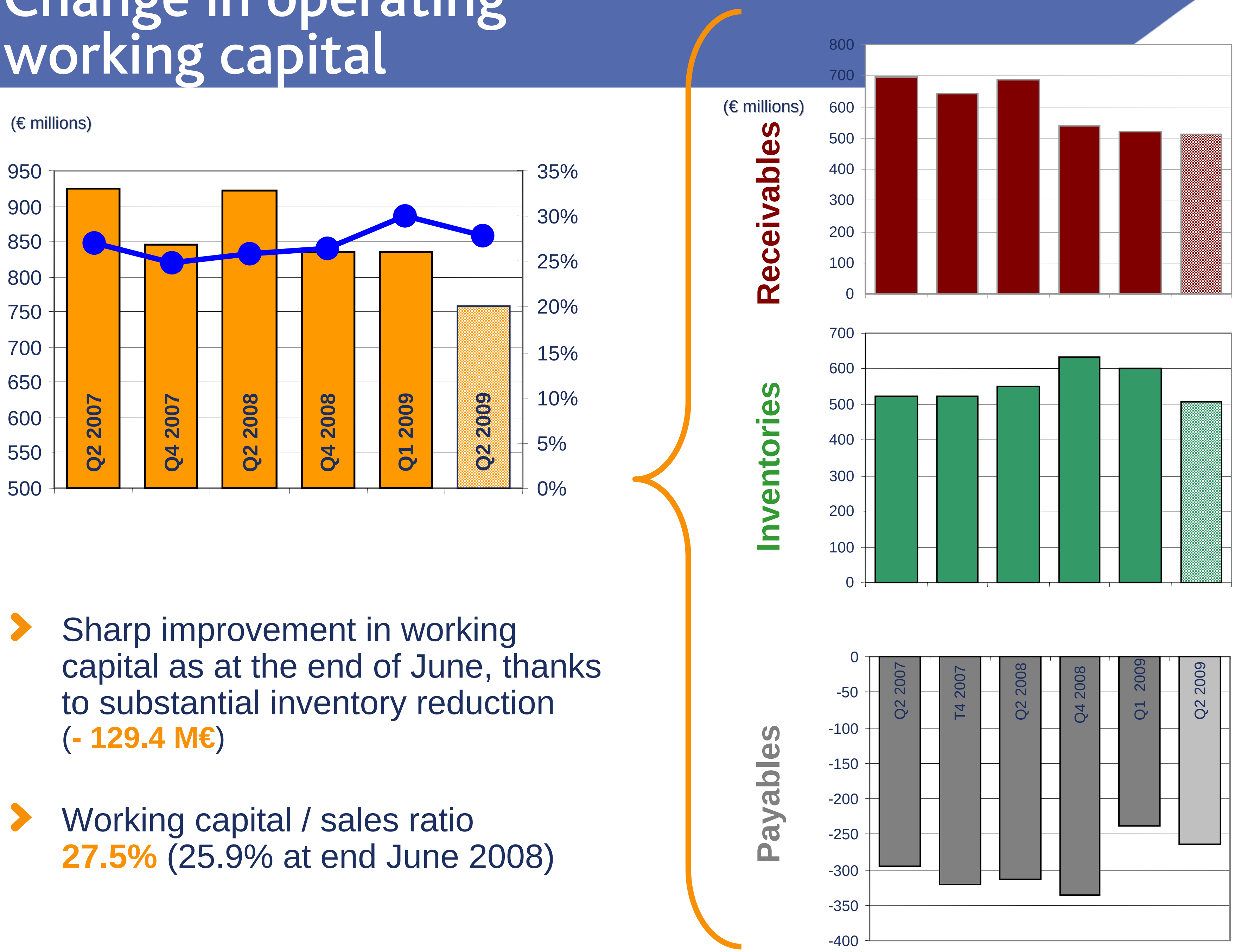
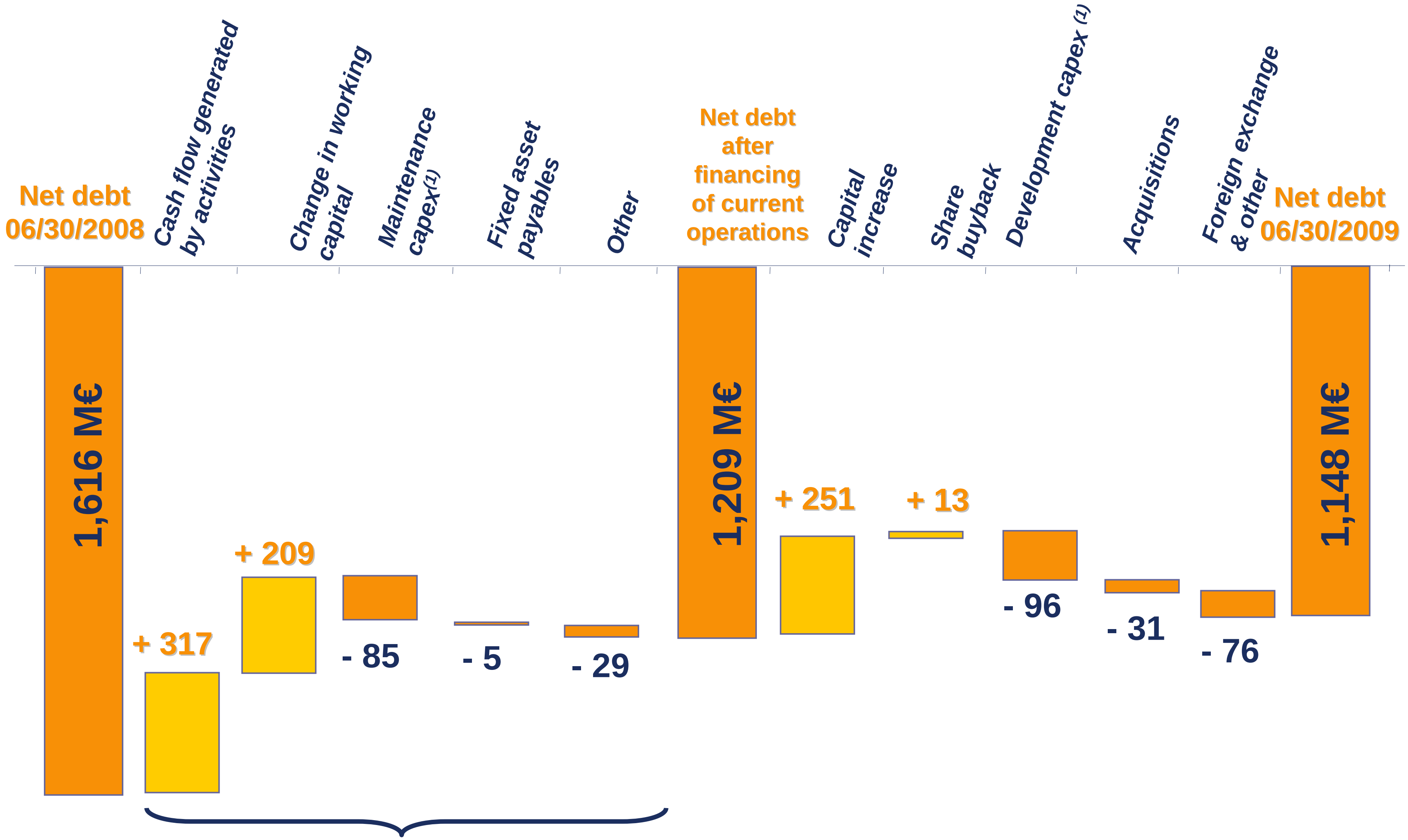
Change in operating working capital



- Sharp improvement in working capital as at the end of June, thanks to substantial inventory reduction (**- 129.4 M€**)
- Working capital / sales ratio **27.5%** (25.9% at end June 2008)

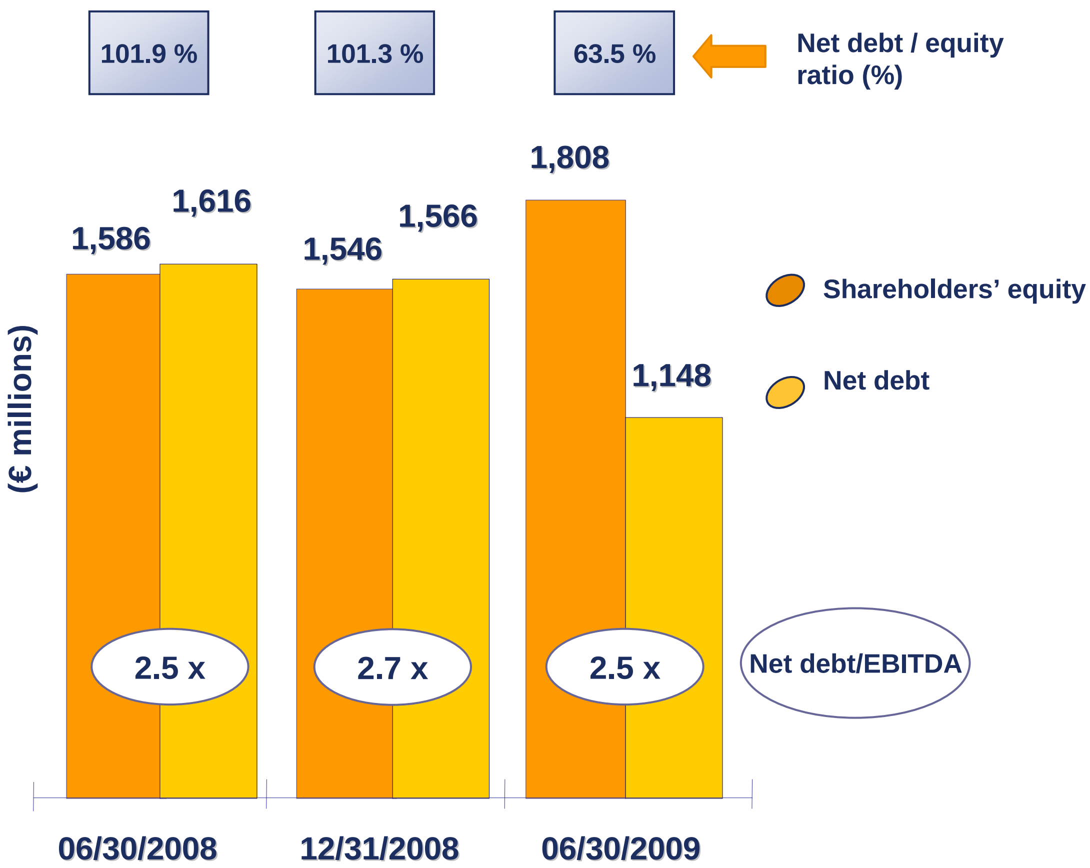
Organic reduction in the Group's debt (June 2008 – June 2009)



More than **350 M€** in available cash flow

(1) Imerys estimate

Financial structure



- **Stronger financial structure**
  - **€251 million** capital increase in 1st half
  - Organic reduction in the Group's debt
- **Total financial resources → €2.3 billion**

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Outlook

- **High uncertainty over activity levels for the coming quarters**
- **Continuation of actions to reduce fixed costs and overheads**
- **Cash flow generation still the priority**
  - Continuation of inventory reduction actions
  - Selective capital expenditure
  - Improvement in financial structure with further organic reduction of the Group's debt.
- **Goal of an operating margin close to 10% in early 2010 maintained**

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