

First-half 2010 Results

Conference call, July 30, 2010

- Gérard Buffière Chief Executive Officer
- Michel Delville Chief Financial Officer



Disclaimer

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More comprehensive information about Imerys may be obtained on its Internet website (www.imerys.com), under Regulated Information, including its document de référence filed under No. D.10-0205 on April 1, 2010 with Autorité des marchés financiers.

Imerys draws the attention of investors to the “Risk factors” set forth in section 4 of the 2009 Document de Référence.

This document contains projections and other forward-looking statements. Investors are cautioned that such projections and forward-looking statements are subject to various risks and uncertainties (many of which are difficult to predict and generally beyond the control of Imerys) that could cause actual results and developments to differ materially from those expressed or implied.



- **Growth in main markets driven by strong inventory rebuilding**
- **Improved operating performance**
- **Acquisition of Parà Pigmentos S.A. (PPSA)**
- **Outlook**

Significant contribution of inventory rebuilding to main markets growth

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> Positive signs observed

- Growing industrial output in developed countries
- Global paper production **+ 7%**
- Increase in building permits in France in 2nd quarter 2010

> But:

- Flat construction market in North America and in other European countries
- End of stimulus measures in Europe and in the United States
- Faster inventory rebuilding in 2nd quarter 2010

→ The worst-affected sectors in 2009 recovered significantly (industrial equipment in particular)

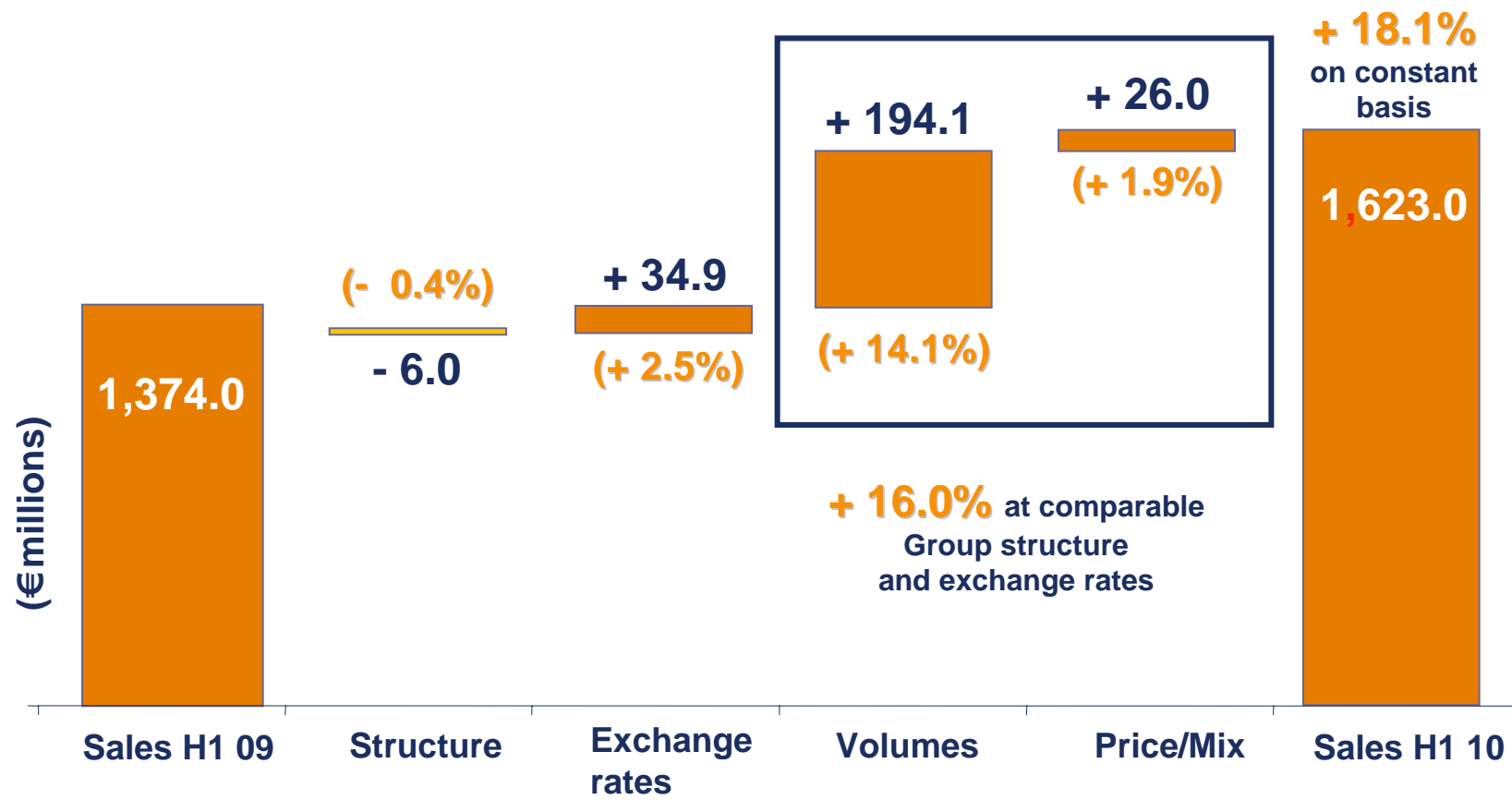
> Geographic contrast

- Further growth in emerging countries
- Slow improvement in mature countries



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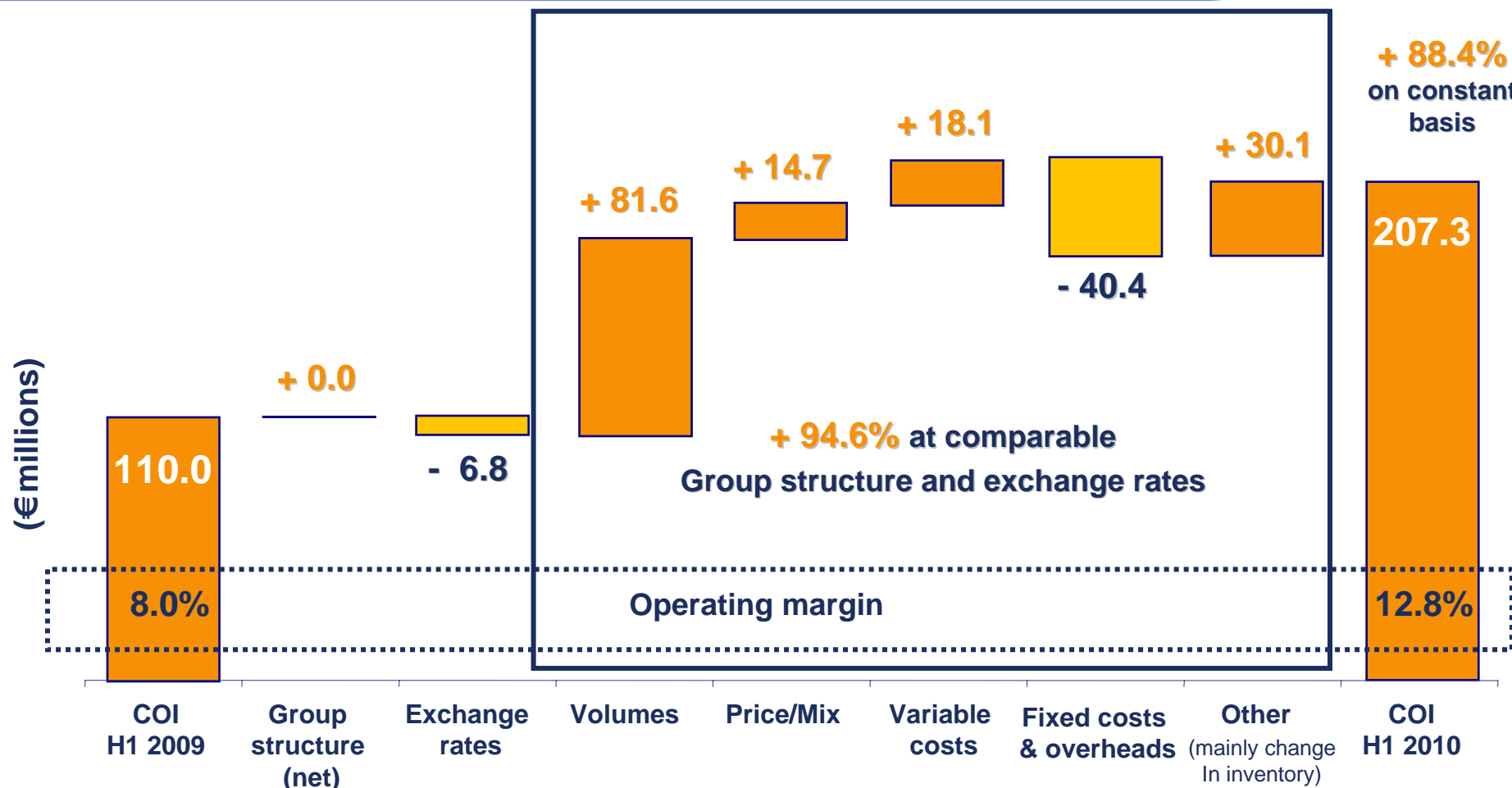
Sharp volume growth including inventory rebuilding effect



- **Positive exchange rate effect:**
 - Depreciation of euro vs. some currencies
- **Firm price/mix component**
- **Emerging countries: + 35%**



Operating margin: 12.8%



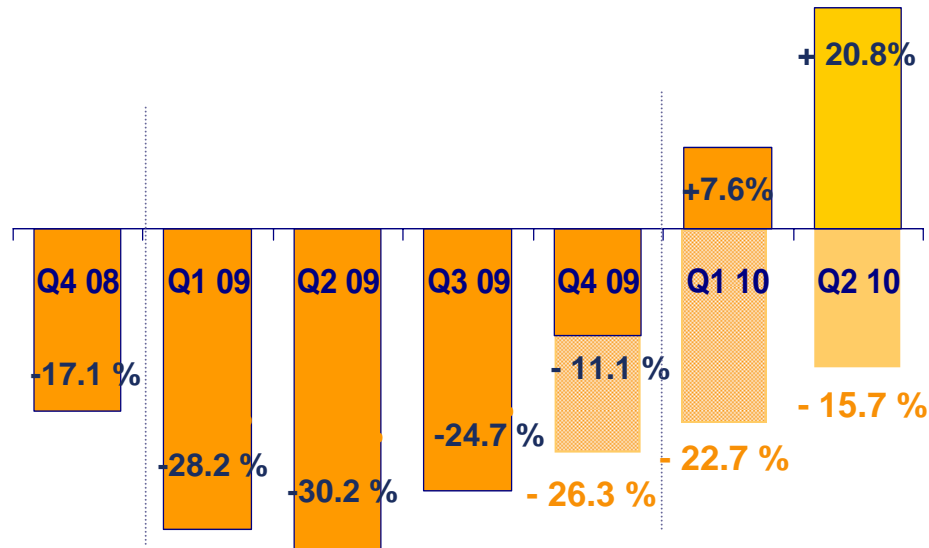
- > Good contribution of additional volumes
- > Rise in fixed costs and overheads completely due to upturn in volumes
- > Energy bill down



Business overall below 1st half 2008 levels

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Impact of volumes on quarterly sales



Impact of volumes compared to the same N-1 fiscal year quarter

Compounded impact of volumes compared to the same N-2 fiscal year quarter

➤ Strong volumes growth with a very positive base effect



Contrasted rebound of activity

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(€ millions)	H1 2010	H1 2009	Comparable change ⁽²⁾	Comparable change 09 vs. 08 (reminder)
Minerals for Ceramics, Refractories, Abrasives & Foundry	536.6	383.2	+ 38.4%	- 38.2%
Performance & Filtration Minerals	300.4	246.3	+ 18.5%	- 21.5%
Pigments for Paper	356.3	309.5	+ 12.0%	- 19.6%
Materials & Monolithics	451.4	443.4	+ 0.6%	- 17.5%
Imerys Group Sales⁽¹⁾	1,623.0	1,374.0	+ 16.0%	- 24.9%

(1) After holdings and eliminations

(2) At comparable Group structure and exchange rates

- **Strong upswing in industrial equipment-related activities**
- **Recovery in paper production in mature economies**
- **Construction still slack**



Double-digit margins restored in all business groups

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(€ millions)	H1 2010	H1 2009	H1 2008
Minerals for Ceramics, Refractories, Abrasives & Foundry	12.5%	3.6%	12.7%
Performance & Filtration Minerals	11.6%	3.7%	9.9%
Pigments for Paper	10.4%	4.9%	9.4%
Materials & Monolithics	20.5%	19.0%	23.1%
Operating margin, Imerys Group⁽¹⁾	12.8%	8.0%	13.6%

(1) After holdings and eliminations

- All business groups benefit from the volume upturn
- Improved productivity



Financial expense

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(€ millions)	H1 2010	H1 2009
Interest expense	(29.2)	(35.4)
Currency translation	2.1	(3.9)
Financial expense with respect to pensions	(1.3)	(3.4)
Other income and expenses	(3.8)	(2.2)
Current financial expense	(32.2)	(44.9)
<i>Gross financial debt</i>	<i>1,270.8</i>	<i>1,332.8</i>
<i>Net financial debt</i>	<i>990.1</i>	<i>1,148.2</i>

- **Stable cost of financing (on gross debt)**
- **Favorable currency translation effect in 2nd quarter 2010**
- **+ €10.2 million non-recurring foreign exchange gain classified in “Other net operating revenue and expenses”**
→ restructuring of US subsidiaries’ financing



Net income from current operations

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(€ millions)	H1 2010	H1 2009	Change
Current operating income⁽¹⁾	207.3	110.0	+ 88%
Current financial expense	(32.2)	(44.9)	
Current taxes	(50.8)	(18.7)	
Net income from current operations, Group share⁽²⁾	122.0	46.7	+ 161%
Net income from current operations per share, Group share ⁽¹⁾⁽³⁾	1.62 €	0.68 €	+ 138%

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

(2) Net income, group share, before other operating revenue and expenses, net

(3) Average weighted number of outstanding shares (adjusted following rights issue on June 2, 2009):
75,449,904 in 1st half 2010 vs. 68,688,790 in 1st half 2009

➤ **Stable current tax rate: 29.0%**
(28.7% in 1st half 2009)



Net income

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(€ millions)	H1 2010	H1 2009	Change
Net income from current operations, Group share⁽¹⁾	122.0	46.7	+ 161%
Other revenue and expenses, net	(2.9)	(35.0)	
• Other gross revenue and expenses (before tax)	(2.5)	(46.6)	
• Income tax	(0.4)	11.6	
Net income, Group share	119.1	11.7	n.a.

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

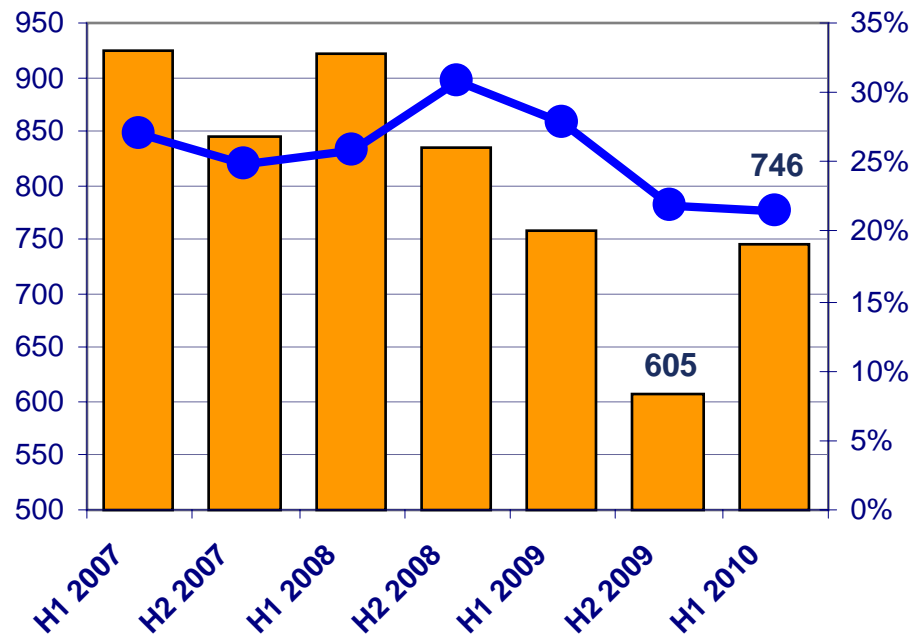
- + €10.2 million non-recurring foreign exchange gain
- Additional depreciation expense for site restoration: - €7.4 million
- Completion of previously announced and provisioned restructuring; closure of a Spanish Kiln Furniture unit



Change in operating working capital

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(€ millions)



- **Working capital increase: 141M€**
 - Exchange rate effect
 - Limited increase in inventories over the 1st half:
 - ➔ + 6%, as compared with a + 14.1% upturn in sales volumes

- **Working capital / Sales ratio improvement: 21.4%**
(21.9% on 12/31/2009)

- **Excluding factoring**
(76 M€ as on 06/30/2010),
Working capital/Sales ratio: 23.6%

Tight management of free cash flow

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(€ millions)	H1 2010	H1 2009
EBITDA	319.2	204.1
● Change in operating working capital	(77.1)	93.4
● Paid capital expenditure	(56.5)	(79.0)
Current free operating cash flow⁽¹⁾	127.6	187.7
● Financial expense (net of tax)	(18.8)	(27.3)
● Other working capital items	(1.8)	22.3
Current free cash flow	107.0	182.7

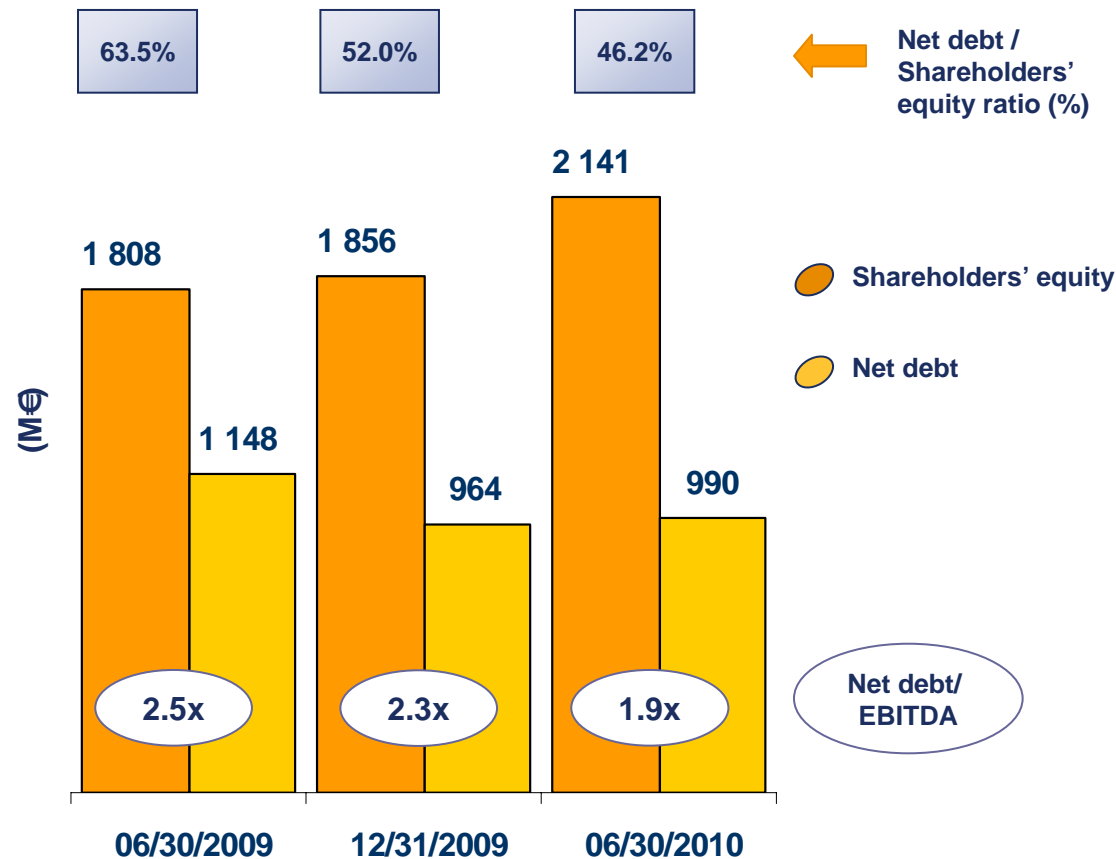
(1) Including subsidies, value of divested assets and misc.

2.2

0.7

- **Capital expenditure: mainly maintenance of industrial assets**





> Debt as on June 30, 2010

- Dividend payment on May 11: €76 million
- Unfavorable foreign exchange effect on debt stated in USD

> Stable financial resources

- Approx. €2.3 billion total resources
- No significant repayment before end of 2012



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Acquisition of Parà Pigmentos S.A. (PPSA)

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➤ **Activities in white pigments for paper & packaging strengthened for the long term**

- Development of Brazilian kaolin assets
 - ➔ kaolin mineral reserves, processing plant, logistical capacities (pipeline, harbor terminal)
- More secure supply for our customers

➤ **Value of acquired assets: approx. 70 MUSD**

- Payment made on July 26, 2010
- Consolidated from August 1, 2010



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Operational margin target greater than 12 % in 2010

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➤ Contrasting macro economic outlooks

+	-	?
<ul style="list-style-type: none">- Housing starts in France- Dynamism of emerging countries- Upturn in paper market and depreciation of euro	<ul style="list-style-type: none">- Housing starts in the US- End of incentive measures (automotive sector in Europe) and budgetary rigor- Steel industry slowdown in Western Europe	<ul style="list-style-type: none">- Durability of upturn beyond inventory rebuilding to be confirmed- Exchange rate evolution

➤ Continued operating management efforts

➤ Ongoing internal and external development



➤ APPENDIX



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Change in net debt

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(€ millions)	H1 2010	H1 2009
Current free cash flow	107.0	182.7
External growth / Divestments	1.1	4.4
Cash flow generated by other operating revenue and expenses	(5.5)	(18.7)
Rights issue (net of fees)	-	248.5
Other share movements	(0.3)	(3.9)
Dividends	(76.0)	(0.7)
Impact of foreign exchange and instruments on debts	(52.1)	5.6
Increase / decrease in net debt	(25.8)	417.9

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