H1 2019 Results

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IMERYS

TRANSFORM TO PERFORM

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1 Results

H1 2019 results highlights

REVENUE

€2,263m

ORGANIC GROWTH [1]

(1.5%)

- Continuing challenging macroeconomic conditions, particularly in industrial, refractory and automotive markets
- Positive price - mix (+ 2.7%) more than offsetting inflation of input costs

CURRENT OPERATING INCOME [2]

€245m (-13.6%) [5]

CURRENT FREE OPERATING CASH FLOW

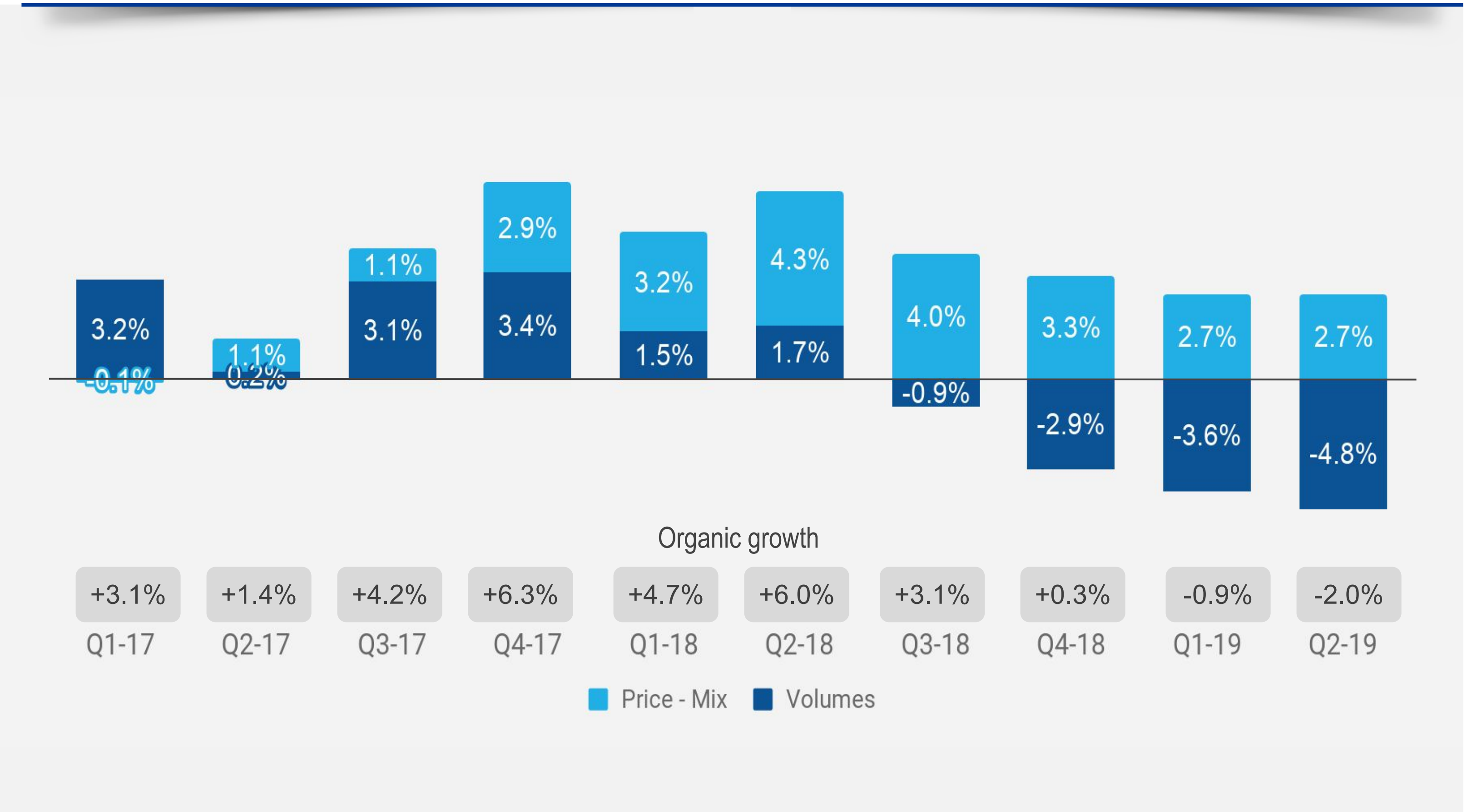
€77m (+1.1%)

- Profitability reflecting deconsolidation of North American talc subsidiaries [3] and temporary shutdown of Willsboro plant (USA) [4]
- Gradual roll-out of transformation program delivering fixed costs and overheads reduction
- Solid cash generation

(1) Organic growth means 'at comparable Group structure and exchange rates'. It is the sum of the volume effect and the price-mix effect
(2) "Current" means "before other operating revenue and expenses"
(3) Deconsolidation since the filing for Chapter 11 on February 13, 2019. The perimeter effect amounted to €53 million on revenue and €11 million on COI in H1 2018.
(4) Temporary shutdown of Willsboro plant (USA) having an impact of €11 million on revenue and €9 million on current operating income in H1 2019
(5) The IFRS 16 impact on the current operating income is +€2.8 million in the first half of 2019

Q2 volume trends reflect continued challenging macroeconomic environment

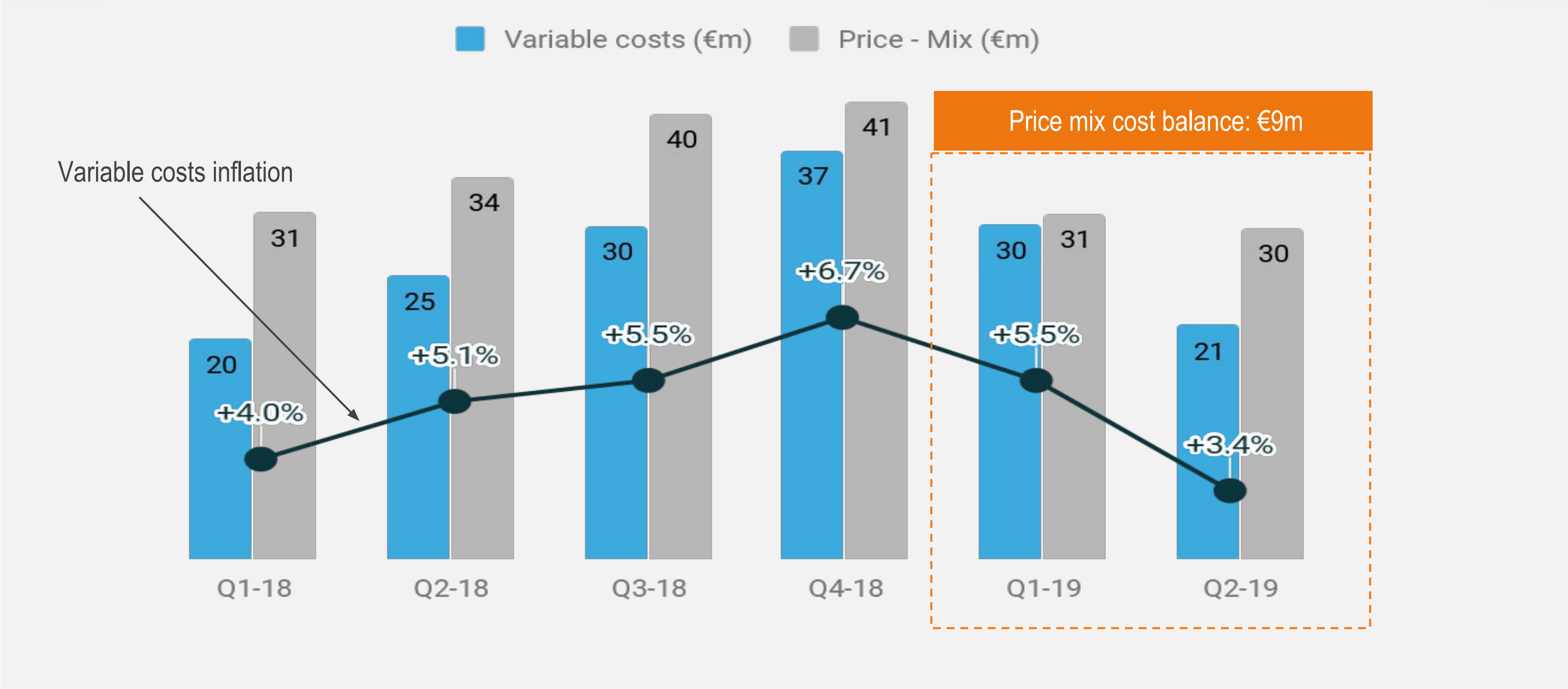
Organic growth, volumes and price - mix (y-o-y, proforma[1])



(1) Excluding the Roofing division which has been divested in 2018

Price - mix more than offsetting cost inflation

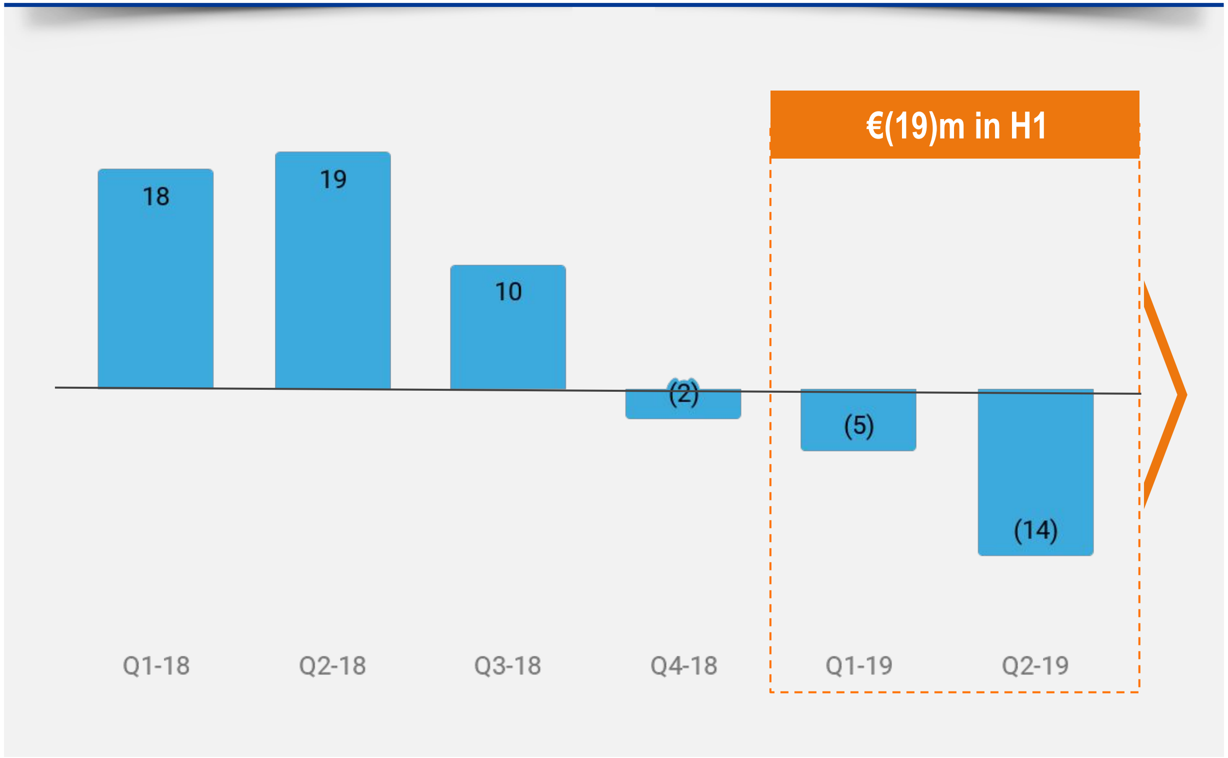
Price - mix and variable cost balance (€m, y-o-y, proforma)



- Contribution of the two business segments to the price - mix
- Raw material inflation easing in Q2

Cost containment measures start delivering visible savings

Reduction of fixed costs and overheads (€m, y-o-y)



€(10)m

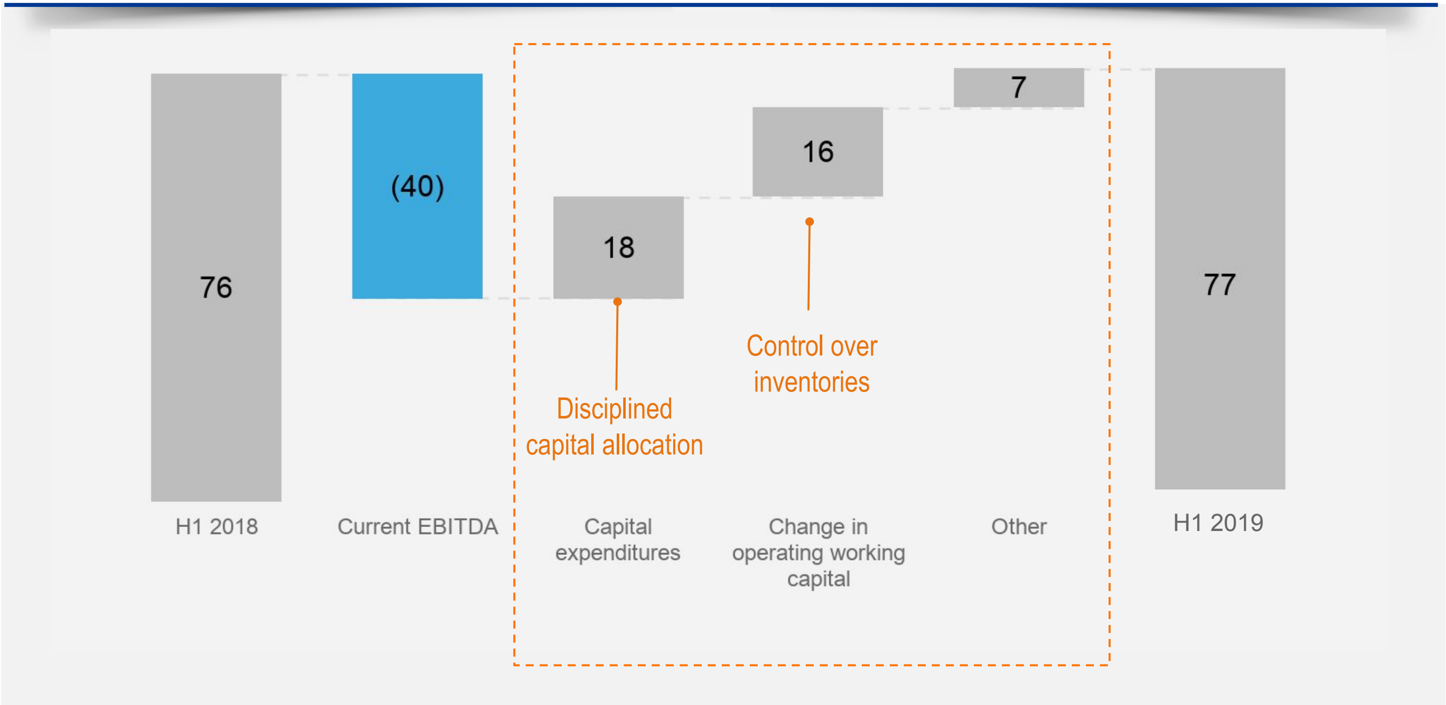
Withdrawal from ceramic proppants market and Namibian operations under care & maintenance regime

€(9)m

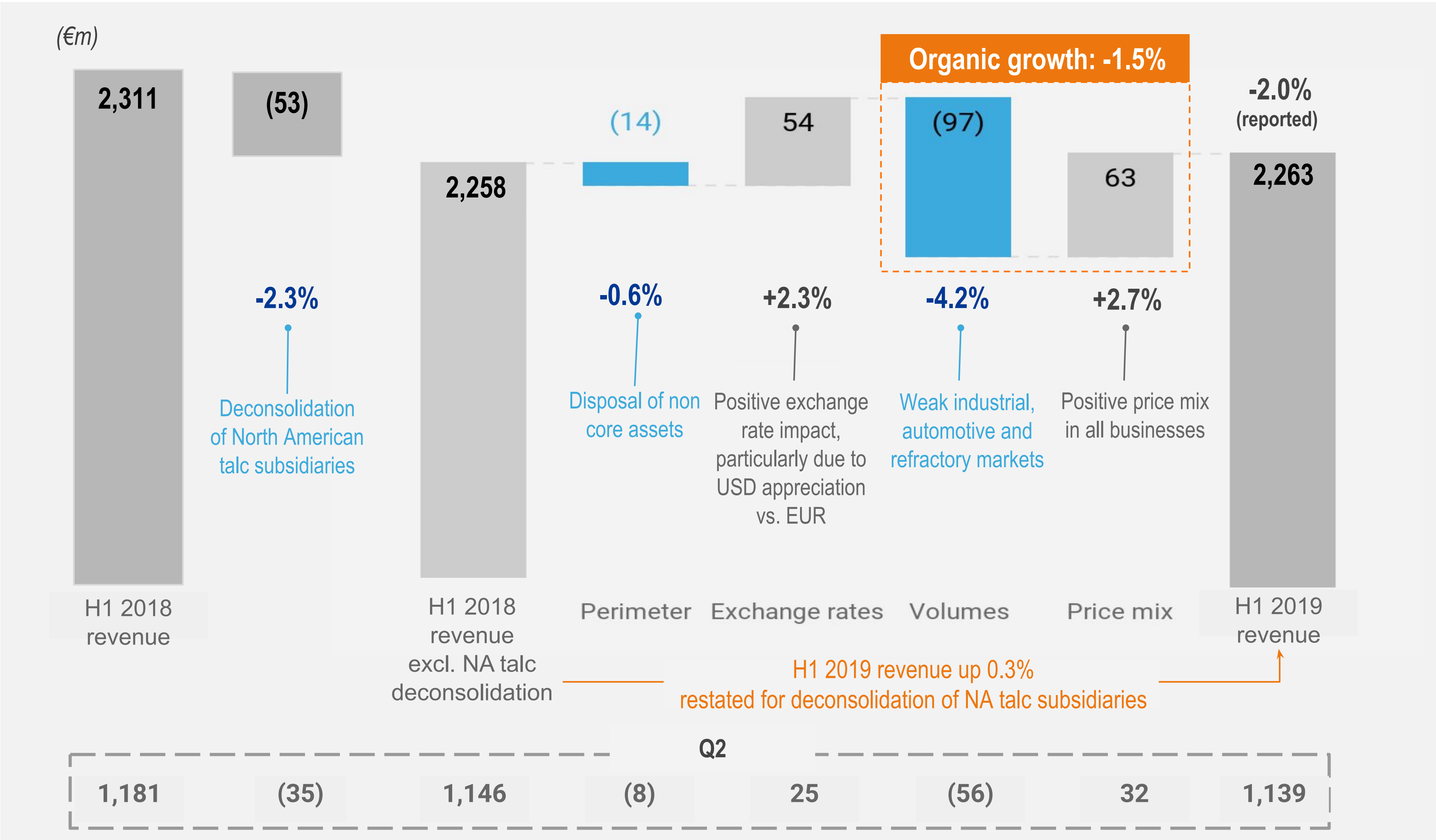
Gradual ramp up of the cost containment measures launched in Q1 2019 and first benefits of the transformation program

Effective cash flow management

Evolution of net current free operating cash flow (€m)



Organic growth reflecting continued challenging market environment



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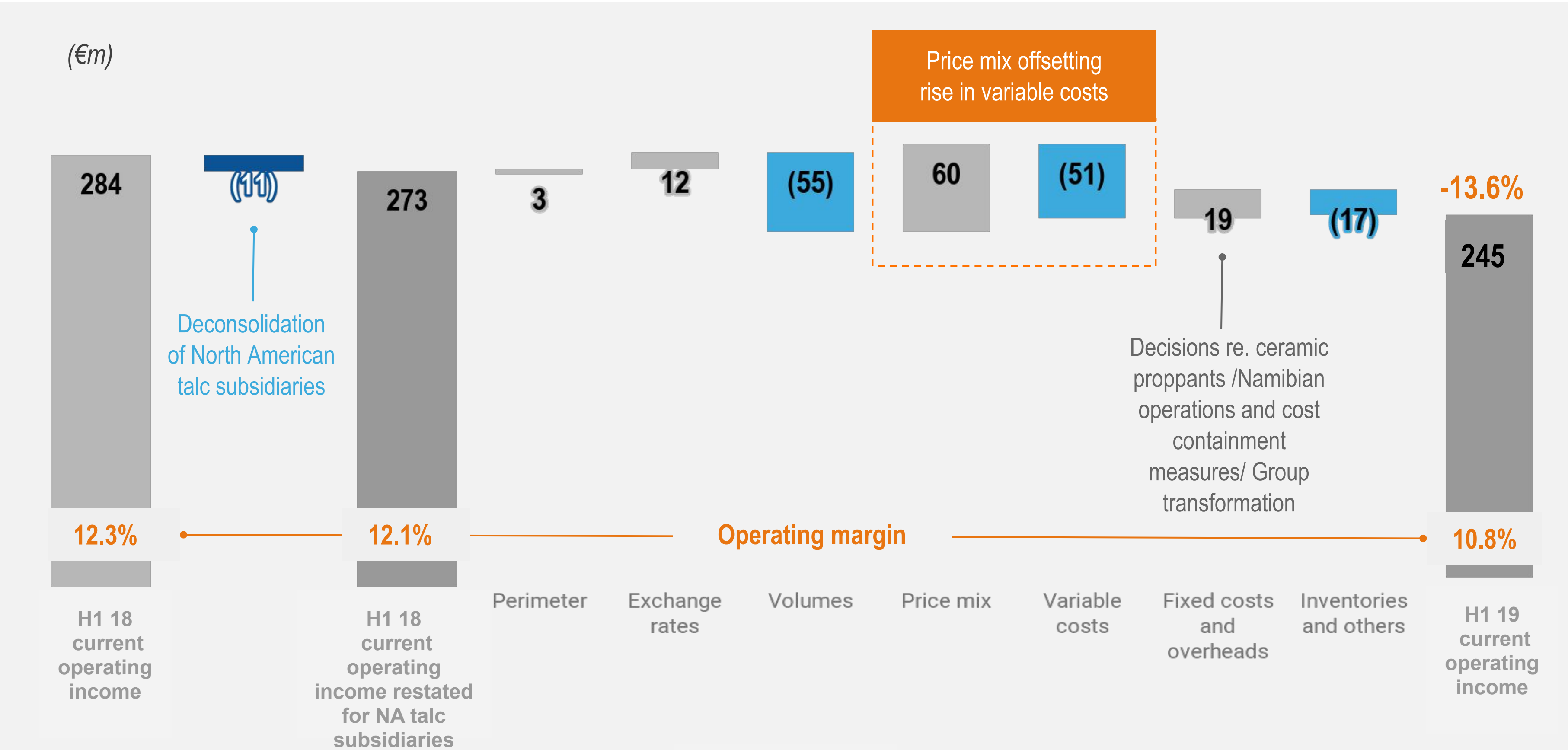
Cost containment measures and Group transformation plan start contributing positively to current operating income



Q2

154	(7)	147	3	6	(32)	30	(21)	14	(10)	136

Performance Minerals: soft market conditions in Europe and in the USA, revenue down 0.9% LFL excluding Willsboro temporary shutdown

Revenue (€m, LFL [1] change)	Q1 2019	Q2 2019	H1 2019	H1 19/H1 18 current change
Americas	282 (-2.8%)	274 (-3.4%)	555 (-3.1%)	-7.8%
EMEA	259 (-0.2%)	257 (-3.2%)	515 (-1.7%)	-1.6%
APAC	115 (+2.8%)	115 (+3.7%)	229 (+3.2%)	+7.3%
Eliminations	(32)	(24)	(56)	-
Performance Minerals revenue	**623 (-1.7%)**	**621 (-1.8%)**	**1,244 (-1.8%)**	**-3.0%**
Current operating income	**-**	**-**	**144**	**-20.8% [2]**

Americas

- Chapter 11 process progressing as expected
- LFL evolution of -1.2% in Q2 excluding temporary shutdown of Willsboro plant
- Negative trend in paper markets and weak filtration for food and beverage in the US

EMEA

- Soft paints & coatings markets and mixed performance in ceramics
- Better revenue growth in filtration

APAC

- Strong demand for conductive additives for Li-ion batteries
- Soft environment in plastics, rubber and paints due to the car production decline
- Decreasing paper & board markets in Japan

(1) LFL (like-for-like) means organic growth, or growth 'at comparable Group structure and exchange rates'. It is the sum of the volume effect and the price-mix effect.
(2) Excluding the North American talc subsidiaries deconsolidation and temporary shutdown of Willsboro plant, the current operating income decreased by 10.2% and current operating margin was 12.5% in the first half of 2019.

High Temperature Materials & Solutions: weaker industrial and automotive markets in the second quarter

Revenue (€m, LFL [1] change)	Q1 2019	Q2 2019	H1 2019	H1 19/H1 18 current change
High Temperature Solutions	201 (-1.8%)	209 (-3.4%)	410 (-2.6%)	-3.2%
Refractory, Abrasives, Construction	319 (-0.2%)	330 (-3.0%)	649 (-1.7%)	-0.2%
Eliminations	(11)	(11)	(22)	-
High Temperature Materials & Solutions	**510 (-0.5%)**	**527 (-3.2%)**	**1,037 (-1.9%)**	**-1.2%**
Current operating income	**-**	**-**	**97**	**-13.4%**

High Temperature Solutions

- Car production still weighing on the foundry market in Europe
- Iron & steel becoming more negative in Europe
- Thermal markets recovered from the first quarter

Refractory, Abrasives & Construction

- Weak abrasives demand in Europe, and slowdown of construction in June
- Further product developments in the building chemistry business
- Easing inflationary pressure on input costs

(1) *LFL (like-for-like) means organic growth, or growth 'at comparable Group structure and exchange rates'. It is the sum of the volume effect and the price-mix effect*

Net income from current operations: €159 m

(€m)	H1 2018 [1]	H1 2019	Variation
■ Current operating income	283.8	245.1 [2]	-13.6%
■ Current financial expense	(33.6)	(18.4)	na
■ Current income tax	(74.0)	(65.8)	+ 11.2%
◆ Current tax rate	29.6%	29.0%	- 0.6 point
■ Minority interests	0.2	(2.3)	-
Net income from current operations, Group's share	**176.4**	**158.7 [3]**	**- 10.0% [4]**
Net income from current operations, Group's share (in euros) [5]	**2.23**	**2.00**	**- 10.0%**
■ Other operating income and expenses, net, and net income of assets held for sale	(14.9)	(62.8)	na
Net income, Group's share	**161.4**	**95.9**	**- 40.6%**

(1) *All 2018 data is restated from Roofing disposal*
(2) *The IFRS 16 impact on the current operating income is +€2.8 million in the first half of 2019*
(3) *The IFRS 16 impact on the net income from current operations is -€0.7 million in the first half of 2019*
(4) *-17.0% before the positive impact on net financial charges of the full repayment on March 2019 of the €56 million Japanese Yen denominated private placement.*
(5) *Average weighted number of outstanding shares: 79,170,908 in H1 2019 against 79,149,662 in H1 2018*

Sound financial structure

Net financial debt evolution in H1 2019 (€m)

- Long-term debt rating
  - Moody's : **Baa2**, stable outlook
  - S&P : **BBB**, stable outlook

(€m)	As at June 30, 2019
Bonds	1,924
Other indebtedness	224
Gross indebtedness	**2,148**
Cash	629
Net debt without IFRS 16	**1,519** (1)

(€m)	June 30, 2019	Maturity
Bonds	1,924	5.7 years
Credit facilities	1,280	2.4 years
Financial resources	**3,204**	**4.4 years**

(1) €1,790 million with IFRS 16
(2) Net financial debt to shareholders equity

2 Outlook

Outlook

2019	2020 - 2022
Full year net income from current operations expected to decline by around 10% versus 2018	**Improving organic growth and profitability**

2019

- Forecasted impact of ca. -7% of the deconsolidation of North American talc subsidiaries and the temporary shutdown of Willsboro plant (USA)
- Sequential improvement of the current operating income in the second half compared to the first half, assuming no further deterioration in the market conditions
- Priority to cost reduction and cash flow generation with further benefits from cost containment measures and “Connect & Shape” transformation program

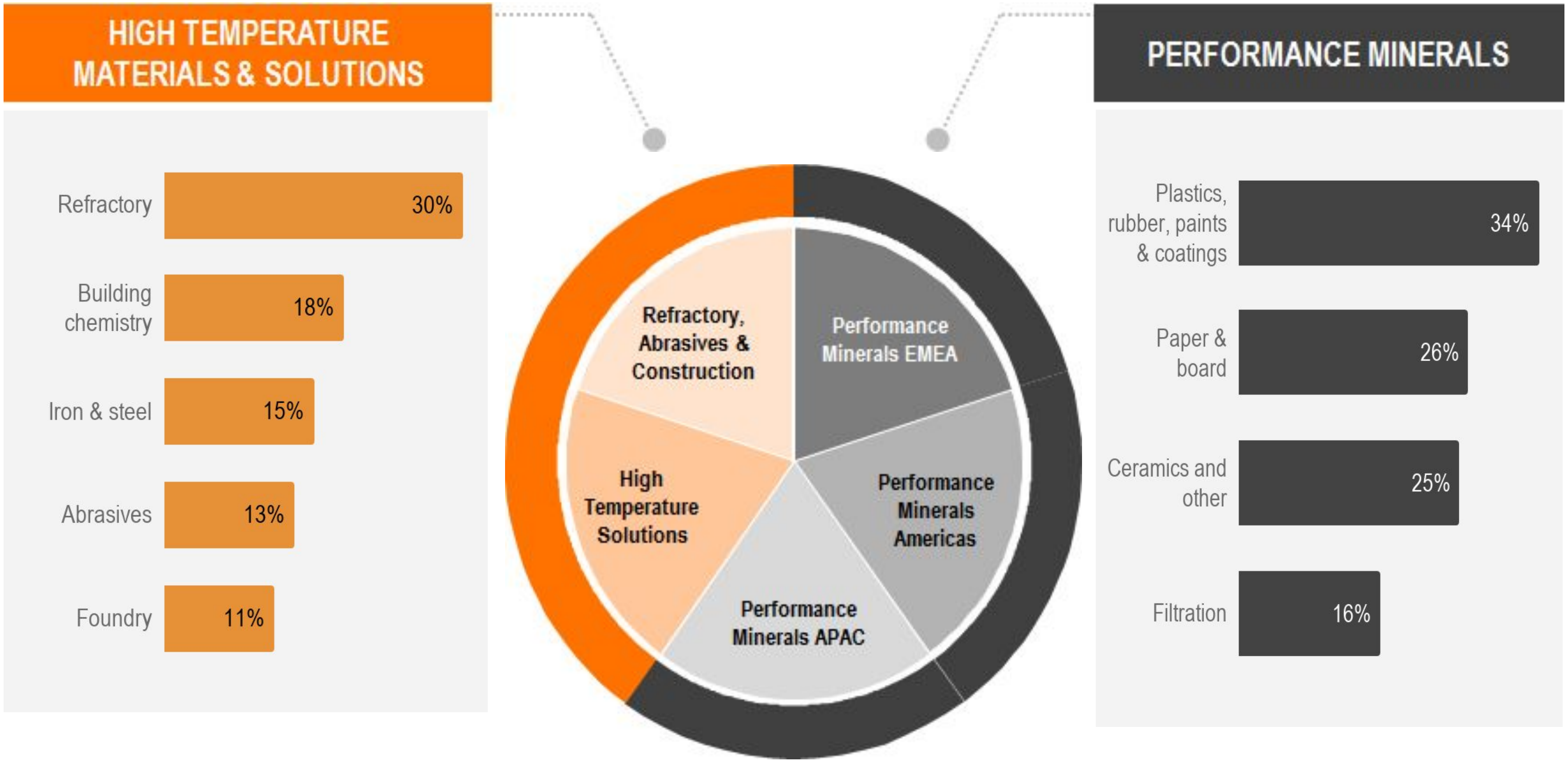
2020 - 2022

- Gradual ramp-up of organic growth to reach underlying markets level by 2022 [1]
- 2022 current EBITDA margin up by +200 bp vs. 2018 [2]
  - €100m cost savings in full in 2022

(1) Underlying market growth estimated at ca. 2.0% per year in normal trading conditions
(2) Current EBITDA margin was 17.3% in 2018.

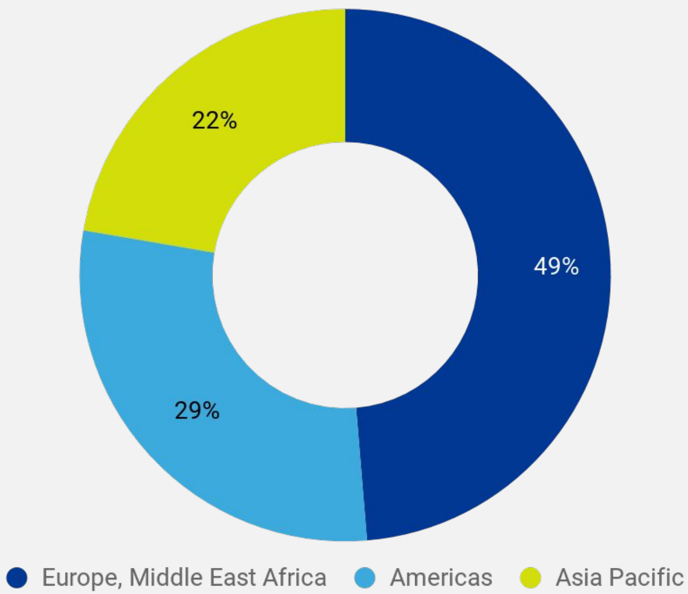
3 Appendix

Business Segments

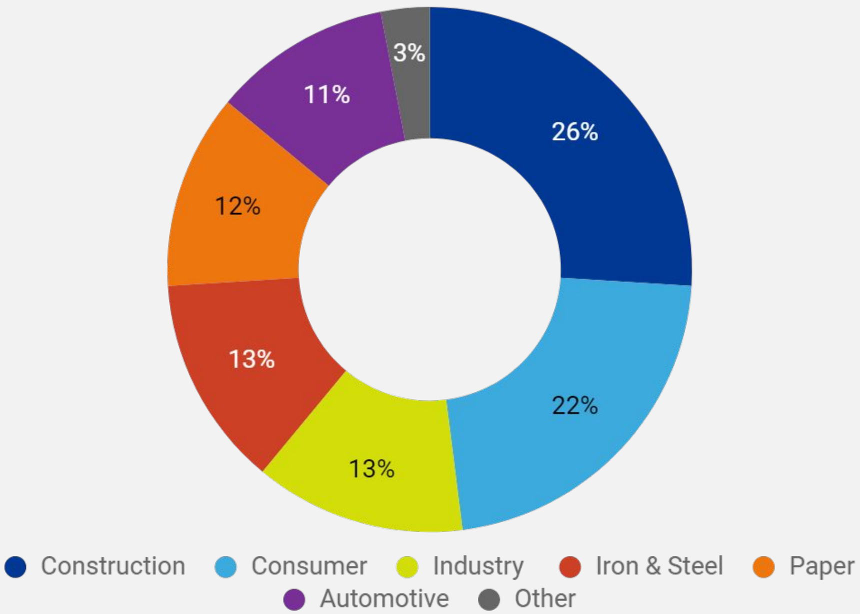


Revenue breakdown

Revenue by geography in H1 2019



Revenue by end market in 2018



Resilient operating profitability despite weaker trading conditions

COI (€m, as % of revenue)	H1 2018	H1 2019
■ Performance Minerals	182 (14.2%)	144 (11.6%)
■ High Temperature Materials & Solutions	112 (10.7%)	97 (9.3%)
■ Other	(10)	4
■ Group	**284 (12.3%)**	**245 (10.8%)**

Historical Performance

Revenue (€m)	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Performance Minerals	**2,575**	**668**	**661**	**632**	**641**	**2,602**	**632**	**650**	**641**	**636**	**2,559**	**623**	**621**
Americas	1,283	324	319	301	325	1,269	295	307	314	310	1,227	282	274
Europe, Middle East Africa	982	261	259	251	247	1,018	260	264	248	246	1,018	259	257
Asia Pacific	416	106	106	103	110	426	107	107	108	106	428	115	115
High Temperature Materials & Solutions	**1,304**	**382**	**378**	**474**	**468**	**1,703**	**505**	**544**	**523**	**500**	**2,072**	**510**	**527**
High Temperature Solutions	725	206	214	221	181	822	206	218	216	204	844	201	209
Refractory, Abrasives, Construction	598	184	171	263	296	915	312	338	319	302	1,271	319	330
Other and eliminations	(17)	(16)	(8)	(3)	23	(6)	(7)	(13)	(10)	(10)	(41)	(9)	(9)
Group	**3,862**	**1,034**	**1,031**	**1,103**	**1,132**	**4,299**	**1,130**	**1,181**	**1,154**	**1,126**	**4,590**	**1,124**	**1,139**

Current operating income (€m)	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Group	**479**	**123**	**141**	**145**	**142**	**551**	**130**	**154**	**141**	**137**	**562**	**110**	**136**
Operating margin	12.4%	11.9%	13.6%	13.2%	12.5%	12.8%	11.5%	13.1%	12.2%	12.2%	12.2%	9.8%	11.9%

Current operating income (€m)	FY 2016	H1 2017	H2 2017	FY 2017	H1 2018	H2 2018	FY 2018	H1 2019
Performance Minerals	**373**	**198**	**192**	**390**	**182**	**171**	**353**	**144**
Operating margin	14.5%	14.9%	15.1%	15.0%	14.2%	13.4%	13.8%	11.6%
High Temperature Materials & Solutions	**135**	**84**	**88**	**173**	**112**	**109**	**221**	**97**
Operating margin	10.4%	11.1%	9.4%	10.1%	10.7%	10.7%	10.7%	9.3%
Holding and eliminations	(29)	(19)	7	(12)	(10)	(2)	(12)	4
Group	**479**	**263**	**287**	**551**	**284**	**278**	**562**	**245**
Operating margin	12.4%	12.8%	12.9%	12.8%	12.3%	12.2%	12.2%	10.8%

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