

# General Meeting

May 2, 2006



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## ➤ **2005 Results**

## ➤ **First Quarter 2006**

## ➤ **Recent Developments and 2006 Outlook**

## ➤ **Resolutions**



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# 2005 highlights

➤ **Slack markets – except in Building Materials – affected by adverse non-recurring factors**

- Depressed European economy throughout the year
- Q1 (Building Materials): harsh winter in France
- Q2 (Pigments for Paper ): 7-week strike in Finnish paper industry
- Q3 (Specialty Minerals): hurricanes in southeastern United States

➤ **Ongoing inflation of variable costs, primarily energy**

➤ **Further improvement in the Group's performance**

- Rises of + 6.1% in sales, + 2.9% in current operating income and + 10.1% in net income from current operations

➤ **Integration going smoothly for the year's acquisitions (Lafarge Refractories, World Minerals, Denain-Anzin Minéraux), which are making a significant contribution to results**



# Key figures 2005

| (€ millions)   | 2005           | 2004           | Change         |
|--|----------------|----------------|----------------|
| <b>Sales</b>   | <b>3,045.2</b> | <b>2,870.5</b> | <b>+ 6.1%</b>  |
| <b>Current operating income<sup>(1)</sup></b>              | <b>434.0</b>   | <b>421.8</b>   | <b>+ 2.9%</b>  |
| <b>Net income from current operations<sup>(2)(3)</sup></b> | <b>287.6</b>   | <b>261.2</b>   | <b>+ 10.1%</b> |
| <b>Net income<sup>(2)</sup></b>                            | <b>309.4</b>   | <b>240.0</b>   | <b>+ 28.9%</b> |
| <b>Current free operating cash flow<sup>(4)</sup></b>      | <b>219.4</b>   | <b>227.9</b>   | <b>- 3.7%</b>  |

(1) Operating income before other income and expense

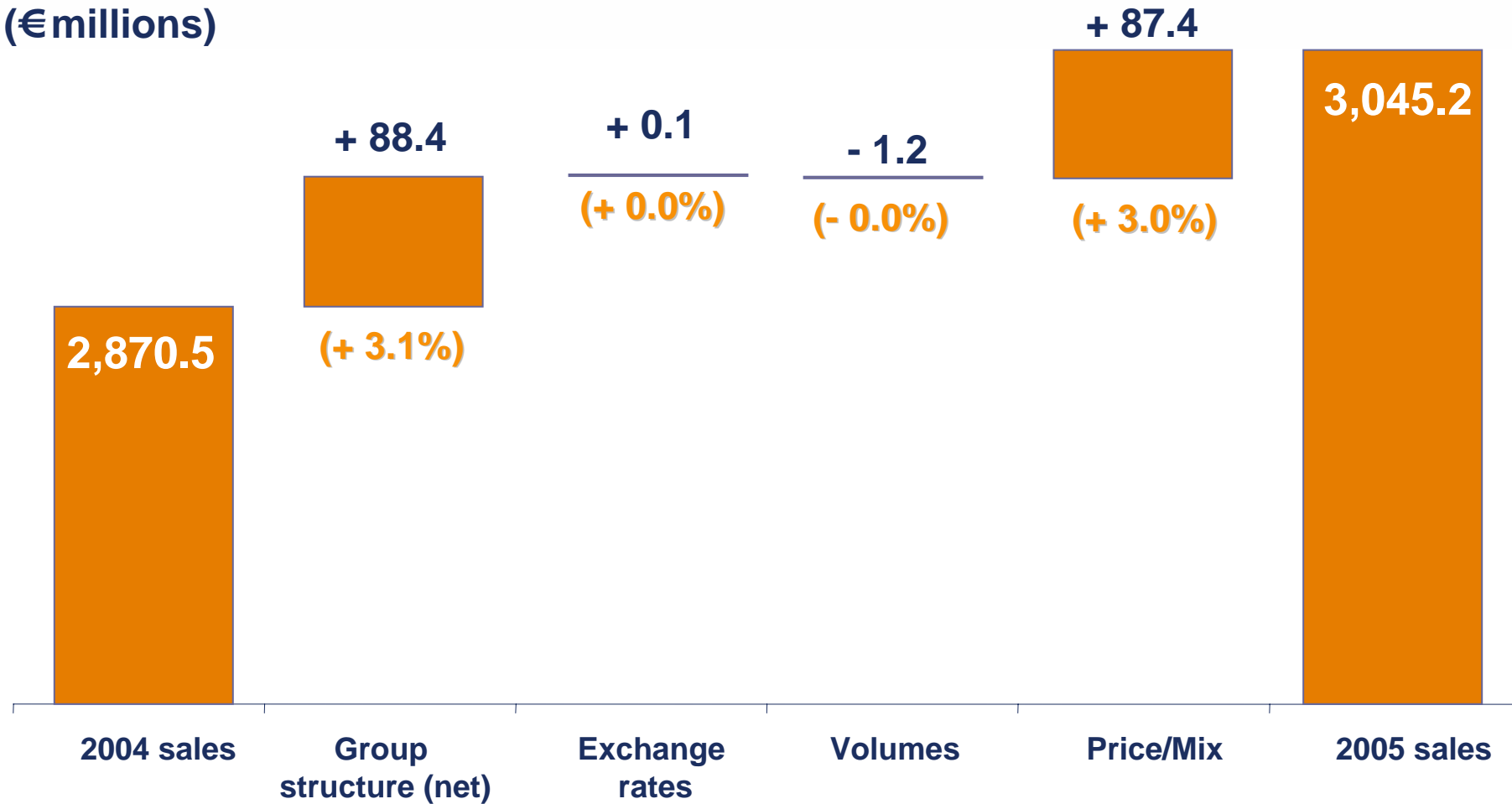
(2) Group's share

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

(4) EBITDA less notional tax on current operating income, change in operating working capital requirements and capital expenditures

# Significant growth in sales

(€millions)



- Major contribution from acquired activities
- Positive price/mix effect
- Stable sales volumes
- Neutral overall impact of exchange rates



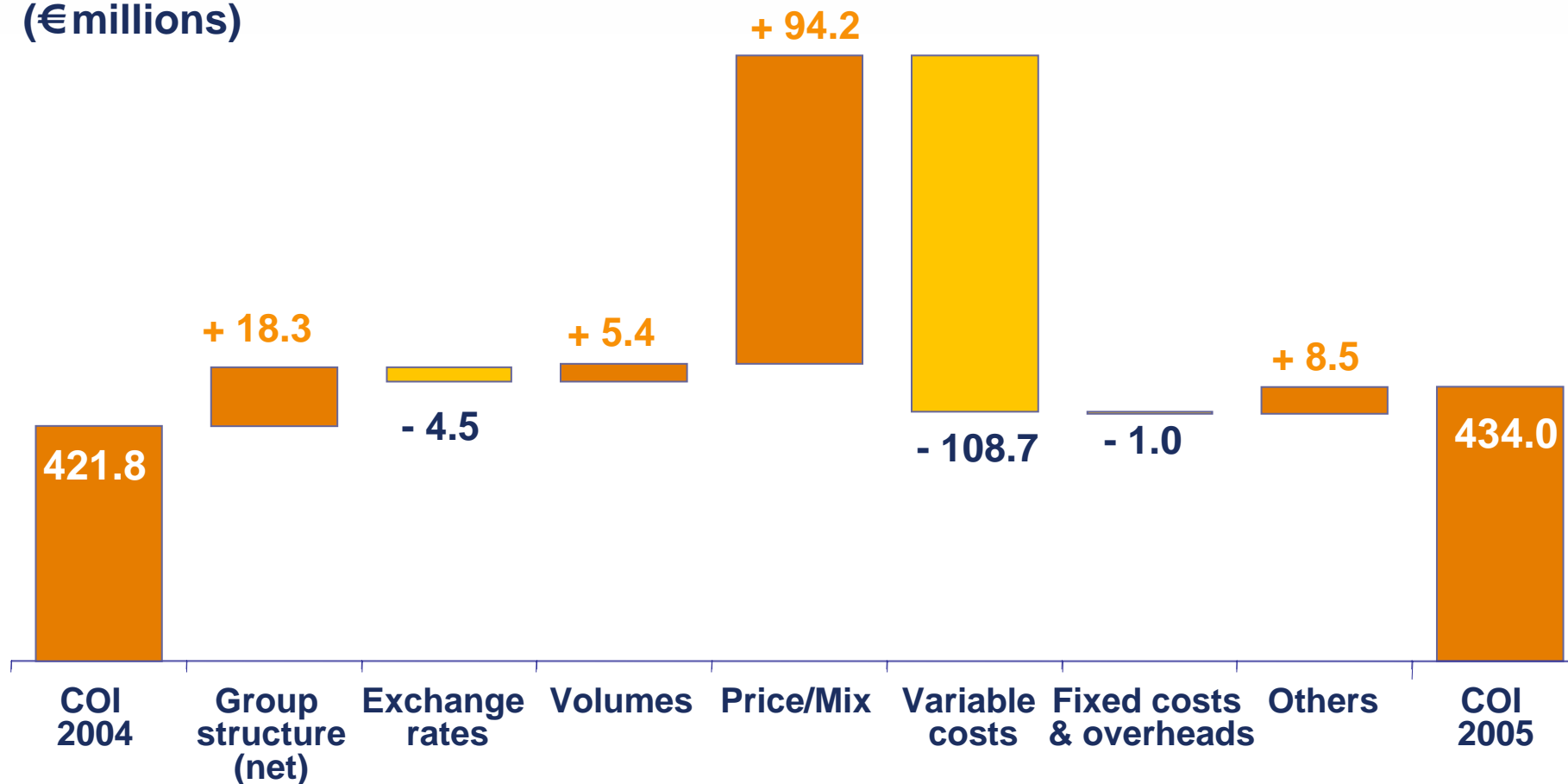
# Sales by business group

| (€ millions)                         | 2005           | 2004           | Current change | Comparable change |
|--------------------------------------|----------------|----------------|----------------|-------------------|
| Specialty Minerals                   | 814.9          | 795.1          | + 2.5%         | - 0.5%            |
| Pigments for Paper                   | 755.0          | 759.2          | - 0.6%         | + 3.4%            |
| Materials & Monolithics              | 922.4          | 850.7          | + 8.4%         | + 5.5%            |
| Refractories, Abrasives & Filtration | 598.3          | 502.5          | + 19.1%        | + 5.2%            |
| <b>Imerys group <sup>(1)</sup></b>   | <b>3,045.2</b> | <b>2,870.5</b> | <b>+ 6.1%</b>  | <b>+ 3.0%</b>     |

(1) After holdings and eliminations

# Slight increase in current operating income (COI)

(€millions)



- Sharp inflation in variable costs almost offset by improvement in the price/mix component
- Significant contribution from the year's acquisitions

# Current operating income by business group

| (€ millions)                         | 2005         | 2004         | Current change |
|--------------------------------------|--------------|--------------|----------------|
| Specialty Minerals                   | 95.2         | 93.4         | + 1.9%         |
| Pigments for Paper                   | 73.8         | 97.3         | - 24.1%        |
| Materials & Monolithics              | 197.8        | 168.3        | + 17.5%        |
| Refractories, Abrasives & Filtration | 95.4         | 76.7         | + 24.3%        |
| <b>Imerys group <sup>(1)</sup></b>   | <b>434.0</b> | <b>421.8</b> | <b>+ 2.9%</b>  |

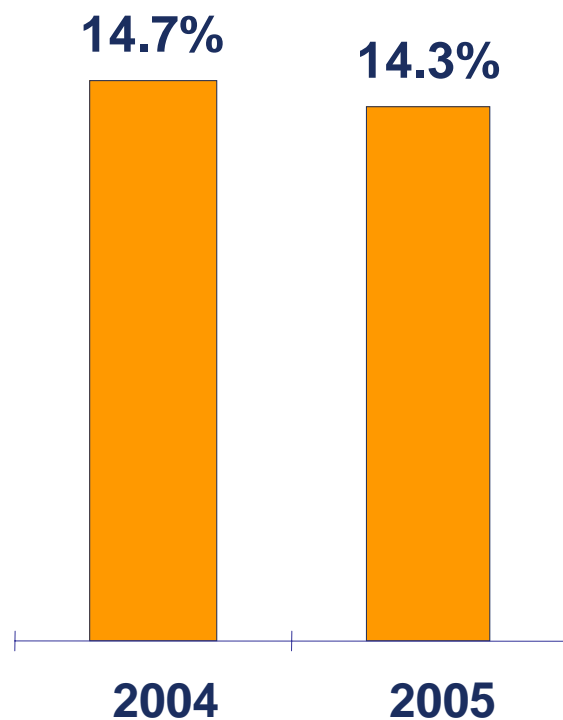
(1) After holdings and eliminations

- **Profitability improvement of three of the four business groups compensated for the deterioration of Pigments for Paper**

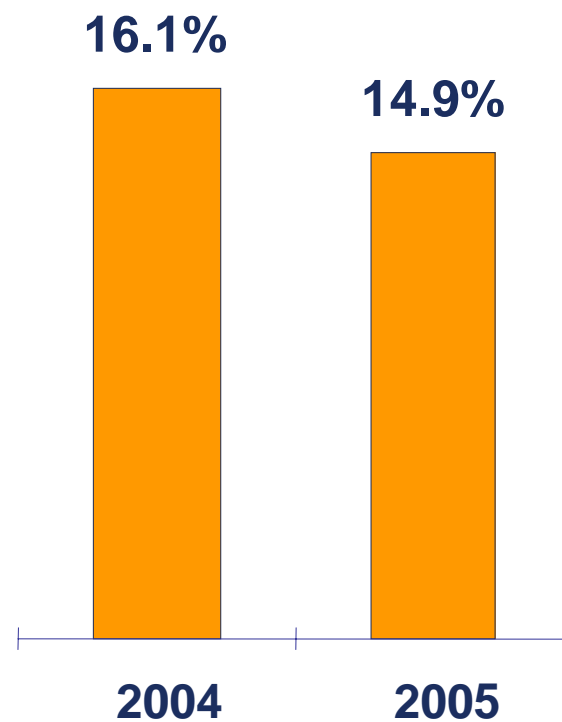


# The Group's financial ratios remain high

## ➤ Operating margin



## ➤ Return on investment<sup>(1)</sup>



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(1) Current operating income divided by average capital invested during the period (including amortization of goodwill)

# Growth in net income from current operations

| (€ millions)   | 2005         | 2004         | Change         |
|--|--------------|--------------|----------------|
| <b>Current operating income</b>                            | <b>434.0</b> | <b>421.8</b> | <b>+ 2.9%</b>  |
| Financial expenses   | (47.3)       | (39.4)       |                |
| Current income taxes                                       | (101.0)      | (121.9)      |                |
| Minority interests & equity method                         | 1.9          | 0.7          |                |
| <b>Net income from current operations<sup>(1)(2)</sup></b> | <b>287.6</b> | <b>261.2</b> | <b>+ 10.1%</b> |

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

(2) Group's share

- **Increase in financial expenses, due to the debt resulting from the year's acquisitions**
- **Significant decrease in the tax rate**

# Sharp rise in net income

| (€ millions)   | 2005         | 2004          | Change         |
|--|--------------|---------------|----------------|
| <b>Net income from current operations<sup>(1)(2)</sup></b>             | <b>287.6</b> | <b>261.2</b>  | <b>+ 10.1%</b> |
| <b>Other income and expenses, net<sup>(2)</sup>,<br/>of which:</b>     | <b>21.8</b>  | <b>(21.2)</b> |                |
| • Capital gains on disposals, net of tax                               | 93.5         | -             |                |
| • Restructuring expenses and value<br>adjustments (IAS 36), net of tax | (71.7)       | (21.2)        |                |
| <b>Net income<sup>(2)</sup></b>  | <b>309.4</b> | <b>240.0</b>  | <b>+ 28.9%</b> |

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

(2) Group's share

- **Major capital gains on disposals, mostly related to Larivière**
- **Restructuring expenses (Pigments for Paper and Specialty Minerals, particularly in the United Kingdom)**
- **Various asset value adjustments**

# Growth in current operating cash flow...

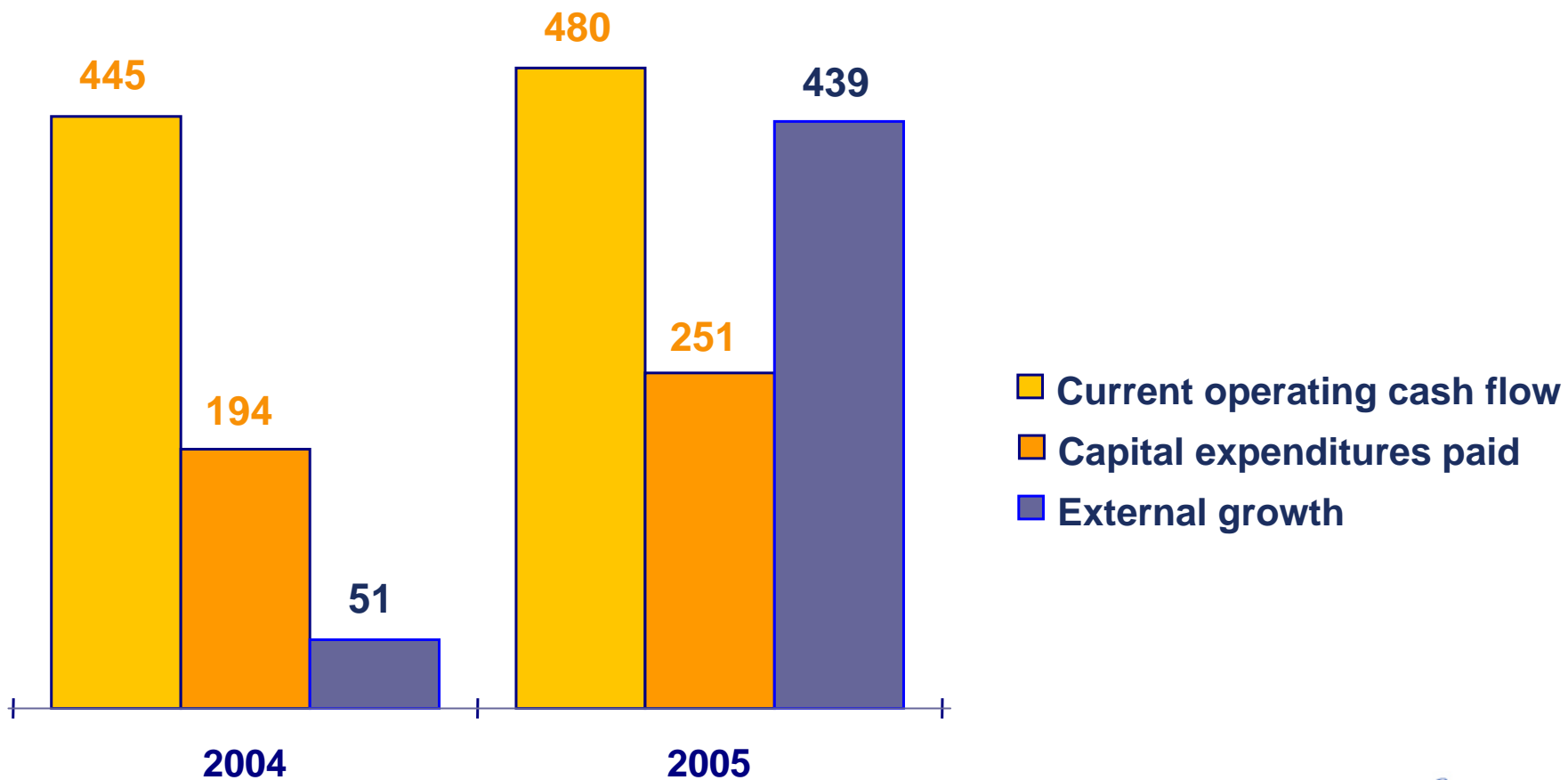
| (€ millions)                                     | 2005         | 2004         | Change        |
|--|--------------|--------------|---------------|
| <b>Current operating income</b>                  | <b>434.0</b> | <b>421.8</b> | <b>+ 2.9%</b> |
| Net depreciations and provisions                 | 162.9        | 160.6        |               |
| <b>EBITDA</b>                                    | <b>596.9</b> | <b>582.3</b> | <b>+ 2.5%</b> |
| Notional taxes on current operating income       | (113.4)      | (134.3)      |               |
| <b>Current operating cash flow<sup>(1)</sup></b> | <b>479.8</b> | <b>444.6</b> | <b>+ 7.9%</b> |

(1) Including rents of leased assets and provisions for mining assets

- **Rise in current operating cash flow, reflecting higher current operating income and lower tax charge**

# ... allowing for dynamic growth financing

(€millions)



# Major changes in Group structure

➤ **Substantial external growth with acquisitions totaling €439.6 million, notably:**

- Lafarge Refractories, the European leader in monolithic refractories (January 6, 2005) – 2005 sales of €206 million
- World Minerals, the world leader in minerals for beverage filtration (July 14, 2005) – 2005 sales of about €236 million
- Denain-Anzin Minéraux, a front-rank player on the European minerals for ceramics, glass fiber and paint market (October 28, 2005) – 2005 sales of €81 million

➤ **Completion of refocusing on minerals processing with divestment of remaining distribution/trading activities, for a total of €183.9 million**

- Mainly Larivière, a French roofing products distribution network (April 19, 2005) – sales approximately €290 million



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# Strong current free cash flow generation

| (€ millions)  | 2005         | 2004         |
|---|--------------|--------------|
| <b>Current operating cash flow</b>                      | <b>479,8</b> | <b>444,6</b> |
| Change in operating working capital requirements        | (18,1)       | (36,1)       |
| Capital expenditures paid                               | (251,0)      | (194,3)      |
| Financial expenses                                      | (47,3)       | (39,4)       |
| Tax on financial income                                 | 12,4         | 12,6         |
| Change in other working capital items and miscellaneous | 10,6         | 22,2         |
| <b>Current free cash flow<sup>(1)</sup></b>             | <b>195,1</b> | <b>223,3</b> |

(1) Excluding disposals and subsidies :

8,7

13,7

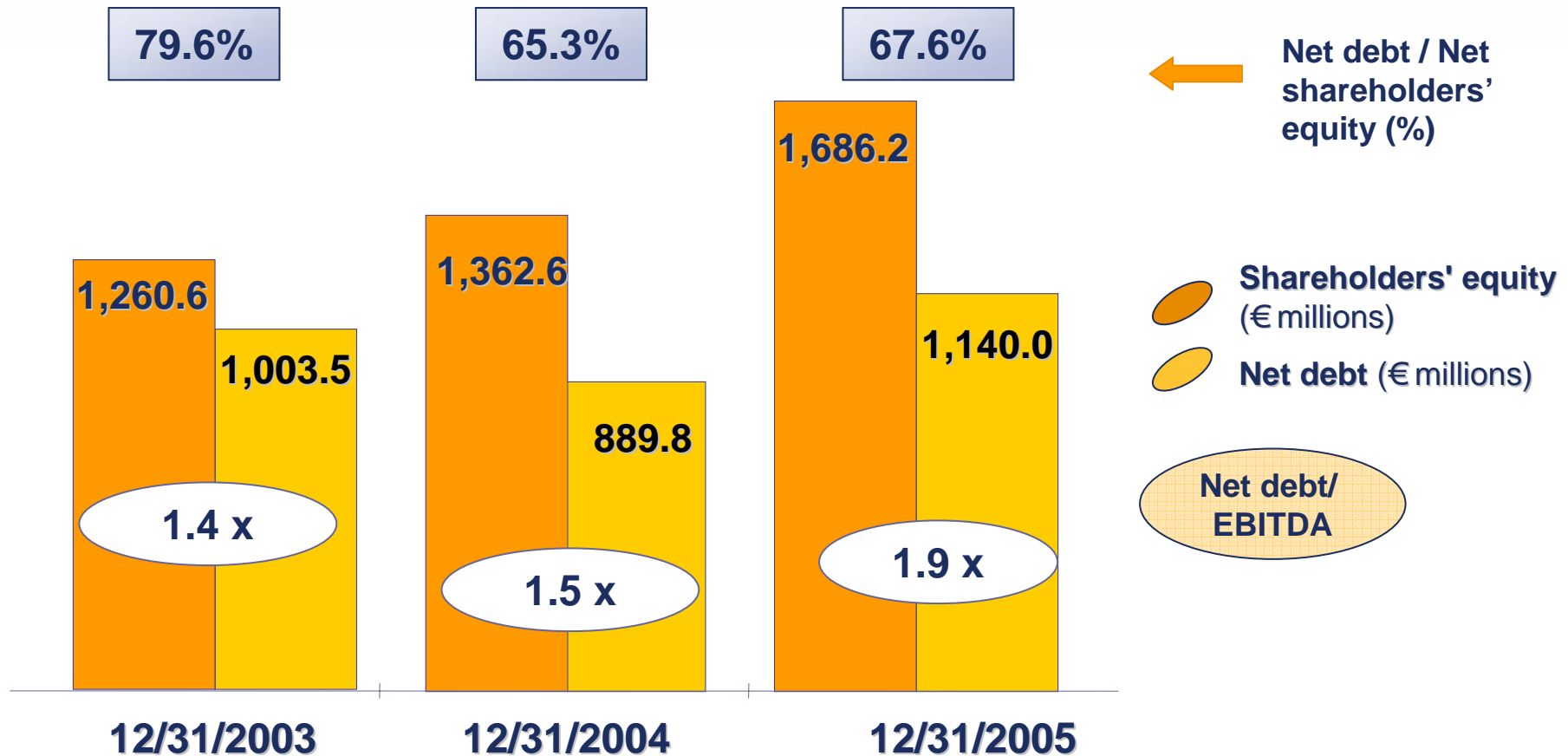


# Increase in net financial debt

| (€ millions)                         | 2005           | 2004         |
|--------------------------------------|----------------|--------------|
| <b>Current free cash flow</b>        | <b>195.1</b>   | <b>223.3</b> |
| External growth                      | (439.6)        | (50.2)       |
| Divestments                          | 183.8          | 26.8         |
| Exceptional cash flow                | (30.4)         | (18.3)       |
| Dividends                            | (96.3)         | (79.8)       |
| Other flows                          | (5.5)          | (36.6)       |
| Exchange rates                       | (57.3)         | 31.4         |
| <b>Increase/decrease in net debt</b> | <b>(250.2)</b> | <b>96.6</b>  |

- **Increase in the Group's net debt, driven by acquisitions and the appreciation of the USD vs. the € at the end of the period**

# Intact financial flexibility



- Financial ratios still very sound
- Further increase of average maturity of financial resources: 5.5 years vs 5.3 years in 2004

# Further rise in dividend per share

|   | 2005                      | 2004              | Change         |
|---|---------------------------|-------------------|----------------|
| <b>Net income from current operations per share (€)</b> | <b>4.53</b>               | <b>4.12</b>       | <b>+ 10.0%</b> |
| <b>Net dividend per share (€)</b>                       | <b>1.65<sup>(1)</sup></b> | <b>1.50</b>       | <b>+ 10.0%</b> |
| <b>Total distribution (€ millions)</b>                  | <b>104.5</b>              | <b>95.0</b>       |                |
| <b>Current pay-out</b>                                  | <b>36.3%</b>              | <b>36.4%</b>      |                |
| <b>Weighted average number of shares</b>                | <b>63,426,126</b>         | <b>63,363,013</b> |                |

(1) Proposed to the General Shareholders' Meeting on May 2, 2006

➤ **Rise in dividend equal to this of net income from current operations**

➤ **2005 Results**

➤ **First Quarter 2006 Results**

➤ **Recent Developments and 2006 Outlook**

➤ **Resolutions**



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# 1<sup>st</sup> quarter 2006 highlights

## ➤ **Contrasting business on the Group's main markets**

- **Difficult markets for performance minerals, tableware in Europe and ceramics in North America; healthier trends in graphite, kiln furniture and in performance minerals USA**
- **Overall growth in printing & writing paper production with an increase in Europe and Asia and a decrease in North America**
- **Dynamic construction sector in France**
- **Stable markets for minerals for refractories and minerals for filtration in America and Asia; less favorable conditions in minerals for abrasives**

## ➤ **Continued external costs high inflation, primarily energy**



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# 1<sup>st</sup> quarter 2006 highlights

## ➤ **Steady growth for the 1<sup>st</sup> Quarter**

- + 10.8% rise in sales, + 6.3% at comparable Group structure and exchange rates
- + 5.0% increase in current operating income
- + 13.2% growth in net income from recurring operations

## ➤ **Positive price/mix effect**

## ➤ **Positive contribution from the acquisitions**



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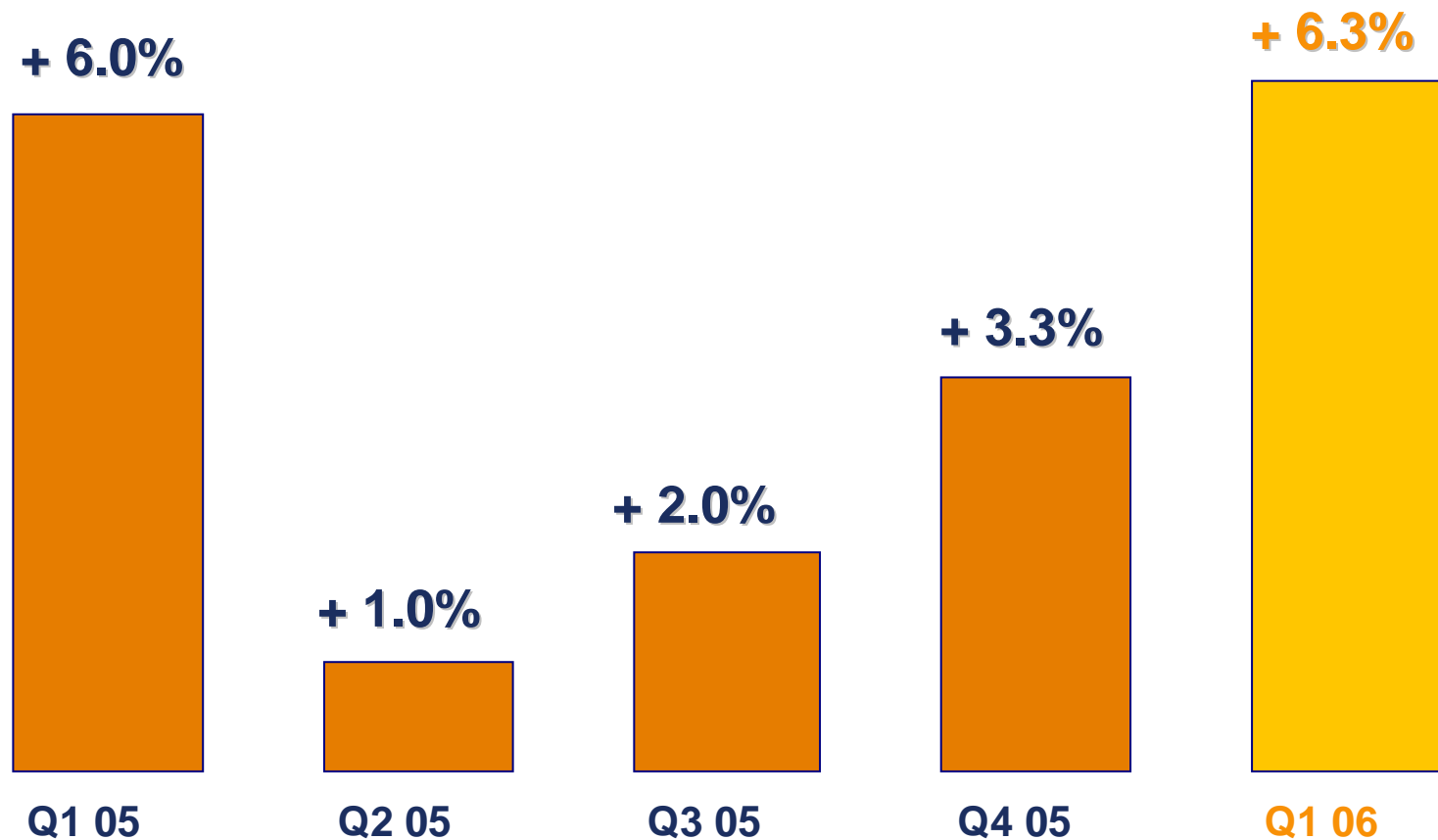
# 1<sup>st</sup> quarter 2006 key figures

| (€ millions)   | Q1 2006      | Q1 2005      | Change         |
|--|--------------|--------------|----------------|
| <b>Sales</b>   | <b>834.0</b> | <b>752.9</b> | <b>+ 10.8%</b> |
| <b>Current operating income<sup>(1)</sup></b>              | <b>104.1</b> | <b>99.1</b>  | <b>+ 5.0%</b>  |
| <b>Net income from current operations<sup>(2)(3)</sup></b> | <b>64.7</b>  | <b>57.2</b>  | <b>+ 13.2%</b> |
| <b>Net income<sup>(3)</sup></b>                            | <b>56.1</b>  | <b>59.0</b>  | <b>- 5.0%</b>  |

- (1) Operating income before other income and expense
- (2) Net income before other income and expense, net
- (3) Group share

# Quarterly change in sales at constant Group structure and exchange rates

(change in sales as % vs. same period in previous year)



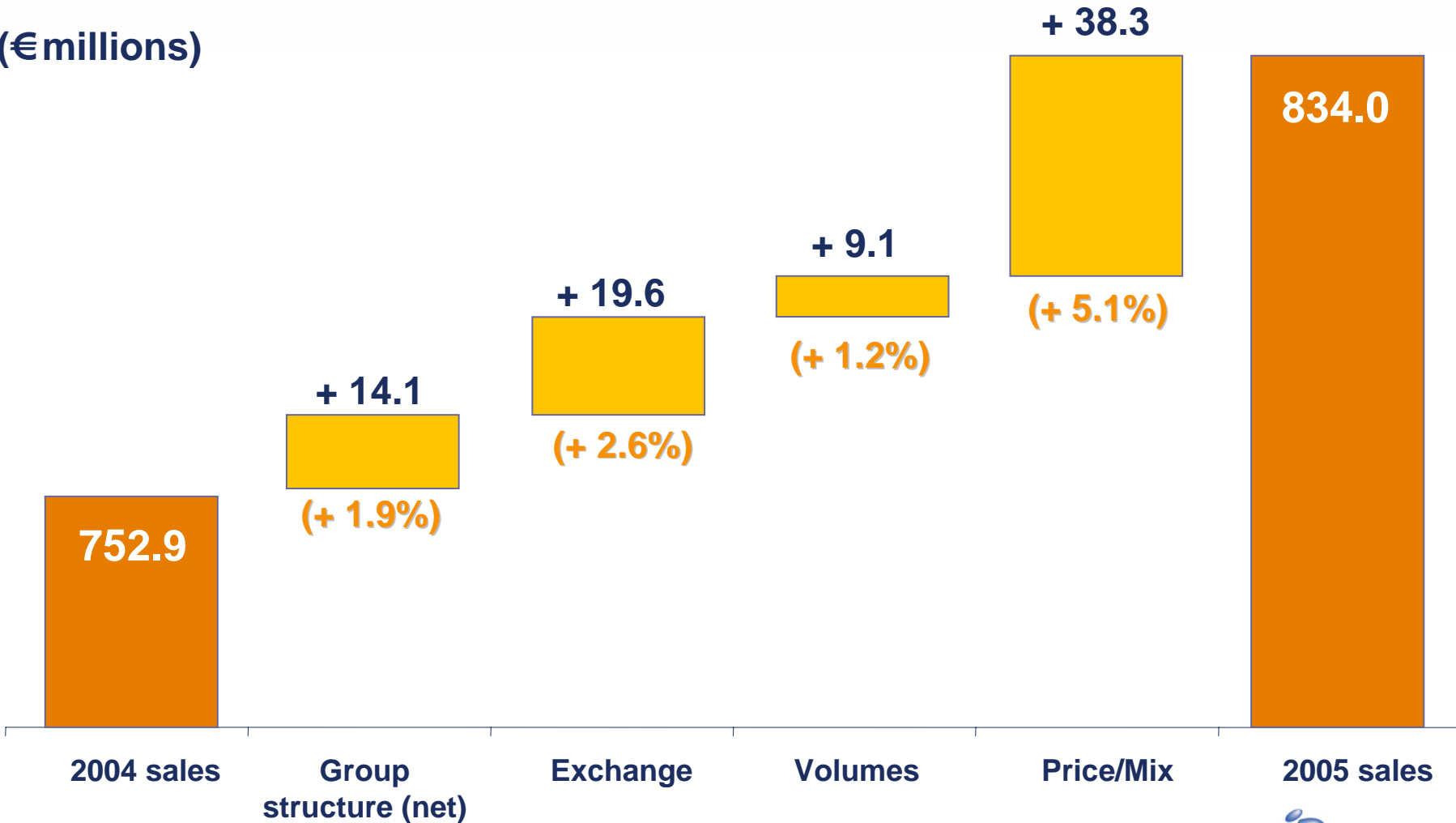
➤ Firm organic growth in Q1 2006



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# Significant growth in sales

(€millions)



# Sales by business group

| (€ millions)                         | Q1 2006      | Q1 2005      | Current change | Comparable change |
|--------------------------------------|--------------|--------------|----------------|-------------------|
| Specialty Minerals                   | 232.4        | 190.6        | + 22.0%        | + 5.1%            |
| Pigments for Paper                   | 197.5        | 185.1        | + 6.7%         | + 2.4%            |
| Materials & Monolithics              | 223.9        | 263.6        | - 15.1%        | + 12.0%           |
| Refractories, Abrasives & Filtration | 191.7        | 122.9        | + 56.0%        | + 5.4%            |
| <b>Imerys group<sup>(1)</sup></b>    | <b>834.0</b> | <b>752.9</b> | <b>+ 10.8%</b> | <b>+ 6.3%</b>     |

(1)After holding companies and eliminations

# Consolidated sales by business group

## ➤ Significant increase in Specialty Minerals

- Integration of Denain-Anzin Minéraux

## ➤ Growth in Pigments for Paper

- Low volumes in kaolin for paper

## ➤ Sharp rise in Materials & Monolithics at comparable structure and exchange rates

- Decrease on current basis due to divestment of Larivière (mid-April 2005)
- Improvement volumes compared with Q1 '05, which was affected by a harsh winter

## ➤ Growth in Refractories, Abrasives & Filtration

- Positive contribution of World Minerals (consolidated since July 14, 2005)
- Decrease in volumes in particular for minerals for abrasives



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# Operating performance

- **Growth in current operating income, taking into account the effects of:**
  - Changes in Group structure (mainly contributions of World Minerals and DAM, net of divestments of Larivière and American Minerals) for + €5.4 million
  - Exchange rates (primarily appreciation of US dollar vs. euro) for + €2.7 million
  
- **Improvement in the price/mix component in all 4 business groups globally offset inflation in external costs (particularly energy)**
  
- **Operating margin was 12.5%, compared with 13.2% in Q1 2005**



➤ **2005 Results**

➤ **First Quarter 2006 Results**

➤ **Recent Developments and 2006 Outlook**

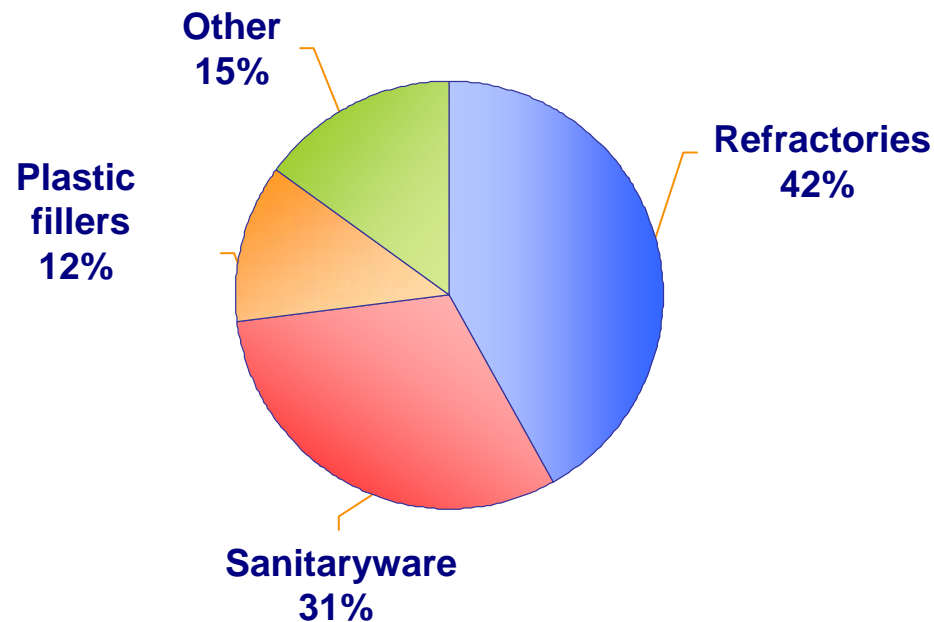
➤ **Resolutions**



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# Continued external growth

- Acquisition of AGS, a French producer of calcined clays (chamottes and metakaolins), mainly for the refractory and sanitaryware markets
- AGS achieves annual sales of approximately €50 million in Europe from 2 plants in Charentes, France (approximately 250 employees)
- Indicative sales by market:



# Perspectives 2006

- Trends in the Group's markets in early 2006 follow the pattern of late 2005
- The improvement in product mix and prices reflects the efforts made throughout the Group to make up for the continued high inflation in external costs, mainly energy
- The search for acquisition opportunities, of course, remains a priority
- The strict management and great responsiveness of the Group's teams will be decisive advantages in tackling our external constraints



# General Meeting

May 2, 2006

**Questions & Answers**



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➤ **2005 Results**

➤ **First Quarter 2006 Results**

➤ **Recent Developments and 2006 Outlook**

➤ **Resolutions**



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# Resolutions put to the Ordinary Shareholders' General Meeting of May 2, 2006

- **Approval of the Company's management and financial statements and the Group's consolidated financial statements for 2005**
- **Approval of regulated agreements**
- **Allocation of earnings and setting of dividend at €1.65**
- **Renewal of the directorships of:**
  - **Mr. Jacques DRIJARD**
  - **Mr. Jocelyn LEFEBVRE**
  - **Mr. Eric LE MOYNE DE SERIGNY**
- **Appointment of Mr. Gilbert Milan as new director in replacement of Mr. Patrick Kron**
- **Authorization given to the Company to buy back its own shares**
- **Powers**

# 1<sup>st</sup> - 3<sup>rd</sup> resolutions: 2005 management and financial statements Regulated agreements

**1<sup>st</sup> resolution:** **Approval of management and financial statements for financial year 2005**

**2<sup>nd</sup> resolution:** **Approval of consolidated financial statements for financial 2005**

**3<sup>rd</sup> resolution:** **Approval of regulated agreements (no new agreements entered into in 2005)**



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## 4<sup>th</sup> resolution: Allocation of earnings, setting of dividend at €1.65

|  |                       |
|--|-----------------------|
| ➤ <b>Net income for financial year 2005</b>            | <b>€99,995,690</b>    |
| <b>+ retained earnings</b>                             | <b>+ €425,112,563</b> |
|  | <hr/>                 |
| <b>Total distributable amount</b>                      | <b>= €525,108,253</b> |
| <b>- dividend : €1.65 per share</b>                    |                       |
| <b>for 63,331,865 existing shares as of 17/01/2006</b> | <b>€(104,497,577)</b> |
|  | <hr/>                 |
| <b>Leaving retained earnings of</b>                    | <b>= €420,610,676</b> |

- **Deduction from retained earnings of the sums needed to pay the dividend attached to the shares created as a result of the exercise of share subscription options from January 1, 2006 to the dividend payment date**

- **Dividend payment date:  
from May 17, 2006**



## 5<sup>th</sup> – 8<sup>th</sup> resolutions: Board membership

- **Renewal, for a period of 3 years (i.e. until the Shareholders' General Meeting called in 2009 to rule on the 2008 financial statements) of the term of office of:**

**5<sup>th</sup> resolution:** Mr. Jacques DRIJARD  
**6<sup>th</sup> resolution:** Mr. Jocelyn LEFEBVRE  
**7<sup>th</sup> resolution:** Mr. Eric LE MOYNE DE SERIGNY

- **Appointment, for a period of 3 year (i.e. until the Shareholders' General Meeting called in 2009 to rule on the 2008 financial statements), as new director of:**

**8<sup>th</sup> resolution:** Mr. Gilbert MILAN



## 9<sup>th</sup> resolution: Renewal of share buyback authorization

➤ **Authorization for the Company to buy back its own shares with the following general objectives, either directly or under a liquidity contract:**

- employee profit-sharing, grants of share purchase options and free shares to the Group's employees and executives
- payment in or exchange of shares in frame of any external growth operations
- cancellation of repurchased shares to offset dilution resulting from the exercise of share subscription options

➤ **Implementation terms, conditions and limits:**

- within the limit of 10% of share capital as of January 1<sup>st</sup>, 2006, i.e. 6,397,186 shares
- for a period of 18 months, i.e. until November 1<sup>st</sup>, 2007
- for a maximum investment amount of M€703.7
- maximum purchase price €110, minimum sale price €40



## 10<sup>th</sup> resolution: Powers

**10<sup>th</sup> resolution:**

**Powers to carry out any registration  
or publication formalities**



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# General Meeting

May 2, 2006



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