

Estimated 1st Half 2006 Results

Meeting of July 26, 2006

- Gérard Buffière CEO
- Hugues Gruska CFO

➤ **Business review**

➤ **Reorganization of kaolin production**

➤ **Estimated 1st half 2006 results**

➤ **2006 outlook**



IMERYS
TRANSFORM TO PERFORM

1st half 2006 highlights

- **Contrasting business on the Group's main markets**
 - Healthy trends in performance minerals in Europe and the USA, difficult ceramic markets, downturn in kiln furniture
 - Overall growth in printing and writing paper production: rise in Europe and Asia, decrease in North America
 - Dynamic construction market in France
 - Sound markets in minerals for refractories, less favorable conditions in minerals for abrasives, stability in minerals for filtration

- **Ongoing high inflation in external costs, mainly energy**



IMERYS

1st half 2006 highlights

➤ Firm growth rate maintained over the period

- + 12.1% rise in sales; + 4.6% at comparable Group structure and exchange rates
- Current operating income up + 4.3%, net income from current operations up + 6.9%
- Improvement in price/mix component offsetting the rise in variable costs; contribution of acquisitions

➤ Great adaptability of the Group and its personnel

- Announcement of a major reorganization plan for UK kaolin production platform
 - Restore these activities' competitiveness on a long-term basis
 - Positioning as low-cost producer for paper in both filler and coating kaolins
- Group-wide cost reduction actions
- ➔ Total charge of approx. 95 M€ net of tax recorded on June 30, '06 with little impact on cash flow



1st half 2006 key figures

(€ millions)	H1 2006	H1 2005	Change
Sales	1 665.8	1 486.3	+ 12.1%
Current operating income⁽¹⁾	228.4	219.0	+ 4.3%
Net income from current operations⁽²⁾⁽³⁾	149.0	139.4	+ 6.9%
Net income⁽²⁾	53.7	180.8	n.s.
Current operating cash flow⁽⁴⁾	253.4	233.5	+ 8.5%

(1) Operating income before other income and expense

(2) Group's share

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

(4) EBITDA minus notional tax on current operating income



2nd quarter trend

(€ millions)	Q2 2006	Q2 2005	Change	H1 2006	H1 2005	Change
Sales	831.7	733.4	+ 13.4%	1 665.8	1 486.3	+ 12.1%
Current operating income⁽¹⁾	124.4	119.9	+ 3.7%	228.4	219.0	+ 4.3%
Net income from current operations⁽²⁾⁽³⁾	84.3	82.3	+ 2.5%	149.0	139.4	+ 6.9%

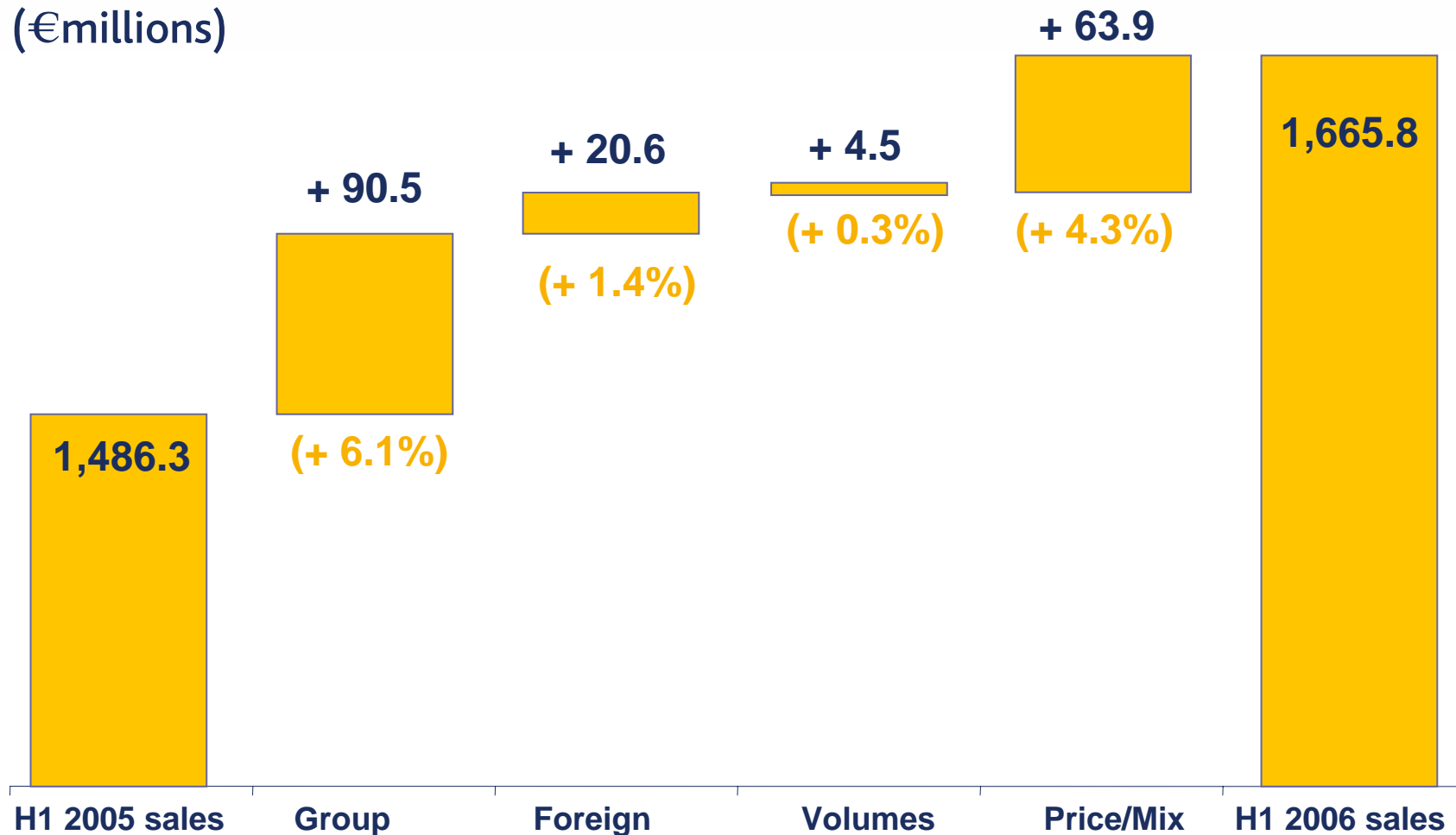
(1) Operating income before other income and expense; (2) Group share; (3) Net income before other income and expense, net

➤ Firm growth rate kept up in Q2 2006

- Greater net contribution of acquisitions made in 2005; virtually neutral foreign exchange effect

Sales growth

(€millions)

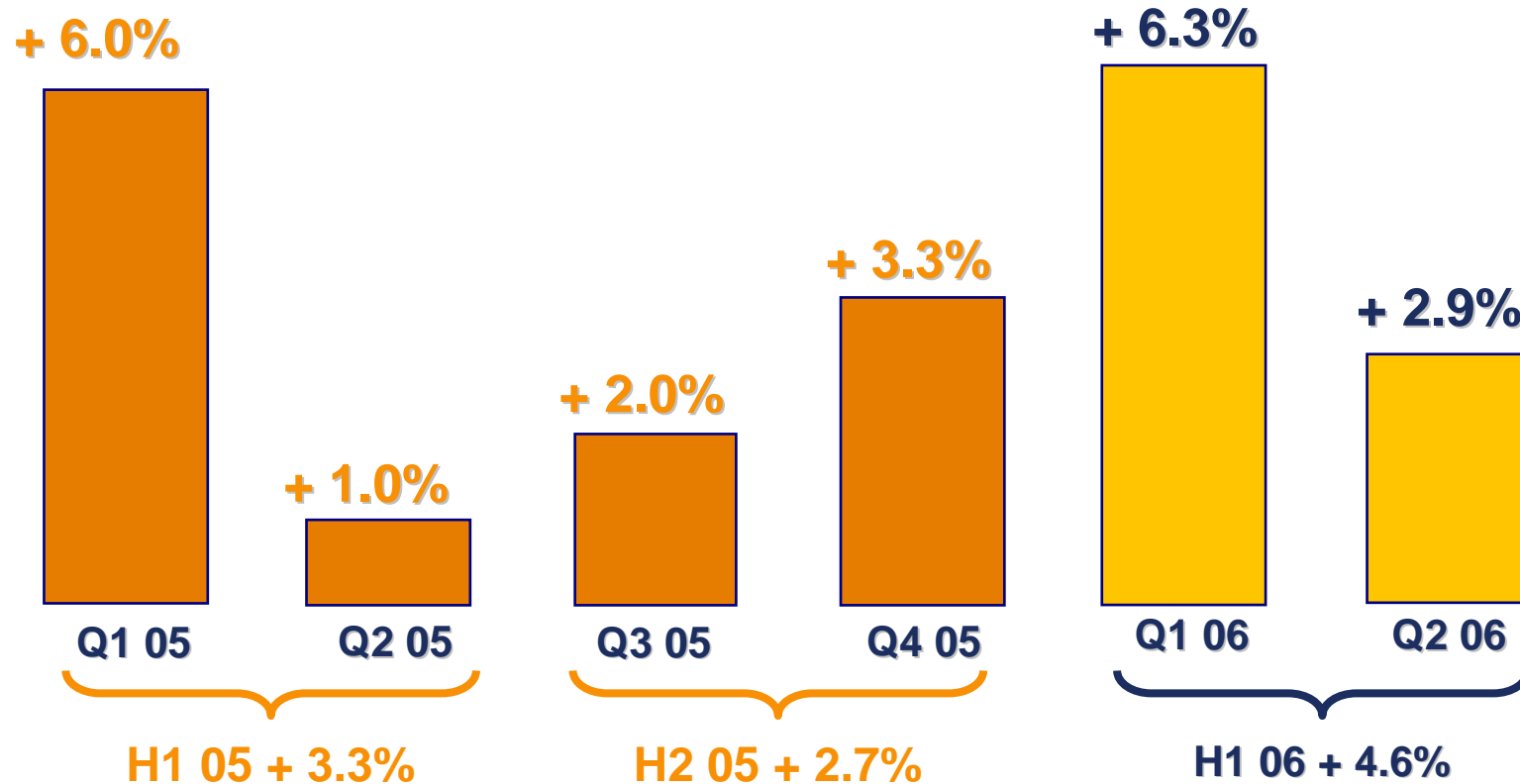


- Substantial contribution of acquired activities, net of divestments
- Favorable exchange rate impact
- Slight increase in sales volumes and improvement in price/mix component



IMERYS

Quarterly change in sales at constant Group structure and exchange rates⁽¹⁾



> Firm organic growth in H1 06

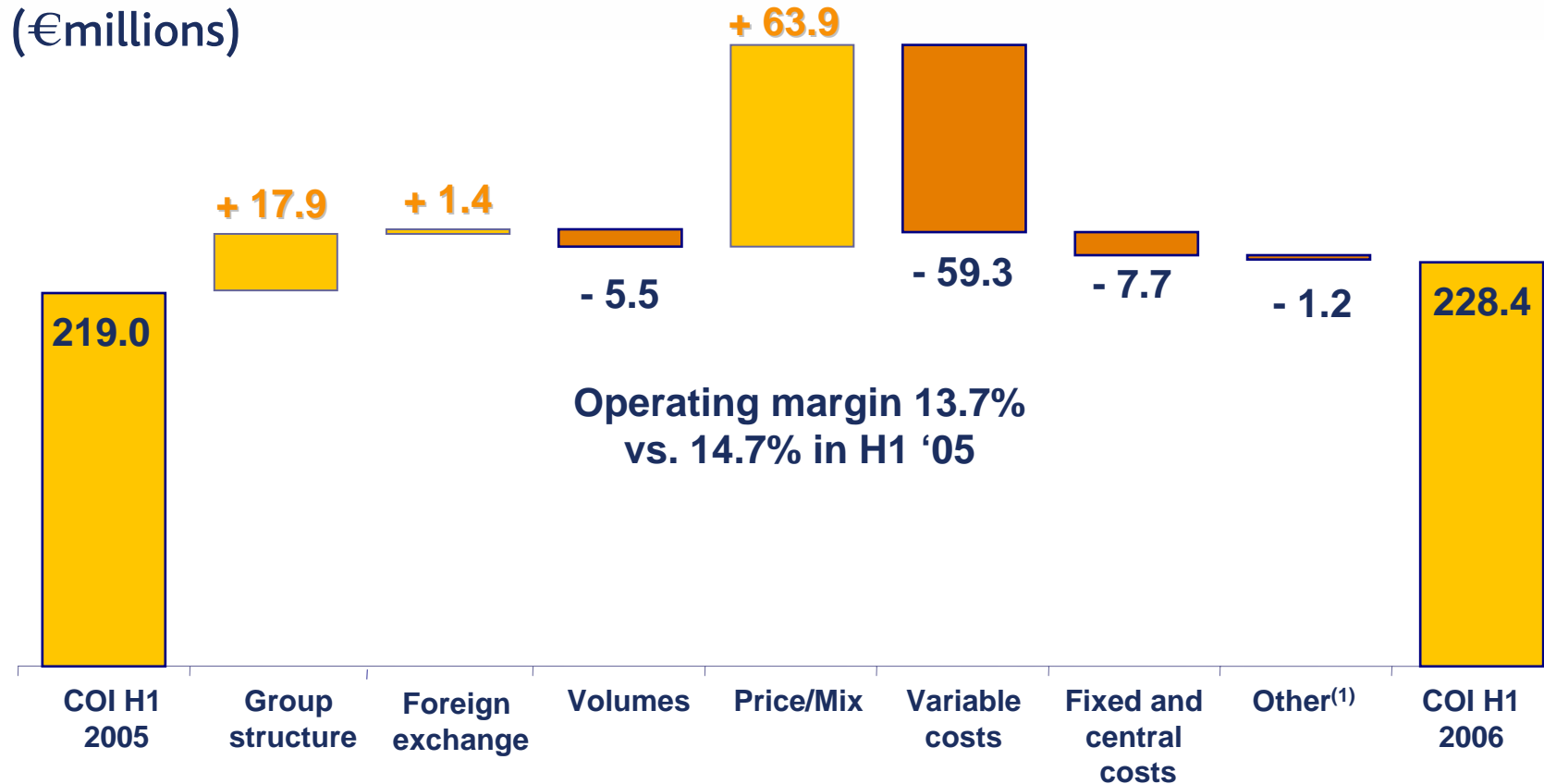
- All the business groups contribute to this positive trend



(1) Change as % vs. same period in previous year

Improvement in current operating income

(€millions)



- High inflation in variable costs and slight negative effect of volumes more than offset by improvement in product price/mix component
- Significant contribution of recent acquisitions
- Good control of fixed costs



(1) Mainly change in inventory

Specialty Minerals

(€ millions)	H1 2006	H1 2005	Change
Sales	468.1	401.1	+ 16.7%
Current operating income	48.8	51.8	- 5.8%
Operating margin	10.4%	12.9%	na

+ 3.1%
At comparable
Group structure &
exchange rates

> Contrasting markets

- Positive trends in performance minerals
- Downturn in ceramics (porcelain, sanitaryware and floor tiles) in Europe; American sanitaryware market affected by production transfers
- Slight growth in graphite for batteries; tougher competition in kiln furniture

> Erosion of operating performance

- Improvement in price/mix component and strict control of fixed costs, largely offsetting the rise in variable costs and the slump in volumes

> Major industrial optimization efforts (IKF, DAM, UK)

> Ongoing development



Pigments for Paper

(€ millions)	H1 2006	H1 2005	Change
Sales	388.2	366.8	+ 5.8%
Current operating income	36.5	36.6	- 0.5%
Operating margin	9.4%	10.0%	na

+ 3.7%
At comparable
Group structure &
exchange rates

- **Total growth in world paper market estimated at + 4.9%**
 - Significant rise in production in Europe (with favorable basis of comparison) and Asia; decrease in USA
- **Stable operating performance despite worsening external factors**
 - Improvement in price/mix component and control of fixed costs, offsetting higher variable costs and lower volumes (production shutdowns by some American customers)
- **Continued development in calcium carbonates**
 - New PCC plant in Indonesia
- **Reorganization of UK kaolin production platform announced**



Materials & Monolithics

(€ millions)	H1 2006	H1 2005	Change
Sales	442.3	495.3	- 10.7%
Current operating income	101.1	99.1	+ 2.0%
Operating margin	22.9%	20.0%	na

← **+ 6.5%**
At comparable
Group structure &
exchange rates

➤ Positive market trends

- Growth in French roofing (+ 4%) and structure (+ 10%) markets
- Firm monolithic refractory markets (especially steel)

➤ Growth in operating margin

- Rise in variable costs easily offset by increase in volumes and price/mix component

➤ Ramp-up of growth capex projects in Building Materials (Sainte-Foy, Mably)

➤ Ongoing industrial and commercial optimization in Monolithic Refractories



Refractories, Abrasives & Filtration

(€ millions)	H1 2006	H1 2005	Change
Sales	391.2	246.5	+ 58.7%
Current operating income	57.5	44.5	+ 29.2%
Operating margin	14.7%	18.1%	na

+ 4.4%
At comparable
Group structure &
exchange rates



➤ Favorable overall market environment

- Firm conditions in minerals for refractories; decrease in minerals for abrasives; stability in minerals for filtration

➤ Growth in current operating income mainly due to acquisition

- Improved price/mix component and slight increase in volumes offsetting the rise in variable costs

➤ Continued development

- Construction in progress of new capacities in abrasives (ultrafine powders)
- Acquisition of AGS, French specialist in calcined clays for refractories and sanitaryware
- Integration of World Minerals progressing well



➤ **Business review**

➤ **Reorganization of kaolin production**

➤ **Estimated 1st half 2006 results**

➤ **2006 outlook**



IMERYS
TRANSFORM TO PERFORM

Structurally adverse cost factors in the United Kingdom

➤ Particularly high energy prices in the United Kingdom

- Almost 140% hike in gas prices from H1 2004 to H1 2006, at faster pace since the 4th quarter of 2005
- Atypical situation, as gas prices have increased less in other zones since early 2006 (e.g. USA) than in the UK
- Now a structural situation → lack of new power generation capacity in the UK and exhaustion of North Sea reserves

➤ Major cost factor in UK

- Gas used to dry pigments for paper
- Coating kaolins more energy-intensive than filler grades → more complex process



IMERYS

Energy price trends

(in local currency per unit)	USA (\$US / MMBTU)	UK (£p/ therm)
H1 2004 average price	5.8	23.8
H1 2005 average price	6.5	31.4
<i>Change H1 2005 vs. H1 2004</i>	<i>+ 12.1%</i>	<i>+ 31.9%</i>
H1 2006 average price	7.9	58.6
<i>Change H1 2006 vs. H1 2005</i>	<i>+ 21.5%</i>	<i>+ 86.6%</i>
Change H1 2006 vs. H1 2004	+ 36.2%	+ 146.2%



Reorganization key points

- **Specializing kaolin for paper manufacturing sites**
 - Shutdown of coating kaolin production in Cornwall in late 2007, UK activity refocused on filler kaolin manufacturing
 - Transfer of coating kaolin production to Brazilian site
- **Shutdown of kaolin refining activities in Devon and concentration of UK kaolin for ceramics and performance minerals production on Cornwall**
- **Total capital expenditure program of approximately €100 million**
 - Change of filler kaolin drying techniques in the UK
 - Modernization of production capacities in minerals for ceramics and performance minerals
 - Increase in coating kaolin production capacity at Imerys RCC (Brazil)
 - Setup of necessary logistical resources

Main HR impacts

- **Up to 800 job cuts in southwest England**
- **Consultation of unions and personnel representatives in progress**
- **Placement measures and individual assistance and counseling program**
- **Most measures will take effect in the 4th quarter of 2007**



IMERYS

Strategic objectives

- **Limit the Group's exposure to UK energy costs**

- **Build a cost platform with long-term competitiveness**
 - In the UK for filler kaolins and kaolins for ceramics and performance minerals
 - In Brazil for coating kaolins

- **Effect on full-year basis in 2008**



IMERYS

- **Business review**
- **Reorganization of kaolin production**
- **Estimated 1st half 2006 results**
- **2006 outlook**



IMERYS
TRANSFORM TO PERFORM

Net income from current operations

(€ millions)	H1 2006	H1 2005	Change
Current operating income	228.4	219.0	+ 4.3%
Financial income (expense)	(19.0)	(21.5)	
Current income tax	(60.7)	(58.0)	
Minority interests & equity method	0.3	(0.1)	
Net income from current operations⁽¹⁾⁽²⁾	149.0	139.4	+ 6.9%

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

(2) Group's share

- **Slight increase in the Group's average financing rate in a context of rising interest rates; positive effects of currency rates and IAS appraisal of financial instruments vs. H1 2005**
- **Tax rate virtually stable at 29.0% vs. 29.4% in H1 2005**

Net income

(€ millions)	H1 2006	H1 2005	Change
Net income from current operations⁽¹⁾⁽²⁾	149.0	139.4	+ 6.9%
Other income and expense, net⁽²⁾ of which:	(95.3)	41.4	
• Revenue from divestments, net of tax	-	105.9	
• Value adjustments relating to UK plan, net of tax	(73.0)	-	
• Other value adjustments and restructuring expenses, net of tax	(22.3)	(64.5)	
Net income⁽²⁾	53.7	180.8	n.s.

(1) Net income before other income and expense, net; (2) Group's share

- **UK plan → industrial asset depreciation with no cash impact and provisions for site restoration in 1st half 2006**
- **Other expense → Group-wide cost reduction actions**

Current operating cash flow

(€ millions)	H1 2006	H1 2005	Change
Current operating income	228.4	219.0	+ 4.3%
Depreciation, amortization and provisions, net	91.9	80.7	
EBITDA	320.2	299.6	+ 6.9%
Tax on current operating income	(66.9)	(66.1)	
Current operating cash flow	253.4	233.5	+ 8.5%

➤ **Rise in operating cash flow resulting from:**

- Growth in current operating income
- Impact on depreciation of major capex projects carried out in 2005

Current free operating cash flow

(€ millions)	H1 2006	H1 2005	Change
Current operating cash flow	253.4	233.5	+ 8.5%
Change in operating working capital	(84.7)	(68.0)	
Capital expenditure paid	(99.1)	(131.2)	
Cash free operating cash flow⁽¹⁾	70.6	36.4	+ 94.2%

(1) Excluding divestments & subsidiaries:

1.0

2.1

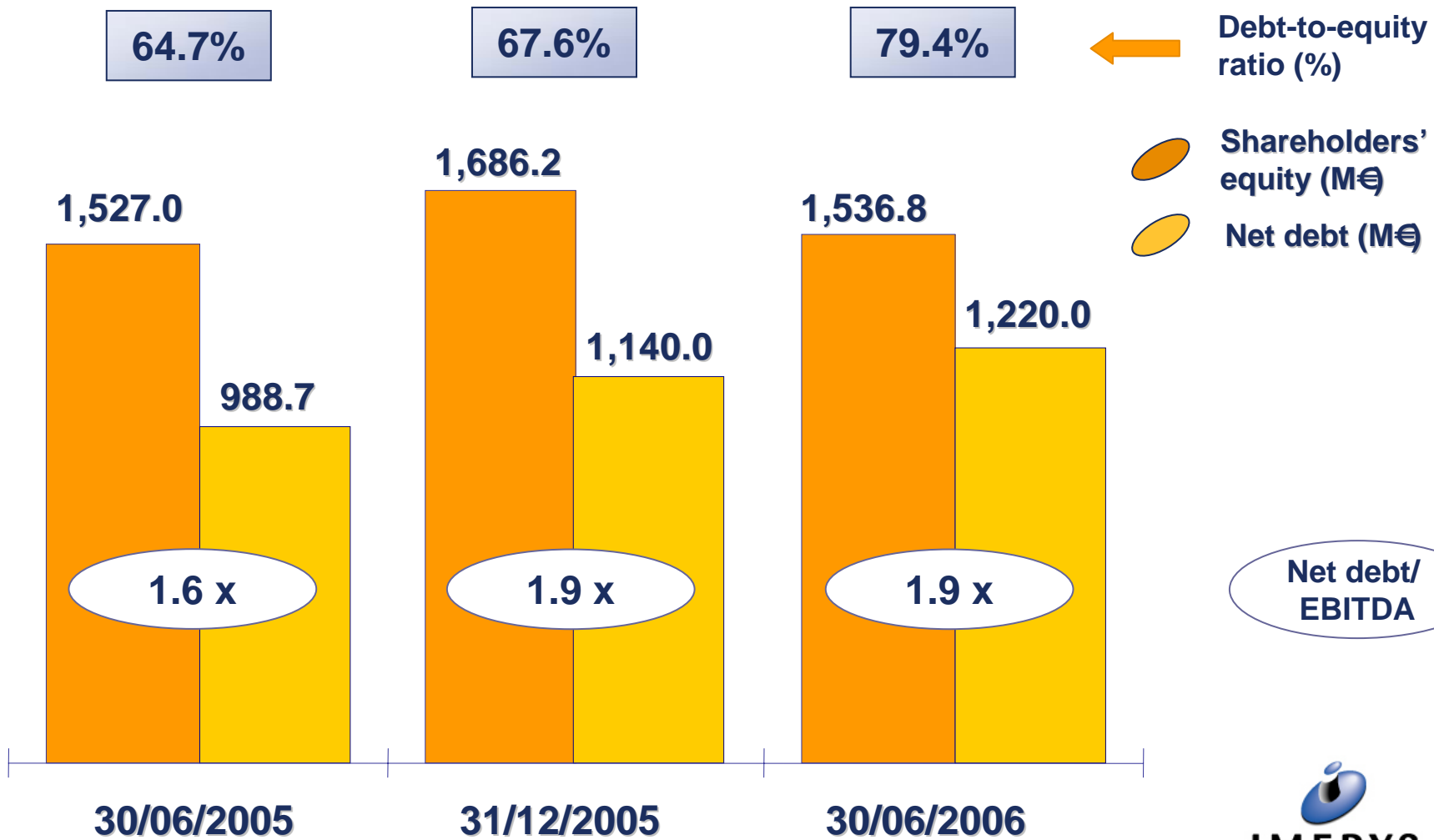
➤ Capital expenditure

- 78,7% of depreciation expense (122.2% in H1 2005)

➤ Significant growth in current free operating cash flow



Financial structure



Net debt/
EBITDA



IMERYS

- **Business review**
- **Reorganization of kaolin production**
- **Estimated 1st half 2006 results**
- **2006 outlook**



IMERYS
TRANSFORM TO PERFORM

Group outlook

- **In H1 2006, the Group faced contrasting markets and a macroeconomic environment marked by sharp inflation in external costs, especially energy**

- **Growth was firm thanks to:**
 - The contribution of recent acquisitions, integration of which is going ahead
 - Cost reduction efforts and improvement in the price/mix component, offsetting further rises in variable costs, particularly energy

- **For the full year 2006, if macro-economic and market conditions remain unchanged, growth in the Group's net income from current operations is likely to be similar to the 1st half growth rate**

Estimated 1st Half 2006 Results

Meeting of July 26, 2006

- Gérard Buffière CEO
- Hugues Gruska CFO