First Half Definitive 2006 Results

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

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1^{st} 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**

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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 + 4.5%, net income from current operations up + 7.8%
- 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

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1st half 2006 key figures

(€ millions)	H1 2006	H1 2005	Change
Sales	1,665.8	1,486.3	+ 12.1%
Current operating income[(1)]	228.8	219.0	+ 4.5%
Net income from current operations[(2)(3)]	150.3	139.4	+ 7.8%
Net income[(2)]	54.9	180.8	n.s.
Current operating cash flow[(4)]	250.7	233.5	+ 7.4%

(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

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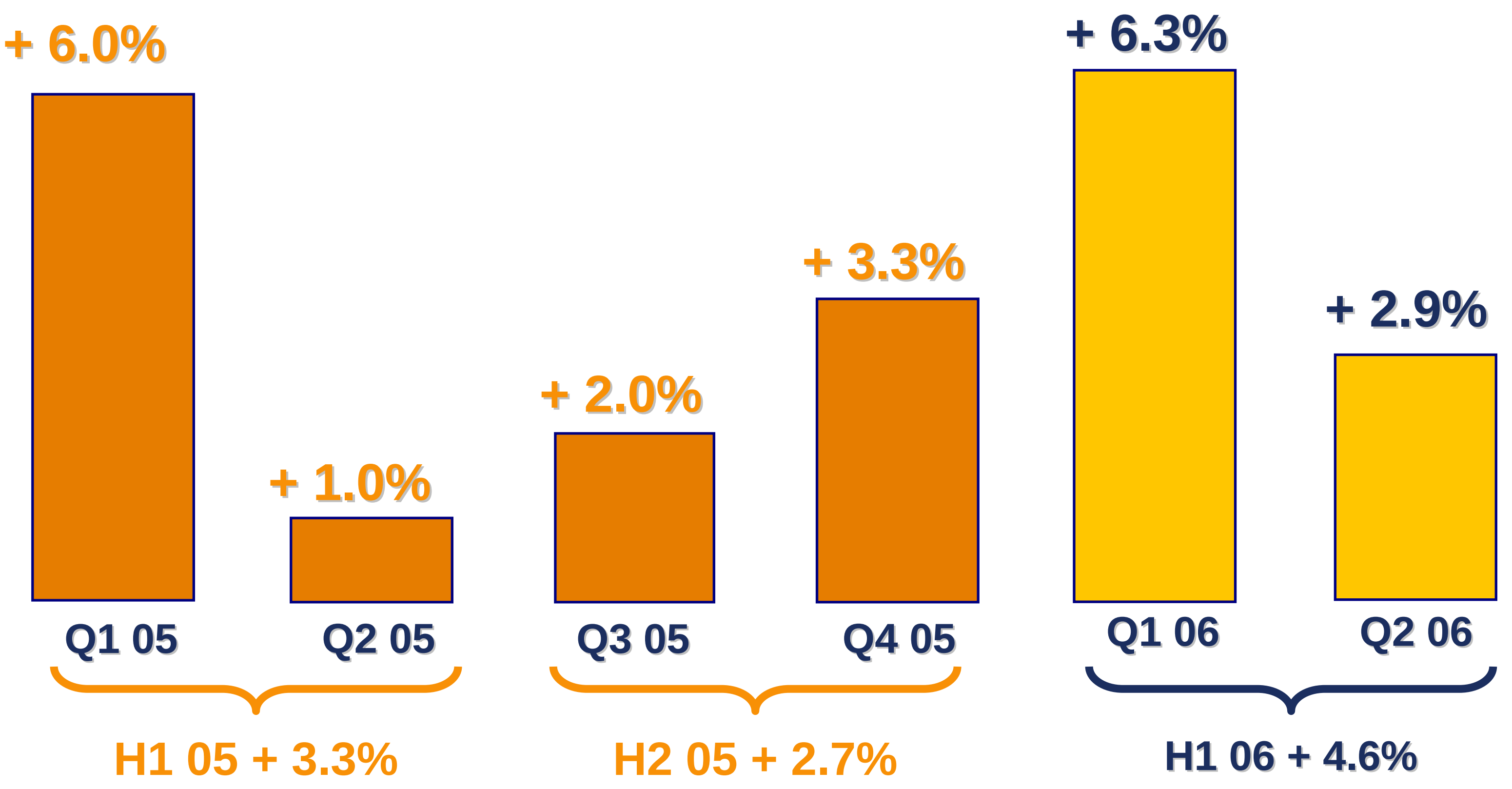
Quarterly change in sales at constant Group structure and exchange rates(1)



Firm organic growth in H1 06

- All the business groups contribute to this positive trend

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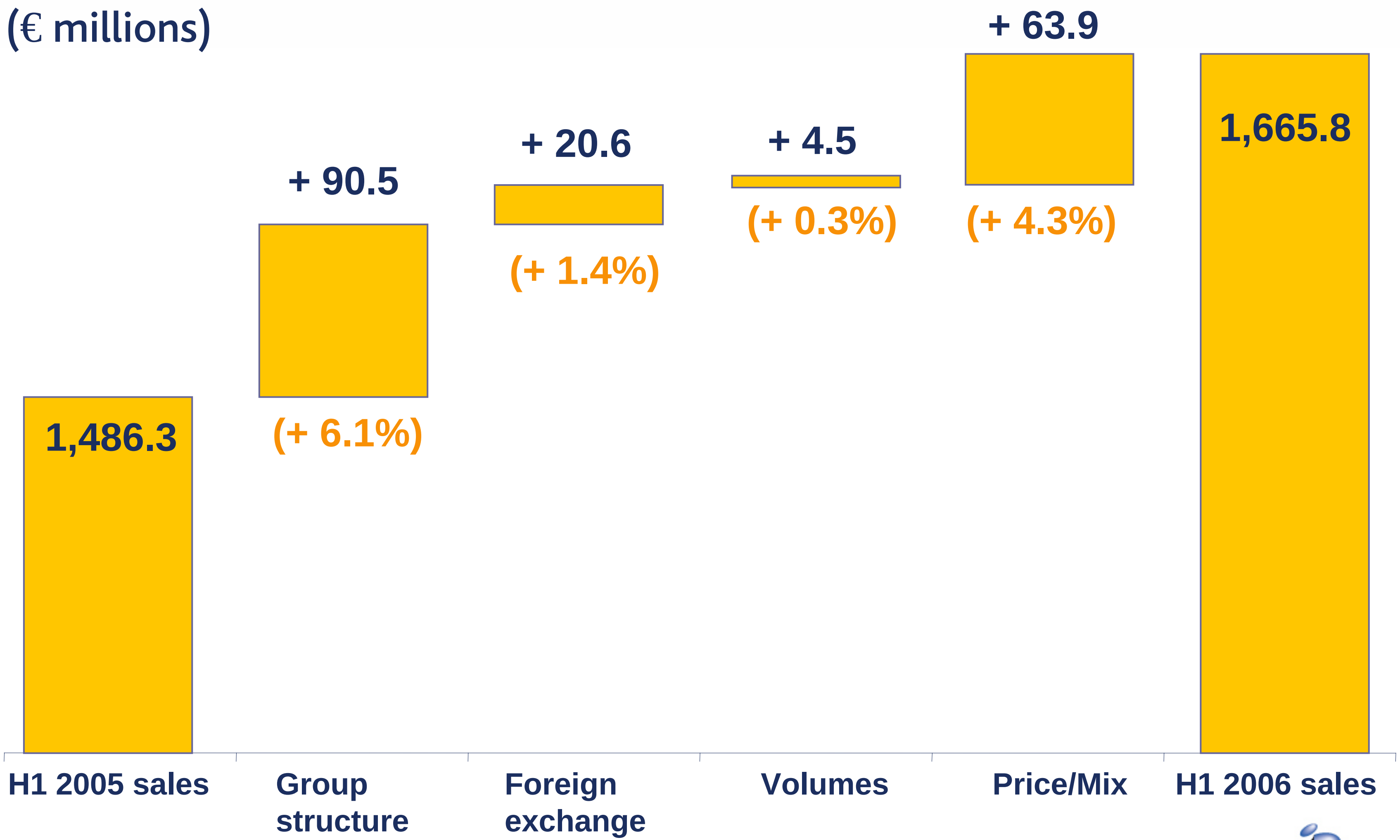
(1) Change as % vs. same period in previous year

Sales growth



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

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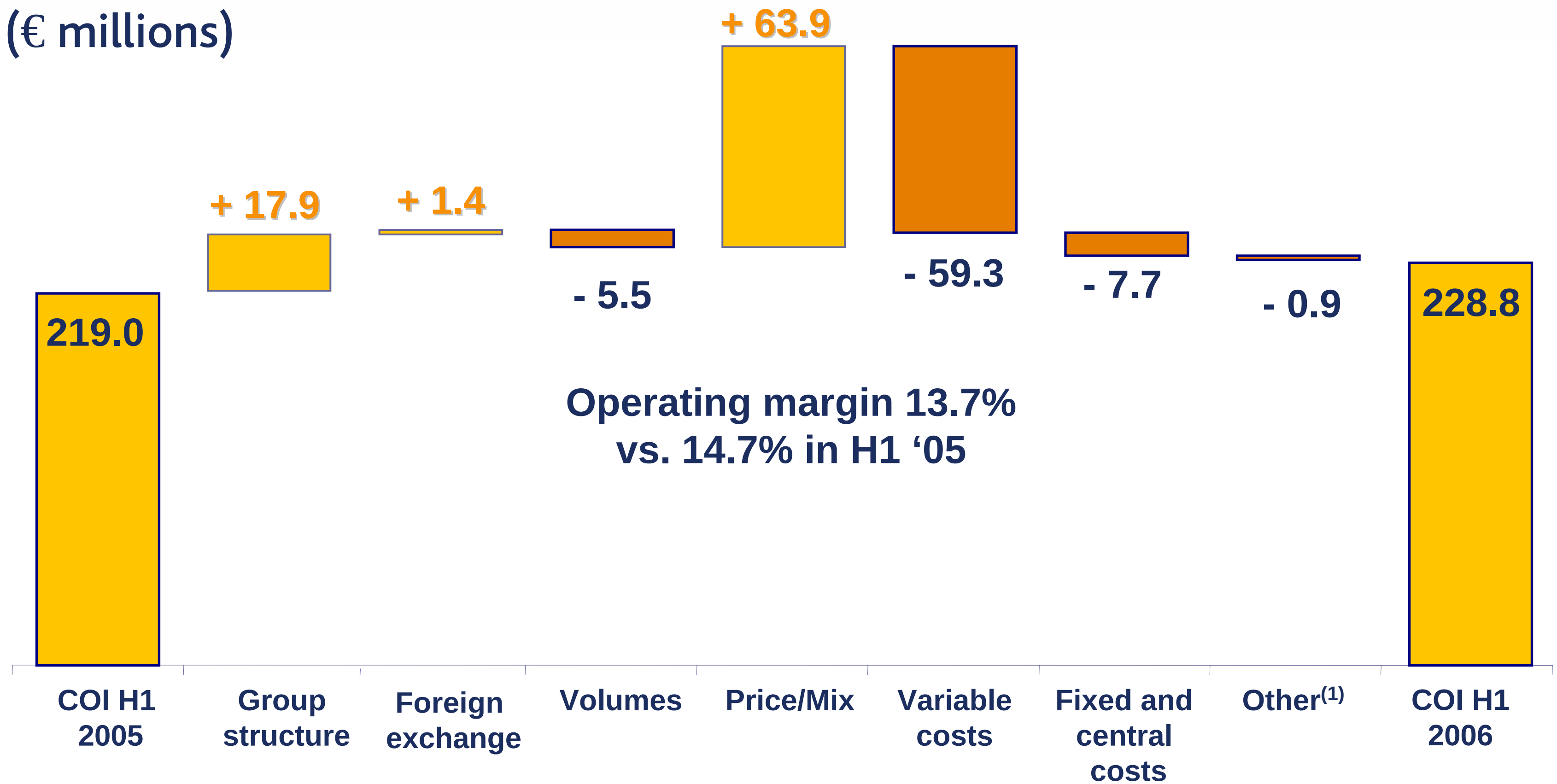
Improvement in current operating income



- 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

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(1) Mainly change in inventory

Specialty Minerals

(€ millions)	H1 2006	H1 2005	Change
Sales	468.1	401.1	+ 16.7%
Current operating income	48.9	51.8	- 5.6%
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**

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Pigments for Paper

(€ millions)	H1 2006	H1 2005	Change
Sales	388.2	366.8	+ 5.8%
Current operating income	36.4	36.6	- 0.6%
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**

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Materials & Monolithics

(€ millions)	H1 2006	H1 2005	Change
Sales	**442.3**	**494.9**	**- 10.6%**
Current operating income	**101.0**	**99.1**	**+ 1.9%**
Operating margin	**22.8%**	**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**

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Refractories, Abrasives & Filtration

(€ millions)	H1 2006	H1 2005	Change
Sales	**391.3**	**246.8**	**+ 58.5%**
Current operating income	**57.6**	**44.5**	**+ 29.3%**
Operating margin	**14.7%**	**18.0%**	**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

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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

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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

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Strategic objectives

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

- **Build a production platform with long-term cost 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**

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Net income from current operations

(€ millions)	H1 2006	H1 2005	Change
Current operating income	**228.8**	**219.0**	**+ 4.5%**
Financial income (expense)	(18.3)	(21.5)	
Current income tax	(60.4)	(58.0)	
Minority interests & equity method	0.2	(0.1)	
Net income from current operations(1)(2)	**150.3**	**139.4**	**+ 7.8%**

(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 exchange rates and IAS appraisal of financial instruments vs. H1 2005**
- **Tax rate virtually stable at 28.7% vs. 29.4% in H1 2005**

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Net income

(€ millions)	H1 2006	H1 2005	Change
Net income from current operations(1)(2)	**150.3**	**139.4**	**+ 7.8%**
Other income and expense, net(2) **of which:**	**(95.4)**	**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	(22.4)	(64.5)	
Net income(2)	**54.9**	**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**

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Current free operating cash flow

(€ millions)	H1 2006	H1 2005	Change
EBITDA	**318.7**	**298.9**	**+ 6.6%**
Tax on current operating income	(68.0)	(65.4)	
Current operating cash flow	**250.7**	**233.5**	**+ 7.4%**
Change in operating working capital	(84.8)	(68.0)	
Capital expenditure paid	(100.1)	(131.2)	
Cash free operating cash flow[(1)]	**67.0**	**36.4**	**+ 84.1%**

(1) Excluding divestments & subsidies: 1.2 2.1

- **Capital expenditure**
  - 80% of depreciation expense (122% in H1 2005)
- **Significant growth in current free operating cash flow**

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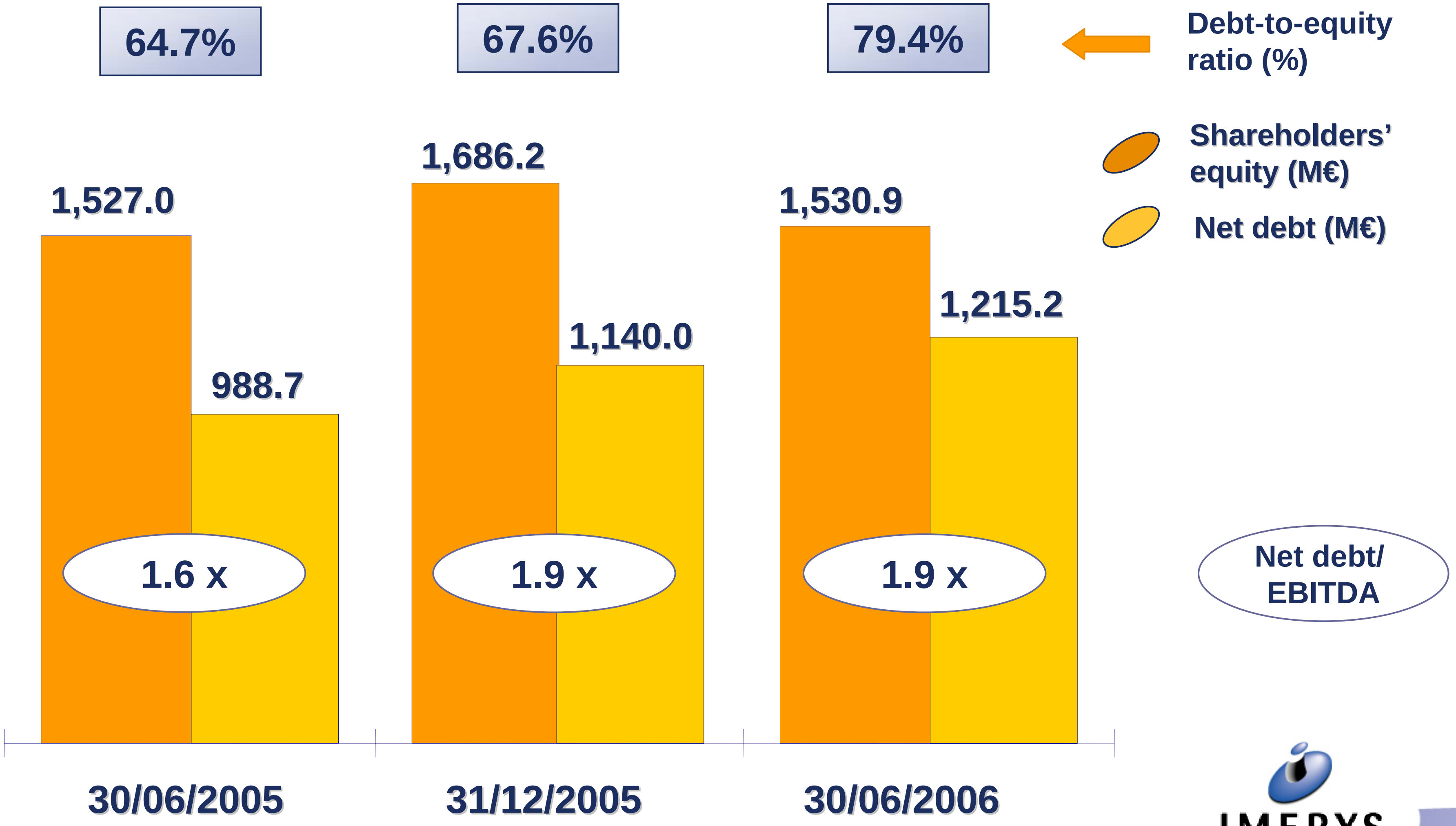
Financial structure



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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, Imerys should report a growth in net income from recurring operations of approximately + 7%**

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