

2006 Results Presentation

February 15, 2007 Meeting

- **Gérard Buffière** **Chief Executive Officer**
- **Christophe Daulmerie** **CFO and Vice-President Strategy**



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➤ 2006 Results

➤ Organizational changes

➤ Outlook

- Environment for financial 2007
- Recent developments



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2006 highlights

➤ **Contrasted macro-economic environment**

- Pigments for Paper and Specialty Minerals affected by restructuring in the paper and ceramic industries
- Brisk markets for Building Materials in France and Refractories
- Substantial rise in variable costs over the period, despite slower inflation in the second half, particularly for energy costs
- Fourth quarter marked by significant slowdown in construction markets in the United States

➤ **Great adaptability shown by the Group and its teams**

- Successful integrating for acquisitions and optimization plans progressing satisfactorily
- Product offering improved, variable cost rises passed through
- Reorganization plan being implemented for UK kaolin production base
- Strict control of fixed costs across the Group



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2006 highlights

- **Continued growth during the period: sales up + 8.0%, current operating income up + 5.7%, net income from current operations up + 7.2%**
 - Contribution of acquisitions
 - Improved product offering and control of fixed costs offset rise in variable costs and lower volumes towards end of period



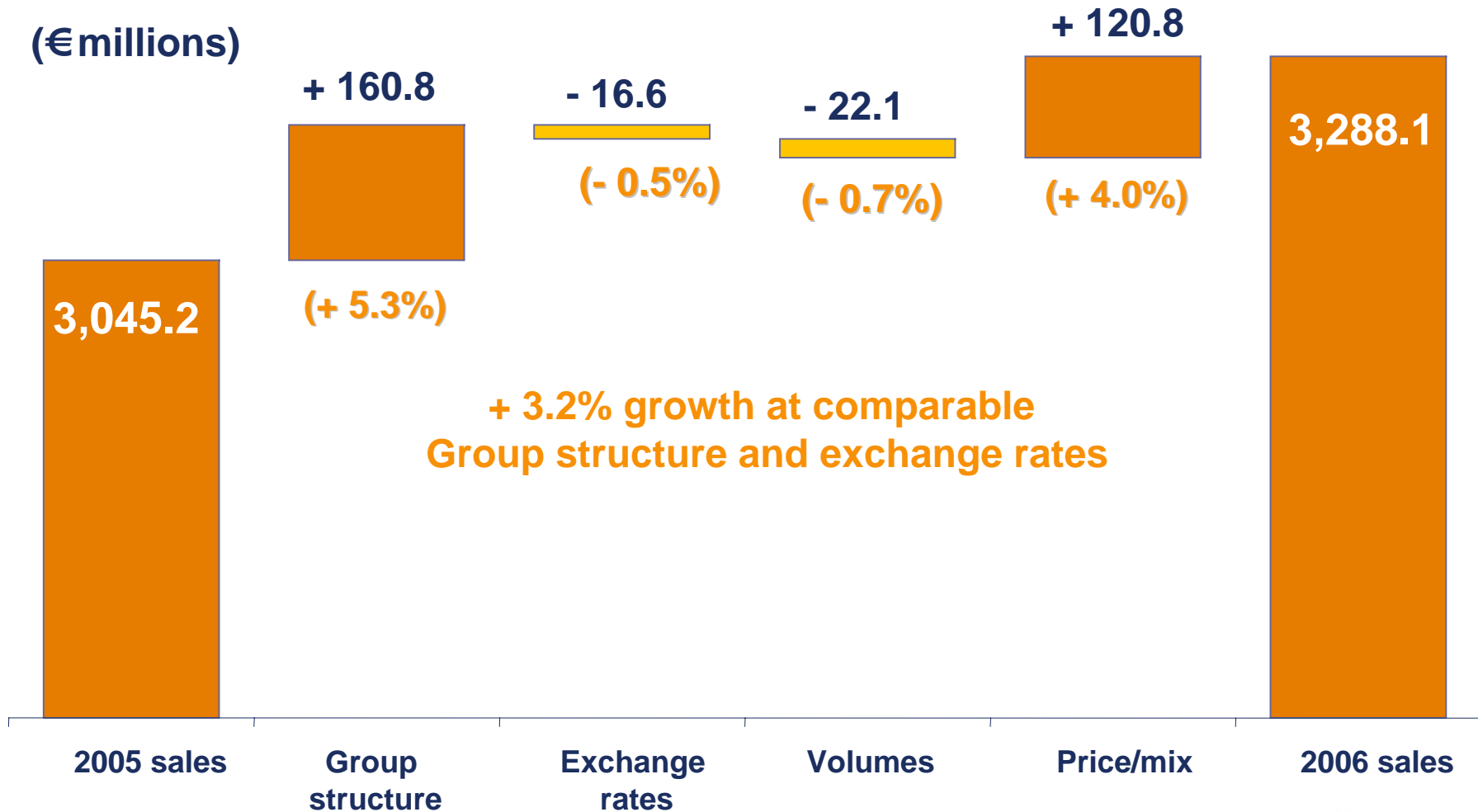
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Key figures 2006

(€ millions)	2006	2005	Change
Sales	3,288.1	3,045.2	+ 8.0%
Current operating income⁽¹⁾	458.8	434.0	+ 5.7%
Net income from current operations⁽²⁾⁽³⁾	308.3	287.6	+ 7.2%
Net income⁽²⁾	187.4	309.4	- 39.4%
Current operating cash flow⁽⁴⁾	522.1	479.8	+ 8.8%
Net debt / EBITDA	1.7	1.9	n.a.

- (1) Operating income before other income and expense
 (2) Group share
 (3) Net income before other income and expense, net
 (4) EBITDA less notional tax on current operating income

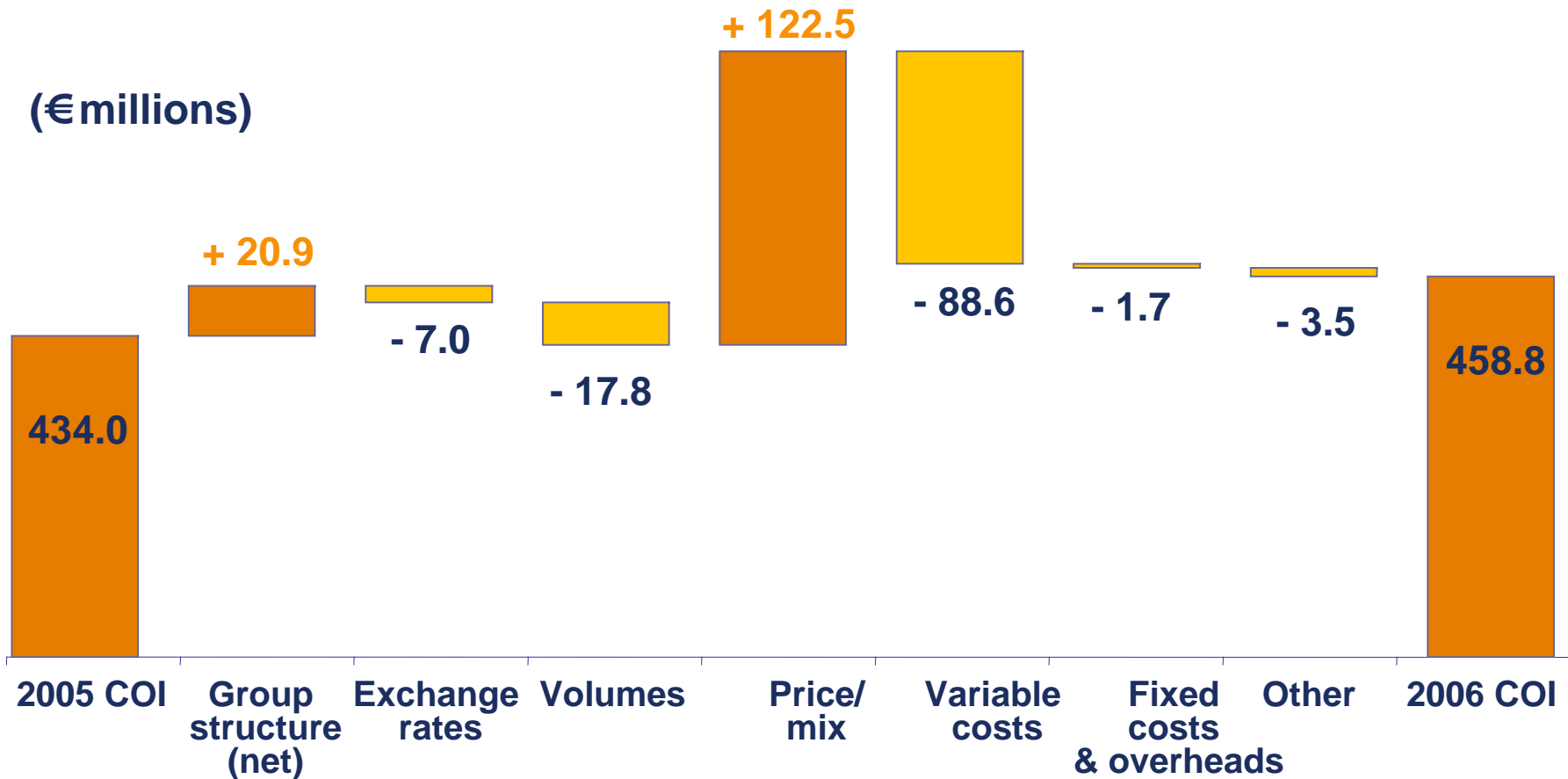
Significant growth in sales: up + 8.0%



- Major contribution of acquisitions net of divestment, improved price/mix component
- Unfavorable effect of exchange rates in 2nd half
- Downturn in volumes at end of period



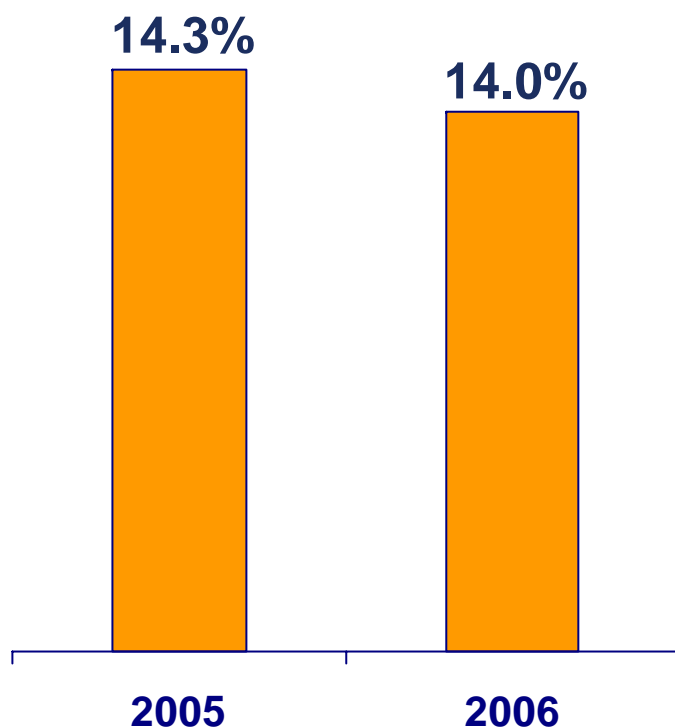
Increased current operating income (COI): up + 5.7%



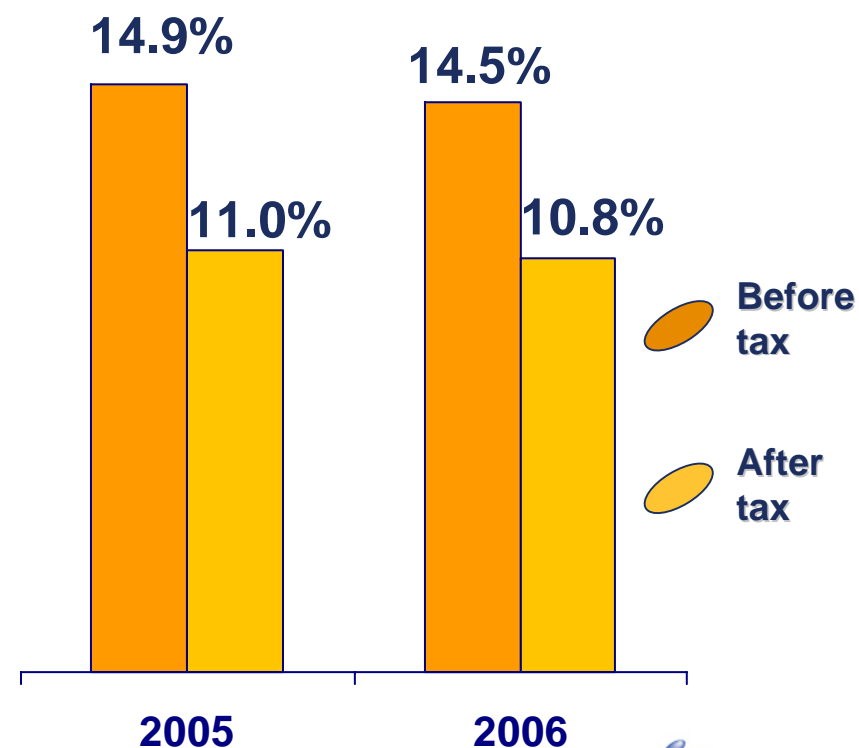
- Inflation in variable costs and decrease in volumes more than offset by improved product offering
- Significant contribution of acquisitions
- Strict control of fixed costs

The Group's financial indicators remain strong

➤ Operating margin



➤ Return on investment ⁽¹⁾ before and after tax



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

Specialty Minerals

(€ millions)	2006	2005 ⁽¹⁾	Change
Sales	891.9	809.3	+ 10.2%
Current operating income	92.3	94.8	- 2.6%
Operating margin	10.4%	11.7%	n.a.

+ 1.0%
At comparable Group
structure and
exchange rates

> Difficult markets

- Performance Minerals were healthy in Europe, but sharply decreased in the 4th quarter in North America
- Ceramics (porcelain, sanitaryware and floor tiles) softened in Western Europe and North America (capacity reductions, production transfers and economic slowdown in US)

> Erosion of operating performance

- Increase in price/mix component and strict control of fixed costs limited the impact of higher variable costs and lower volumes

> Substantial industrial optimization efforts



(1) 2005 figures reprocessed to exclude the vermiculite business, now part of the Minerals for Filtration division

Pigments for Paper

(€ millions)	2006	2005	Change
Sales	762.7	755.0	+ 1.0%
Current operating income	76.7	73.8	+ 3.9%
Operating margin	10.1%	9.8%	n.a.

+ 1.4%
At comparable Group
structure and
exchange rates

- **Overall growth in world paper market estimated at + 2.4%**
 - Significant rise in production in Europe and Asia, decrease in US
 - Machine shutdowns in progress by European papermakers seeking better utilization of production capacities
- **Slight improvement in operating performance**
 - Growth in price/mix component and control of fixed costs offset higher variable costs and lower volumes (production shutdowns by some European and US customers)
- **Continued development in calcium carbonates**
 - New PCC plant in Indonesia
- **Reorganization of UK production base in line with announced schedule**

Materials & Monolithics

(€ millions)	2006	2005	Change
Sales	893.0	922.4	- 3.2%
Current operating income	208.9	197.8	+ 5.6%
Operating margin	23.4%	21.4%	n.a

← + 6.4%
At comparable Group structure and exchange rates

➤ Healthy market trends

- Growth in French roofing (+ 3%) and clay bricks (+ 13%) markets
- Firm monolithic refractory markets (including steel)

➤ Growth in current operating income

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

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

➤ Continued industrial and commercial optimization in Monolithic Refractories; start-up of new Chinese plant

Refractories, Abrasives & Filtration

(€ millions)	2006	2005 ⁽¹⁾	Change
Sales	787.8	603.9	+ 30.5%
Current operating income	110.8	95.8	+ 15.7%
Operating margin	14.1%	15.9%	n.a.

+ 3.6%
At comparable Group structure and exchange rates

> Favorable overall market environment

- Markets were healthy in minerals for refractories, stable in minerals for abrasives and grew slightly in minerals for filtration (emerging countries)

> Growth in current operating income mainly related to the effect of changes in structure

- Improvement in price/mix component and productivity gains offset inflation (mainly in variable costs)

> Further development

- Start-up of new capacities in abrasives (ultrafine powders)
- Acquisition of AGS (calcined clays for refractories and sanitaryware)
- Optimization plan of World Minerals progressing satisfactorily



(1) 2005 figures reprocessed to include the vermiculite business, now part of the Minerals for Filtration division

Growth in net income from current operations

(€ millions)	2006	2005	Change
Current operating income	458.8	434.0	+ 5.7%
Financial income (expense)	(46.7) ⁽¹⁾	(47.3)	
Current income tax	(106.4)	(101.0)	
Minority interests & equity method	2.6	1.9	
Net income from current operations⁽²⁾⁽³⁾	308.3	287.6	+ 7.2%

(1) Of which €8 million in foreign exchange gains recorded in 1st half 2006

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

(3) Group share

➤ **Increase in the Group's average financing rate (interest rate rises) offset by currency gains**

Net income marked by non-recurring items

(€ millions)	2006	2005	Change
Net income from current operations⁽¹⁾⁽²⁾	308.3	287.6	+ 7.2%
Other income and expense, net⁽²⁾, of which:	(120.9)	21.8	
• Revenue from divestments, net of tax	10.9	93.5	
• Value adjustments and restructuring expenses relating to UK plan, net of tax	(85.9)	-	
• Other value adjustments and restructuring expenses, net of tax	(45.9)	(71.7)	
Net income⁽²⁾	187.4	309.4	- 39.4%

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

(2) Group share

- **UK plan:** industrial asset depreciation, site restoration and restructuring expenses, mostly non-cash
- **Other value adjustments:** restructuring actions, costs reductions and asset depreciations

Significant increase in current operating cash flow

(€ millions)	2006	2005	Change
Current operating income	458.8	434.0	+ 5.7%
Depreciation, amortization and provisions	184.7	162.9	
EBITDA⁽¹⁾	643.5	596.9	+ 7.8%
Tax on current operating income	(118.4)	(113.4)	
Current operating cash flow⁽²⁾	522.1	479.8	+ 8.8%

(1) Earnings before income tax, depreciation and amortization

(2) Of which other depreciations: (3.0) (3.7)

- **Growth in current operating cash flow reflects the increase in current operating income and amortization**

High current free operating cash flow

(€ millions)	2006	2005	Change
Current operating cash flow	522.1	479.8	+ 8.8%
Change in operating working capital	(66.8)	(18.1)	
Capital expenditure paid	(217.0)	(251.0)	
Current free operating cash flow⁽¹⁾	245.8	219.4	+ 12.0%

(1) Of which divestments and subsidies:

7.5

8.7

- **Industrial capital expenditure remained high across all business groups**
 - 110% of depreciation expense (126% in 2005)
- **Increase in operating working capital consistent with sales growth**



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Current free cash flow virtually stable

(€ millions)	2006	2005
Current free operating cash flow	245.8	219.4
Financial income (expense)	(46.7)	(47.3)
Tax on financial income	12.0	12.4
Change in other working capital items and miscellaneous	(12.6)	10.6
Current free cash flow	198.5	195.1

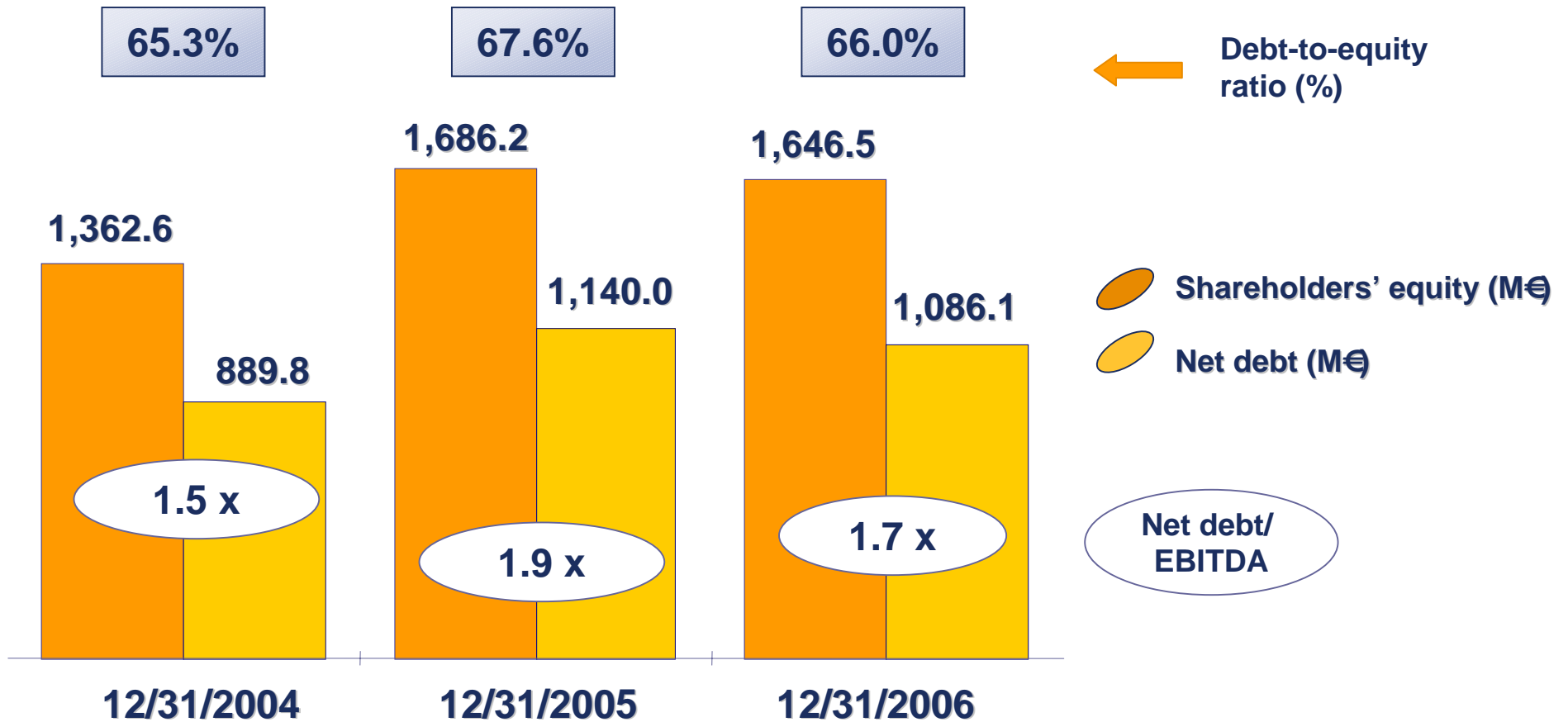
- **Current free cash flow remains high**

Reduction in net financial debt

(€ millions)	2006	2005
Current free cash flow	198.5	195.1
External growth	(33.0)	(439.6)
Divestments	17.9	183.9
Non-recurring cash flow	(31.2)	(30.4)
Dividends	(106.2)	(96.3)
Other flows	(11.6)	(5.6)
Changes	19.4	(57.3)
Increase / reduction in net debt	53.8	(250.2)



Intact financial flexibility



- Financial ratios still very robust
- Average maturity of financial resources: 4.5 years vs. 5.5 years in 2005

Further rise in dividend per share

	2006	2005	Change
Net income from current operations per share (euros)	4.86	4.53	+ 7.1%
Dividend per share⁽¹⁾ (euros)	1.80	1.65	+ 9.1%
Total distribution (€ millions)	114.0	104.5	
Current payout	37.0%	36.3%	
Average weighted number of shares	63,475,098	63,426,126	

(1) Proposed to the General Shareholders' Meeting on May 2, 2007

- **Higher growth in dividend than in net income from current operations**



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Simplified organization to boost growth

- **Creation of an Innovation Department**
- **Performance Minerals and Pigments for Paper combined to leverage operating synergies in carbonate and kaolin**
- **Global Minerals for Ceramics division created to address the major changes affecting the sector more effectively**



- **Optimize costs, resources and processes among the Group's different divisions**
 - **Speed up growth through cross-division innovation**

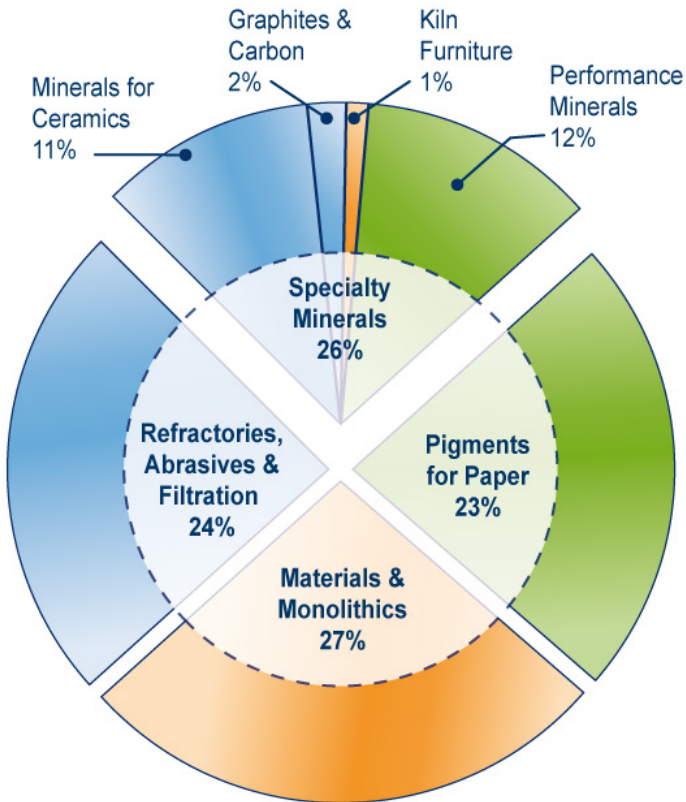


Change in Group's organization

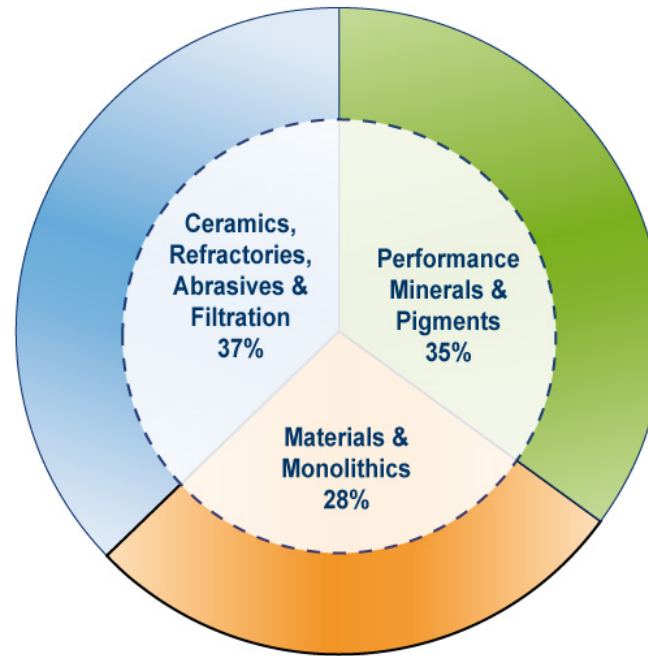
- Performance Minerals activities are grouped together with Pigments for Paper in the **Performance Minerals & Pigments** business group
- Kiln Furniture businesses are now part of the **Materials & Monolithics** business group
- Minerals for Ceramics and Graphite & Carbon businesses are grouped together with the activities of the Refractories, Abrasives & Filtration business group, forming a new business group, **Ceramics, Refractories, Abrasives & Filtration**



2006 sales



Sales 2006 by business groups
(organization 2006 in 4 business groups)



Sales 2006 by business groups
(organization 2007 in 3 business groups)



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Main data 2006 – New organization

	Sales (M€)	COI (M€)	Margin (%)
Performance Minerals & Pigments	1,138.1	103.7	9.1%
Materials & Monolithics	935.1	214.3	22.9%
Ceramics, Refractories, Abrasives & Filtration	1,235.3	170.9	13.8%
Group ⁽¹⁾	3,288.1	458.8	14.0%

(1) After holdings & eliminations



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An Innovation Department to speed up cross-division projects

- **Imerys' operating divisions are innovative in their respective areas**
- **There is great innovation potential at the interface between divisions**
- **Role of the new Innovation Department → bring out and lead those projects:**
 - Increase communication between research units
 - Foster knowledge management and dissemination
 - Keep on the lookout for areas where Imerys' technical skills can be a key factor
- **A number of ambitious projects involving several divisions are in the examination and validation process**



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Favorable markets as a whole in 2007

> Paper

- Global production growth expected around + 2/2.5% (driven by Asia)
- Short-term risk among our papermaker customers concerning restructuring in Europe

> Performance Minerals

- Healthy European markets (+ 2/3% expected)
- High uncertainty for North America markets following the sharp slowdown in Q4 2006

> Building Materials

- French market expected to be stable or slightly growing (+ 0/2%)

> Refractories

- Steel production expected to rise

> Ceramics

- Global production expected to grow slightly but with production relocations to Asia and Eastern Europe

> Abrasives & Filtration

- Moderate growth expected



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Contrasted macroeconomic environment

➤ **Rising interest rates**

- **Cost of debt expected to increase**

➤ **Strong euro compared with other currencies**

- **Translation impact**

➤ **Possible good news on energy**

- **Gas prices could decrease in United Kingdom**
- **Electricity likely to rise in France**



Group outlook

- **Core elements of Imerys model maintained**
 - Pricing for value
 - Strict management for fixed costs

- **Implementation of kaolin plan → impact 2008**

- **Completion of the optimization plan of World Minerals**

- **Speed up growth**
 - Internal growth, through business group and division efforts and innovation
 - External growth, by seizing growth opportunities in our core business
 - Determination to consolidate our presence in high-growth zones



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➤ **2006 results**

➤ **Organizational changes**

➤ **Perspectives**

- **Environment for financial 2007**

- **Recent developments**



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Accelerating growth in Asia

➤ Acquisitions in China

- Acquisition of 65% stake in Yilong and Xinlong companies, Chinese producers of vermiculite and andalusite (2006 sales: €11 million)
 - Enables Group to reach critical size on vermiculite market
 - Gives access to a high-quality andalusite reserve
- Acquisition of Baotou, a Chinese producer of high-performance graphite
- Acquisition of white marble (GCC) reserves in China

➔ Projects still subject to relevant authorities' approval
Closure expected in 1st half of year

➤ Creation of a central structure in Shanghai (China) to coordinate and speed the growth in the zone

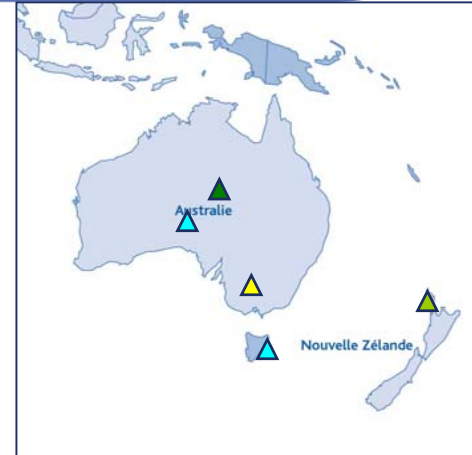
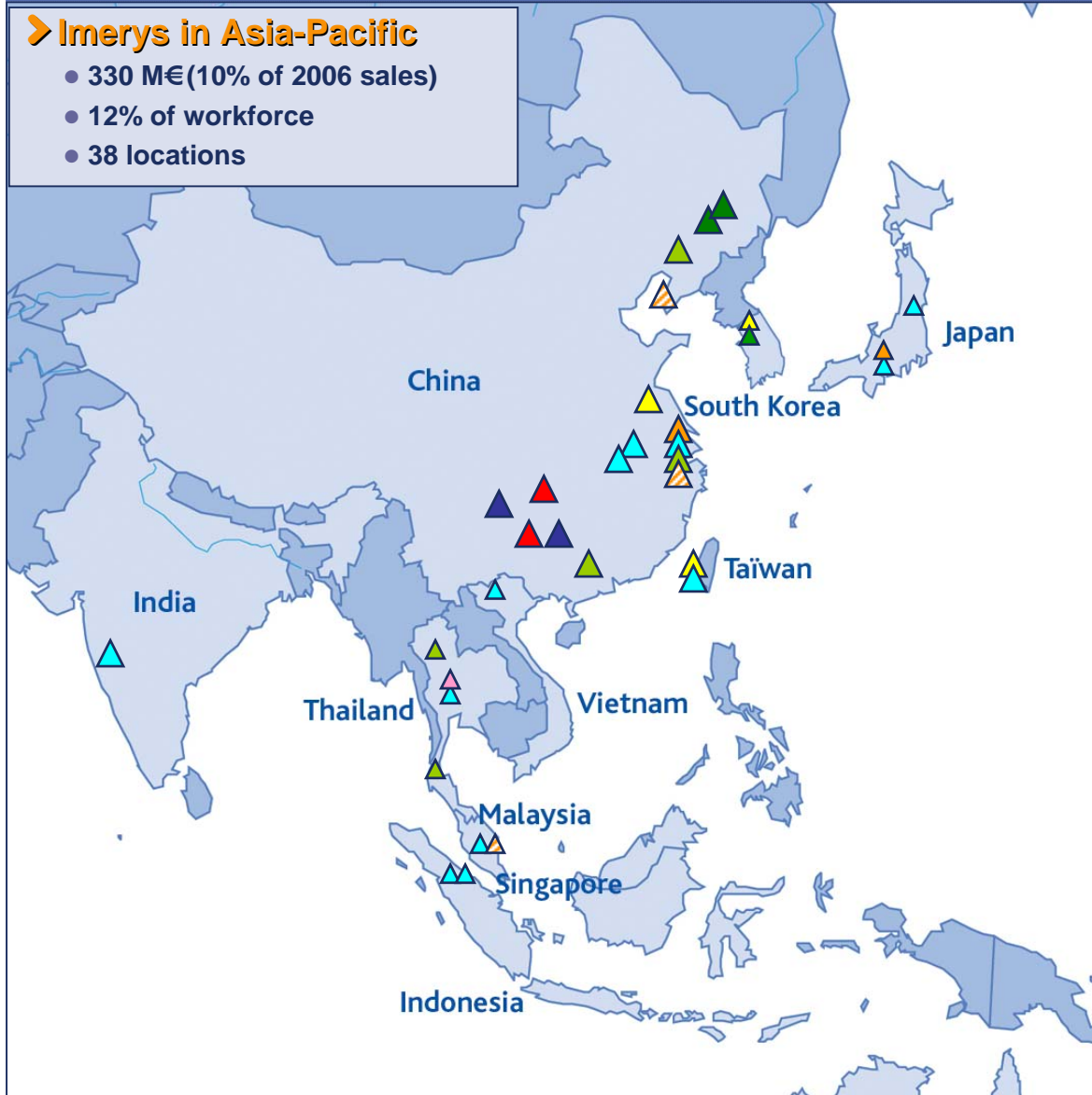


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Industrial bases in Asia-Pacific

> Imerys in Asia-Pacific

- 330 M€ (10% of 2006 sales)
- 12% of workforce
- 38 locations



- ▲ Performance Minerals
- ▲ Pigments for Paper
- ▲ Graphite & Carbon
- ▲ Minerals for Filtration
- ▲ Monolithic Refractories
- ▲ Minerals for Refractories
- ▲ Minerals for Abrasives
- ▲ Minerals for Ceramics
- ▲ Kiln Furniture



Acquisition of UCM

- **One of the world's leading producers of fused zirconia (refractories, advanced ceramics and automotive industries) and fused magnesia (electrical heating elements primarily) listed on the London Stock Exchange**
 - Good positions in Europe and North America (2 plants in the UK and 2 in the USA) with market estimated sales of €55 million in 2006
 - Very similar production technologies to Treibacher
- **Fused zircon is a new mineral for Imerys, with a wide range of applications**
- **An excellent addition to the refractories range (specific products, very high temperatures)**
- **Friendly public bid launched today at 85p per share, valuing the company at €48 million (7.4x market estimated EBITDA 2006)**



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