

Imerys

Transition to IFRS

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➤ **Timetable for financial information publication**

➤ Main impacts by accounting standard

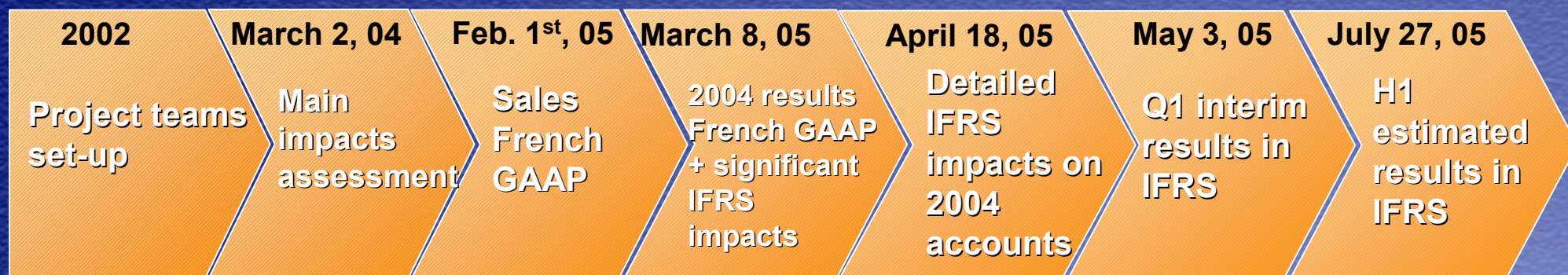
➤ Summarized financial statements IFRS / French GAAP

➤ Conclusion



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Informations Publication Timetable



Set-up of 3 corporate teams :

- Consolidation-accounting-HR
- Treasury-accounting-consolidation
- Legal-accounting-consolidation

Publication of detailed IFRS impacts and reconciliation with French GAAP

- 2004 Income statement
- Balance sheet as of 01/01/2004 and of 12/31/2004
- Statement of changes in shareholders' equity

1st half 2005 estimated results published according to IFRS

- Income statement H1 2005
- Balance sheet as of 06/30/05
- Cash-flow statement
- Full IFRS accounts published in September 2005**

- Timetable for financial information publication
- **Main impacts by accounting standard**
- Summarized financial statements IFRS / French GAAP
- Conclusion



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IFRS Transition – Impact of key accounting standards

		Significant Impact	Limited Impact
SHARE HOL DER EQU.	Employee benefits IFRS 1.20	X	
	Property, plant & equipment (PPE) reevaluation IFRS 1.16		X
NET DEBT	Leases IAS 17		X
	Financial instruments IAS 32 & 39		X
I N C O M E	Business combinations IFRS 3	X	
	PPE Revaluation IFRS 1.16		X
	Stock - options IFRS 2		X
	Financial discounts IAS 18		X
	Major repairs IAS 37		X



IFRS Transition – Balance Sheet Impacts

Employee benefits: actuarial differences fresh start
(IFRS 1.20) (1/2)

- **Obligations already provisioned in the consolidated balance sheet;** in the case of defined benefits plans, off-balance sheet accumulation of actuarial differences as of December 31, 2003 (related, in particular, to lower stock markets or long-term interest rates)
- **IFRS transition:** option used by Imerys to recognize all actuarial differences (asset and liabilities sides of the balance sheet) against opening shareholders' equity (fresh start) without impact on the income statement
- **Recognition leads to a decrease in shareholders' equity: €(134.8) million** as on January 1st, 2004



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IFRS Transition – Balance sheet impacts

Employee benefits: actuarial differences fresh start
(IFRS 1.20) (2/2)

€ millions		IFRS 1.20 Impacts on consolidated balance sheet as of January 1st 2004	
Intangible assets		Shareholders' equity	(134.8)
Property, plant & equipment		Provisions	132.3
Financial assets	(63.6)	Deferred tax liabilities	(18.6)
Deferred tax assets	42.4	Borrowings	
Total non-current assets	(21.2)	Other non current liabilities	
Current assets		Total non-current liabilities	113.6
Other current assets		Current borrowings	
Cash		Current trade accounts	
Total assets	(21.2)	Total liabilities	(21.2)



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IFRS Transition – Balance sheet impacts

Mineral reserves fair value assessment (IFRS 1.16) - Methodology(1/2)

- **Imerys decision to use IFRS 1 option to assess some PPE items at fair value, applied to the Group's mineral reserves and resources**
- **Assessment in line with the new European Mining Code; previously, use of historical values, resulting in a lack of homogeneity of the valuation (reserves acquired at different dates)**
- **Independent experts reviewed Imerys' mineral reserves (France, UK, US, Brazil), leading to some value adjustments:**
 - Detailed sites analysis distinguishing reserves immediately available and resources geologically less determined with a more remote exploitation perspective, or subject to additional works



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IFRS Transition – Balance sheet impacts

Mineral reserves fair value assessment (IFRS 1.16) - Results (2/2)

- **Independent experts confirmed global available tons of reserves and resources**
- **Fair value proposed by those experts based on comparable market transactions (acquisitions or leases) or on discounted cash-flows basis**
- **Positive or negative adjustment recorded for certain reserves or resources:** net total impact limited to - €(10.4) million on shareholders' equity
- **Negative adjustment of mineral reserves and impairment tests:** no impact on the book value of the Business Units (Cash Generating Units) to which these reserves belong, in French GAAP
- **Positive impact:** homogeneous and relevant balance sheet values, consistent with current market transactions
- **Higher amortization charge due to shorter depreciation period in line with the new Mining Code**



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IFRS Transition – Balance sheet impacts

Impacts summary

€ millions

FR GAAP shareholders' equity 01/01/2004	Impact IFRS 1.20	Impact IFRS 1.16	Other impacts	IFRS shareholders' equity 01/01/2004
1,410.3	(134.8)	(10.4)	(5.0)	1,260.1

- Significant IFRS 1.20 impact and limited other impacts on shareholders' equity
- Limited impact on Group's net financial debt - €(17.2) million, mainly due to leasing contracts
- Net debt / Equity ratio as of 12/31/2004: 59.8% (French GAAP)
65.6% (IFRS)
- Net debt / EBITDA ratio almost unchanged as of 12/31/2004 :
1.52 (French GAAP)
1.54 (IFRS)

IFRS Transition – Income statement impacts

End of goodwill amortization (IFRS 3)

- **IFRS 3 requires to cease annual goodwill amortization;** Cash Generating Units will continue to be regularly submitted to impairment tests
- **Net impact on income statement of the end of annual goodwill amortization:** + €30.3 million ("other income")



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IFRS Transition – Income statement impacts

Stock-options (IFRS 2)

- **IFRS 2 requires accounting for stock options in staff expenses** for plans implemented after November 7th, 2002 (2003 and 2004 plans) and in vesting period
- **Options assessment based on Black & Scholes model, taking into account various parameters** (duration, strike price, underlying rate, volatility)
- **Net impact on income statement (staff expenses):**
 - €(2.3) million in 2004, for 2003 and 2004 plans



IFRS Transition – Income statement impacts

Leases contracts (IAS 17)

- **Broader leases capitalization scope in IFRS than in French GAAP**
- **Detailed review of heavy equipment leases contracts (trucks, wagons, mining equipment)**
- **Recognition of additional assets and financial debts for approximately: €10 million**
- **Income statement net impact** below €50 k

Financial discount (IAS 18)

- **Sales accounted net of discounts for early payment**
- **No impact on income statement:** sales: €(2.2) million; financial expenses: €2.2 million



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IFRS Transition – Income statement impacts

Financial instruments (IAS 32 & 39)

- **Standard on identification, classification, measurement and disclosure of financial instruments**
- **IAS 32:** sales or re-purchase of treasury shares; losses or profits now accounted for in shareholders' equity
- **IAS 39:** financial instruments used to hedge interest rates, some commodities (energy) fluctuations, and, marginally, exchange rates
- **Hedging instruments qualified as effective** (related to identified assets hedging) and therefore accounted for in the balance sheet of the Group
- **IAS 32 & 39: no embedded derivatives identified in Group's contracts**
- **Net income impact:** insignificant



IFRS Transition – Income statement impacts

Impacts summary on operating income

- **Exceptional items removed in IFRS; replaced by "other income" between operating profit (comparable to "operating income" in French GAAP), and operating income**
- **Minor differences in 2004 accounts between French GAAP Operating income and IFRS Operating profit**

€ millions

French GAAP 2004 Operating income	Stock options plans accounting May 2003 et 2004 (IFRS 2)	Impact on amortization of mineral reserves valuation (IFRS 1.16)	Financial discounts (IAS 18)	Other impacts (net)	2004 IFRS Operating profit
425.8	(2.3)	(2.8)	(2.2)	0.4	418.9

IFRS Transition – Income statement impact

Impacts summary on financial result

- Adjustment in financial result of exchange differences related to foreign entities long-term financing (when done in a currency other than the € or entities' own functional currency). One-time restatement: financing currencies modified in 2005

€ millions

French GAAP 2004 Financial result	Exchange rate impact on long term entities' financing (IAS 21)	Financial discounts (IAS 18)	Other impacts (net)	IFRS financial result 2004
(45.1)	3.6	2.2	(0.1)	(39.4)

IFRS Transition – Income statement impacts

Impacts summary on net income

- Imerys' IFRS net income is well above what it is in French GAAP due to the end of goodwill annual amortization

€ millions

French GAAP⁽¹⁾ 2004 Net income	Differences Operating income & Operating profit	Differences financial result	End of goodwill amortization	Other impacts (net)	IFRS Net income⁽¹⁾ 2004
209.4	(5.4)⁽²⁾	3.8⁽²⁾	30.3	(0.7)	237.4

(1) Group's share

(2) After taxes



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- > Timetable for financial information publication
- > Main impacts by accounting standard
- > **Summarized financial statements IFRS / French GAAP**
- > Conclusion



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IFRS Transition– Balance sheet impacts - assets

(€ millions) January 1 st , 2004	FR GAAP (*)	Adjust. IFRS	IFRS	
Intangible assets	562.4	(1.0)	561.4	Reclassification of Goodwill in equity investments
Property, plant & equipment	1,508.8	(8.6)	1,500.1	Leases capitalized, mineral reserves at fair value and components adjustments
Financial assets	117.7	(62.0)	55.8	Pension plans (UK overfunding cancelled - IFRS 1.20)
Other non current assets	18.3	49.2	67.5	Deferred tax assets on IFRS adjustments mainly related to pensions
Total non-current assets	2,207.2	(22.4)	2,184.9	
Current assets	982.0	(1.8)	980.1	Spare parts capitalized
Financial instruments	0.0	52.8	52.8	Hedging instruments (36.6) and interest accrued (16.2)
Other current assets	21.0	(0.9)	20.1	reclassification interest accrued
Cash	81.3	(5.9)	75.4	Treasury shares cancelled (IAS 32)
Total assets	3,291.5	21.8	3,313.3	
(*) December 2003 balance sheet after current / non current reclassification and decompensation				

IFRS Transition– Balance sheet impact - liabilities

(€ millions) January 1 st , 2004	FR GAAP (*)	Adjust. IFRS	IFRS	
Shareholders' equity	1,410.3	(150.2)	1,260.1	Mainly -134.8 on pensions and -10.4 on mineral reserves
Provisions	214.4	126.6	341.0	Provision for pensions (+132.3) and provision for major repairs (-4.2)
Deferred tax liabilities	107.2	(18.7)	88.5	Deferred taxes on IFRS adjustments, mainly related to pensions
Borrowings	749.3	50.0	799.3	Fair value of non current debts (+41.1) and new leases (+8.2)
Other non current liabilities	5.4	1.1	6.5	Tax debt adjustment on revaluation
Total non current liabilities	1,076.3	158.9	1,235.2	
Current borrowings	318.3	3.0	321.3	Current portion of financial debts at fair value and new capital finance leases
Financial instruments	0.0	10.4	10.4	Current financial instruments at fair value
Current trade accounts	486.6	(0.4)	486.2	
Total liabilities	3,291.5	21.8	3,313.3	

(*) December 2003 balance sheet after current / non current reclassification and decompensation

IFRS Transition – Income statement 2004

(€ millions) 2004 Income	FR GAAP	IFRS Adjustement	IFRS	
REVENUE	2 872,7	(2,2)	2 870,5	Discounts deducted from revenue
Other income	25,1		25,1	
Purchases	(1 025,1)	(0,7)	(1 025,8)	Hedges gas purchases
Staff expenses	(565,9)	(2,3)	(568,1)	Stock options
External expenses	(723,4)	4,0	(719,4)	Leases adjustments
Amortization & provisions	(153,8)	(6,3)	(160,2)	Reserves amortization, leases, provisions for major repairs & pensions
Other revenue and expenses	(3,8)	0,6	(3,2)	Spare parts inventories change
Current operating income	425,8	(6,9)	418,9	
Other operating income	(71,9)	29,6	(42,3)	End of Goodwill amortization
Operating income	354,0	22,7	376,7	
Net cost of net debt	(42,7)	2,5	(40,2)	Discounts M€ +2.2
Other financial income	(2,3)	3,1	0,8	Of which exchange differences on long term financing M€ +3.6
Financial income	(45,1)	5,6	(39,4)	
Income taxes	(100,2)	(0,2)	(100,4)	Income taxes on adjustments above
Minority interests	(2,7)	(0,1)	(2,7)	Minority interests on adjustments
Income from equity investments	3,3		3,3	
Net income, Group's share	209,4	28,0	237,4	

IFRS Transition– 2004 Balance sheet impacts - assets

Intangible assets	560.4	28.7	589.1	End of Goodwill amortization
Property, plant & equipment	1,519.0	(11.3)	1,507.7	Leases capitalized, mineral reserves at fair value & components adjustments
Financial assets	113.6	(62.2)	51.4	Pension plans (UK overfunding cancelled - IFRS 1.20)
Other non current assets	44.3	47.9	92.2	Deferred tax assets on IFRS adjustments, mainly related to pensions
Total non current assets	2,237.4	3.0	2,240.4	
Current assets	968.9		968.9	
Financial instruments	4.9	58.3	63.2	Hedging instrument (37,0) and interest accrued (21,3)
Other current assets	23.2	(5.9)	17.3	Reclassification interest accrued
Cash	162.6	(0.3)	162.3	Treasury shares cancelled
Total assets	3,396.9	55.2	3,452.2	

IFRS Transition– 2004 Balance sheet impacts - liabilities

Shareholders' equity	1 475,1	(118,0)	1 357,1	Mainly -132.5 on pensions and -13.3 on mineral reserves and goodwill amortization +30.3
Provisions	217,4	128,2	345,6	Pensions provisions +128.2
Deferred taxes	147,2	(20,7)	126,5	Deferred taxes on IFRS adjustments mainly related to pensions
Borrowings	916,7	23,9	940,6	Non current financial instruments at fair value
Other non current liabilities	23,2	1,0	24,2	Tax debt adjustment on revaluation
Total non current liabilities	1 304,4	132,4	1 436,8	
Current borrowings	133,0	31,5	164,6	Current portion of borrowings at fair value (30 M€) and leases adjustment
Financial instruments	0,0	9,7	9,7	Current financial instruments at fair value
Current trade borrowings	484,4	(0,5)	483,9	
Total liabilities	3 396,9	55,2	3 452,2	

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IFRS Transition

- Adoption of the new accounting standard on January 1st 2005
- In addition to French GAAP accounts, the Group has prepared 2004 consolidated accounts restated in IFRS, audited by its auditors
- IFRS impacts on Imerys accounts are limited and have been anticipated



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April 18, 2005 Conference call

Thank you for your attention



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