

Estimated First-Half 2005 Results

Wednesday July 27, 2005



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➤ **1st half 2005 results**

➤ **Development**

➤ **Adjustment of operating structures**

➤ **Outlook**



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1st half 2005 highlights

➤ **A more difficult general environment**

- An unusually harsh winter in France, affecting Building Materials in Q1
- Pigments for Paper penalized in Q2 by a 7-week strike in the Finnish paper industry
- Specialty Minerals faced with decreasing sales volumes
- Sharp inflation in some external cost factors (energy, transport, chemicals,...); exchange rates trends still adverse

➤ **The Group's growth continues with rises of + 3.1% in consolidated sales, + 2.8% in profit from current operations and + 10.1% in net income from recurring operations**

- Significant improvement in the performance of three of the Group's four business groups, offsetting the decrease in Pigments for Paper

➤ **Sustained capital expenditures, active external growth**



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Group key figures

(IFRS standards ⁽¹⁾ - € millions)	H1 2005	H1 2004	Change
Consolidated sales	1,486.3	1,441.5	+ 3.1%
Profit from current operations⁽²⁾	218.4	212.4	+ 2.8%
Net income from recurring operations⁽³⁾⁽⁴⁾	137.5	124.9	+ 10.1%
Net income⁽³⁾	184.7	114.5	+ 61.3%
Free operating cash flow⁽⁵⁾	39.7	98.0	- 59.5%

- (1) All financial data in this presentation are under IFRS standards
- (2) Profit from operations before other income and expenses
- (3) Group's share
- (4) Net income before other income and expenses, net
- (5) EBITDA minus tax on profit from current operations, capital expenditures and changes in operating working capital requirements



2nd quarter trends

(€ millions)	Q2 2005	Q2 2004	Change	H1 2005	H1 2004	Change
Consolidated sales	733.4	754.5	- 2.8%	1,486.3	1 441.5	+ 3.1%
Profit from current operations ⁽¹⁾	119.4	118.3	+ 0.9%	218.4	212.4	+ 2.8%
Net income from recurring operations⁽²⁾⁽³⁾	80.4	72.5	+ 10.8%	137.5	124.9	+ 10.1%

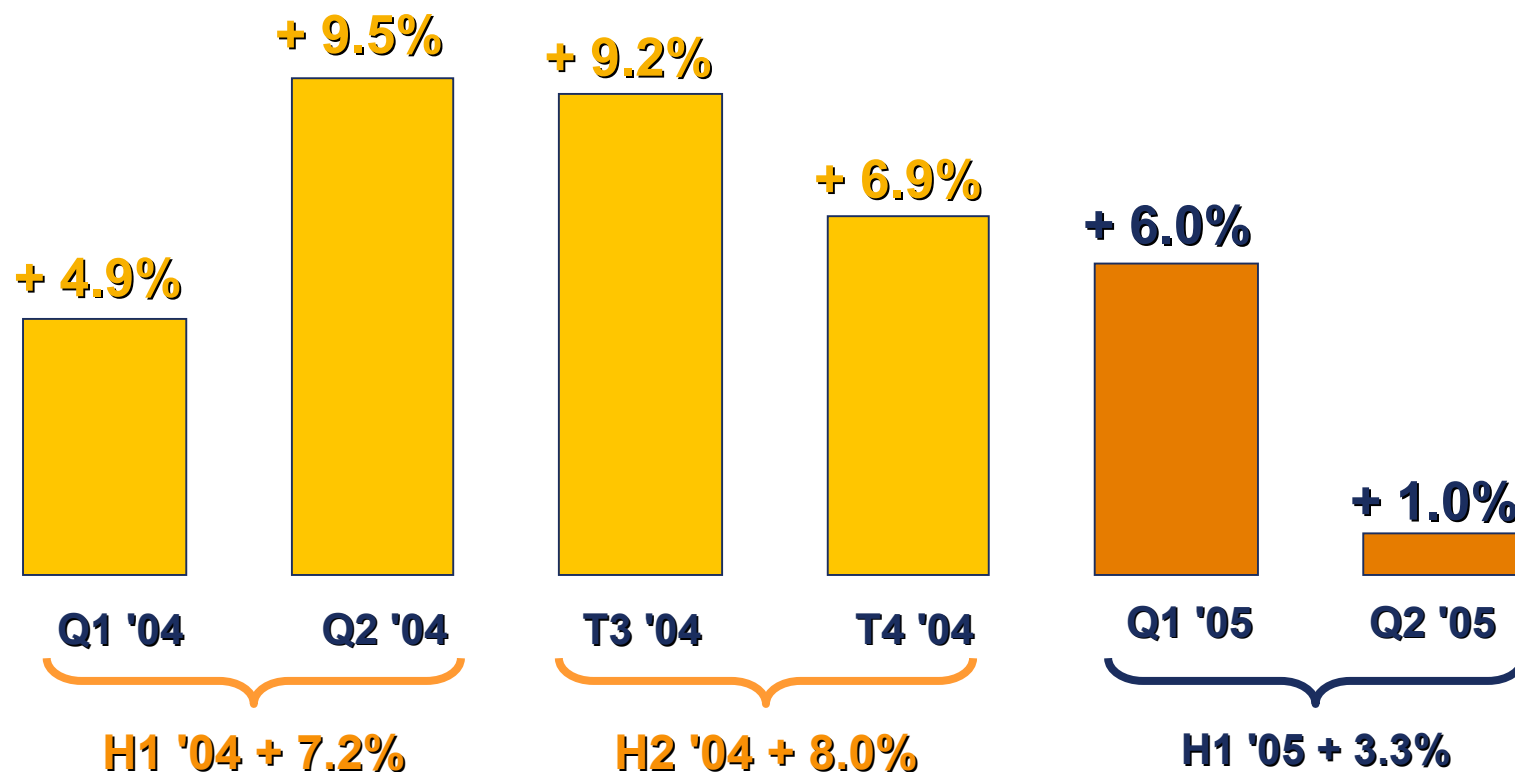
(1) Profit from operations before other income and expenses; (2) Group's share; (3) Net income before other income and expenses, net

➤ **More difficult market conditions for two activities: Specialty Minerals and Pigments for Paper (Finnish paper industry strike)**

- **Erosion of sales volumes against a very high basis of comparison in 2004 (- 1.7% in Q2 '05 vs. Q2 '04)**
- **Impact of divestment of Larivière, deconsolidated since April 19**
- **Lower negative effect of exchange rates (- 1.3% in Q2)**



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



➤ Firm organic growth in H1 '05 despite a particularly high basis of comparison in Q2

- All business groups contributed to this positive trend, except Specialty Minerals.

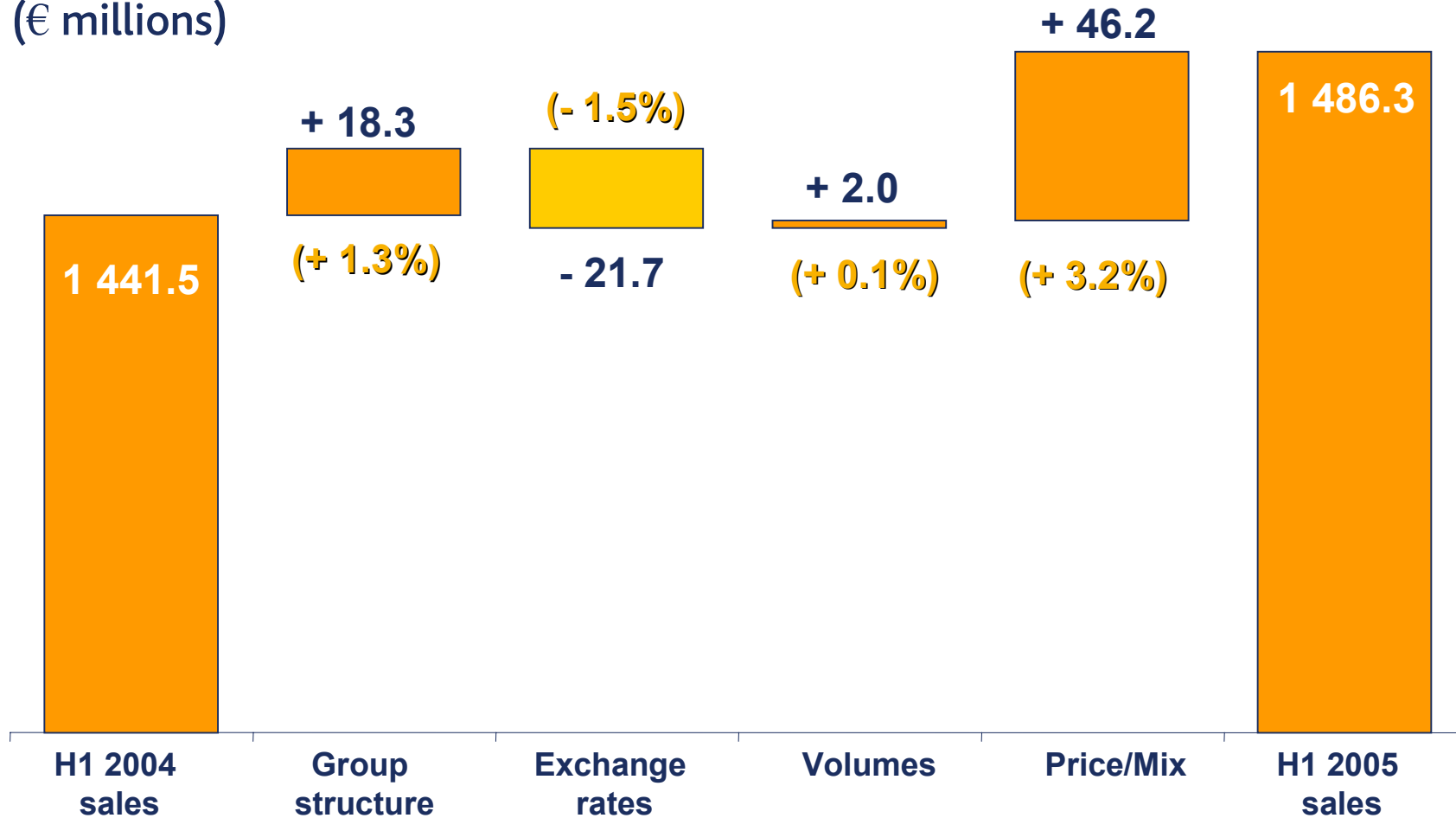


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(1) Change as % vs. same period in previous year

Growth in consolidated sales

(€ millions)



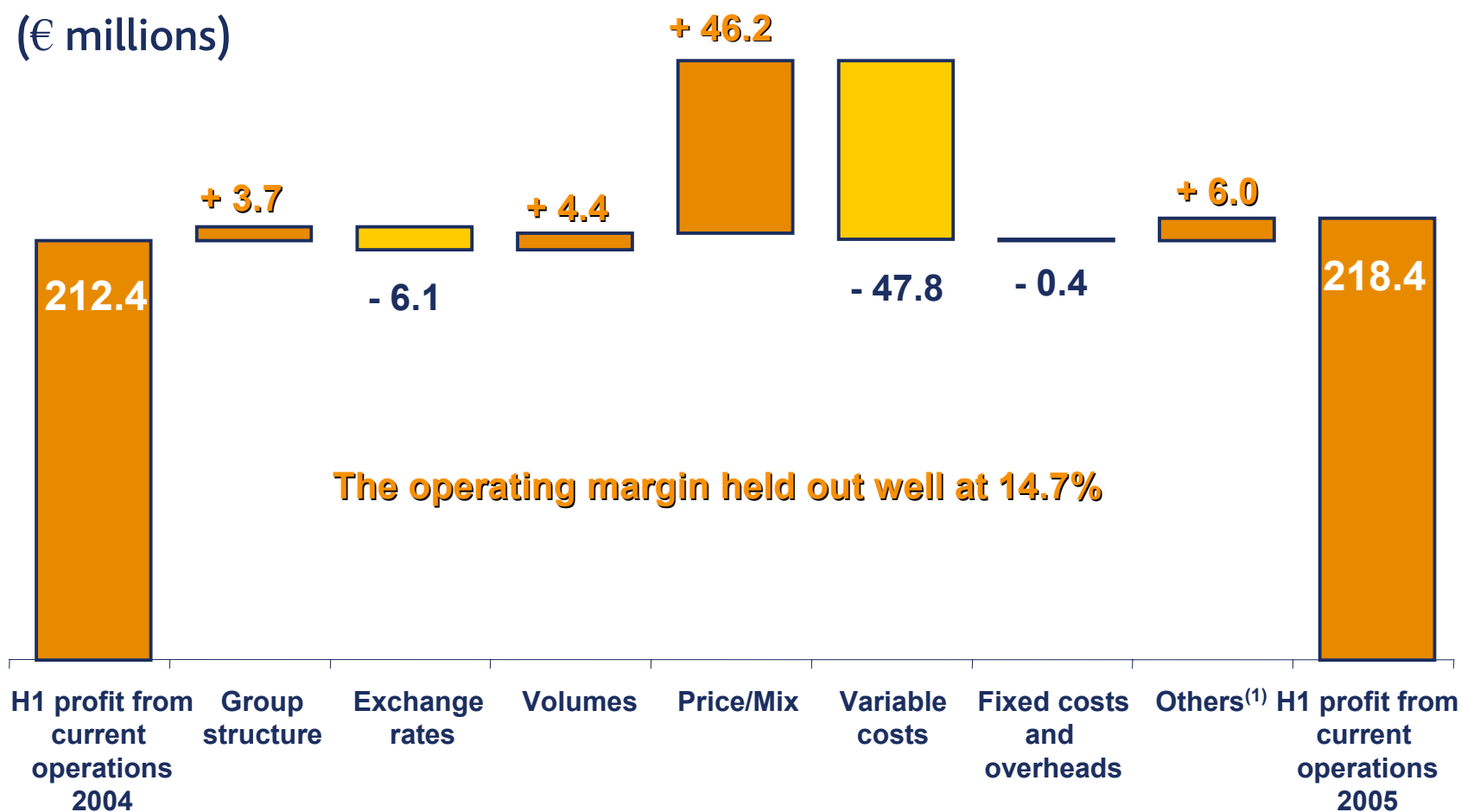
- Significant improvement in the price/mix component (+ 3.2%) which again evolved positively in all 4 business groups
- Stable volumes, affected by adverse conditions in Specialty Minerals and, in Q2, Pigments for Paper



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Improvement in profit from current operations

(€ millions)



- Sharp inflation in variable costs (energy, transport, chemicals, etc.) almost entirely offset by the rise in the price/mix component
- Good control of other production costs and positive effect of other parameters (apart from exchange rates)



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(1) Mainly changes in inventory

Specialty Minerals

(€ millions)	H1 '05	H1 '04	Change
Consolidated sales	401.1	405.6	- 1.1%
Profit from current operations	51.5	46.8	+ 10.0%

- 0.4%
at comparable
Group structure and
exchange rates

- Flat markets overall, with a downturn in performance minerals and tableware: lackluster economic conditions in Europe, downstream inventory reductions
- Significant improvement in performance (+ €6.0 million if restated from effects of Group structure and exchange rates): operating margin at 12.8% vs. 11.5% in H1 '04
 - Substantial industrial optimization efforts and improvement in the price/mix component more than offset the effects of exchange rates, external cost inflation and lower volumes
- Continued cost reduction and development efforts
 - Many productivity investments in the US and UK
 - Small acquisitions in Italy and Tunisia in GCC for performance minerals



Pigments for Paper

(€ millions)	H1 '05	H1 '04	Change
Consolidated sales	366.8	376.2	- 2.5%
Profit from current operations	35.7	49.7	- 28.1%

+ 4.0%
at comparable
Group structure and
exchange rates

➤ Stable production of printing and writing papers (+ 0.3%)

- In Europe, strong impact of the 7-week strike at Finnish papermakers (25% of European production) → - 8.4% market decline in Q2 (- 2.9% for H1)
- More favorable trends in the US and in Asia

➤ Downturn in operating performance, entirely due to external factors: margin at 9.7% vs. 13.2% in H1 '04

- Very high inflation in variable costs, only partly offset by increase in the price/mix component
- Slightly slower than expected ramp-up of new capacities for calcium carbonates in India, China and Sweden
- Strong competitive response in GCC

➤ Production cost reduction efforts

- Capacity debottlenecking in Brazil; restructuring in the UK



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Pigments for Paper

Decrease in profit from current operations entirely due to external factors

H1 '05 vs. H1 '04 change
- €10.4 million excluding
Group structure⁽¹⁾ and exchange rates⁽²⁾ impacts



- **Price/mix component vs. variable costs** - €13.5 million
- **Impact of strike in Finland** - €4.5 million
- **Other effects (volumes, fixed costs, etc.)** + €7.6 million



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(1) Divestment of CDM
(2) \$/€ and Brazilian real/\$

Building Materials

(€ millions)	H1 '05	H1 '04	Change
Consolidated sales	326.0	365.1	- 10.7%
Profit from current operations	85.6	81.5	+ 5.0%

+ 4.0%
at comparable
Group structure

- In France, growth in the new individual housing (+ 5%) and renovation (+ 1%) segments, despite adverse weather conditions in Q1
- Despite the sale of Larivière, further improvement in profitability: + €4.1 million rise in profit from current operations (+ €7.6 million at comparable Group structure); operating margin at 26.3% vs. 22.3% in H1 '04
 - Growth in sales volumes and the price/mix component, and excellent cost control more than offset the negative impact of higher energy costs
- Implementation of major capital expenditure projects for growth
 - Roof tiles: start-up of a new line in Ste Foy (France) in June
 - Bricks: construction in progress of a new line in Mably (France)

Refractories & Abrasives

(€ millions)	H1 '05	H1 '04	Change
Consolidated sales	408.6	309.5	+ 32.0%
Profit from current operations	58.7	44.8	+ 31.0%

+ 7.3%
at comparable
Group structure and
exchange rates

- A positive market environment overall in both refractories and abrasives, despite a less favorable basis of comparison in Q2
- Significant improvement in profitability (+ €7.9 million if restated from Group structure and exchange rate effects); stable operating margin at high level 14.4% vs. 14.5% in H1 '04)
 - Increase in volumes and price/mix component, more than offsetting rises in some costs (energy, raw materials)
- Business refocusing and ongoing development
 - Divestment of American Minerals (trading in minerals for basic refractories)
 - Integration of Lafarge Réfractaires progressing well
 - Positions outside Europe in monolithics strengthened with the acquisition of South Africa's QA Refractories in Q2



Significant growth in net income from recurring operations

(€ millions)	H1 2005	H1 2004	Change
Profit from current operations	218.4	212.4	+ 2.8%
Financial result	(21.7)	(22.4)	
Current income tax	(59.0)	(64.2)	
Minority interests & equity method	(0.2)	(0.9)	
Net income from recurring operations⁽¹⁾	137.5	124.9	+ 10.1%

(1) Net income before other income and expenses net, Group's share

- **Stable financial result: slight rise in financial charges (US\$ interest rates impact) offset by global improvement in the other elements**
- **Significant decrease in effective tax rate, at 30.0% compared with 33.8% in H1 '04 and 32.0% in 2004**
 - **Extension of RCC's tax holiday, improvement in its results and income tax rate cuts in France and Austria**



Sharp growth in net income

(€ millions)	H1 2005	H1 2004	Change
Net income from recurring operations⁽¹⁾⁽²⁾	137.5	124.9	+ 10.1%
Other income and expenses, net, of which:			
• Capital gains	105.9	-	
• Restructuring expenses	(16.8)	(6.4)	
• Assets value adjustments (IAS 36)	(41.9)	(4.0)	
Net income⁽²⁾	184.7	114.5	+ 61.3%

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

(2)Group's share

- **Substantial capital gains, mainly from the divestment of Larivière**
- **Restructuring expenses concerning notably Pigments for Paper and Specialty Minerals activities in the UK**
- **Various assets value adjustments in Brazil, Asia and the US**



Increase in operating cash flow

(€ millions)	H1 2005	H1 2004	Change
Profit from current operations	218.4	212.4	+ 2.8%
Depreciation, amortization and provisions, net	85.8	80.0	
EBITDA	304.2	292.4	+ 4.0%
Tax on profit from current operations	(65.5)	(71.4)	
Operating cash flow	238.6	221.0	+ 8.0%

- **Rise in operating cash flow, reflecting higher profit from current operations and lower current tax charge**



Free operating cash flow reflecting major capital expenditures for growth

(€ millions)	H1 2005	H1 2004	Change
Operating cash flow	238.6	221.0	+ 8.0%
Change in operating working capital	(71.6)	(54.7)	
Capital expenditures paid	(129.0)	(68.3)	
Free operating cash flow⁽¹⁾	39.7	98.0	- 59.5%

(1) After divestments & subsidies

1.7

-

- **Sharp increase in capital expenditures (123% of depreciations vs. 74% in the 1st half of 2004), due to major capacity expansions in progress in all business groups and very different phasing from 2004**
- **Trends in operating working capital mainly reflect normal seasonal variations, higher sales and an increase in inventories of finished products (Pigments for Paper, Specialty Minerals) and raw materials (Refractories & Abrasives)**



Major changes in Group structure

➤ **€137.0 million in acquisitions spent**

- Primarily Lafarge Réfractaires, the European leader in acid monolithic refractories

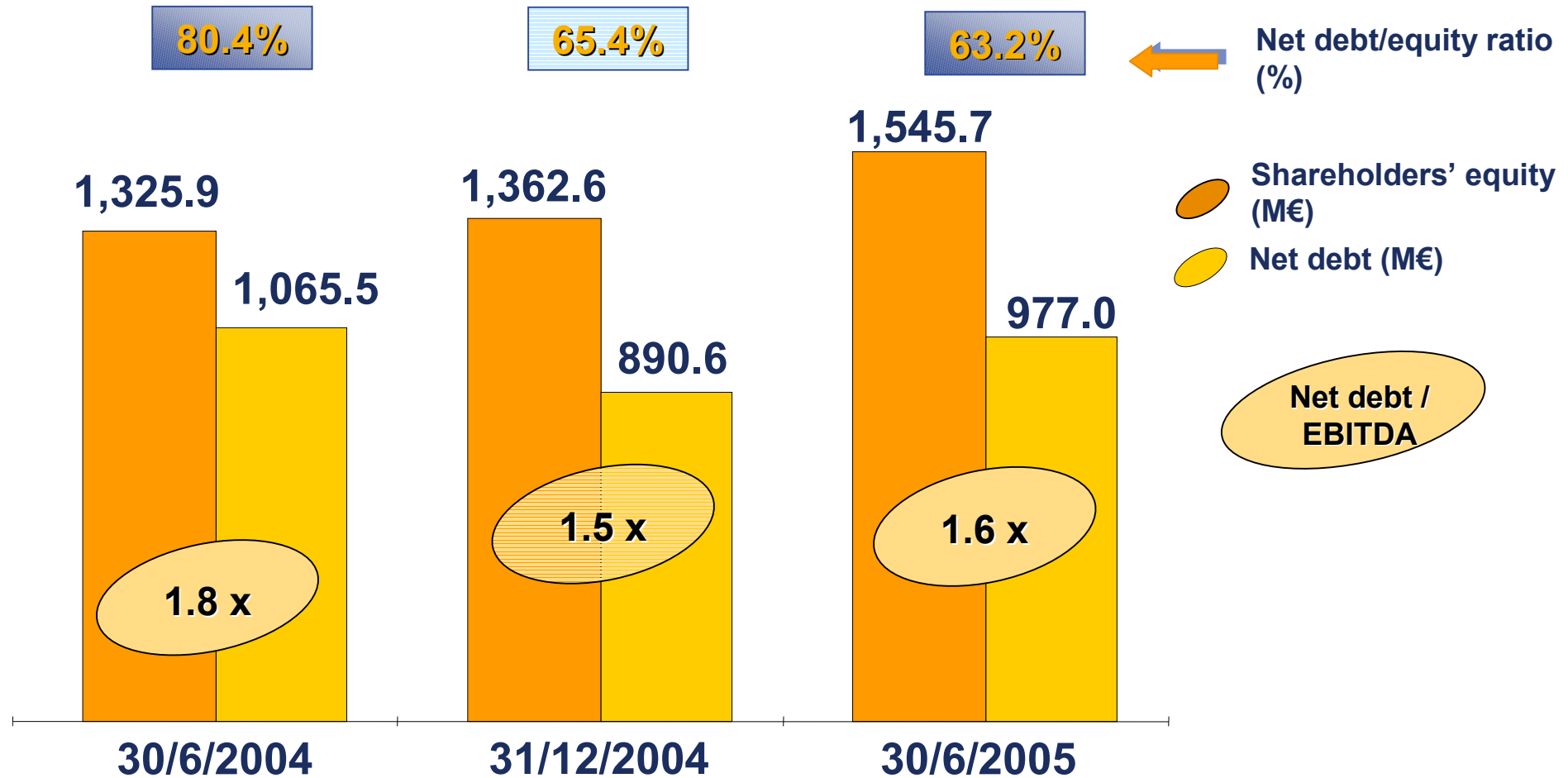
➤ **€166.2 million in net divestments proceeds**

- Mainly Larivière, the French roofing products distribution network
- American Minerals, a US subsidiary specializing in trading of basic refractory minerals
- Various real estate assets in France and the UK



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Robust financial structure



- Ongoing improvement of the Group's financial structure
- US\$ variation resulting in increased shareholders' equity and net financial debt
- Dividend payment (€94.9 million)





➤ **1st half 2005 results**

➤ **Development**

➤ **Adjustment of operating structures**

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Optimize industrial and commercial resources

Sustained capital expenditures at €129.0 million

➤ **Specialty Minerals**

- Modernization of the Sylacauga (USA) GCC operation, changes of mining process in the UK
→ increase productivity
- Launch of new higher value-added products
→ GCC for plastics, calcined kaolin for rubber, additives for wood/plastic composites

➤ **Pigments for Paper**

- Start-up of new capacities in India, China and Sweden
→ take part in growth of GCC market
- Capacity increases in growing segments (debottlenecking at Imerys RCC (Brazil), extension of Lixhe GCC plant, Belgium)

➤ **Building Materials**

- Start-up of new roof tiles line in Sainte Foy (France) in June
→ meet growing demand and improve manufacturing efficiency
- Start-up of new equipments in Colomiers (France), construction of a new clay bricks unit in Mably (start-up scheduled for year-end '05)
→ take part in development of wall brick market



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Integration of Lafarge Réfractaires on track

- **First-half results for the Monolithics activity are in line with expectations, with good sales performance**
- **The two companies Lafarge Réfractaires and Plibrico are now grouped together into a single entity named Calderys; their management, manufacturing and sales teams have been completely merged**
- **Positive effects from the merger will be visible from H2 2005**



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Recent events

- **Agreement signed on July 15 for the acquisition of a 66.7% stake in Yen Bai Banpu (YBB)**
 - A joint venture operating very high-whiteness GCC reserves in Vietnam. YBB achieves annual sales of approximately US\$3 million

- **Acquisition of World Minerals closed on July 14, with consolidation as from that date**
 - Since signing the agreement with Imerys in mid-May 2005, World Minerals has acquired the assets of US company Basin Perlite, which achieves annual sales of approximately US\$2 million



Start of World Minerals integration process

- **An Imerys management team (CEO and Controller) is on site to assist World Minerals teams and work on the company's integration**
- **Benefits of acquisition confirmed**
 - New applications, but a business that corresponds exactly to Imerys' core competence in terms of mining, manufacturing and marketing
 - New development prospects opened up
 - World-class position mining reserves
- **Validated potential for performance improvement**
 - Synergies with Imerys (economies of scale)
 - Better coverage of paint and plastics markets
 - Progressive industrial and commercial optimization



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Adjustment of operating structures

- **Take recent perimeter changes into account and align with management structure**
 - Creation of a new **Materials & Monolithics** business group, comprised of the activities of the former Building Materials business group and the Monolithic Refractories division, both managed by Christian Schenck since the acquisition of Lafarge Réfractaires
 - World Minerals integrated into a new **Refractories, Abrasives & Filtration** business group → the 3 component divisions are supervised directly by Gérard Buffière
 - The **Specialty Minerals** and **Pigments for Paper** business groups remain unchanged → managed by Thierry Salmona and Rich Ryan, respectively

- **Imerys' financial information will be presented under this new organization from the publication of its results to 9/30/05**



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Pigments for Paper outlook

➤ Return to normal profitability in H2 '05, despite ongoing high inflation in variable costs

- End of strike in Finland; continued ramp-up of new calcium carbonate production capacities
- Better absorption, albeit still partial, of variable cost rises by the price/mix component
- Fixed cost reduction efforts



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Group outlook

- In H2 '05, market conditions remain uncertain and the basis of comparison will be less favorable in terms of sales
- The Pigments for Paper business group should return to a normal level of profitability
- Group perimeter effects are going to increase (integration of World Minerals) and the negative effect of exchange rates should, at current levels, disappear



For the year as a whole, Imerys should report a growth in net income from recurring operations similar to the one obtained in the first half