

2005 Results Presentation

March 8, 2006 meeting

- Gérard Buffière Chief Executive Officer
- Jérôme Pecresse Head of Finance & Strategy



➤ 2005 Results

➤ Developments

➤ 2006 Outlook



IMERYS
TRANSFORM TO PERFORM

2005 highlights

➤ **Slack markets – except in Building Materials – affected by adverse non-recurring factors**

- Depressed European economy throughout the year
- Q1 (Building Materials): harsh winter in France
- Q2 (Pigments for Paper): 7-week strike in Finnish paper industry
- Q3 (Specialty Minerals): hurricanes in southeastern United States

➤ **Ongoing inflation of variable costs, primarily energy**

➤ **Further improvement in the Group's performance**

- Rises of + 6.1% in sales, + 2.9% in current operating income and + 10.1% in net income from current operations

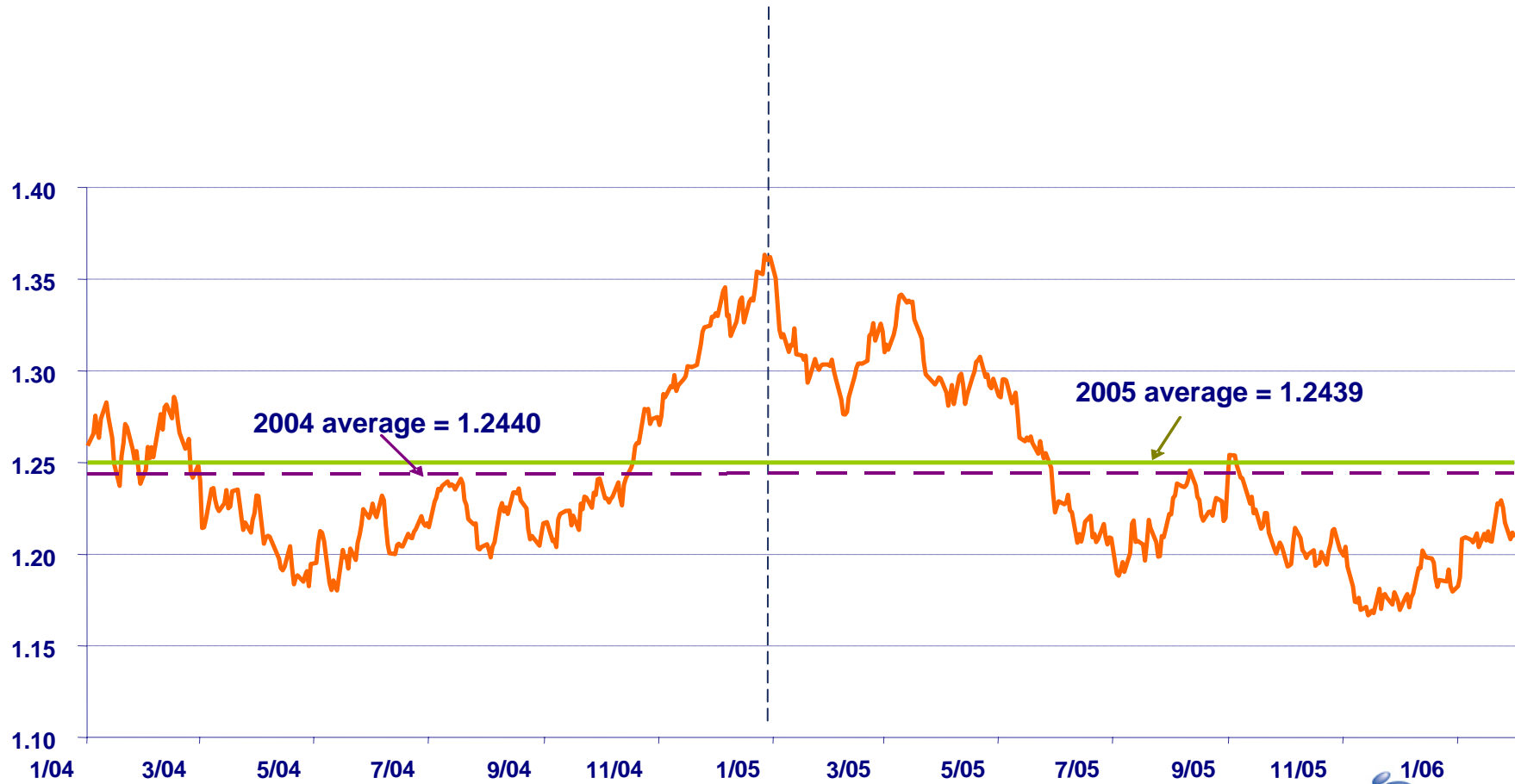
➤ **Integration going smoothly for the year's acquisitions (Lafarge Refractories, World Minerals, Denain-Anzin Minéraux), which are making a significant contribution to results**



IMERYS

Stabilized US\$/€rate

(€vs. US\$)



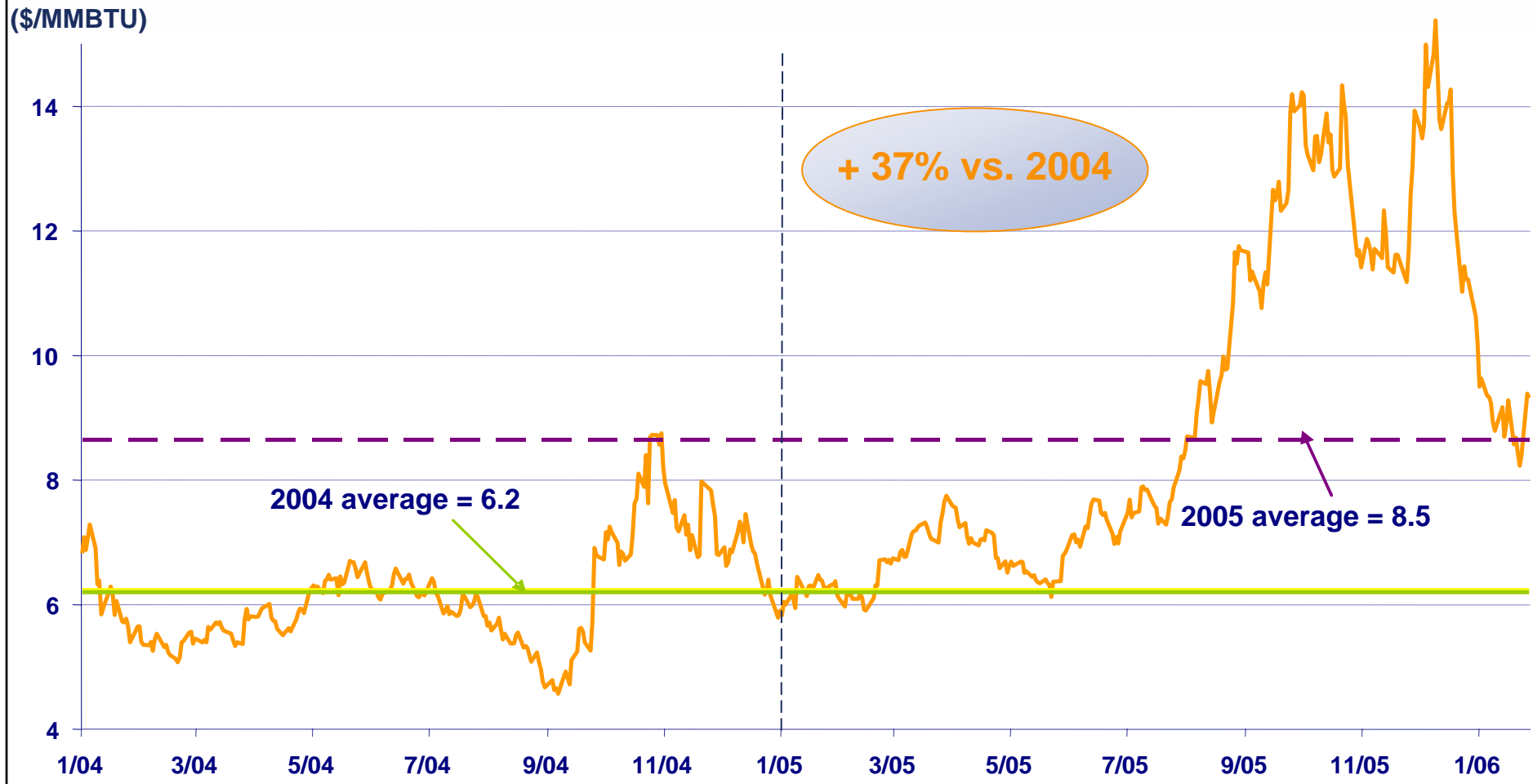
Appreciation of Brazilian real

(BrReal/US\$)



IMERYS

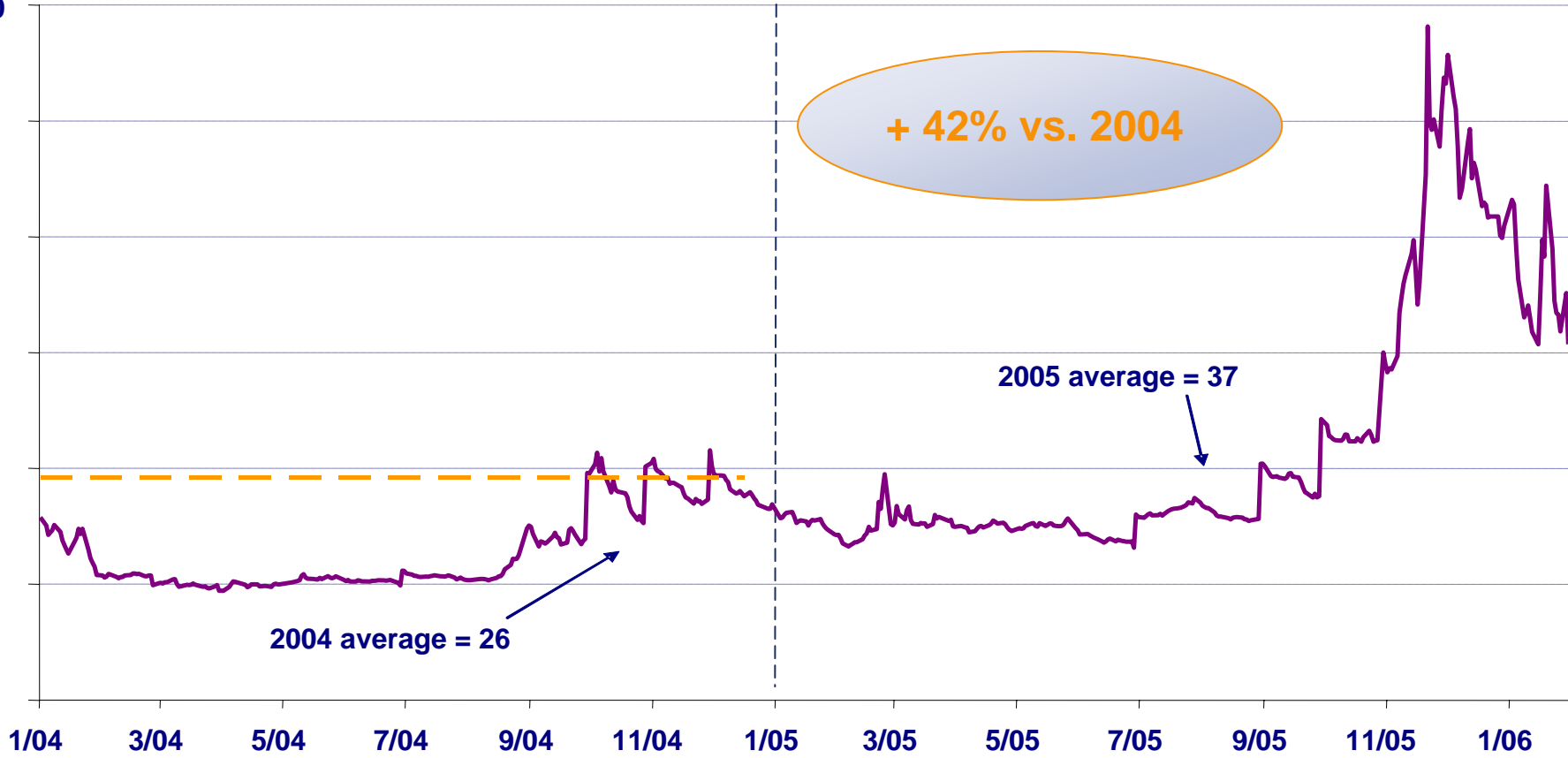
Very sharp inflation of natural gas in the United States...



... and in the United Kingdom

(GBp/Therms)

120



Key figures 2005

| (€ millions) | 2005 | 2004 | Change |
|--|----------------|----------------|----------------|
| Sales | 3,045.2 | 2,870.5 | + 6.1% |
| Current operating income⁽¹⁾ | 434.0 | 421.8 | + 2.9% |
| Net income from current operations⁽²⁾⁽³⁾ | 287.6 | 261.2 | + 10.1% |
| Net income⁽²⁾ | 309.4 | 240.0 | + 28.9% |
| Current free operating cash flow⁽⁴⁾ | 219.4 | 227.9 | - 3.7% |

(1) Operating income before other income and expense

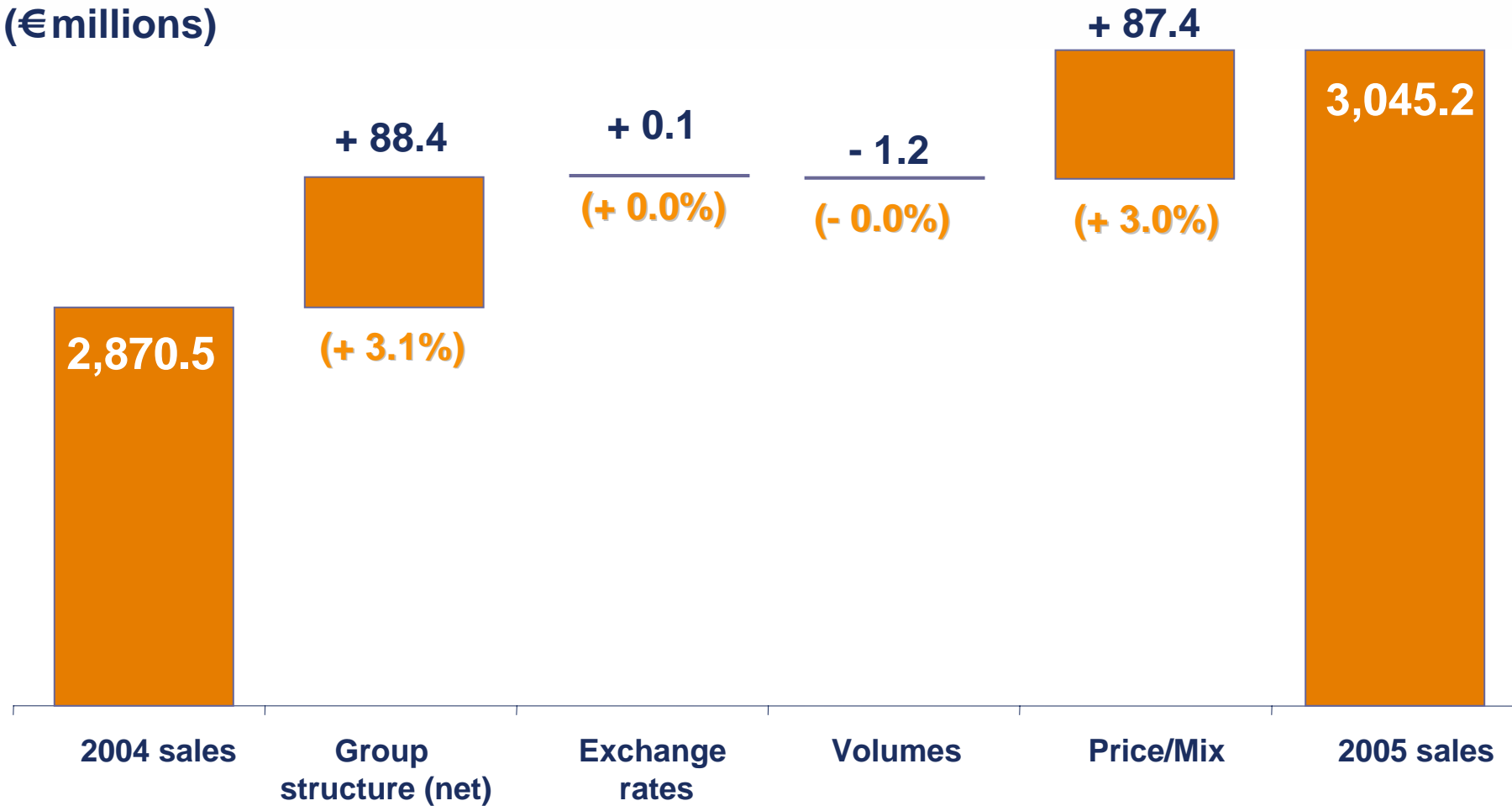
(2) Group's share

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

(4) EBITDA less notional tax on current operating income, change in operating working capital requirements and capital expenditures

Significant growth in sales

(€millions)

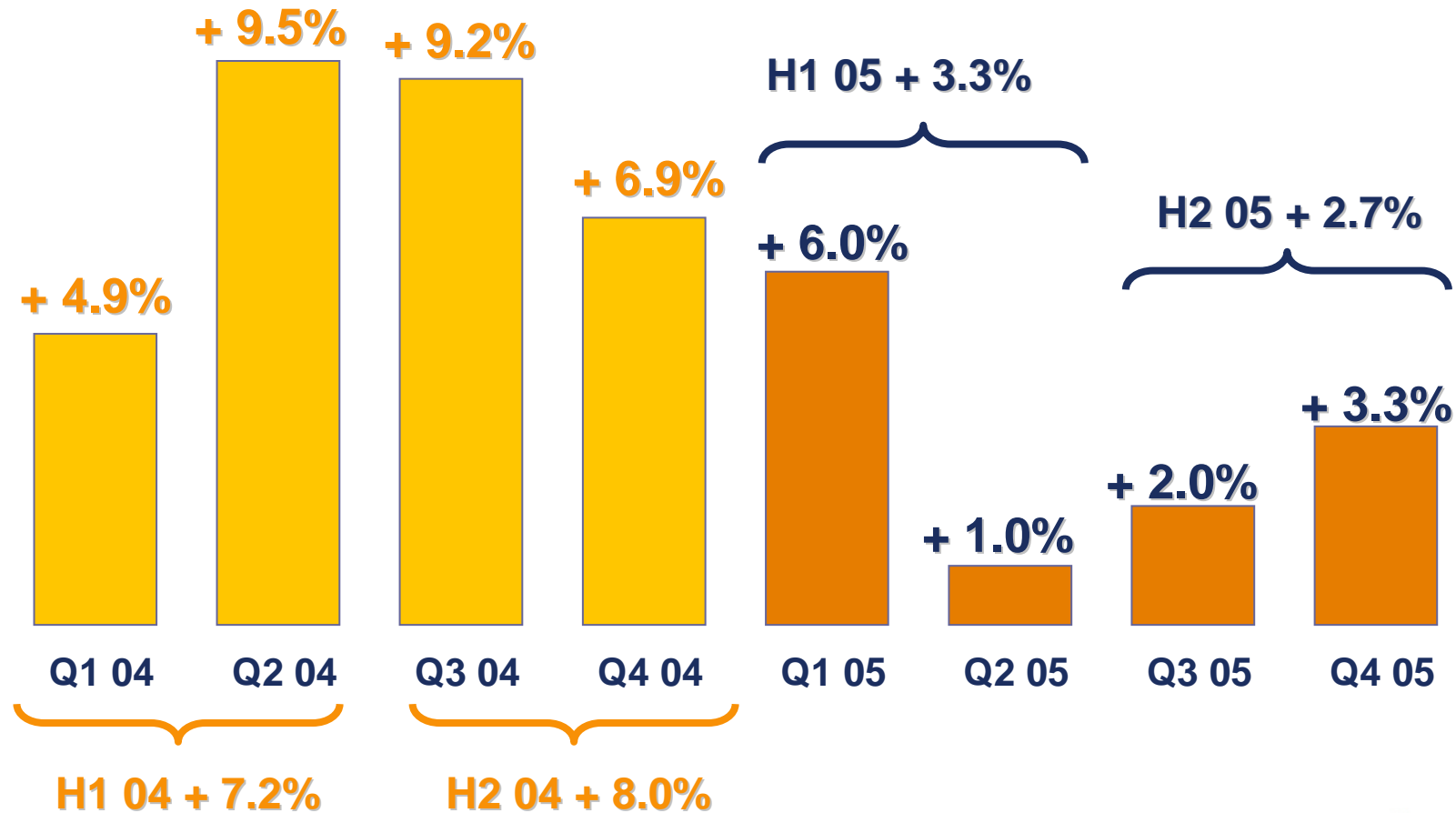


- Major contribution from acquired activities
- Positive price/mix effect
- Stable sales volumes
- Neutral overall impact of exchange rates



Quarterly sales at comparable Group structure and exchange rates

(change in sales as % vs. same period in previous year)



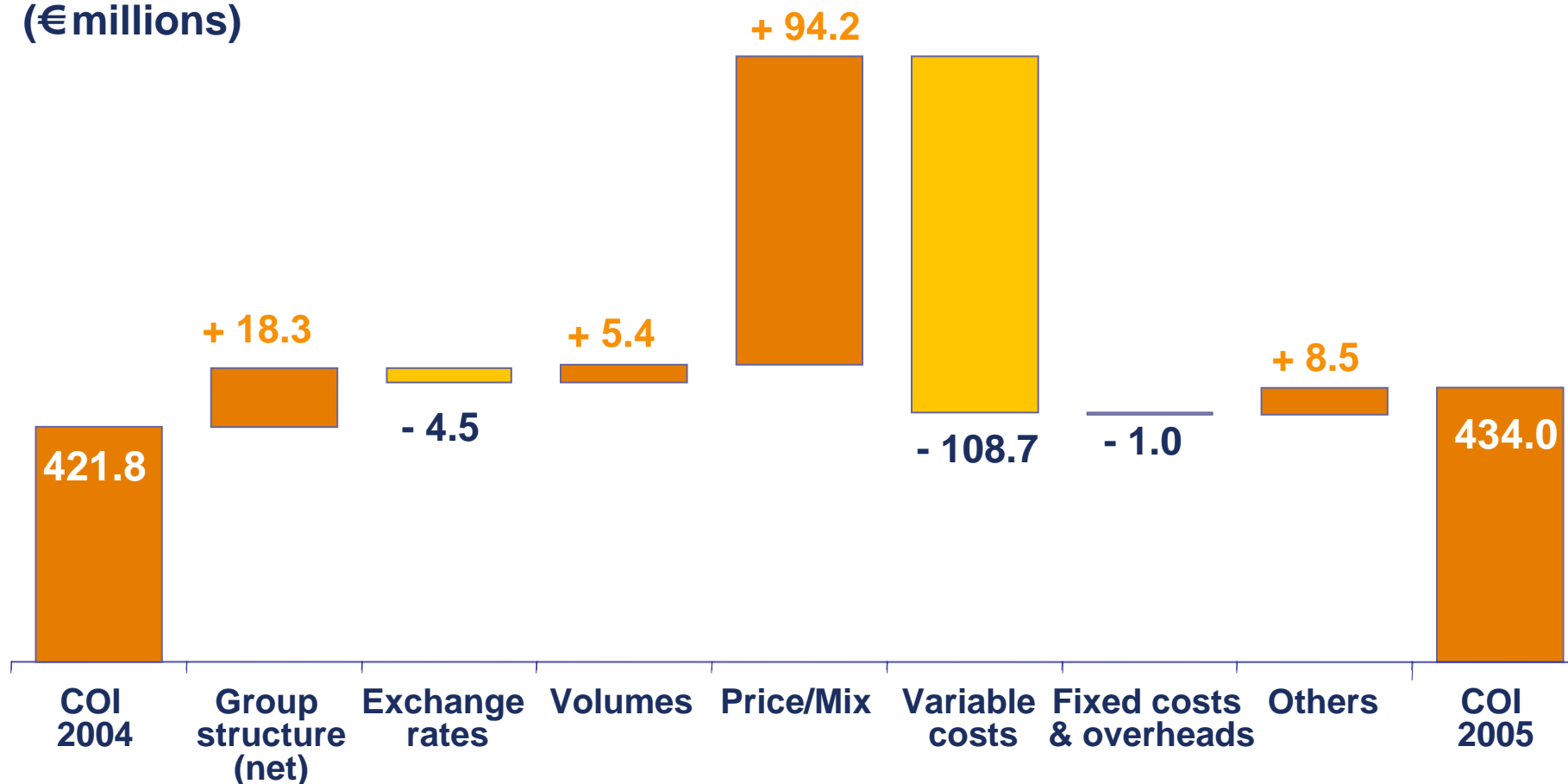
➤ Despite a gradually less favorable basis of comparison, a growth around + 3.0% was achieved in both halves of the year



IMERYS

Slight increase in current operating income (COI)

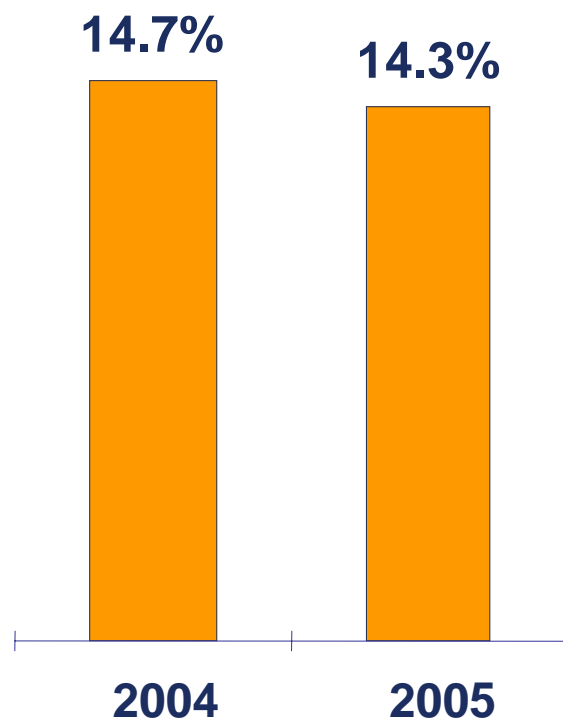
(€millions)



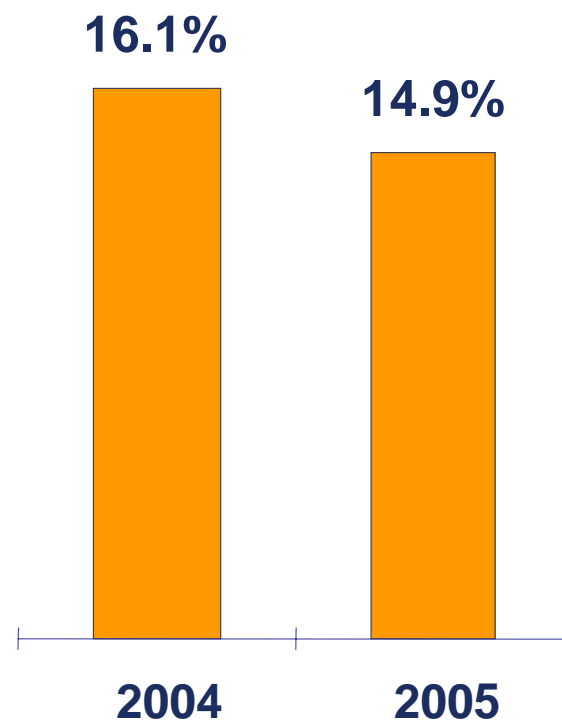
- Sharp inflation in variable costs almost offset by improvement in the price/mix component
- Significant contribution from the year's acquisitions

The Group's financial ratios remain high

➤ Operating margin



➤ Return on investment⁽¹⁾



IMERYS

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

Specialty Minerals

| (€ millions) | 2005 | 2004 | Change |
|---------------------------------|--------------|--------------|---------------|
| Sales | 814.9 | 795.1 | + 2.5% |
| Current operating income | 95.2 | 93.4 | + 1.9% |

- 0.5%
At comparable
structure and
exchange rates

- **Difficult market environment:** performance minerals were slack in Europe and increasing but affected by the hurricanes in Q3 in the United States; ceramics slumped in both Europe and North America; Advanced Solutions held out well
- **Slight improvement in current operating income, firm operating margin (11.7% vs. 11.8% in 2004)**
 - Major industrial optimization efforts, improved price/mix components and slight Group structure impact offset inflation in external costs (particularly strong in H2) and lower volumes
- **Dynamic internal and external growth**

Pigments for Paper

| (€ millions) | 2005 | 2004 | Change |
|---------------------------------|--------------|--------------|----------------|
| Sales | 755.0 | 759.2 | - 0.6% |
| Current operating income | 73.8 | 97.3 | - 24.1% |

+ 3.4%
At comparable
structure and
exchange rates

- **Low growth in global market, concentrated in Asia:** paper production decreased in the United States and was stable in Europe (affected in Q2 by Finnish paper industry strike); continued firm development in Asia (China)
- **Downturn in operating performance, mainly due to external factors: operating margin at 9.8% (12.8% in 2004)**
 - Very high inflation in variable costs, particularly energy and chemicals, only very partly offset by positive price/mix effect
 - Slight increase in volumes: ramp-up of new calcium carbonates production capacity in India, China and Sweden balanced out the strike in Finland
- **Major cost reduction efforts, extension of GCC reserves in Asia**

Pigments for Paper

Downturn in current operating income due to external factors

2005 vs. 2004

- €23.5 million



- **Group structure⁽¹⁾ and exchange rates⁽²⁾** - €6.1 million
- **Products price/mix variance vs. variable costs** - €22.2 million
- **Other effects (volumes, fixed costs, etc.)** + €4.7 million



IMERYS

(1) Divestment of CDM

(2) Brazilian real/US\$

Materials & Monolithics

| (€ millions) | 2005 | 2004 | Change |
|---------------------------------|--------------|--------------|----------------|
| Sales | 922.4 | 850.7 | + 8.4% |
| Current operating income | 197.8 | 168.3 | + 17.5% |

+ 5.5%
At comparable
structure and
exchange rates

- **The business group's markets were firm overall:** growth in French roofing (+ 1.4%) and structure markets (+ 8.9%) with very dynamic single-family housing construction; steady monolithic refractories market until summer
- **Further improvement in performance: operating margin at 21.4% vs. 19.8% in 2004**
 - Strong positive net effect of changes in Group structure; growth in sales volumes and price/mix, good control of fixed costs easily offsetting the rise in variable costs
- **Major move in Monolithic Refractories (Lafarge Refractories); capital expenditures for growth in Materials (roof tiles and bricks)**

Refractories, Abrasives & Filtration

| (€ millions) | 2005 | 2004 | Change |
|---------------------------------|--------------|--------------|----------------|
| Sales | 598.3 | 502.5 | + 19.1% |
| Current operating income | 95.4 | 76.7 | + 24.3% |

+ 5.2%
At comparable
structure and
exchange rates

- **Contrasting trends on the business group's markets:** refractories were firm early in the year but slumped in the 2nd half; abrasives gradually slowed down; minerals for filtration were stable
- **Operating margin was kept high (15.9% vs. 15.3% in 2004), despite the integration of World Minerals**
 - Significant net effect of changes in Group structure, clear improvement in price/mix component and tight control of fixed production costs, offsetting high inflation in variable costs (energy and raw materials) and a slight decrease in volumes
- **Entry into minerals for filtration; major capital expenditures in abrasives**

Growth in net income from current operations

| (€ millions) | 2005 | 2004 | Change |
|--|--------------|--------------|----------------|
| Current operating income | 434.0 | 421.8 | + 2.9% |
| Financial expenses | (47.3) | (39.4) | |
| Current income taxes | (101.0) | (121.9) | |
| Minority interests & equity method | 1.9 | 0.7 | |
| Net income from current operations⁽¹⁾⁽²⁾ | 287.6 | 261.2 | + 10.1% |

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

(2) Group's share

- **Increase in financial expenses, due to the debt resulting from the year's acquisitions**
- **Significant decrease in the tax rate to 26.1% in 2005, compared with 31.8% in 2004**

Significant decrease in effective tax rate

| | |
|--|--------------|
| 2004 tax rate: | 31.8% |
| • US deferred taxes cancellation | - 1.3% |
| • Extension of RCC's tax exemption | - 1.3% |
| • Brazilian deferred taxes (primarily BrReal/US\$ exchange rate) | - 1.9% |
| • Lower corporate income tax rates (France, Austria) | - 0.5% |
| • Other effects | - 0.7% |
| 2005 tax rate | 26.1% |

- **At constant business mix and currencies, the tax rate should only rise slightly in 2006**

Sharp rise in net income

| (€ millions) | 2005 | 2004 | Change |
|--|--------------|---------------|----------------|
| Net income from current operations⁽¹⁾⁽²⁾ | 287.6 | 261.2 | + 10.1% |
| Other income and expenses, net⁽²⁾, of which: | 21.8 | (21.2) | |
| • Capital gains on disposals, net of tax | 93.5 | - | |
| • Restructuring expenses and value adjustments (IAS 36), net of tax | (71.7) | (21.2) | |
| Net income⁽²⁾ | 309.4 | 240.0 | + 28.9% |

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

(2) Group's share

- **Major capital gains on disposals, mostly related to Larivière**
- **Restructuring expenses (Pigments for Paper and Specialty Minerals, particularly in the United Kingdom)**
- **Various asset value adjustments**

Growth in current operating cash flow

| (€ millions) | 2005 | 2004 | Change |
|------------------------------------|--------------|--------------|---------------|
| Current operating income | 434.0 | 421.8 | + 2.9% |
| Net depreciations and provisions | 162.9 | 160.6 | |
| EBITDA | 596.9 | 582.4 | + 2.5% |
| Taxes on current operating income | (113.4) | (134.4) | |
| Current operating cash flow | 479.8 | 444.6 | + 7.9% |

- Rise in current operating cash flow, reflecting higher current operating income and lower tax charge

Almost stable free operating cash flow

| (€ millions) | 2005 | 2004 | Change |
|---|--------------|--------------|---------------|
| Current operating cash flow | 479.8 | 444.6 | + 7.9% |
| Change in operating working capital requirements | (18.1) | (36.1) | |
| Capital expenditures paid | (251.0) | (194.3) | |
| Current free operating cash flow⁽¹⁾ | 219.4 | 227.9 | - 3.7% |

(1) Excluding disposals and subsidies:

8.7

13.7

➤ Sharp rise in capital expenditures paid

- Many development projects spread across all four business groups; impact of capital expenditures made in newly-acquired companies

➤ Good control of operating working capital

- Rise in finished products and raw materials inventories, partly due to non-recurrent factors

Capital expenditures spread widely across business groups in 2005

| (€ millions) | 2005 | 2004 |
|---|--------------|--------------|
| Specialty Minerals | 71.8 | 54.8 |
| Pigments for Paper | 75.6 | 109.4 |
| Materials & Monolithics | 52.1 | 37.2 |
| Refractories, Abrasives & Filtration | 27.4 | 19.9 |
| Total capital expenditures booked | 229.4 | 222.6 |
| Capital expenditures/depreciations | 127% | 140% |



IMERYS

Current free cash flow slightly down

| (€ millions) | 2005 | 2004 |
|---|--------------|--------------|
| Current free operating cash flow | 219.4 | 227.9 |
| Financial expenses | (47.3) | (39.4) |
| Tax on financial income | 12.4 | 12.6 |
| Change in other working capital items and miscellaneous | 10.6 | 22.2 |
| Current free cash flow | 195.1 | 223.3 |

➤ **Current free cash flow maintained at high level**

Major changes in Group structure

➤ Substantial external growth with acquisitions totaling €439.6 million, notably:

- Lafarge Refractories, the European leader in monolithic refractories (January 6, 2005) – 2005 sales of €206 million
- World Minerals, the world leader in minerals for beverage filtration (July 14, 2005) – 2005 sales of about €236 million
- Denain-Anzin Minéraux, a front-rank player on the European minerals for ceramics, glass fiber and paint market (October 28, 2005) – 2005 sales €81 million

➤ Completion of refocusing on minerals processing with divestment of remaining distribution/trading activities, for a total of €183.9 million

- Mainly Larivière, a French roofing products distribution network (April 19, 2005) – sales approximately €290 million



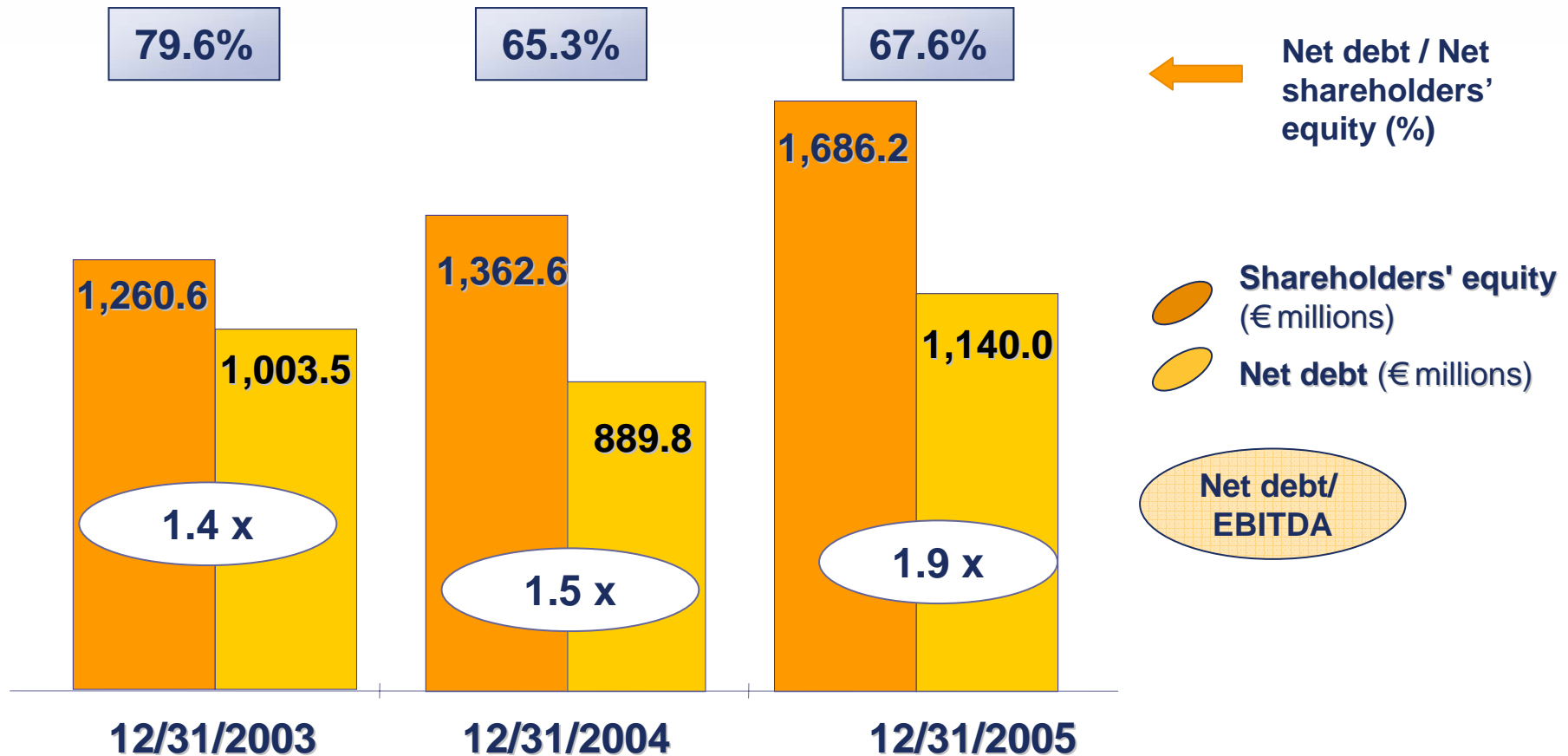
IMERYS

Increase in net financial debt

| (€ millions) | 2005 | 2004 |
|--------------------------------------|----------------|--------------|
| Current free cash flow | 195.1 | 223.3 |
| External growth | (439.6) | (50.2) |
| Divestments | 183.9 | 26.8 |
| Exceptional cash flow | (30.4) | (18.3) |
| Dividends | (96.3) | (79.8) |
| Other flows | (5.5) | (36.5) |
| Exchange rates | (57.3) | 31.4 |
| Increase/decrease in net debt | (250.2) | 96.6 |

- **Increase in the Group's net debt, driven by acquisitions and the appreciation of the US\$ vs. the € at the end of the period**

Intact financial flexibility



- Financial ratios still very sound
- Further increase of average maturity of financial resources: 5.5 years vs 5.3 years in 2004

Further rise in dividend per share

| | 2005 | 2004 | Change |
|---|-------------------|-------------------|----------------|
| Net income from current operations per share (€) | 4.53 | 4.12 | + 10.0% |
| Net dividend per share⁽¹⁾ (€) | 1.65 | 1.50 | + 10.0% |
| Total distribution (€ millions) | 104.5 | 95.2 | |
| Current pay-out | 36.3% | 36.4% | |
| Weighted average number of shares | 63,426,126 | 63,363,013 | |

(1) Proposed to the General Shareholders' Meeting on May 2, 2006

➤ **Rise in dividend equal to this of net income from current operations**

➤ **2005 Results**

➤ **Developments**

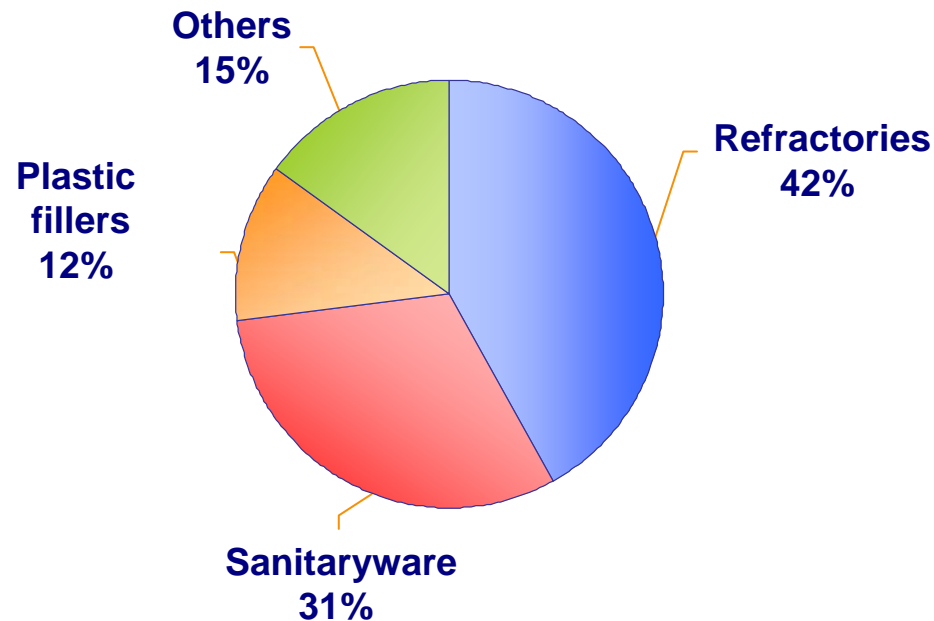
➤ **2006 Outlook**



IMERYS
TRANSFORM TO PERFORM

Continued external growth

- Acquisition of AGS, a French producer of calcined clays (chamottes and metakaolins), mainly for the refractory and sanitaryware markets
- AGS achieves annual sales of approximately €50 million in Europe; from 2 plants in Charentes (approximately 250 employees)
- Indicative sales by market:



Reinforce positions in Asia

➤ Imerys in Asia Pacific

- €15.9 million (10.3% of 2005 sales)
- 1,900 employees (12% of workforce)
- 33 operations, of which 14 in China and Taiwan

- 
- ▲ Pigments for Paper
▲ Specialty Minerals
▲ Minerals for Filtration
▲ Monolithic Refractories
▲ Minerals for Refractories
▲ Minerals for Abrasives



IMERYS

Recent developments in Asia

➤ Specialty Minerals

- Creation of a joint venture (60% Imerys-owned) with Topking Ceramic Mineral, a Chinese clays and ceramic bodies producer (July 2005)

➤ Monolithic Refractories

- Decision to build a monolithic refractory plant near Shanghai: with initial capacity of 30 kt/yr, representing capital expenditures of €5 million, the unit should start-up towards the end of 2006

➤ Pigments for Paper

- Start-up of new GCC production units in India and China (Q1 2005)
- Extension of GCC reserves in Malaysia (Gain Resources)
- Acquisition of a 66.7% stake in Yen Bai Bampu, a joint venture mining excellent-whiteness GCC reserves in Vietnam (November 2005)

➤ Refractories, Abrasives & Filtration

- Final steps of negotiation towards the control of a plant fusing bauxite for abrasives and refractories applications



➤ **2005 Results**

➤ **Developments**

➤ **2006 Outlook**



IMERYS
TRANSFORM TO PERFORM

2006 Outlook

- **At current energy levels, variable costs should undergo further significant inflation**
- **The challenge for Imerys will be again to compensate the above impact by further improvement of our product offer to customers**
- **Trends on the Group's markets in early 2006 follow the patterns of late 2005**
- **Internal and external growth will of course remain a priority for 2006**



IMERYS