

# General Meeting

May 2, 2007



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## ➤ **2006 Results**

## ➤ **Organizational Changes**

## ➤ **First Quarter 2007 Results**

## ➤ **Recent Developments**

## ➤ **2007 Outlook**

## ➤ **Resolutions**



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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 integration of recently acquired companies 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
<b>Sales</b>	<b>3,288.1</b>	<b>3,045.2</b>	<b>+ 8.0%</b>
<b>Current operating income<sup>(1)</sup></b>	<b>458.8</b>	<b>434.0</b>	<b>+ 5.7%</b>
<b>Net income from current operations<sup>(2)(3)</sup></b>	<b>308.3</b>	<b>287.6</b>	<b>+ 7.2%</b>
<b>Net income<sup>(2)</sup></b>	<b>187.4</b>	<b>309.4</b>	<b>n.s.</b>
<b>Current operating cash flow<sup>(4)</sup></b>	<b>522.1</b>	<b>479.8</b>	<b>+ 8.8%</b>
<b>Net debt / EBITDA</b>	<b>1.7</b>	<b>1.9</b>	<b>n.a.</b>

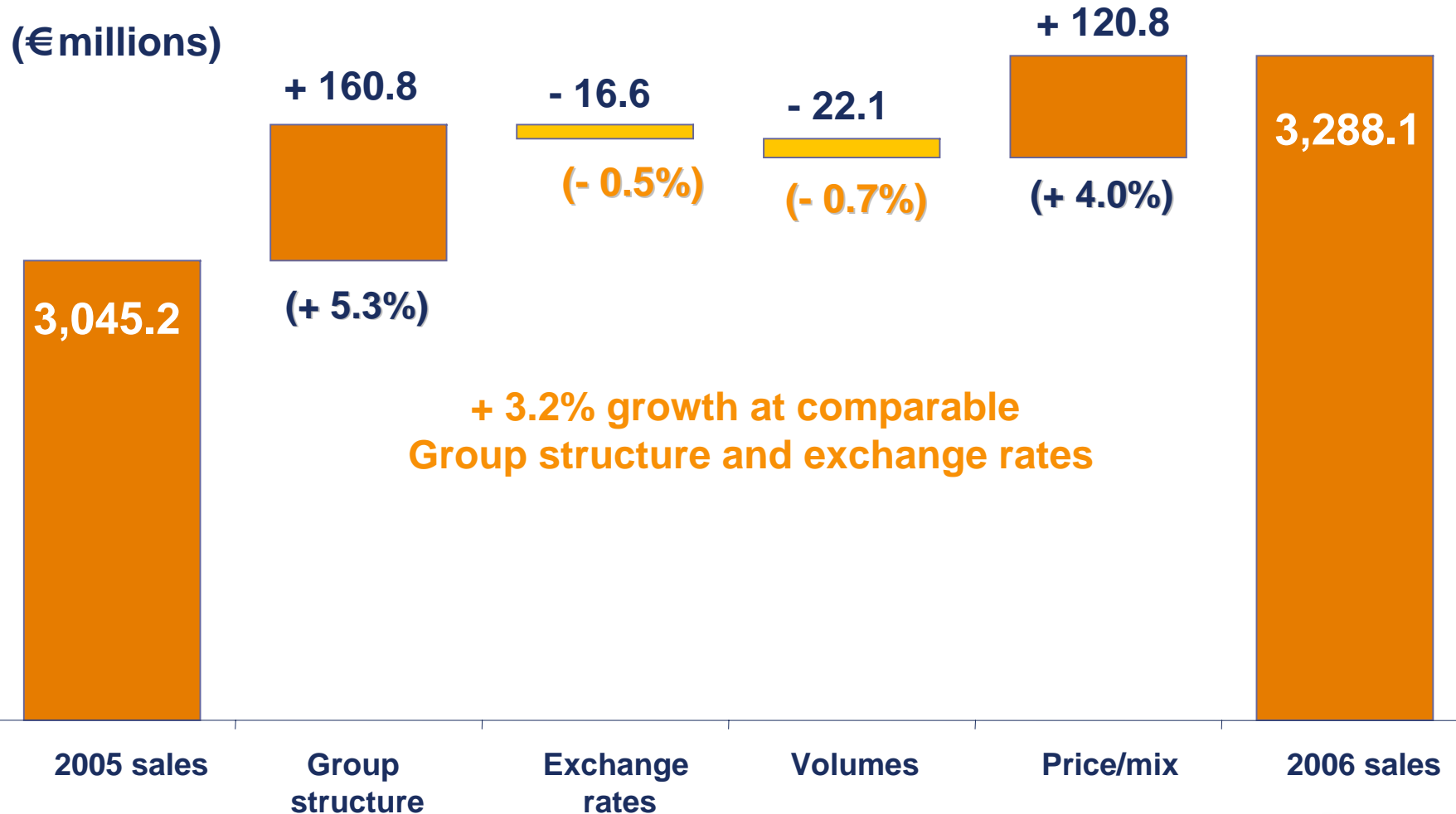
(1) Operating income before other operating revenue and expenses

(2) Group share

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

(4) EBITDA minus notional taxes 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 2<sup>nd</sup> half
- Downturn in volumes at end of period

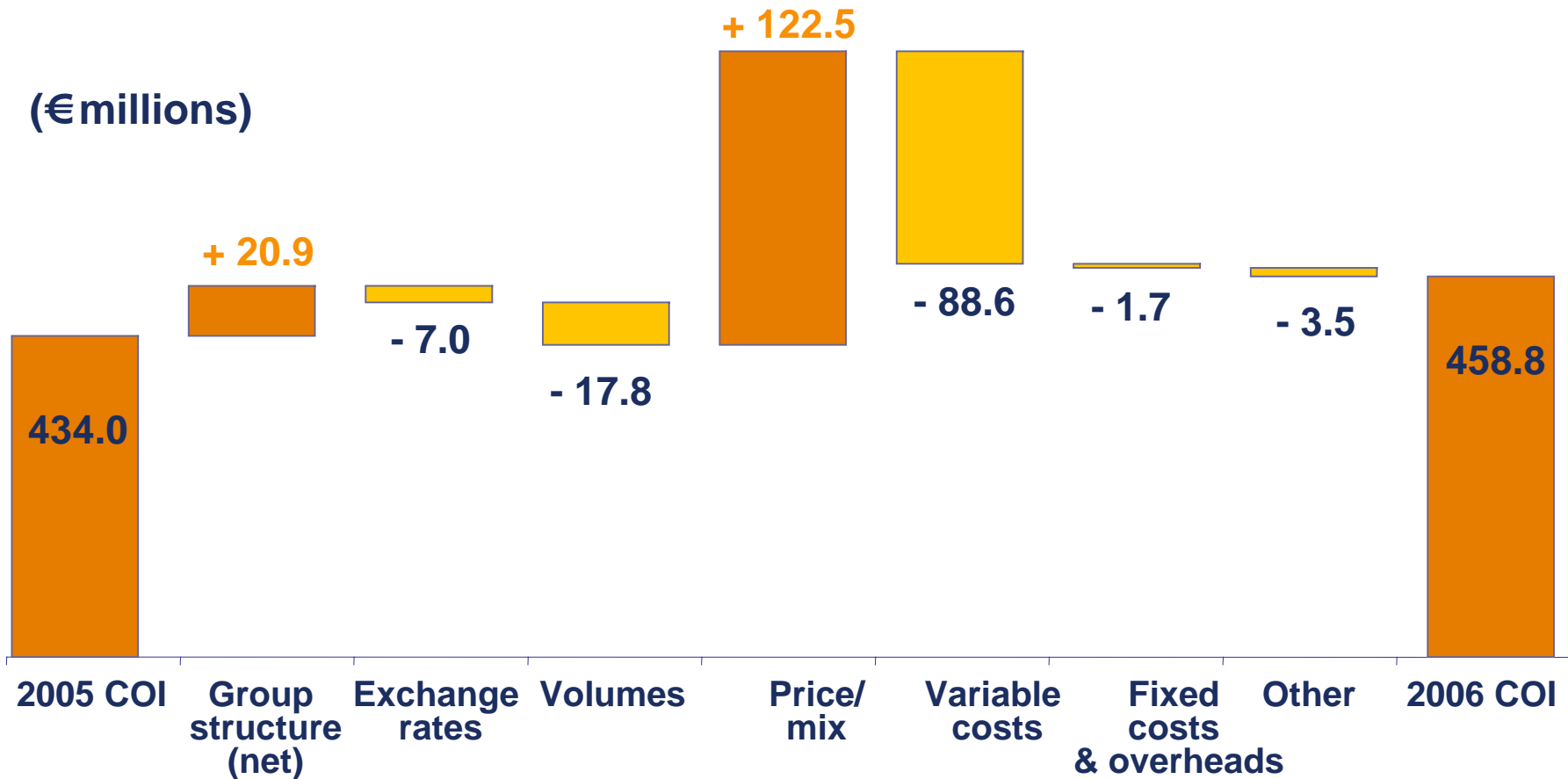


# Sales by business group

(€ millions)	2006	2005	Current change	Comparable change
Specialty Minerals	891.9	809.3	+ 10.2%	+ 1.0%
Pigments for Paper	762.7	755.0	+ 1.0%	+ 1.4%
Materials & Monolithics	893.0	922.4	- 3.2%	+ 6.4%
Refractories, Abrasives & Filtration	787.8	603.9	+ 30.5%	+ 3.6%
<b>Imerys Group<sup>(1)</sup></b>	<b>3 288.1</b>	<b>3 045.2</b>	<b>+ 8.0%</b>	<b>+ 3.2%</b>

(1) After holdings & eliminations

# 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

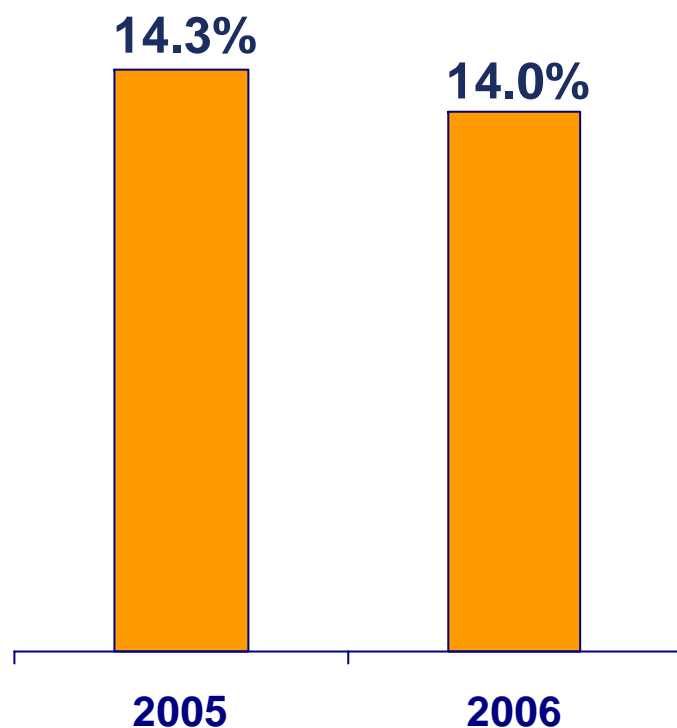
# Current operating income by business group

(€ millions)	2006	2005	Current Change
Specialty Minerals	92.3	94.8	- 2.6%
Pigments for Paper	76.7	73.8	+ 3.9%
Materials & Monolithics	208.9	197.8	+ 5.6%
Refractories, Abrasives & Filtration	110.8	95.8	+ 15.7%
<b>Imerys Group<sup>(1)</sup></b>	<b>458.8</b>	<b>434.0</b>	<b>+ 5.7%</b>

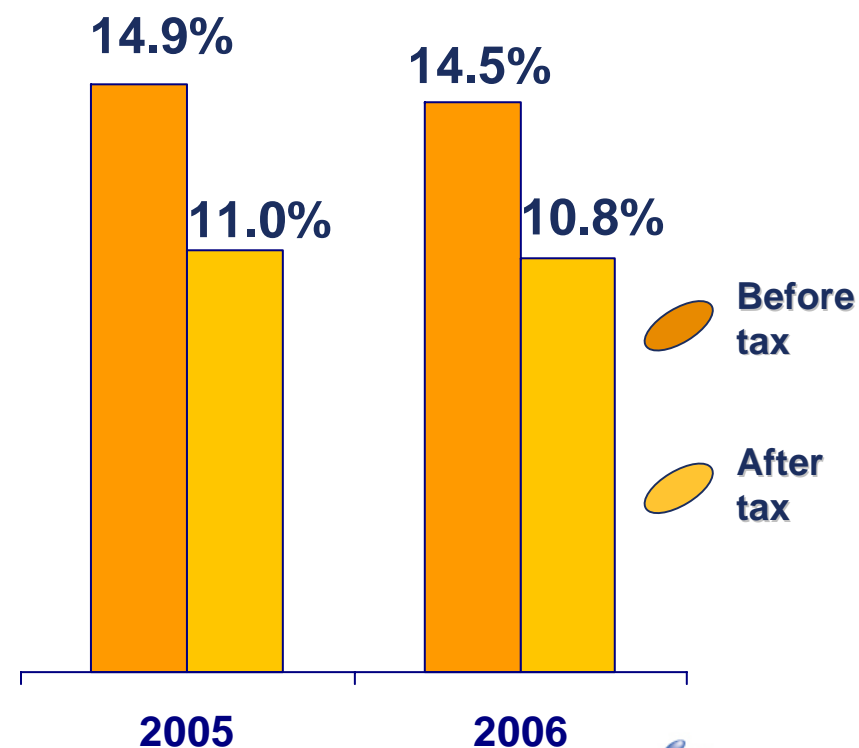
(1) After holdings & eliminations

# The Group's financial indicators remain strong

## ➤ Operating margin



## ➤ Return on investment <sup>(1)</sup> before and after tax



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(1) Current operating income divided by average capital employed (including goodwill)

# Growth in net income from current operations

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

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

(2) Net income before other operating revenue and expenses, 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
<b>Net income from current operations<sup>(1)(2)</sup></b>	<b>308.3</b>	<b>287.6</b>	<b>+ 7.2%</b>
<b>Other income and expense, net<sup>(2)</sup>, of which:</b>	<b>(120.9)</b>	<b>21.8</b>	
• Revenue from divestments, net of tax	10.9	93.5	
• Value adjustments and restructuring expenses relating to UK plan, net of tax	(87.0)	-	
• Other value adjustments and restructuring expenses, net of tax	(44.8)	(71.7)	
<b>Net income<sup>(2)</sup></b>	<b>187.4</b>	<b>309.4</b>	<b>- 39.4%</b>

(1) Net income before other operating revenue and expenses, 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

# High current free operating cash flow

(€ millions)	2006	2005	Change
<b>EBITDA<sup>(1)</sup></b>	<b>643.4</b>	<b>596.9</b>	<b>+ 7.8%</b>
Tax on current operating income	(118.5)	(113.4)	
<b>Current operating cash flow<sup>(2)</sup></b>	<b>522.1</b>	<b>479.8</b>	<b>+ 8.8%</b>
Change in operating working capital	(66.8)	(18.1)	
Capital expenditure paid	(217.0)	(251.0)	
<b>Current free operating cash flow<sup>(3)</sup></b>	<b>245.8</b>	<b>219.4</b>	<b>+ 12.0%</b>

(1) Current operating income plus net depreciation expense and provisions

(2) Of which other depreciations: (2.8) (3.7)

(3) Of which divestments and subsidies: 7.5 8.7

- **Industrial capital expenditure remained high across all business groups**
- **Increase in operating working capital consistent with sales growth**



# Current free cash flow virtually stable

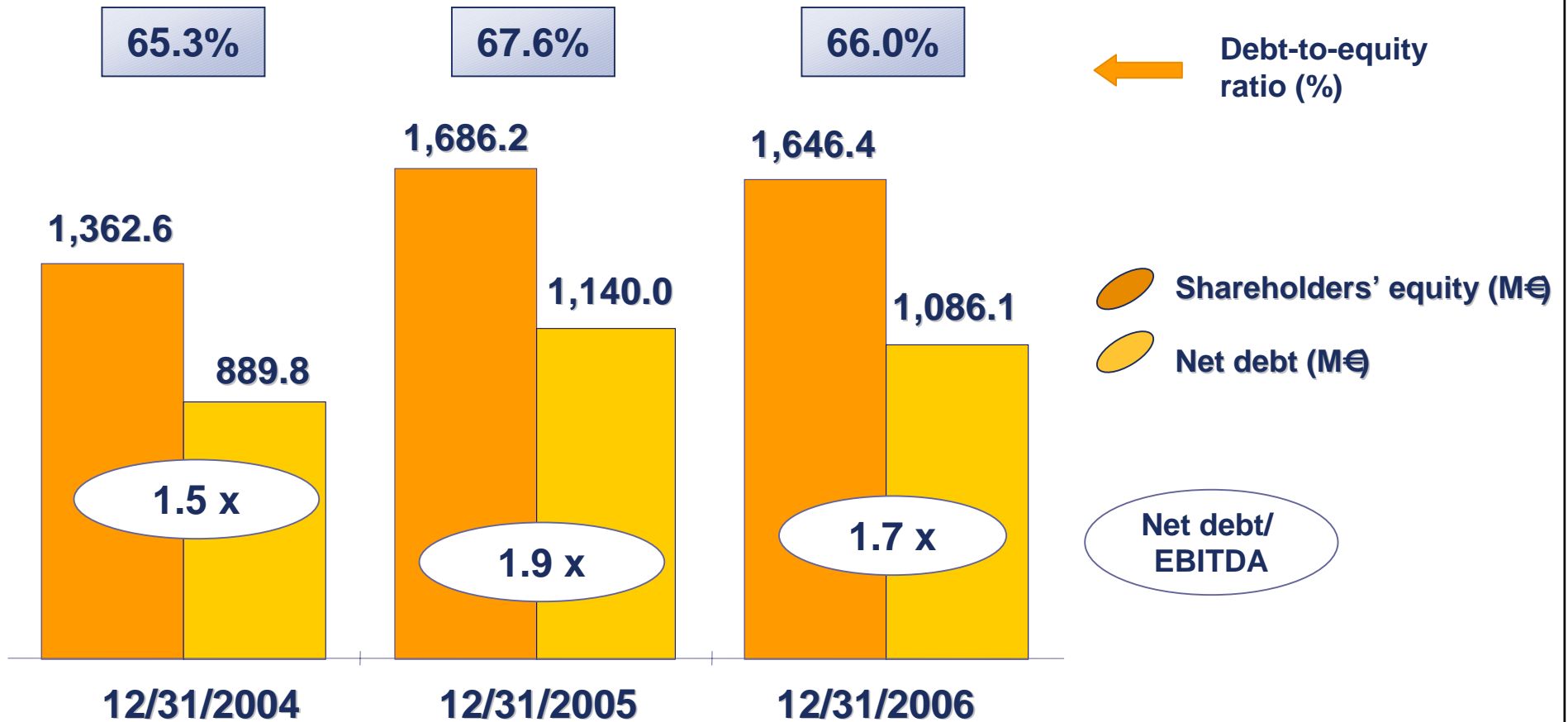
(€ millions)	2006	2005
<b>Current free operating cash flow</b>	<b>245.8</b>	<b>219.4</b>
Financial income (expense)	(46.7)	(47.3)
Tax on financial income	12.1	12.4
Change in other working capital items and miscellaneous	(12.2)	10.6
<b>Current free cash flow</b>	<b>199.0</b>	<b>195.1</b>

- **Current free cash flow remains high**

# Reduction in net financial debt

(€ millions)	2006	2005
<b>Current free cash flow</b>	<b>199.0</b>	<b>195.1</b>
External growth	(32.1)	(439.6)
Divestments	19.2	183.9
Non-recurring cash flow	(31.2)	(30.4)
Dividends	(106.1)	(96.3)
Other flows	(14.4)	(5.5)
Changes	19.4	(57.3)
<b>Increase / reduction in net debt</b>	<b>53.8</b>	<b>(250.2)</b>

# 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
<b>Net income from current operations per share (euros)</b>	<b>4.86</b>	<b>4.53</b>	<b>+ 7.1%</b>
<b>Dividend per share<sup>(1)</sup> (euros)</b>	<b>1.80</b>	<b>1.65</b>	<b>+ 9.1%</b>
<b>Total distribution (€ millions)</b>	<b>114.0<sup>(2)</sup></b>	<b>104.8</b>	
<b>Current payout</b>	<b>37.0%</b>	<b>36.4%</b>	

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

(2) Based on the number of outstanding shares on December 31, 2006

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

➤ **2006 Results**

➤ **Organizational Changes**

➤ **First Quarter 2007 Results**

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➤ **Resolutions**

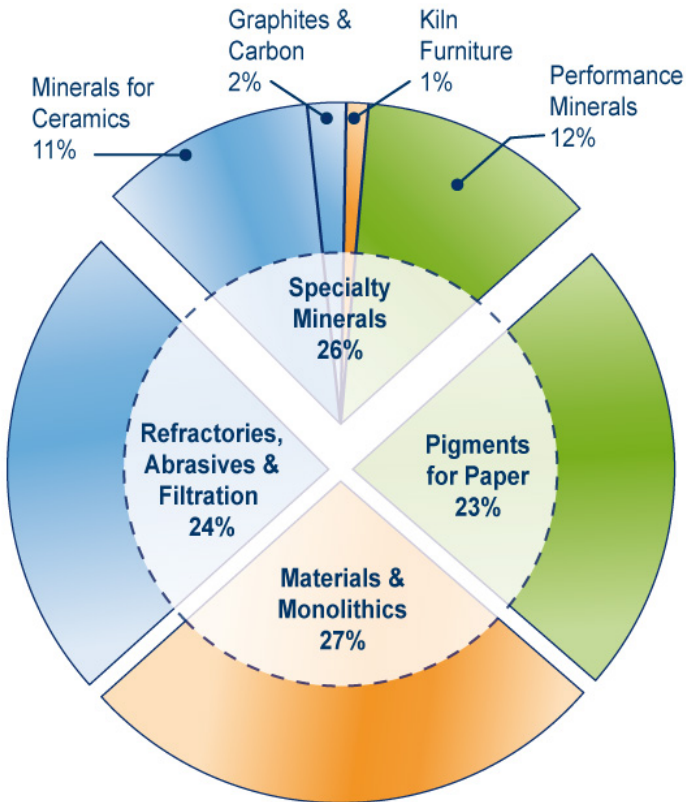
# Simplified organization to boost growth

- **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**

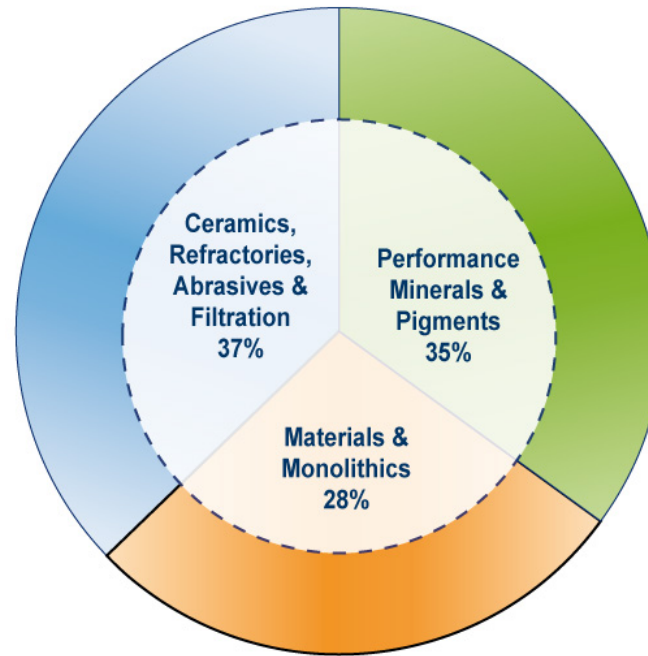


- **Optimize costs, resources and processes among the Group's different divisions**
  - **Speed up growth through cross-division innovation**

# Simplified organization to boost growth



**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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➤ **2006 Results**

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# Highlights of the 1<sup>st</sup> quarter 2007

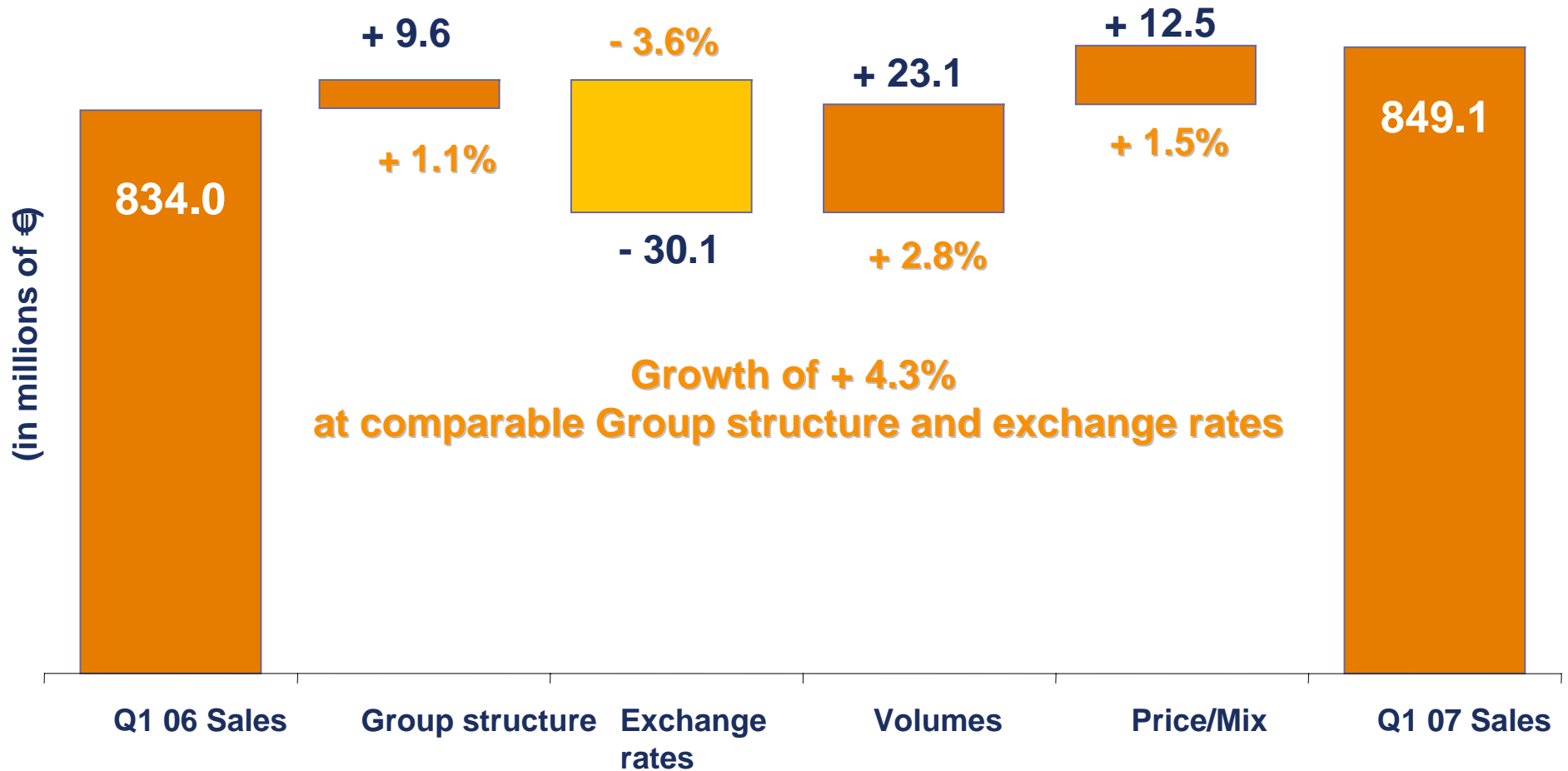
- **Favorable markets in all areas, driven by a strong global economy; only construction-related markets in the US were difficult (stabilized in Q1 vs. Q4 06)**
  - Like for like sales growth of + 4.3%
- **Significant depreciation of the US dollar compared to the euro (- 10% on average vs. Q1 06)**
- **Stability of the Group's energy costs:**
  - Significant decrease in the United Kingdom; stable in the US; increase in Continental Europe
- **Continued development in Asia and expansion of minerals portfolio**

# 1<sup>st</sup> quarter 2007 key figures

(€ millions)	Q1 2007	Q1 2006	Change
<b>Sales</b>	<b>849.1</b>	<b>834.0</b>	<b>+ 1.8%</b>
<b>Current operating income<sup>(1)</sup></b>	<b>111.1</b>	<b>104.1</b>	<b>+ 6.7%</b>
<b>Net income from current operations<sup>(2)(3)</sup></b>	<b>68.3</b>	<b>64.7</b>	<b>+ 5.6%</b>
<b>Net income<sup>(3)</sup></b>	<b>65.6</b>	<b>56.1</b>	<b>n.s.</b>

- (1) Operating income before other operating revenue and expenses  
 (2) Net income before other operating revenue and expense, net  
 (3) Group share

# Sales growth



- > Contributions from external growth in 2006 (AGS)
- > Negative impact of the US dollar depreciation compared to the euro
- > Significant growth in volumes and improvement of price/mix

# Sales trends by business group

## ➤ **Stability in Performance Minerals & Pigments**

- Worldwide production of printing and writing paper increased + 1.1%, driven by Asia; Performance Minerals markets dynamic in Europe, but remaining difficult in the US
- Global increase in sales volumes and slight improvement in the product offering

## ➤ **Significant growth in Materials & Monolithics**

- Solid roofing market in France and continued market share advances in clay brick compared to concrete block; dynamic monolithic refractory markets
- Considerable increase in volumes for main activities and further improvement in the product offering

## ➤ **Growth in Ceramics, Refractories, Abrasives & Filtration**

- Overall, well oriented markets in this business group, with the exception of Ceramics in the US
- Increase in sales volumes and improvement in the in the product offering



# Sales by business group

(€ millions)	Q1 2007	Q1 2006	Current change	Comparable change
Performance Minerals & Pigments	285.5	297.6	- 4.1%	+ 0.7%
<i>of which Pigments for Paper</i>	191.5	197.5	- 3.0%	+ 1.8%
Materials & Monolithics	258.8	236.3	+ 9.5%	+ 10.7%
Ceramics, Refractories, Abrasives & Filtration	310.6	307.2	+ 1.1%	+ 2.3%
<b>Imerys Group<sup>(1)</sup></b>	<b>849.1</b>	<b>834.0</b>	<b>+ 1.8%</b>	<b>+ 4.3%</b>

(1) After holding companies and eliminations

# Operating Performance

- **Current operating income increased + 6.7% with a negative currency effect of - €5.3 million (+ €2.7 million in Q1 06) and limited Group structure variations (+ €0.4 million)**
  
- **At comparable exchange rates and Group structure, current operating income grew + €11.9 million**
  - Increase in sales volumes and the price/mix component
  - Stability of energy costs and control of fixed costs
  
- **At 13.1% compared to 12.5% in Q1 2006, operating margin is rising, with an improvement in all three business groups**

# Growth in net income from current operations

(€ millions)	Q1 2007	Q1 2006	Change
<b>Current operating income</b>	<b>111.1</b>	<b>104.1</b>	<b>+ 6.7%</b>
Financial income (expense)	(15.9)	(11.3)	
Current income tax	(26.6)	(27.4)	
Minority interests & equity method	(0.2)	(0.7)	
<b>Net income from current operations<sup>(1)(2)</sup></b>	<b>68.3</b>	<b>64.7</b>	<b>+ 5.6%</b>

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

(2) Group share

➤ **Net financial expense increasing due to higher short-term interest rates**

- **2006 Results**
- **Organizational Changes**
- **First Quarter 2007 Results**
- **Recent Developments**
- **2007 Outlook**
- **Resolutions**

# Accelerated growth in Asia

## ➤ Acquisitions in China

- Acquired 65% of Yilong and Xinlong, Chinese producers of vermiculite and andalusite (2006 sales: €11 million)
  - Helps reach critical size in the vermiculite market
  - Provides access to a high-quality andalusite reserve
- Acquired Baotou, Chinese producer of high-performance graphite
- Acquired white marble reserves (GCC) in China

## ➤ New GCC for paper plant in Niigata (Japan)

- Signing of a joint venture agreement with Hokuetsu Paper Mills

# Acquisition of UCM Group PLC

- **One of the world's leading producers of fused zircon (refractories, technical ceramics and automobile markets) and fused magnesia (used primarily in electrical heating elements)**
  - Well-positioned in Europe and North America (two sites in the United Kingdom and two in the United States) with sales of around €57 million in 2006
  - Very similar production technologies as Treibacher
- **Fused zircon is a new mineral for Imerys, with a wide range of applications**
- **Excellent addition to the refractories product line (specific products, very high temperatures)**
- **Consolidated from April 1<sup>st</sup>, 2007**

- **2006 Results**
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# 2007 Outlook

- **End markets should remain healthy in 2007; the US construction-related markets are not expected to pick up**
- **Good price/mix component**
- **Energy costs have stabilized**
- **Uncertainty regarding exchange rates**
- **Willingness to continue internal and external development**



# General Meeting

May 2, 2007

**Questions & Answers**



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# General Meeting

May 2, 2007

**Resolutions**



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# Resolutions put to the Ordinary & Extraordinary Shareholders' Meeting of May 2, 2007

## Ordinary part

- Approval of the Company's management and annual financial statements and the Group's consolidated financial statements for 2006
- Approval of regulated agreements
- Allocation of earnings and setting of dividend at €1.80
- Renewal of the Directorship of:
  - Mr. Paul DESMARAIS, Jr.
  - Mr. G goire OLIVIER
  - Mr. Robert PEUGEOT
  - Mr. Thierry de RUDDER
- Appointment as new Director in succession to Mr. Yves-Ren  Nanot of:
  - Mr. Jean MONVILLE
- Approval of the purchase plan implemented in the US with respect to the 2006 ESP
- Authorization to buy back the Company's shares

# Resolutions put to the Ordinary & Extraordinary Shareholders' Meeting of May 2, 2007

## Extraordinary part

- **Renewal of delegations of authority to increase share capital, immediately or in the future**
- **Delegation of authority in order to carry out the issue of compound debt securities**
- **Renewal of delegation of authority to increase share capital by the issue of shares reserved for employees**
- **Authorization to reduce share capital by cancellation of shares held by the Company**
- **Transposition in the Company's by-laws of the decree of December 11, 2006 amending the decree on commercial companies**
- **Powers**



# 1<sup>st</sup> to 3<sup>rd</sup> resolutions (ordinary meeting): 2006 management & financial statements / regulated agreements

## **1<sup>st</sup> resolution:**

**Approval of the Company's management and financial statements for financial year 2006**

## **2<sup>nd</sup> resolution:**

**Approval of the Group's consolidated financial statements for financial year 2006**

## **3<sup>rd</sup> resolution:**

**Approval of regulated agreements (no new agreements entered into in financial year 2006)**



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## 4<sup>th</sup> resolution (ordinary meeting): Allocation of earnings, setting of dividend at €1.80

<b>&gt; Net income for financial year 2006</b>	<b>€113,398,743</b>
retained earnings	+ €420,284,974
	<hr/>
<b>Total distributable amount</b>	<b>= €533,683,717</b>
payment of dividend of €1.80 per share for 63,334,620 existing shares as on 01/01/2007	<hr/>
	<b>€(114,002,316)</b>
<b>Leaving retained earnings of</b>	<b>= €419,681,401</b>

- > Deduction from retained earnings of the sums needed to pay the dividend attached to the shares created following exercise of share subscription options from January 1, 2007 to the dividend payment date**
- > Dividend payment date: as from May 15, 2007**



# 5<sup>th</sup> to 9<sup>th</sup> resolutions (ordinary meeting): Board membership

- **Renewal for a period of 3 years (i.e. until the Shareholders' Meeting called in 2010 to rule on the 2009 financial statements) of the term of office of:**

**5<sup>th</sup> resolution:** Mr. Paul DESMARAIS, Jr.

**6<sup>th</sup> resolution:** Mr. Grégoire OLIVIER

**7<sup>th</sup> resolution:** Mr. Robert PEUGEOT

**8<sup>th</sup> resolution:** Mr. Thierry de RUDDER

- **Appointment for a period of 3 years (i.e. until the Shareholders' Meeting called in 2010 to rule on the 2009 financial statements) as new director of:**

**9<sup>th</sup> resolution:** Mr. Jean MONVILLE

# 10<sup>th</sup> resolution (ordinary meeting): Approval of the purchase plan implemented in the US ( 2006 ESP)

- **Conditions of the 2006 ESP implemented in the United States:**
  - maximum number of shares to be purchased by an employee: 30
  - purchase price: 85 % of the closing price of the Imerys share on the 1st day of the offering period
  - participation : 445 employees – 7,507 purchased shares
  
- **Purpose of the approval of the Plan by the Shareholders' Meeting:**
  - to qualify the Plan with the US tax authorities to enable the employees to benefit from a favorable tax system for holding Imerys shares

# 11<sup>th</sup> resolution (ordinary meeting): Authorization to buy back the Company's shares

- **Authorization for the Company to buy back its own shares, either directly or under a liquidity contract, with the following general objectives:**
  - employees' participation in shareholding plans set up by the Company or grant of share purchase options and free shares to the Group's employees and executives
  - payment in or exchange of shares with respect to any external growth operations
  - cancellation of repurchased shares to offset dilution resulting from the exercise of share subscription options
  
- **Implementation terms, conditions and limits:**
  - within the limit of 10 % of share capital as of January 1<sup>st</sup>, 2007, i.e. 6,333,462 shares
  - for a period of 18 months, i.e. until November 1<sup>st</sup>, 2008
  - for a maximum investment amount of M€696.7
  - maximum purchase price €110 and minimum sale price €40

# 12<sup>th</sup> to 16<sup>th</sup> resolutions (extraordinary meeting): Capital increases

## ➤ Delegations of authority to the Board of Directors in order to:

- issue ordinary shares or securities that give access, immediately or in the future, to share capital:
  - with pre-emptive subscription right or by incorporation of reserves, premiums, income or other (12<sup>th</sup> resolution)
  - without pre-emptive subscription right (13<sup>th</sup> resolution)
- set the issue price of the capital securities to be issued, in the event of cancellation of the pre-emptive subscription right, minus a possible 10% discount, and within the annual limit of 10 % of the share capital (14<sup>th</sup> resolution)
- remunerate contributions in kind made to the Company and comprised of securities representing shares in or giving access to capital (15<sup>th</sup> resolution)
- issue compound debt securities (16<sup>th</sup> resolution)

# 17<sup>th</sup> resolution (extraordinary meeting): Capital increases (continued)

- **Maximum amount of capital increases, with or without pre-emptive subscription right, within the following limits:**
  - individual ceiling applicable to each type of issue:
    - capital increase (except those by incorporation of reserves, premiums, ...): maximum nominal amount of M€80
    - debt securities issue: maximum nominal amount of M€2,500
  - overall ceiling applicable to all issues:
    - capital increases (except those by incorporation of reserves, premiums, ...): maximum nominal amount of M€110
    - debt securities issue: maximum nominal amount of M€2,500
  
- **Authorization valid until 1<sup>st</sup> July, 2009**

# 18<sup>th</sup> resolution (extraordinary meeting): Capital increases (continued)

- **Delegation of authority to the Board of Directors in order to increase share capital by the issue of shares reserved for employees**
  - maximum nominal amount of M€1,6, i.e. 800,000 shares
  - subscription with maximum discount of 20% on reference stock market price
  
- **Authorization valid until 1<sup>st</sup> July, 2009**



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# 19<sup>th</sup> resolution (extraordinary meeting): Capital reduction by cancellation of shares held by the Company

- **Authorization granted to the Board of Directors to cancel shares held by the Company**
  - cancellation ceiling: 10 % of share capital per 24-month period
  - Board of Directors empowered to set implementation arrangements
  
- **Authorization valid until 1<sup>st</sup> May, 2009**



## 20<sup>th</sup> resolution (extraordinary meeting) & 21<sup>st</sup> resolution (ordinary meeting): amendment of the by-laws and Powers

- **Amendment of article 21 of the by-laws of the Company:**
  - transposition into the by-laws of the new regulatory provisions concerning the Shareholders' participation in the Company's general meetings ("Record date")
  
- **Powers to carry out any registration or publication formalities**



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