

# PRESS RELEASE

Paris, November 8, 2006

## Non-Audited Consolidated Results to September 30, 2006 + 7.6% growth in net income from current operations

On Tuesday November 7, the Board of Directors of Imerys, meeting under the chairmanship of Aimery Langlois-Meurinne, reviewed the non-audited results to September 30, 2006, as presented by CEO Gérard Buffière.

CONSOLIDATED RESULTS (non-audited, millions of euros)	Q3 2006	Q3 2005	% change	9/30/2006	9/30/2005	% change
Sales	811.5	757.6	+ 7.1%	2,477.3	2,243.9	+ 10.4%
Current operating income <sup>(1)</sup>	116.9	106.7	+ 9.5%	345.7	325.7	+ 6.1%
Net income from current operations <sup>(2)(3)</sup>	74.9	69.8	+ 7.3%	225.2	209.2	+ 7.6%
Net income <sup>(3)</sup>	61.3	62.8	n.s.	116.2	243.6	n.s.
Net income from current operations per share <sup>(2)(3)</sup>	€1.18	€1.10	+ 7.3%	€3.55	€3.30	+ 7.6%

(1) Operating income before other income and expense.

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

(3) Group's share.

In the 3<sup>rd</sup> quarter of 2006, Imerys' markets showed contrasting trends, as they have since the beginning of the year. Sales volumes in Pigments for Paper and Specialty Minerals continued to be affected by restructuring in the paper and ceramics industries. However, business remained robust in Building Materials in France and in Refractories. Finally, the increase in variable costs that marked the 1<sup>st</sup> half of the year slowed down in the 3<sup>rd</sup> quarter.

The Group continued to develop with a significant improvement in its operating performance in the 3<sup>rd</sup> quarter of 2006. Sales increased + 10.4% compared with the first nine months of 2005 (+ 7.1% in the 3<sup>rd</sup> quarter). The rise in sales was + 4.0% at comparable Group structure and exchange rates (+ 2.8% in the 3<sup>rd</sup> quarter). Current operating income increased + 6.1% (+ 9.5% in the 3<sup>rd</sup> quarter) and net income from current operations + 7.6% (+ 7.3% in the 3<sup>rd</sup> quarter).

Gérard Buffière commented, "Since the beginning of 2006, our Group has continued to develop. The improvement in our performance is due to our people. Their efforts to improve our product offering and control fixed costs enabled us to offset the rise in external costs, which remained substantial since the beginning of 2006 despite a slowdown in the 3<sup>rd</sup> quarter. The acquisitions carried out since 2005 are also contributing to this growth.

For 2006 as a whole, if the macroeconomic environment and market conditions remained unchanged, we estimate that we should be able to achieve our + 7% growth in net income from current operations target."



## Sales

For the first nine months of 2006, sales totaled €2,477.3 million, a + 10.4% increase on the same period in 2005 (+ 12.1% in the 1<sup>st</sup> half; + 7.1% in the 3<sup>rd</sup> quarter). The 9-month trend includes:

- Positive effect of changes in Group structure for + €137.3 million (+ 6.1%, of which + 6.1% in the 1<sup>st</sup> half and + 6.2% in the 3<sup>rd</sup> quarter), corresponding to the difference between the positive contribution (+ €229.4 million) of the acquisitions made since 2005 (mainly World Minerals in mid-July 2005, Denain-Anzin Minéraux in late October 2005 and AGS in late February 2006) and the impact of divestments (- €92.1 million: American Minerals and Larivière, divested in March and mid-April 2005, respectively);
- Positive impact of exchange rates for +€6.7 million (+ 0.3%, of which + 1.4% in the 1<sup>st</sup> half and - 1.8% in the 3<sup>rd</sup> quarter).

At comparable Group structure and exchange rates, sales increased + 4.0% (+ 4.6% in the 1<sup>st</sup> half; + 2.8% in the 3<sup>rd</sup> quarter), reflecting:

- Positive trends in the price/mix component (+ 3.9%, of which + 4.3% in the 1<sup>st</sup> half and + 3.1% in the 3<sup>rd</sup> quarter), once again across all four business groups;
- Stable sales volumes (+ 0.1%, of which + 0.3% in the 1<sup>st</sup> half and - 0.3% in the 3<sup>rd</sup> quarter) with healthy business in Building Materials and Refractories but sales volumes affected by some restructuring of customer industries in Pigments for Paper and Specialty Minerals.

Sales evolved by business group as follows:

(€ millions)	Q3 2006	Q3 2005	Current change	Change on comparable basis <sup>(1)</sup>
Specialty Minerals	214.5	196.6	+ 9.1%	+ 0.7%
Pigments for Paper	187.4	190.6	- 1.7%	+ 0.8%
Materials & Monolithics	226.5	212.7	+ 6.5%	+ 7.3%
Refractories, Abrasives & Filtration	195.2	168.1	+ 16.1%	+ 2.0%
<b>IMERYS GROUP<sup>(2)</sup></b>	<b>811.5</b>	<b>757.6</b>	<b>+ 7.1%</b>	<b>+ 2.8%</b>

(€ millions)	9/30/2006	9/30/2005	Current change	Change on comparable basis <sup>(1)</sup>
Specialty Minerals	680.3	594.7	+ 14.4%	+ 2.3%
Pigments for Paper	575.6	557.4	+ 3.3%	+ 2.7%
Materials & Monolithics	668.8	708.0	- 5.5%	+ 6.8%
Refractories, Abrasives & Filtration	588.8	417.5	+ 41.0%	+ 3.5%
<b>IMERYS GROUP<sup>(2)</sup></b>	<b>2,477.3</b>	<b>2,243.9</b>	<b>+ 10.4%</b>	<b>+ 4.0%</b>

(1) At comparable Group structure and exchange rates; (2) After holding company and eliminations.

## Specialty Minerals

The business group's markets showed contrasting trends since the beginning of the year.

- Overall conditions on performance minerals markets (paint, plastics, adhesives, etc.) were positive in Europe, with a slight downturn in North America during the 3<sup>rd</sup> quarter;
- Ceramics markets remained difficult with lower production in Western countries (Europe, United States), particularly due to plant shutdowns.

Sales to September 30, 2006 totaled €680.3 million, a + 14.4% increase on the same period the previous year. This trend results from a + 10.6% Group structure effect due to the acquisition of Denain-Anzin Minéraux in October 2005 and a + 1.5% exchange rate impact.

At comparable Group structure and exchange rates, sales rose + 2.3% over 9 months (+ 3.1% in the 1<sup>st</sup> half; + 0.7% in the 3<sup>rd</sup> quarter), the decrease in sales volumes was more than offset by the improvement in the price/mix component.

### **Pigments for Paper**

World production of printing and writing paper rose + 3.0% over the period compared with the first 9 months of 2005 (+ 1.7% in the 3<sup>rd</sup> quarter). North American and European markets are still disrupted by restructuring programs at major papermakers. Trends by geographic zone were as follows:

- ▶ In Europe, paper production increased over the period, mainly because of a positive basis of comparison (7-week strike affecting the Finnish paper industry from May to July 2005);
- ▶ In North America, paper production decreased slightly;
- ▶ In Asia, the paper market continued to develop.

Sales to September 30, 2006 totaled €575.6 million (up + 3.3% from the same period in 2005). Excluding the effects of exchange rates (- 0.1%) and changes in Group structure (+ 0.7%, corresponding to the acquisition of Yen Bai Banpu in Vietnam in July 2005), sales rose + 2.7% (+ 3.7% in the 1<sup>st</sup> half, + 0.8% in the 3<sup>rd</sup> quarter). This trend reflects:

- ▶ Lower sales volumes over the period, mainly due to restructuring by North American and European customers;
- ▶ The positive effect of the price/mix component.

### **Materials & Monolithics**

The business group continued to benefit from healthy market trends:

- ▶ The French building materials market posted further growth. The roofing segment rose + 3%, driven by growth in new housing start-ups (+ 5%).
- ▶ Monolithic refractories benefited from a dynamic steelmaking sector.

Sales totaled €668.8 million for the first nine months of 2006, down - 5.5% from the same period in 2005. This trend results from the divestment of the specialized distribution network Larivière on April 19, 2005 (- €81.4 million, i.e. - 11.5%). At comparable Group structure, sales grew + 6.8% over the period (+ 6.5% in the 1<sup>st</sup> half; + 7.3% in the 3<sup>rd</sup> quarter). This increase reflects the combined impact of higher sales volumes and an improved price/mix component.

### **Refractories, Abrasives & Filtration**

Over the period, the business group's market environment was positive overall:

- ▶ Refractory markets were firm with growth in steel production in both Europe and the United States and new projects in aluminum;
- ▶ In abrasives, markets were stable, with the soft automotive market offset by relatively sound conditions in other applications (construction, aerospace, etc.);
- ▶ Filtration markets were stable overall for the period with healthy business in the United States during the grape picking season.

Sales to September 30, 2006 totaled €588.8 million (+ 41.0% compared with the same period in 2005). This trend is due to:

- ▶ The + €154.9 million impact of changes in structure, i.e. + 37.1% (acquisition of World Minerals, consolidated from July 14, 2005, and AGS, consolidated from March 1, 2006; divestment of American Minerals in March 2005);
- ▶ A very slight exchange rate effect (+ 0.5%).

At comparable Group structure and exchange rates, sales increased + 3.5% during the period (+ 4.4% in the 1<sup>st</sup> half; + 2.0% in the 3<sup>rd</sup> quarter), with an improvement in both the price/mix component and volumes.

## OTHER INCOME STATEMENT ITEMS

### Current operating income

Current operating income increased + 6.1% (+ 4.5% in the 1<sup>st</sup> half; + 9.5% in the 3<sup>rd</sup> quarter) to €345.7 million for the first nine months of 2006, compared with €325.7 million for the same period in 2005.

This result takes into account a limited exchange rate effect (- €0.5 million) and net impact of changes in Group structure for + €20.5 million (of which + €17.8 million in the 1<sup>st</sup> half and + €2.7 million in the 3<sup>rd</sup> quarter). Over the period, the significant improvement in the price/mix component offsets the impact of variable cost inflation.

The Group's operating margin was 14.0% (13.7% in the 1<sup>st</sup> half of 2006 and 14.4% in the 3<sup>rd</sup> quarter), compared with 14.5% on September 30, 2005. It particularly reflects the margin levels of recently acquired companies (World Minerals, DAM and AGS), which are still below the Group average and are being improved.

### Net income from current operations, Group share

The Group's share of net income from current operations amounted to €225.2 million for the first nine months of 2006, compared with €209.2 million for the same period in 2005. This + 7.6% rise (+ 7.8% in the 1<sup>st</sup> half; + 7.3% in the 3<sup>rd</sup> quarter) is due to:

- ▶ A slight improvement in financial expenses, at - €31.4 million compared with - €35.3 million for the same period in 2005, benefiting from the positive impact of exchange rate transactions;
- ▶ A current tax charge of - €88.4 million compared with - €81.3 million in 2005, i.e. a stable effective tax rate at 28.1% compared with 28.0% for the first nine months of 2005.

At €3.55 compared with €3.30 in 2005, net income from current operations per share increased + 7.6%, with an almost stable average weighted number of outstanding shares at 63,488,671, compared with 63,441,976 for the first nine months of 2005.

### Net income, Group share

The Group's share of net income totaled €116.2 million as on September 30, 2006, compared with €243.6 million for the same period in 2005. For the first nine months of 2005, net income included €34.4 million in other income and expense net of tax, including gains on the sale of the Larivière distribution network.

As on September 30, 2006, net income included - €109.0 million in other income and expense net of tax, mostly with no impact on the Group's cash flow. This amount mainly corresponds to the major reorganization program for the Group's kaolin business in the United Kingdom announced on July 4, and includes:

- ▶ - €81.2 million in provisions for industrial asset depreciations, site restoration and restructuring expenses related to the reorganization program for UK kaolin production;
- ▶ - €27.8 million in other expenses with respect to asset depreciations in Latin America and cost reduction actions across the Group.

## ORGANIZATIONAL CHANGE

As of October 6, 2006, Christophe Daulmerie, 38, is appointed Chief Financial Officer and Vice-President Strategy of Imerys, member of the Executive Committee.

Christophe Daulmerie joined the Group in March 2000, after holding various positions in the French Ministry of Industry and the European Commission. As from early 2005, he was Vice-President Europe of the Pigments for Paper business group.

\*\*\*

*The world leader in adding value to minerals, Imerys is active in 43 countries through over 250 locations. The Group achieved more than €3 billion in sales in 2005. Imerys mines and processes minerals from reserves with rare qualities in order to develop solutions that improve its customers' product performance and manufacturing efficiency. The Group's products have a great many applications in everyday life, including construction, personal care, paper, paint, plastic, ceramics, telecommunications and beverage filtration.*

#### Investor relations:

Isabelle Biarnès - +33(0)1 49 55 63 91 /66 55

#### Press contacts:

Isabelle Biarnès - +33(0)1 49 55 63 91 /66 55

Matthieu Roquet-Montégon - +33(0)6 16 92 80 65



# IMERYS

## NON-AUDITED RESULTS TO SEPTEMBER 30, 2006 (IFRS data)

### 1. Consolidated sales breakdown

Change in consolidated sales	% current change	% structure effect	% foreign exchange effect	% change on comparable basis <sup>(1)</sup>
<b>IMERYS GROUP</b>	<b>+ 10.4%</b>	<b>+ 6.1%</b>	<b>+ 0.3%</b>	<b>+ 4.0%</b>

(\*) Change at comparable Group structure and exchange rates.

Quarterly change	Q1 06	Q2 06	Q3 06	9/30/2006
<b>IMERYS GROUP – current change</b>	<b>+ 10.8%</b>	<b>+ 13.4%</b>	<b>+ 7.1%</b>	<b>+ 10.4%</b>
<b>IMERYS GROUP – change on comparable basis, of which:</b>	<b>+ 6.3%</b>	<b>+ 2.9%</b>	<b>+ 2.8%</b>	<b>+ 4.0%</b>
Specialty Minerals	+ 5.1%	+ 1.3%	+ 0.7%	<b>+ 2.3%</b>
Pigments for Paper	+ 2.4%	+ 4.9%	+ 0.8%	<b>+ 2.7%</b>
Materials & Monolithics	+ 12.0%	+ 1.3%	+ 7.3%	<b>+ 6.8%</b>
Refractories, Abrasives & Filtration	+ 5.4%	+ 3.5%	+ 2.0%	<b>+ 3.5%</b>

Sales by business group	9/30/2006	9/30/2005
Specialty Minerals	27%	26%
Pigments for Paper	23%	25%
Materials & Monolithics	27%	31%
Refractories, Abrasives & Filtration	23%	18%
<b>IMERYS GROUP</b>	<b>100%</b>	<b>100%</b>
Sales by geographic destination		
France	20%	23%
Rest of Europe	40%	39%
<b>TOTAL EUROPE</b>	<b>60%</b>	<b>62%</b>
North America	24%	23%
Other	16%	15%
<b>IMERYS GROUP</b>	<b>100%</b>	<b>100%</b>

### 2. Simplified income statement

(€ millions)	Q3 '06	Q3 '05	Change	9/30/06	9/30/05	Change
<b>SALES</b>	<b>811.5</b>	<b>757.6</b>	<b>+ 7.1%</b>	<b>2,477.3</b>	<b>2,243.9</b>	<b>+ 10.4%</b>
<b>CURRENT OPERATING INCOME</b>	<b>116.9</b>	<b>106.7</b>	<b>+ 9.5%</b>	<b>345.7</b>	<b>325.7</b>	<b>+ 6.1%</b>
Financial income (expense)	(13.1)	(13.8)		(31.4)	(35.3)	
Current taxes	(27.9)	(23.2)		(88.4)	(81.3)	
Minority interests	(1.1)	(0.6)		(2.9)	(1.9)	
Equity method	0.2	0.8		2.2	2.0	
<b>NET INCOME FROM CURRENT OPERATIONS</b>	<b>74.9</b>	<b>69.8</b>	<b>+ 7.3%</b>	<b>225.2</b>	<b>209.2</b>	<b>+ 7.6%</b>
Other income and expense, net	(13.6)	(7.0)		(109.0)	34.4	
<b>NET INCOME</b>	<b>61.3</b>	<b>62.8</b>	<b>n.s.</b>	<b>116.2</b>	<b>243.6</b>	<b>n.s.</b>
<b>NET INCOME FROM CURRENT OPERATIONS PER SHARE (euros)</b>	<b>€1.18</b>	<b>€1.10</b>	<b>+ 7.3%</b>	<b>€3.55</b>	<b>€3.30</b>	<b>+ 7.6%</b>