

# PRESS RELEASE

Paris, May 2, 2007

## 1<sup>st</sup> Quarter 2007 Results +5.6% growth in net current operating income

The Imerys Group presents its non-audited results for the 1<sup>st</sup> quarter of 2007. They will be commented on by CEO Gérard Buffière at the Ordinary General Shareholders' Meeting to be held at 11 a.m. on Tuesday, May 2, 2007.

(millions of euros)	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006	% change
Sales	849.1	834.0	+ 1.8%
Current operating income <sup>(1)</sup>	111.1	104.1	+ 6.7%
Net income from current operations <sup>(2)</sup> , Group share	68.3	64.7	+ 5.6%
Net income, Group share	65.6	56.1	n.s.
Net income from current operations per share (euros)	1.08	1.02	+ 5.6%

(1) Operating income before other operating revenue and expense.

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

In the 1<sup>st</sup> quarter of 2007, the Group's markets were favorable overall as a result of the dynamic global economy. The only markets experiencing a decrease were construction-related sectors in the US, although they stabilized compared with the 4<sup>th</sup> quarter of 2006. The macro-economic environment was marked by a significant weakening of the US dollar compared with the euro. Energy costs for the Group have now stabilized compared with the same period last year.

In that context, Imerys continued to grow and improved its operating performance significantly:

- ▶ Sales increased + 1.8%, or + 4.3% at comparable Group structure and exchange rates;
- ▶ Current operating income rose + 6.7%, thanks to higher volumes and an improvement in the price/mix component in all three business groups;
- ▶ Net income from current operations grew + 5.6%, with net financial expense increasing, as expected, due to higher short-term interest rates.

Gérard Buffière said, "2007 has gotten off to a satisfactory start. Our activities have benefited from favorable markets, driven by a dynamic global economy, the only exception being construction-related markets in the US. Although energy costs remain high, at this point in the year, their strong inflation that had marked the last two years appears to be under control. These market conditions have enabled us to achieve firm organic growth and our operating performance continues to improve despite negative currency impacts. Our external growth continued and I am thrilled with the success of our public bid for UCM, which became part of the Group at the beginning of April, as well as our recent acquisitions in China."



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## Sales up + 1.8% to €849.1 million

This positive trend takes into account:

- A negative exchange rate impact of - €30.1 million (- 3.6%) in the 1<sup>st</sup> quarter of 2007 (compared with a positive effect of €19.6 million (+ 2.6%) for the same period in 2006);
- A Group structure effect of + €9.6 million (+ 1.1%) primarily related to the February 2006 acquisition of AGS, a manufacturer of chamottes and metakaolins for the refractories and sanitaryware markets.

At comparable Group structure and exchange rates, sales increased + 4.3%, reflecting satisfactory growth in volumes (+ 2.8%) and a positive price/mix effect (+ 1.5%) in each of the business groups.

Sales evolved as follows by business group.

(millions of euros)	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006	Current change %	Change on comparable basis <sup>(1)</sup> %
<b>Sales (non audited) of which:</b>	<b>849.1</b>	<b>834.0</b>	<b>+ 1.8%</b>	<b>+ 4.3%</b>
Performance Minerals & Pigments	285.5	297.6	- 4.1%	+ 0.7%
- of which Pigments for Paper	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%
Holding Company & Eliminations	(5.8)	(7.1)	n.s.	n.s.

(1) At comparable Group structure and exchange rates.

## Performance Minerals & Pigments

The Performance Minerals markets were healthy in Europe but remained difficult in North America, where construction markets did however stabilize in the 1<sup>st</sup> quarter of 2007 compared with the 4<sup>th</sup> quarter of 2006.

The production of printing and writing paper increased + 1.1% worldwide during the period. This growth is driven by Asia, with production slightly down in North America. In Europe, paper production was stable, impacted by the major papermakers' program to shut down a series of machine.

At €285.5 million, sales were down - 4.1% compared with the 1<sup>st</sup> quarter of 2006. This development takes into account a limited Group structure effect (+ 0.5%) and a negative currency impact of - €15.8 million (- 5.3%), resulting primarily from the weak US dollar compared with the euro. At comparable Group structure and exchange rates, sales increased + 0.7% over the quarter, reflecting an overall increase in volumes (the problems in the US construction markets being more than offset by the business group's other markets) and a slight increase in the price/mix component.

The period was marked by the ongoing implementation of the kaolin reorganization project, which is progressing according to schedule. The development strategy in calcium carbonates continued with the signing of a joint venture agreement (60% Imerys) with Hokuetsu Paper Mills, one of the major Japanese paper producers. As a result, Imerys will build a new ground calcium carbonate (GCC) paper production facility in Niigata, Japan, that should be commissioned by the end of the year.

## Materials & Monolithics

In France, roofing markets remained healthy in the 1<sup>st</sup> quarter and clay bricks continued to take market share away from cement blocks. With steel production remaining very dynamic, markets for monolithic refractory products were buoyant during the period.

At €258.8 million, sales were + 9.5% higher, an increase that takes into account a limited Group structure effect and a currency impact of - 0.9%. At comparable Group structure and exchange rates, sales were up + 10.7%, reflecting a substantial increase in sales volumes in the primary sectors of activity and a further improvement in the price/mix component.

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

In the 1<sup>st</sup> quarter, the business group's various markets were healthy overall. Minerals for Refractories especially benefited from the increase in global steel production and Minerals for Abrasives was supported by the strong European economy. Ceramic markets were stable in Europe but remained difficult in the US, while filtration markets were stable overall.

At €310.6 million, sales rose + 1.1% from the 1<sup>st</sup> quarter of 2006 with a Group structure effect of + €8.5 million, i.e. + 2.8% (AGS acquisition in February 2006), and a negative currency effect (US dollar, Japanese yen, South African rand) of - €12.4 million, i.e. - 4.0%.

As a result, growth at comparable Group structure and exchange rates was + 2.3% compared with the 1<sup>st</sup> quarter of 2006, with an increase in sales volumes, especially in Minerals for Abrasives and Minerals for Refractories, and an overall increase in the product offering.

Since the beginning of the year, the business group has expanded its minerals portfolio and continued its development in China.

- The acquisition of UCM Group PLC, one of the world's leading producers of fused zirconia and magnesia, closed at the beginning of April 2007, expanding the range of fused minerals, a segment in which the Group already has presence thanks to its subsidiary Treibacher Schleifmittel;
- In China, following the acquisition of Baotou Jing Yuang Graphite Co. Ltd., a Chinese producer of high-performance natural graphite, the acquisition of Yilong and Xinlong, Chinese producers of vermiculite and andalusite with high-quality reserves, reinforces the business group's presence in this rapidly growing country.

These acquisitions represent total sales of approximately €70 million on a full-year basis.

## **Other income statement items**

### **Rise in current operating income**

Current operating income was €111.1 million in the 1<sup>st</sup> quarter of 2007, a + 6.7% increase compared with the same period in 2006. This trend takes into account a negative currency impact (- €5.3 million compared with an increase of + €2.7 million in the 1<sup>st</sup> quarter of 2006) and limited changes in Group structure (+ €0.4 million).

Like for like, growth in current operating income is therefore + €11.9 million. This improvement is a result of the significant increase in volumes and the improvement in the price/mix component across all business groups. In addition, the Group's energy costs were stable while fixed costs were kept under strict control.

At 13.1% compared with 12.5% in the 1<sup>st</sup> quarter of 2006, the Group's operating margin increased, with an improvement in all three business groups.

### **Growth in net income from current operations and net income**

Net income from current operations is + 5.6% higher for the quarter, at €68.3 million compared with €64.7 million for the same period in 2006. This trend is a result of:

- an increase in net financial expense, at - €15.9 million (- €11.3 million for the same period in 2006), because of higher short-term interest rates;
- a slight decrease in tax expense, at - €26.6 million compared with - €27.4 million for the same period in 2006, resulting from a slight reduction in the effective tax rate (28.0% compared with 29.5% in the 1<sup>st</sup> quarter of 2006).

Net income from current operations per share increased + 5.6% to €1.08, with an almost stable weighted average number of outstanding shares, at 63,413,447 compared with 63,430,153 in the 1<sup>st</sup> quarter of 2006.

After recording - €2.7 million in other income and operating expenses net after tax, net income increased to €65.6 million compared with €56.1 million in the 1<sup>st</sup> quarter of 2006.

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*The world leader in adding value to minerals, Imerys is active in 45 countries through over 250 locations. The Group achieved €3.3 billion in sales in 2006. 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.*

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**1<sup>st</sup> quarter 2007 results**  
**Appendix (non-audited)**

**1. TOTAL SALES**

Change in total sales	% current change	% structure effect	% foreign exchange effect	% change on comparable basis <sup>(1)</sup>
Group total	+ 1.8%	+ 1.1%	- 3.6%	+ 4.3%

(1) Change at constant Group structure and exchange rates.

**Quarterly change on comparable basis**

2007 vs. 2006	<b>Q1 '07</b>			
	+ 4.3%			
Reminder: 2006 vs. 2005	<b>Q1 '06</b>	<b>Q2 '06</b>	<b>Q3 '06</b>	<b>Q4 '06</b>
	+ 6.3%	+ 2.9%	+ 2.8%	+ 1.2%

Sales by business group	Q1 '07	Q1 '06
Performance Minerals & Pigments	34%	36%
Materials & Monolithics	30%	28%
Ceramics, Refractories, Abrasives & Filtration	36%	36%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Sales by geographic destination	Q1 '07	Q1 '06
France	21%	21%
Europe	41%	39%
<b>Total Europe</b>	<b>62%</b>	<b>60%</b>
North America	22%	24%
Other	16%	16%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**2. INCOME STATEMENT**

(millions of euros)	Q1 '07	Q1 '06	Change
<b>SALES</b>	<b>849.1</b>	<b>834.0</b>	<b>+ 1.8%</b>
<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 tax	(26.6)	(27.4)	
Minority interests	(0.4)	(0.8)	
Share of income of affiliates	0.2	0.1	
<b>NET INCOME FROM CURRENT OPERATIONS</b>	<b>68.3</b>	<b>64.7</b>	<b>+ 5.6%</b>
Other income and expense, net	(2.7)	(8.6)	
<b>NET INCOME</b>	<b>65.6</b>	<b>56.1</b>	<b>n.s.</b>