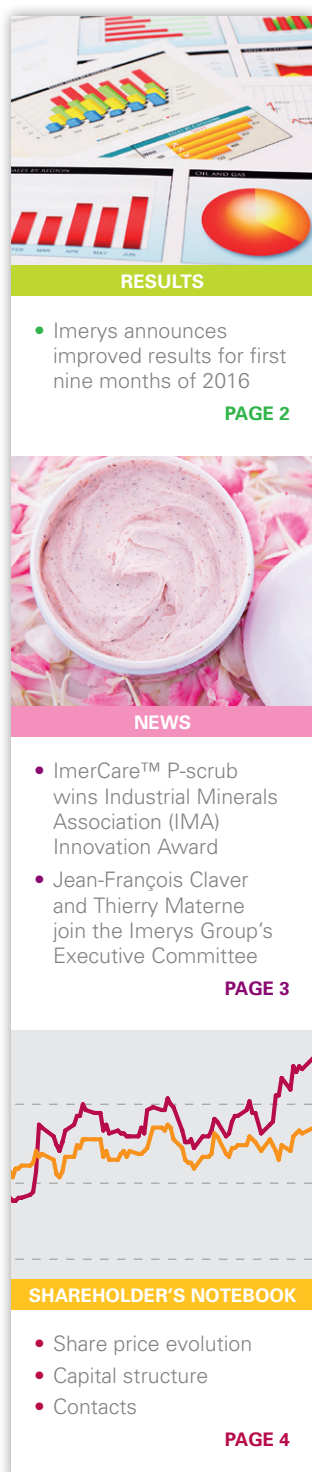


# LETTER TO SHAREHOLDERS 71



## MESSAGE



Gilles MICHEL

Chairman and Chief Executive Officer

## Dear Shareholders,

Imerys recorded an improvement in its operating performance over the first nine months of 2016, in a highly contrasted market environment in terms of both regions and sectors.

While some markets including steel and paper continued their slump, automotive, consumer goods and construction - particularly in the United States - remained buoyant, as did India and Southeast Asia. On the other hand, ceramic proppants for non-conventional oilfields in the United States and clay roofing products have not shown any signs of recovery and stabilized at low levels.

In this environment, the Group's revenue increased + 1.4% to 3,127 M€ for the first nine months of 2016, with a + 8.0% rise in the Group's current operating income to 442 M€, which represents a 80 basis point rise in operating margin to 14.1%, despite lower sales volumes. This good performance is the fruit of the Group's strategy, with the contribution of synergies from the acquisitions made in 2015, its effective operating excellence programs and management measures. Finally, Imerys also benefited from the gradual enrichment of its product offering, resulting from innovation and the refocusing of selected businesses.

These quality results enable us to confirm our objective for growth in net income from current operations for full-year 2016, which should be comparable to the 1<sup>st</sup> half of 2016, assuming an unchanged environment and market conditions.

For the rest of the year, therefore, we shall continue to draw on our high cash-generating business model to continue implementing our development strategy with, in addition, an executive management team strengthened by the arrival of a Chief Innovation Officer and a Chief Industrial Officer.

Dear Shareholders, on behalf of all Imerys' employees, thank you once again for your confidence.

  
Gilles Michel

# Imerys announces improved results for first nine months of 2016

**In an economic environment that remains contrasted, Imerys' results continue to improve, driven by its acquisition strategy and its cost management.**



## + 1.4% GROWTH IN REVENUE (- 2.3% AT COMPARABLE GROUP STRUCTURE AND EXCHANGE RATES)

Over the first 9 months of 2016, the Group recorded 3,127 M€ in revenue. This increase results from a structure effect (+ 136 M€, + 4.4%), mainly comprised of S&B and the other acquisitions made in 2015, and from a negative exchange rate effect (- 23 M€, - 0.7%), relating in particular to the euro's appreciation against several currencies.

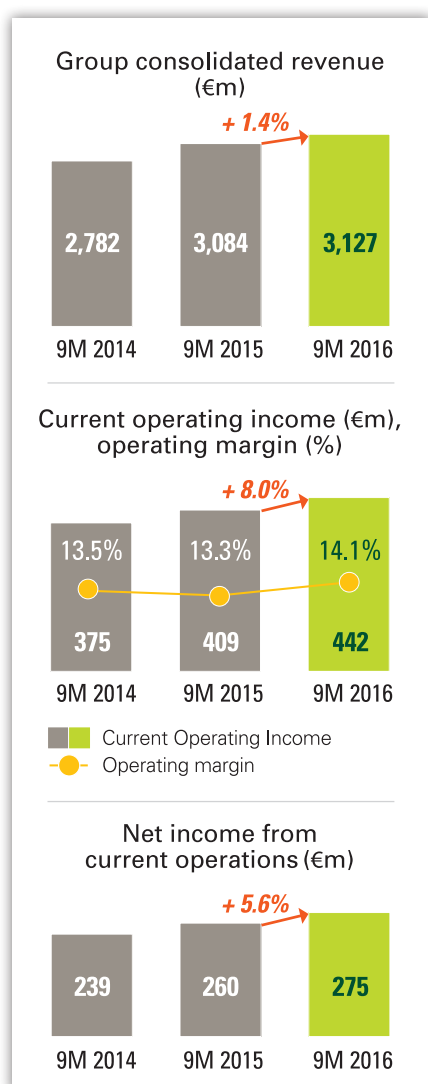
At comparable Group structure and exchange rates, revenue decreased -2.3% compared with the first 9 months of 2015. This was due to a slump on several markets, including steelmaking and paper, which was partly offset by a positive price-mix effect of + 0.7% driven by new products.

## FIRM GROWTH IN CURRENT OPERATING INCOME (+ 8.0%)

At 442 M€ (+ 8.0% compared with the first 9 months of 2015), current operating income factors in a positive structure effect

of + 14 M€, including the contribution of S&B, and a favorable exchange rate effect of + 30 M€, particularly resulting from the depreciation of the Brazilian real.

Current operating income improved thanks to a stronger specialty product offering, the ramp-up of synergies from acquisitions, the improvement of fixed and variable costs, supported by the operating excellence program and good control of purchases.



In this context, the Group's operating margin, which also benefited from a positive trend in the activity mix, improved by + 80 basis points to 14.1% (13.3% as of September 30, 2015).

## RISE IN NET INCOME FROM CURRENT OPERATIONS AND NET INCOME, GROUP SHARE (+ 5.6%)

The Group's share of net income from current operations increased + 5.6% to 275 M€, driven by the improvement in current operating income. Financial expense, at 48 M€, is higher than for the first 9 months of 2015 (40 M€), while interest expense decreased slightly to 38 M€ (39 M€ over the first 9 months of 2015). In addition, the 117 M€ tax charge (108 M€ over the first 9 months of 2015) reflects an effective tax rate of 29.7% (29.2% over the first 9 months of 2015).

Other operating income and expenses, net of tax, totaled - 56 M€ (vs. - 41 M€ one year earlier). They are particularly comprised of restructuring costs for Monolithic Refractories and Refractory Minerals (including 23 M€ depreciation in China in the third quarter).

## SOUND FINANCIAL STRUCTURE

As of September 30, 2016, the Group's net financial debt, at €1.5 billion, was stable compared with June 30, 2016. As of September 30, 2016, the Group's net financial debt-to equity ratio over 12 sliding months was 1.9x.

The full press release and slide deck for the Group's results to September 30 are available at [www.imerys.com](http://www.imerys.com) in the News & Media Center section.



## ImerCare™ P-scrub wins Industrial Minerals Association (IMA) Innovation Award

ImerCare™ P-scrub, a product developed by Imerys' Filtration & Performance Additives business group, won an IMA Innovation Award. This conference brought together representatives from the European Commission, industrial minerals industry, downstream industries, unions, NGOs, and academia.



ImerCare™ P-Scrub is a 100% natural perlite mineral, a volcanic rock. This product range, natural and ecological, has been specifically engineered in response to growing demand for environmentally-friendly alternatives to plastic microbeads, which are oil-derived, mainly made of polyethylene (PE) and polypropylene (PP), and widely used in personal care products for their exfoliating properties.



Those microbeads pollute water bodies and pose a threat for the environment: they have been banned from certain countries, such as the United States.

ImerCare™ P-Scrub was developed using patented technology that combines the natural hardness of volcanic rock and spherical particles to provide a gentle exfoliation effect. Those products are both Ecocert and Cosmos approved.

## Jean-François Claver and Thierry Materne join the Imerys Group's Executive Committee



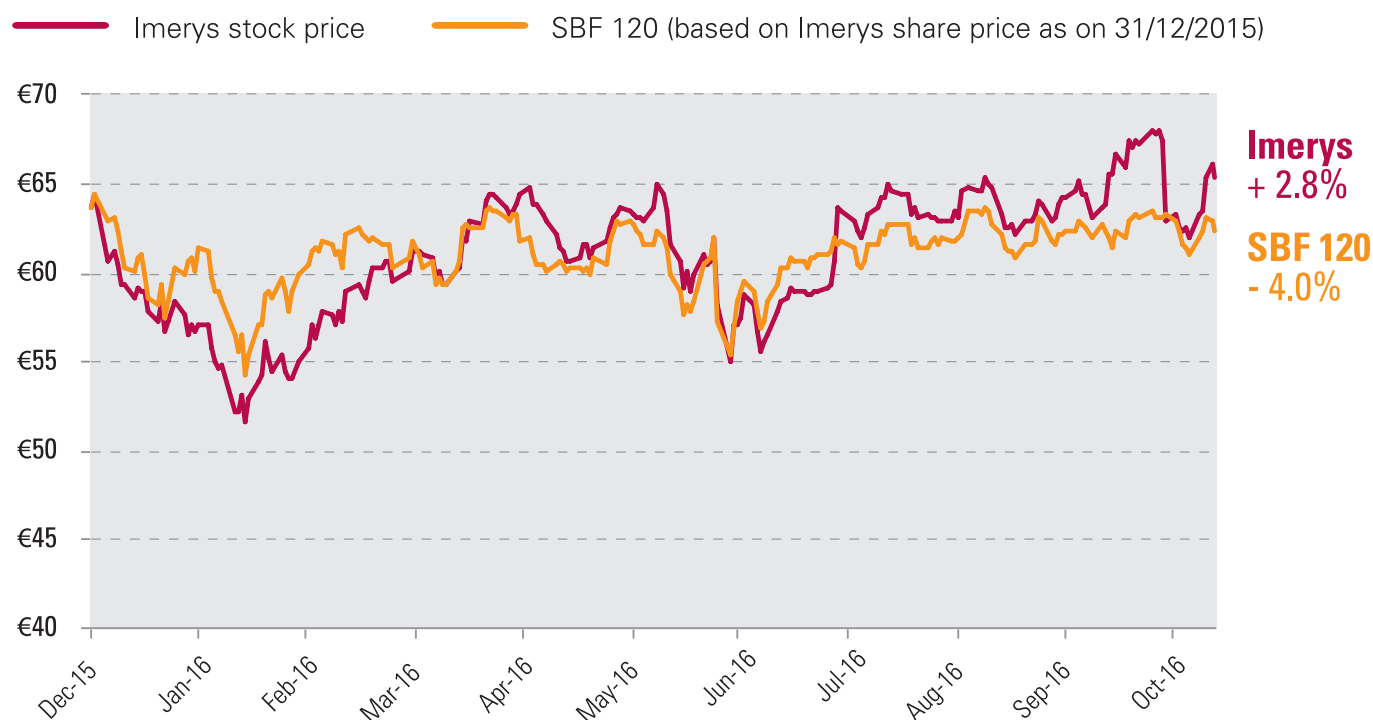
**Jean-François Claver** has been appointed Chief Industrial Officer. A graduate of Ecole Centrale de Paris with a Master of Sciences degree from Cornell University (New York), he spent almost 16 years at Pechiney before taking on industrial management roles at Alcan, Vallourec, Lafarge and Etex. He joined Imerys in 2015 as Vice President Mining and Industrial Operations.



**Thierry Materne** has been appointed Chief Innovation Officer, tasked with Innovation and Strategic Marketing. He holds a PhD in Chemistry and Materials Science and worked for more than 11 years on research & development at Goodyear Tire & Rubber in Europe and in the United States where he developed more than 60 patents in a wide range of areas. He then joined Dow Corning then Sabic Innovative Plastics (formerly GE Plastics) and Imerys in 2016.

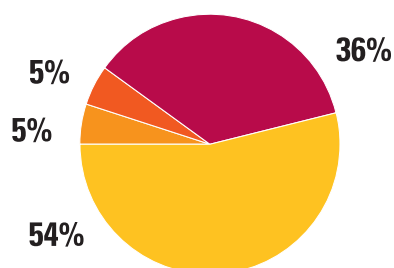


# Imerys share price performance as of November 11, 2016



## SHAREHOLDER STRUCTURE

As of October 31, 2016, Imerys' share capital was made as follows:



- Belgian Securities BV (subsidiary of Groupe Bruxelles Lambert)
- Blue Crest Holding (Kyriacopoulos family)
- Individual shareholders, employees and others
- Institutional investors

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## IMERYS ON THE STOCK MARKET

ISIN: FR0000120859 - NK  
Euronext Paris - Eurolist - Local Stocks  
Compartment A (Blue Chips)  
(eligible for deferred settlement service)

Data as of October 31, 2016

- Number of shares: 79 744 028
- Nominal value: €2.00
- Closing price: €63.40
- Market capitalization: €5.1 billion

## NEXT DATES

- **February 16 (before trading):**  
2016 full-year results
- **April 28 (before trading):**  
Results for 1<sup>st</sup> quarter 2017
- **May 3 at 11am (Paris time):**  
Shareholders' General Meeting
- **July 28 (before trading):**  
1<sup>st</sup> half 2017 results
- **October 31 (after trading):**  
3<sup>rd</sup> quarter 2017 results