



REGISTRATION DOCUMENT

ANNUAL FINANCIAL
REPORT
2017



IMERYS
TRANSFORM TO PERFORM

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2017

Registration Document

including the Annual Financial Report

World leader in mineral-based specialties for industry, Imerys delivers high value-added, functional solutions to a great number of sectors, from processing industries to consumer goods and building products. The Group draws on its knowledge of applications, scientific expertise and technological know-how to offer solutions benefiting its mineral resources, produce synthetic minerals and develop formulations. Imerys thus contributes essential properties to customers' products and performance, such as refractoriness, hardness, conductivity, opacity, durability, purity, lightness, filtration, absorption and repellency. Imerys meets ambitious criteria for responsible development, regarding social, environmental or Corporate Governance.



The original document was filed with the AMF (French Securities Regulator) on March 20, 2018, in accordance with article 212-13 of the general regulations of the AMF. As such, it may be used to support a financial transaction if accompanied by a prospectus duly approved by the AMF. This document was drawn up by the issuer and is binding on its signatories. It includes all information comprising the Annual Financial Report.



1

PRESENTATION OF THE GROUP

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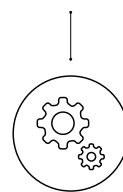
1.1 KEY FIGURES

€4.6bn
REVENUE

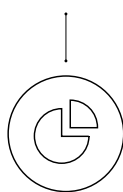


18,300
EMPLOYEES

14.1%
CURRENT OPERATING
MARGIN

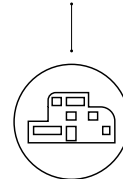


€648M
CURRENT OPERATING
INCOME

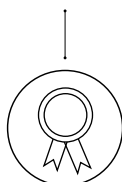


€6.2bn
MARKET
CAPITALIZATION

270
INDUSTRIAL
SITES



N° 1 or N° 2
IN MOST
OF OUR MARKETS

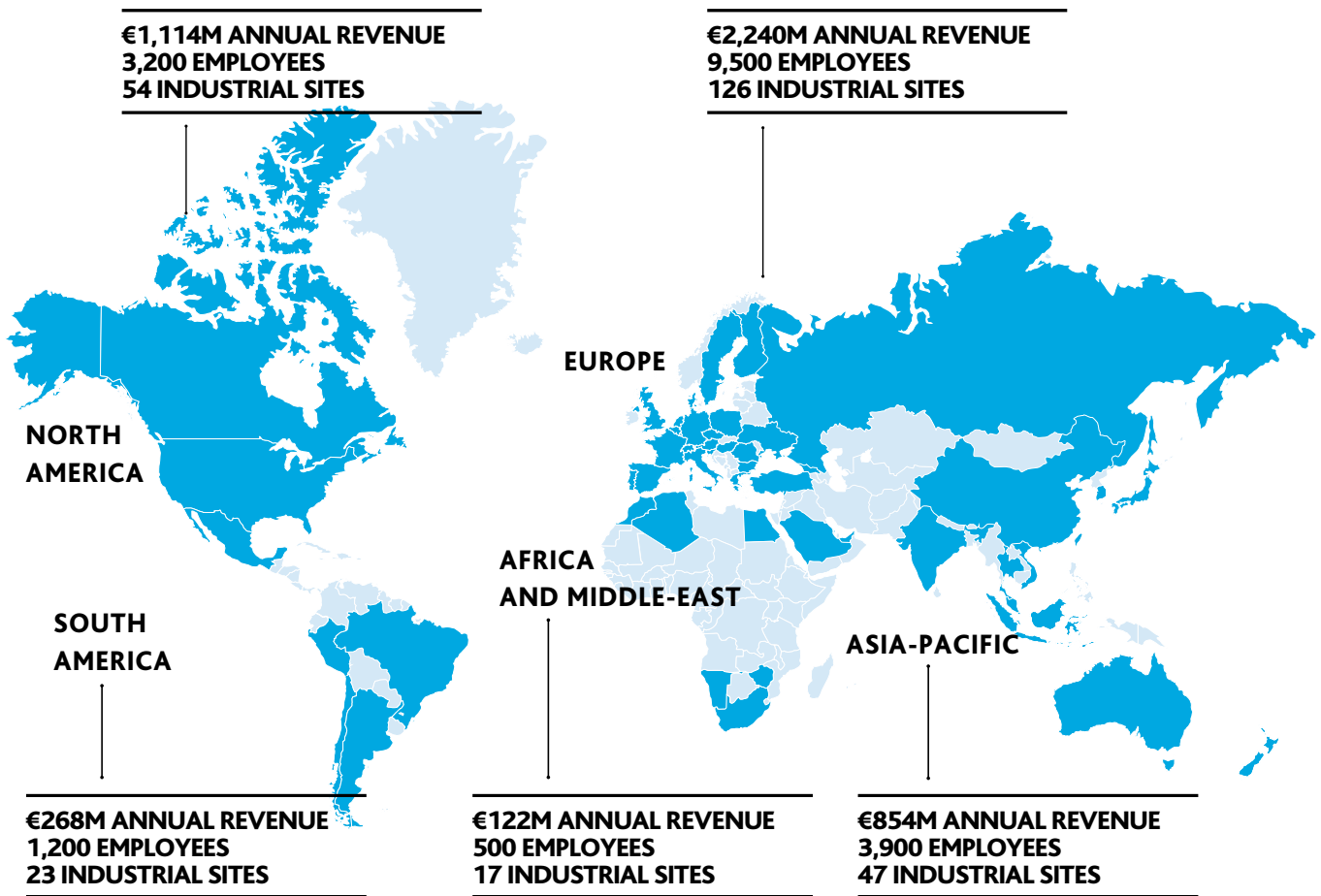


50
COUNTRIES

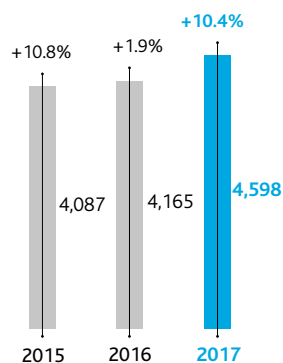
12.5%
OF REVENUE GENERATED
BY NEW PRODUCTS



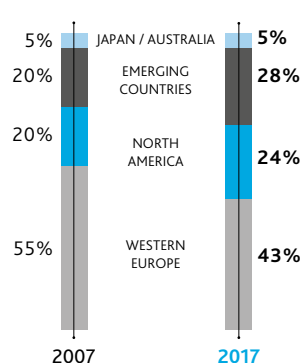
1.1.1 GLOBAL PRESENCE



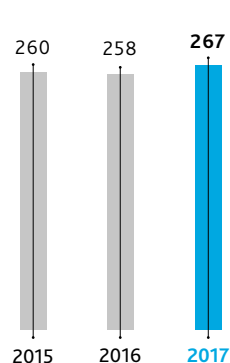
REVENUE



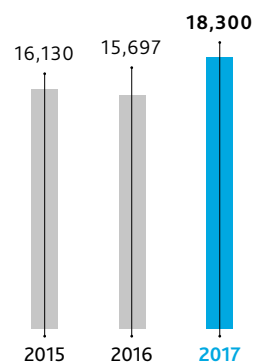
REVENUE BREAKDOWN



NUMBER OF INDUSTRIAL SITES



NUMBERS OF EMPLOYEES

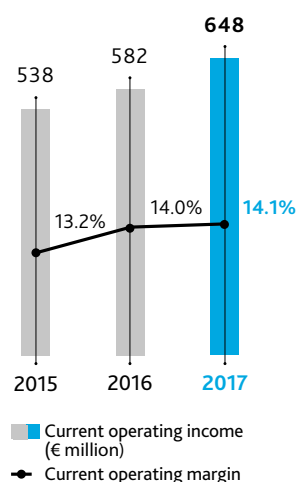


■ Revenue (€ million)
 % Current change

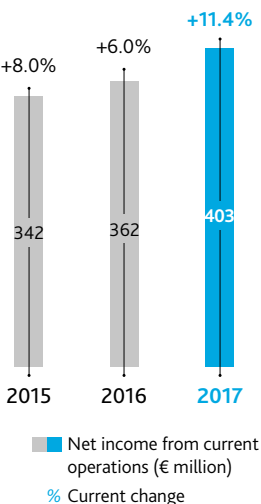
1.1.2 PROFITABILITY, CASH FLOW & FINANCIAL STRUCTURE

RESULTS AND PROFITABILITY

CURRENT OPERATING INCOME & CURRENT OPERATING MARGIN

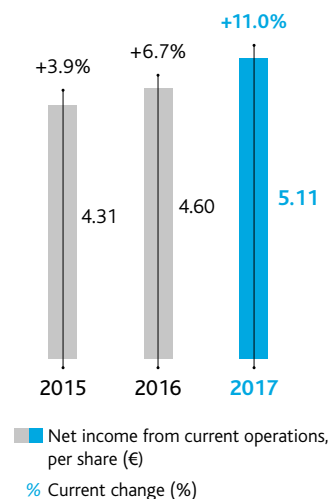


NET INCOME FROM CURRENT OPERATIONS



DATA PER SHARE

NET INCOME FROM CURRENT OPERATIONS, PER SHARE

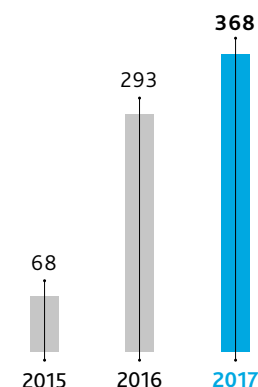


Share price trend over 3 years:

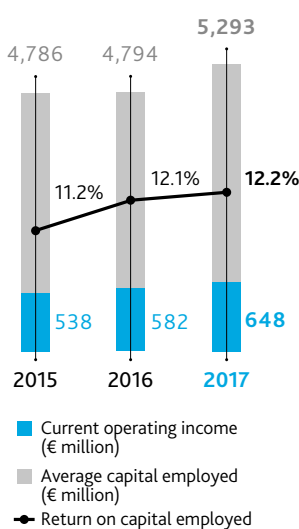
+29%

NET INCOME FROM CURRENT OPERATIONS, GROUP SHARE

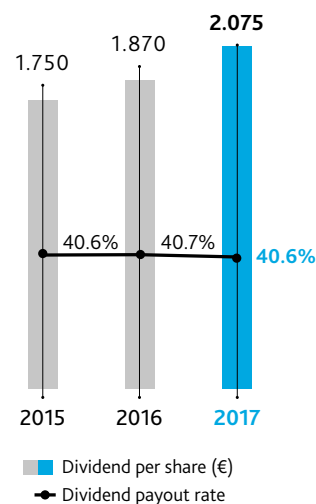
(€ million)



RETURN ON CAPITAL EMPLOYED (ROCE)⁽¹⁾



DIVIDEND PER SHARE⁽²⁾



Total Shareholder Return over 3 years⁽³⁾:

+11% per year

(1) ROCE: current operating income over a rolling 12-month period divided by the average capital employed over a period of five quarters.

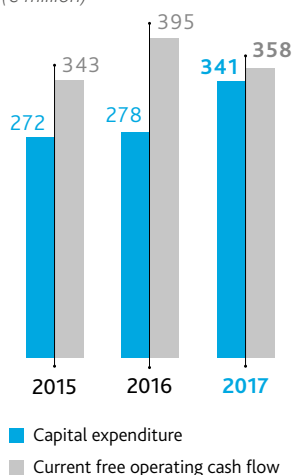
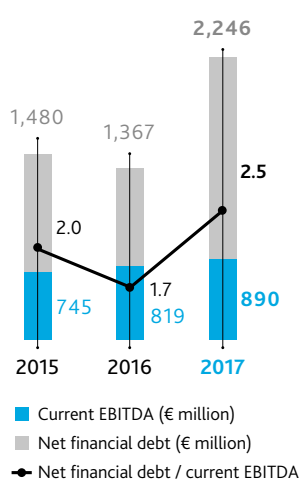
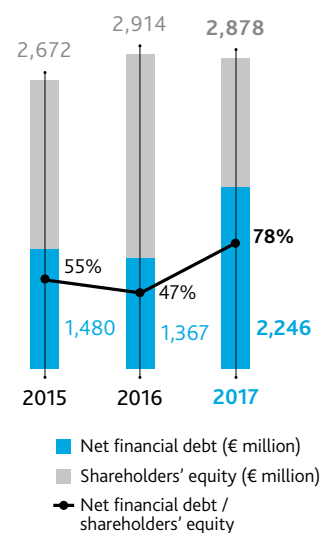
(2) Dividend for 2017 to be proposed at the Shareholders' General Meeting on May 4, 2018.

(3) Total Shareholder Return (TSR) equates to the annual rate of return on the Imerys share over a three-year period, including dividends and capital gains received.

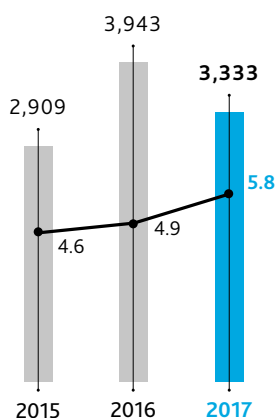
■ BALANCE SHEET & FINANCING CAPABILITY

CURRENT FREE OPERATING CASH FLOW AND CAPITAL EXPENDITURE⁽¹⁾

(€ million)

**NET FINANCIAL DEBT & CURRENT EBITDA****NET FINANCIAL DEBT & SHAREHOLDERS' EQUITY****FINANCIAL RESOURCES AND AVERAGE MATURITY⁽²⁾**

■ Financial resources (€ million)
● Average maturity (years)



MOODY'S

Moody's rating: Baa2,
stable outlook

S&P Global

S&P's rating: BBB,
stable outlook

✓ For more information about the Group's consolidated financial statements, see Chapter 6 of the Registration Document.

(1) Paid capital expenditure, net of divestments and subsidiaries.

(2) Financial resources comprise bank credit lines and Imerys SA bond issues.

1.1.3 NON-FINANCIAL DATA

■ SUSTAINABLE DEVELOPMENT GOALS

52
↓
local community
relations projects
in 2017

Contribution to
11 →
↓
of the United Nations
sustainable development
goals

- Good health and well-being
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable and clean energy
- Decent work and economic growth
- Reduced inequalities
- Responsible consumption and production
- Climate action
- Life on land
- Peace, justice and strong institutions

■ CLIMATE AND EMISSIONS

CO₂ EMISSIONS RELATIVE TO REVENUE

(tonnes equivalent CO₂/€m)

691 ——— -6%* since 2014

ENERGY CONSUMPTION RELATIVE TO REVENUE

(MJ/€m)

8.03 ——— -4%* since 2014

■ MANAGEMENT OF NATURAL RESOURCES

63%
↓
of non-hazardous industrial
waste recycled in 2017

43%
↓
of Group sites
certified ISO 14001
in 2017

■ HUMAN RESOURCES AND OCCUPATIONAL HEALTH & SAFETY

1.42
↓
lost-time accidents
per million hours
worked in 2017

341,927
↓
hours of training
provided to Group
employees in 2017

■ BIODIVERSITY AND SITE REHABILITATION

1,173
↓
hectares of land
rehabilitated in Western
Europe during 2017

✓ For more information about non-financial data, [see chapter 5 of the Registration Document](#).

* At comparable scope.

1.2 GROUP PROFILE

As the world leader in mineral-based specialties for industry, Imerys delivers high value-added, functional solutions to a great number of industry sectors, from processing industries to consumer goods. The Group draws on its knowledge of applications, its technological expertise and its specialist skills in materials science to offer solutions based on the value chain represented by its mineral resources, synthetic minerals and formulations.

In this way, Imerys provides properties that are essential to the performance of its customers' products; properties such as conductivity, hardness, opacity, durability, purity, lightness, filtration, adsorption, water repellency and refractoriness.

The Group also meets ambitious criteria for responsible development in terms of social, environmental, business ethics and corporate governance issues.

1.2.1 SPECIALTY SOLUTIONS

Imerys delivers value-added solutions that are formulated to meet the technical specifications of each customer. The prices of these solutions are therefore negotiated annually between the parties on the basis of those functions and services provided to users.

Imerys solutions contribute to the performance of a very large number of applications. They can be classified into four categories:

- **functional additives:** added to the mineral formulation of customer products, but representing only a minor part of the finished product manufacturing cost (for example, talc improves the stiffness of polymers used in the automotive industry, calcium carbonate makes food plastic packaging films breathable, and calcium aluminates are used in the manufacture of self-leveling, rapid-set cement floor screeds);

- **mineral components:** essential constituents in the formulation of customer products (for example, zirconia in the oxygen sensors used for engine combustion management systems and fused alumina in industrial abrasives);
- **process enablers:** used in the manufacturing processes used by customers, but are not present in the end product (for example, diatomaceous earth, which is used to filter edible liquids and extract proteins from blood plasma by fractionation);
- **finished products:** used as supplied, with no subsequent processing by the end-user customer (clay roof tiles or roofing accessories).

1.2.2 APPLICATIONS AND MARKETS SERVED

1.2.2.1 A DIVERSE SPECTRUM OF MARKETS

Imerys serves many industries, from construction materials to mobile energy, steelmaking to agri-food, and automotive to cosmetics. Imerys mineral specialties are used in a very large number of applications, including:

- additives for paints and coatings, and high-performance binders for the floor screeds used in the construction industry;
- components for technical ceramics (porcelain electrical insulators) and conventional ceramics (floor and wall tiles, sanitary ware and tableware);

- additives for plastics and polymers, especially those used in the automotive industry;
- refractory minerals and solutions for high-temperature industrial processes (refractory linings and insulation materials to protect furnaces and boilers);
- specialty graphites for mobile energy and the precision industries (lithium-ion batteries for electric vehicles, brake pads, etc.);
- bentonite for foundry molds;

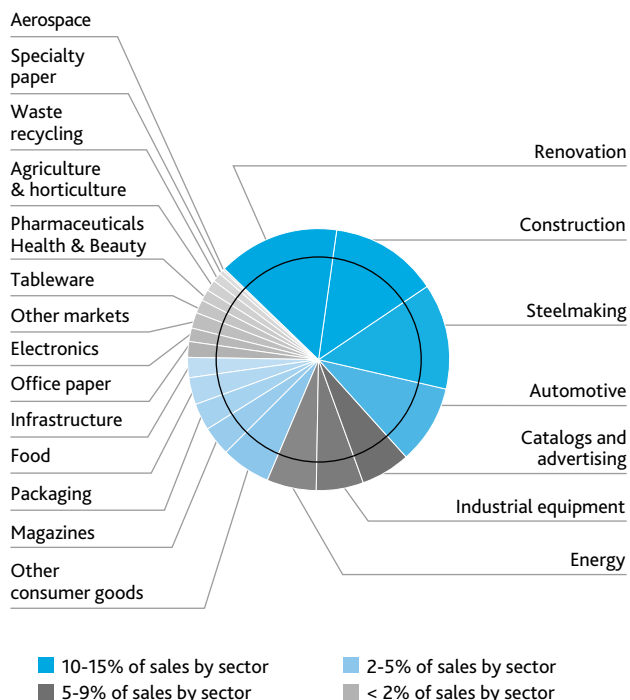
1 PRESENTATION OF THE GROUP

GROUP PROFILE

- corundum powders for abrasives (industrial cutter discs and grinding discs);
- tiles for roof construction and renovation;
- fillers and coatings for printing and writing paper, as well as board and packaging;
- filtration agents for edible liquids and blood plasma.

These applications are themselves intended for a broad diversity of end-user markets, including sectors such as pharmaceuticals, health/safety/beauty products and agriculture, none of which accounts for more than 15% of Group sales.

These markets are represented below.

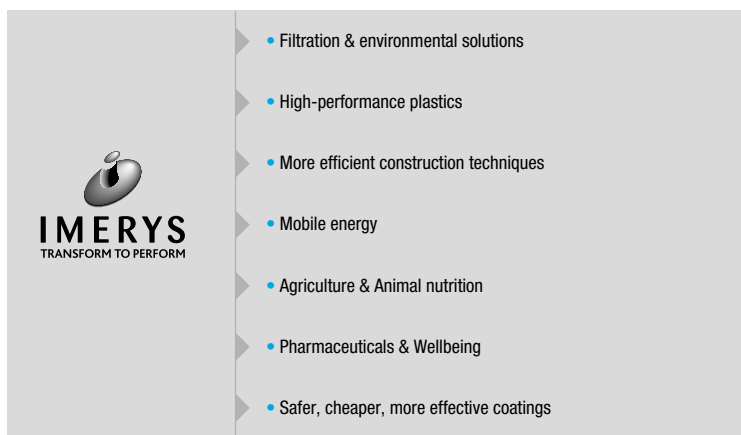


Source: Imerys estimates based on 2017 revenue, proforma Kerneos.

1.2.2.2 APPLICATIONS IN LINE WITH MARKET TRENDS

Imerys offers solutions that anticipate needs and serve markets engaged in a process of profound change: new lifestyles (urbanization, population aging, health and wellbeing, mobility, recycling, etc.), new economic models (the collaborative economy, the sharing economy, smart factories, etc.), technological progress (the Internet of Things, energy from renewable sources, 3D printing, etc.) and changing shareholder expectations (sustainable development, transparency, ethical behavior, etc.).

MACRO TRENDS



The Group is particularly engaged with the following major trends:

- **the reduction in fuel consumption** facilitated by the use of lighter structural components, especially for vehicles. For example, talcs and micas make plastic stronger, at the same time as reducing total component weight by up to 60%;
- **the quest for energy efficiency** by using new, more effective abrasives that save energy and raw materials;

- **the increasing use of energy from sources other than fossil fuels, and energy storage** with the use of graphite products for lithium-ion batteries, and the high-purity quartz used in crucibles for the production of silicon for solar power cells;
- **the quest for wellbeing**, with a range of talc- and perlite-based products for the pharmaceuticals and cosmetics industries;

- **waste reduction**, with a range of solutions to increase the recyclability of plastics (polypropylenes and polyethylenes) by making them compatible;

- **the quest for efficiency in construction**, with the adoption of modern construction technologies (self-leveling, rapid-set floor screeds, etc.).

1.3 OVERALL ORGANIZATIONAL STRUCTURE

1.3.1 THE STRUCTURE OF THE GROUP

The Group is structured into operating divisions working in specific markets within four business groups. The four business groups are presented below, together with their key financial aggregates. Imerys revenue and current operating income for 2017 are broken down as follows:

Business Groups	Divisions	Revenue (€ million)	Current operating income (€ million)	Current operating margin (%)
Group (consolidated)		4,598	648	14.1
Energy Solutions & Specialties	<ul style="list-style-type: none"> ■ Carbonates ■ Monolithic Refractories ■ Graphite & Carbon ■ Oilfield Solutions 	1,327	141	10.6
Filtration & Performance Additives	<ul style="list-style-type: none"> ■ Performance Additives ■ Filtration ■ Metallurgy 	1,237	254	20.6
Ceramic Materials	<ul style="list-style-type: none"> ■ Roofing ■ Kaolin ■ Ceramics 	1,183	213	18.0
High Resistance Minerals	<ul style="list-style-type: none"> ■ Fused Minerals ■ Aluminates 	915	112	12.2

✓ For more information about the 2017 results, *please refer to the comments specific to each business group in Section 2.1.3 of Chapter 2, and the sector-based information contained in the Consolidated Financial Statements set out in Chapter 6 of the Registration Document.*

1.3.2 EXECUTIVE COMMITTEE

Executive management of the Group is headed up by :

- Gilles Michel, Chairman & Chief Executive Officer until May 4, 2018, and then
- Conrad Keijzer, Deputy Chief Executive Officer since March 8, 2018, to become Chief Executive Officer and Director from May 4, 2018,
- assisted by an Executive Committee whose members are the Group's nine principal operations and support executives.

The Executive Committee is an informative and advisory body. Its mission is to ensure that the organization, resources and general management of the Group's business, as implemented by each member within their individual area of responsibility and under the authority of the Chief Executive Officer, are adapted to the strategy adopted by the Board of Directors and in accordance with fixed policies and objectives.

The key aspects of this mission are:

- to review the strategies and budgets submitted by individual Group divisions to the Strategic Committee and the Board of Directors, ensure their implementation, supervise their application, and make any adjustments required to ensure compliance with them;

- to define key targets for improving overall Group performance (particularly in terms of operational, financial, employment, social and environmental issues, as well as the occupational health and safety of employees), monitor those targets and implement any corrective measures that may prove necessary;
- to review the suitability, development and mobility of Group management resources in accordance with its current and future needs, and with key planned organizational changes;
- to adopt, manage deployment and supervise the implementation of those cross-functional and/or transformational policies and actions that apply to all parts of the Group (Innovation, CSR, Human Resources, Communication, Operational Excellence, Geology & Mines, Health & Safety, Legal & Regulatory Compliance, Internal Control & Risk Management, Information Systems and Internal Efficiency), and in a more general sense, all plans, operations and/or measures that are subject to the scrutiny of the Executive Committee by the Chief Executive Officer, either at his initiative or when proposed by other members.

The committee meets monthly, and on as many other occasions as required to ensure the best interests of the Group. It met on 11 occasions in 2017.

1 PRESENTATION OF THE GROUP

OVERALL ORGANIZATIONAL STRUCTURE

As of the date of this Registration Document, the Executive Committee is composed of the following members:

Name	Title	Nationality	Date of joining the Group	Date of Executive Committee appointment
Gilles Michel	Chairman and Chief Executive Officer ⁽¹⁾	French	2010	2010
Conrad Keijzer	Deputy Chief Executive Officer ⁽²⁾	Dutch	2018	2018
Operations Directors				
Frédéric Beucher	Vice President, Supervision of the Roofing, Kaolin, Ceramics and Graphite & Carbon divisions	French	2003	2013
Alessandro Dazza	Vice President, Supervision of the Fused Minerals, Aluminates and Monolithic Refractories divisions	Italian	2000	2013
Olivier Hautin	Vice President, Mergers & Acquisitions and International Development, Supervision of the Oilfield Solutions division	French	1995	2008
Daniel Moncino	Vice President, Supervision of the Performance Additives, Filtration, Metallurgy and Carbonates divisions	American	2002	2008
Support Executives				
Jean-François Claver	Chief Industrial Officer	French	2015	2016
Vincent Lecerf	Chief Human Resources Officer	French	2017	2017
Thierry Materne	Chief Innovation Officer	Belgian	2016	2016
Denis Musson	Group General Counsel, Company Secretary	French	1999	2003
Olivier Pirotte	Chief Financial Officer	Belgian	2015	2015

(1) Until May 4, 2018, when he will be re-elected as Chairman of the Board of Directors.

(2) From March 8, 2018 and until May 4, 2018, when he will become Chief Executive Officer.

■ EXECUTIVE COMMITTEE MEMBERS COMPENSATION STRUCTURE

The Imerys compensation policy involves its senior managers in the long-term and short-term performance of the Group and its value creation. The criteria governing the compensation paid to Imerys Executive Committee members align closely with the goals set by the Group. Compensation packages include a fixed element and a variable element, the amount of which depends on the following criteria:

	Performance-related elements of compensation	
	Variable (short term)	Variable (long term)
Performance conditions	Quantitative (financial)	Net income from current operations
		Free operating cash flow
		Return on capital employed
	Qualitative	Personal targets
	Safety	Occupational accident frequency rate*
Performance assessment period	Annual	Three years
Form of compensation	Cash	Performance shares

* √ For more information about the frequency rate, see paragraph 5.5.1, Chapter 5 of the Registration Document.

√ For more information about the Group Executive Management team and the compensation paid to company officers, see sections 3.2 and 3.3, Chapter 3 of the Registration Document.

1.3.3 GOVERNANCE

Imerys is structured as a French Limited Liability Company (*Société Anonyme*) with a Board of Directors (*Conseil d'Administration*). The functions of Chairman of the Board of Directors and Chief Executive Officer are remain combined until May 4, 2018. They will be split after this date, when Gilles Michel will be re-elected as Chairman of the Board of Directors and Conrad Keijzer will become Chief Executive Officer.

The Board of Directors exercises permanent control over the management of the Company. It approves its strategic guidelines and authorizes major transactions with the potential to influence the future of the Group. The specialized committees play an advisory role and report to the Board of Directors. They provide the Board with their opinions and recommendations to inform its decisions.

The composition of the Board is designed to enable the Group to benefit from the full diversity and international knowledge and experience of its members, who are involved in defining and implementing Group strategy.

As of the date of this Registration Document, the Board of Directors currently has 17 members, including two employee representative Directors appointed by the France Group Committee and the European Works Council (*see paragraphe 1.3.2 of chapter 3 of the Registration Document*). The proportion of women (six out of 15, excluding the employee representative Directors) and that of independent members (seven out of 15, excluding the employee representative Directors) meet the regulations and the AFEP-MEDEF Code of Corporate Governance. Directors are appointed for three years.

The Board met five times in 2017, with an average member attendance rate of 91.7%.

From May 4, 2018, and subject to the approval of the decisions of the Board of Directors and the Shareholders General Assembly, the number of Directors will be reduced to 14 members, Mrs Giovanna Kampouri Monnas, Mrs Katherine Taaffe Richard, Messrs Xavier Le Clef, Laurent Raets⁽¹⁾ and Arnaud Vial having advised that they wish to leave the Board of Directors.

Name	Age ⁽¹⁾	Position	Date of first appointment	Year of renewal of term of office	Independent member
Gilles MICHEL	62	Chairman	11/03/2010	2021	No
Conrad KEIJZER	49	Director, Chief Executive Officer	05/04/2018	2021	No
Paul DESMARAIS III	35	Vice-Chairman	04/29/2014	2020	No ⁽²⁾
Aldo CARDOSO	62	Director	05/03/2005	2020	Yes
Odile DESFORGES	68	Director	05/04/2016	2019	Yes
Ian GALLIENNE	47	Director	04/29/2010	2019	No ⁽²⁾
Marion GUILLOU	63	Director	09/01/2012	2020	Yes
Colin HALL	47	Director	12/15/2015	2020	No ⁽²⁾
Ulysses KYRIACOPOULOS	65	Director	04/30/2015	2021	No
Martina MERZ	55	Director	05/03/2017	2020	Yes
Marie-Françoise WALBAUM	68	Director	04/25/2013	2021	Yes
New Director ⁽³⁾			05/04/2018	2021	Yes
Éliane AUGLET-PETIT	60	Employee representative director	10/06/2014	2020	
Enrico D'ORTONA	54	Employee representative director	10/06/2014	2020	

(1) At December 31, 2017.

(2) Board Member representing a controlling shareholder in the Company.

(3) The Board, at its May 4, 2018 meeting, will decide the cooptation of a new female member. Name currently under consideration as of the publication date of this Registration Document.

In its new composition, women will account for 41.7% of the Directors (5 out of 12, excluding the Directors representing the employees). The proportion of independent directors being higher than the third recommended by the AFEP-MEDEF Code of Corporate Governance.

The Board of Directors has formed four Specialized Committees: the Audit, Appointments, Compensation and Strategic Committees, with the following composition as of the date of this Registration Document.

Committee	Chair	Total number of members	Independent members	Number of meetings in 2017 (average member attendance)
Audit	Aldo Cardoso	3	2	5 (100%)
Appointments	Paul Desmarais III	5	3	3 (87%)
Compensation	Paul Desmarais III	6	3	2 (100%)
Strategic	Ian Gallienne	8	3	7 (93%)

✓ For information about the composition of the Board of Directors and its Specialized Committees and the way they operate, *see section 3.1, Chapter 3 of the Registration Document*.

(1) Mr. Laurent Raets will be invited to continue to attend Board meetings, no longer as a Director but as an observer, in an advisory capacity.

1.3.4 CORPORATE SOCIAL RESPONSIBILITY

In 2017, the Group's Corporate Social Responsibility (CSR) organizational structure changed in order to set and implement new ambitions intended to support the Imerys growth strategy in ways consistent with the new CSR challenges and expectations of key stakeholders.

The CSR Department now reports to the Vice President, Legal Affairs and CSR, and a CSR Steering Committee has been formed to set the CSR ambitions of the Group and validate its CSR strategy, as well as managing and supervising implementation of the associated action plans.

This Steering Committee is chaired by the Group Chief Executive Officer, and its members are four Executive Committee members (Company Secretary, Human Resources, Industrial and one of the Operations Vice Presidents) and three of the Group's other central services and operations senior managers.

The Strategic and Audit Committees are responsible respectively for advising on CSR strategy and implementation conditions to inform decisions validated by the Board of Directors.

✓ For more information about CSR, [see Chapter 5 of the Registration Document](#).

1.4 ECONOMIC MODEL

1.4.1 KEY STRENGTHS

Its high-quality mining and industrial assets, the leading positions it holds in the majority of its markets, its responsive organizational structure and culture of operational excellence give Imerys the key strengths it requires to deliver long-term value creation for its leading stakeholders.

■ HIGH-QUALITY MINING AND INDUSTRIAL ASSETS

- 267 industrial sites
- including 119 mines with average reserves of 20 years
- a portfolio of more than 30 minerals

Imerys owns an extensive range of mineral resources, which effectively secures a large proportion of its supplies and production costs, as well as high-performance industrial assets using a wide range of exclusive conversion technologies and processes.

Imerys operates more than a hundred mineral deposits throughout the world and actively pursues the replacement and growth of its mineral reserves and resources to ensure that it continually holds an average of 20 years of reserves. The Group mines and processes more than 30 different minerals.

These minerals are systematically processed or synthesized by the Group into mineral solutions using a broad diversity of exclusive industrial processes and technologies designed to develop the properties required for their end-user applications, thereby responding effectively to the specifications of its industrial customers.

The Group has particular expertise in the following conversion processes:

- mechanical treatments: purification, refining, micronization by milling and screening, drying, molding, cycloning, elutriation, classification, flotation, mixing, etc.;

- heat treatments: very high temperature calcination, fusion, sintering, etc.;
- chemical treatments: synthesis, crystallization, precipitation, etc.

These processes confer physical properties such as purity, crystalline structure, particle size and distribution, shape and special surfaces. The resulting solutions are sold in the form of powders, grains, granules, blends, pastes or aqueous dispersions. Depending on the end product, the production cycle may range from a few days to several weeks.

✓ For more information about minerals, [see section 1.6 of the Registration Document](#).

■ LEADING MARKET POSITIONS

Imerys holds leading market positions as a result of its broad geographic coverage and the diversity of the industries it serves; strengths that also reduce its exposure to business cycles.

The Group holds a leading position in the majority of its markets:

- minerals for breathable polymer films;
- alumino-silicate monolithic refractories;
- graphite for alkaline batteries;
- conductive additives for Li-ion batteries;
- fluxes for continuous casting processes;
- perlite for construction;
- mineral solutions for filtration, paper, plastics, paints, ceramics, health products, cosmetics, etc.

■ AN AGILE ORGANIZATIONAL STRUCTURE

- 12 divisions operating as closely as possible to markets
- 18,300 employees in 50 countries

Its agile organizational structure enables the Group to achieve the closest possible fit with its customers, and adapt rapidly to changing market conditions. This organizational structure is based on the divisions, which exercise a high level of autonomy in their day-to-day management and are free to take operational decisions that reflect the realities of their markets. Each division is underpinned by operating methods shared by every part of the Group organizational structure for greater efficiency. More specifically, they share internal resources, manufacturing processes, information systems and performance measurement indicators. They also network with each other to exploit the full potential offered by a Group on this scale (internal mobility, best practice sharing and dissemination, collaborative working systems, etc.). Imerys also provides them with additional resources designed to optimize their performance and support their growth: excellence programs, development teams, new capabilities, etc.

By sharing the same ambition, culture, values, behaviors and commitment, the employees of the Group make a full contribution to its continued and continual progress. As a result of this organizational structure, and by drawing on its resources and opportunities for growth, Imerys gives them the opportunity to engage with missions that are both empowering and motivational, and which contribute to their personal and professional development.

■ A CULTURE OF OPERATIONAL EXCELLENCE

- The I-Cube continual improvement program has been rolled out in 55% of sites
- 1.42 lost-time accidents per million hours worked

Engaged in a permanent quest for excellence in its products, its production resources, its people and their safety, Imerys introduced a program to continuously improve its industrial processes and performance in 2014: Imerys Industrial Improvement or I-Cube. The definition of shared indicators and the development and sharing of good practices are all part of optimizing industrial production (through energy efficiency, management of resources and waste/discharges, safety, etc.), and empowering employees. In 2017, this program was rolled out in around 40 more Group sites, bringing the total to 146.

1.4.2 DEVELOPMENT STRATEGY

The Imerys strategy is designed to deliver steady growth in Group financial results as the basis for creating long-term value. The strategy is built around innovation, capital investment in development opportunities and targeted acquisitions.

■ INNOVATION

- more than 400 people
- 2,300 patents
- 12.5% of revenue generated by new products

The Imerys innovation strategy relies on its ability to combine minerals with functionality to provide its customers with significant improvements in the characteristics of their products, especially in terms of energy performance and energy efficiency, at the same time as limiting discharges and environmental impact. This expertise is a valuable asset in responding effectively to the major technological challenges facing industrial operators going forward.

New products are the result of a continuous flow of innovations driven by upgrading of the existing range, as well as disruptive innovations based on the development of completely new and unique concepts. In 2017, the amount of revenue generated by new products rose by 10% to €575 million, which represents 12.5% of total Group revenue (compared with 12.5% in 2016).

More than 100 new products were launched in 2017⁽¹⁾. In recent years, Imerys has stepped up its innovation efforts to deliver an effective response to the needs of its markets. The technical skills of its teams and the Group's multi-market presence are also powerful levers for accelerated growth.

Imerys protects its innovations with an industrial property policy: a total of 2,300 patents and more than 85 industrial models and functionalities at the end of 2017. As a clear sign of its commitment to innovation, the number of new patents filed by the Group has increased by more than 30% since 2010. And to protect its extensive product range, the Group owned around 4,000 trademarks at December 31, 2017, including the Imerys brand, which is registered in 100 countries. To the best knowledge of Imerys at the date of publication of this Registration Document, the Group owns no patent, license, trademark, design or model for which a potential loss of rights would pose the risk of a significant adverse effect on its overall business activity and profitability. Similarly, Imerys is currently unaware of any outstanding litigation, dispute or claim regarding its intellectual property rights with the potential significantly to affect its business activity or financial situation.

(1) Imerys measures the contribution made to Group revenue on the basis of a quarterly report. To be eligible, a product must have been developed internally and have been in the Imerys range for less than five years; it must also constitute a disruptive innovation, extend a range or contribute a new physical shape or improvement to an existing product

1 PRESENTATION OF THE GROUP

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Some examples of new products:

	Market	Applications	Division	Products	Services
New applications	Electric vehicles	Increased performance of lithium-ion batteries for electrical cars ■ Lower CO ₂ emissions	Graphite & Carbone	√	
	Health & Beauty	Natural mineral solution in cosmetics ■ Respect of the environment	Performance Additives	√	
	Renovation and new construction	Solar tiles ■ More energy efficient constructions	Roofing	√	
	Industrial equipment	Ultra-fine alumina for high-performance abrasives ■ Improved resistance of abrasives	Fused Minerals	√	
	Recycling	Compatibilization of used plastics ■ Recycling	Performance Additives	√	√
	Industry	Additives for cryogenic insulation for liquefied gaz storage ■ Energy efficiency	Filtration	√	√
Incremental innovations	Automotive	Performance of automotive plastics ■ Lighter cars	Performance Additives	√	
	Refractories for high temperature industries	High-purity andalousite ■ Thermal and mechanical resistance	Aluminates	√	
	Foundry	Bentonite-based binder ■ Improvement in molding precision and yield	Metallurgy	√	

DEVELOPMENT INVESTMENTS

- €341 million in capital investment, including €121 million invested in development during 2017
- Key developments in energy, automotive industry products and consumer goods

In 2017, the Group continued the implementation of its program of investment in R&D, industrial capacity, mining resources and geographic expansion. It maintained a high level of development investment (€121 million).

The main development projects undertaken in 2017 were as follows:

End-markets	Project description	Country	Division	Capacity increase	New products/ technologies	Geographical expansion
Automotive	Talc production capacity for polymers	USA France	Performance Additives	√	√	
Mobile energy	Carbon black production capacity	Belgium	Graphite & Carbon	√	√	
	Opening of new natural graphite mine	Namibia				√
	New synthetic graphite production unit	Switzerland		√	√	
Healthcare	Diatomite production capacity for blood plasma fractionation	U.S.A	Filtration	√	√	
Paper	New Fiberlean® plants: new micro-fibrillated cellulose-based technology	U.S.A India	Carbonates		√	
Agri-food and hygiene	Carbonates production capacity for plastic films	China	Carbonates	√		
Cosmetics	Expanded perlite production capacity	Spain	Filtration		√	

√ For more information, [see section 2.1, Chapter 2 of the Registration Document](#).

TARGETED ACQUISITIONS

- 10 companies were integrated in 2017

The acquisitions made in recent years have established Imerys as the world leader in mineral solutions for industry. All contribute to broadening the Group's business portfolio, and provide access to new technology platforms, geographic regions, minerals or products.

The acquisition of Kerneos

The 2017 fiscal year saw a series of acquisitions, the largest of which was Kerneos in a deal that completed on July 18. This transaction strengthens the Group specialty offering in high-potential markets and improves its growth profile. With reported revenue of €417 million for 2016, Kerneos is the world leader in high-performance calcium aluminate-based binders that contribute key properties (rapid hardening, self-leveling, impermeability and corrosion, abrasion and heat resistance) to the innovative solutions of its customers in industries ranging from construction (floor screeds and tile adhesives) and civil engineering (wastewater drainage infrastructures) to refractories (heat protection for blast furnaces and conventional power generating plants). Innovation is a significant factor for growth at Kerneos, because it enables the company to expand its range of products such as Exalt®, a high-performance liquid binder designed specifically for external coatings, mineral paints and waterproofing products, and hardened with the addition of an activator. Kerneos is now part of the Imerys High Resistance Minerals business group, within the newly formed Aluminates division, together with the Refractory Minerals division.

Other complementary acquisitions

The main complementary acquisitions made by the Group in 2017 are listed in the following table:

Bolt-on acquisitions	Full year revenue	Activity	Country	Division	Portfolio expansion	Geographical expansion	Date of first consolidation
Damolin	€~50M	Absorbants for industrial use	Denmark	Metallurgy	√		01/01/2017
Alteo	€~50M	Specialty aluminates for abrasives	France Germany	Fused Minerals	√		01/01/2017
Regain Polymers	€~30M	Plastics recycling	UK	Performance additives	√		09/06/2017
Zhejiang Zr-Valley	€~30M	Zirconia derivatives for various specialty applications	China	Fused Minerals	√	√	08/01/2017
SPAR	€~20M	Monolithic Refractories	USA	Monolithic Refractories		√	09/01/2016
Micron-Ita Vimal Microns	€~15M	Micronized ground calcium carbonates for polymer applications	Brazil India	Carbonates		√	11/25/2017 01/31/2018
NG Johnson Set Linings Fagersta Eldfasta	€~10M	Installation of monolithic refractories	UK Germany Sweden	Monolithic Refractories		√	02/01/2017 03/31/2017 10/03/2016
Nippon Power Graphite	ns	Pilot production line for graphite anodes for Lithium-ion batteries	Japan	Graphite & Carbon	√	√	02/01/2017

As part of its policy of active asset management, the Group regularly makes small disposals of its industrial sites.

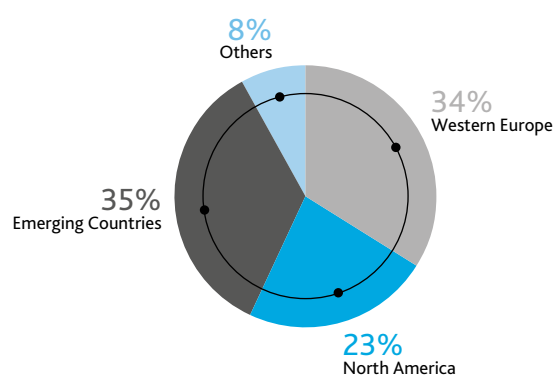
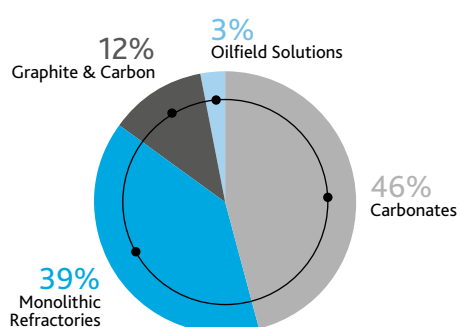
√ For more information about the highlights of 2017, [see section 2.1.1, Chapter 2 of the Registration Document](#). For more information about the history of the Group, [see section 7.1, Chapter 7 of the Registration Document](#).

1.5 BUSINESS GROUPS

1.5.1 ENERGY SOLUTIONS & SPECIALTIES

The Energy Solutions & Specialties business group includes the Carbonates, Monolithic Refractories (Calderys), Graphite & Carbon and Oilfield Solutions divisions. It serves a broad diversity of end-user markets, including paper, steelmaking, construction, consumer goods and energy.

- Annual revenue of €1,327 million, representing 29% of total Group revenue;
- Current operating income of €141 million, representing a revenue margin of 10.6%;
- 4,990 employees;
- 73 industrial sites in 27 countries.



✓ For more information on the highlights of 2017 in this business group, [see section 2.1.3, Chapter 2 of the Registration Document](#).

Divisions	Products	Industries served	Main applications	Market positions ⁽¹⁾
CARBONATES	Ground Calcium Carbonate (GCC) Precipitated Calcium Carbonate (PCC) Lime	Agriculture Food Automotive Board & Packaging Construction Board & Packaging Industrial equipment Paper Consumer goods Health & Personal Care products	Fillers, Coatings (functional additives) and Process enablers Functional additives for: Adhesives Rubber Personal care, Health & Beauty Sealants Paper Paints Plastics Polymer & Films Coatings & Construction materials Catalytic substrates	World #1 in minerals for breathable polymer films World #2 in carbonates for paper
MONOLITHIC REFRACTORIES (CALDERYS)	Monolithic refractories Cast/vibrated castables QD™ Quick Dry castables Prefabricated forms Ramming mix Taphole clays Dry mix Gunning materials Full service provision for the refractory industries	Aluminum Cement Furnace construction & repairs Foundry Power generation Petrochemicals Steelmaking Waste-to-energy	Monolithic refractories (process enablers) Prefabricated shapes	World #1 in alumino-silicate monolithic refractories
GRAPHITE & CARBON	Silicon carbide Cokes Natural graphite Synthetic graphite Carbon black	Electronic & Electrical equipment Automotive & Transport Mobile energy Industrial equipment Oil & Gas Steelmaking	Functional additives for: Batteries (Li-ion, alkaline, etc.) High voltage cables Conductive compounds Pencils Conductive and insulating sheets Refractory materials Carbon Brushes Brake pads Powders for metallurgy	World #1 in graphite for alkaline batteries World #1 in conductive additives for Li-ion batteries World #1 in large flake natural graphite
OILFIELD SOLUTIONS	Ceramic proppants Mineral-based solutions: Bentonite Calcium carbonate Diatomite Graphite Metakaolin Mica Perlite	Non-conventional oil and gas extraction	Well stimulation Oilfield drilling muds	

(1) Imerys estimates.

CARBONATES

The Carbonates division produces ground calcium carbonate (GCC), precipitated calcium carbonate (PCC) and limestone to serve the local paper and packaging industries, as well as high-performance mineral applications, such as polymers, rubber, health, beauty, personal care and construction.

Products

The Carbonates division offers a broad range of ground and precipitated calcium carbonates for use as functional additives in filling and coating applications or as process enablers.

- Ground calcium carbonate (GCC) is obtained by milling natural calcium carbonate. Once processed, it is used in high-performance mineral applications, such as paints and surface coatings, plastics and sealants, as well as in air purification and environmental remediation products. Prized for its whiteness and alkaline properties, GCC is widely used as a filler or coating pigment in the paper industry.
- Precipitated calcium carbonate (PCC) is produced by hydrating lime, followed by precipitation in contact with carbon dioxide. It is used as a functional additive in the automotive, construction and consumer goods industries. It is also used in products such as paints, adhesives, coatings and plastics, and as a filler and coating agent in the paper and board industry.
- The lime is obtained by calcination of natural limestone, and is used mainly in steelmaking and water treatment.

Industrial facilities

The Carbonates division operates 46 industrial sites – 23 of them certified ISO 9001 compliant – in 18 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	11	19	16	0

Main competitors

- GCC: Omya (Switzerland) and various local competitors.
- PCC: Schaefer Kalk (Germany), Cales de Llerca (Spain), Minerals Technologies (USA) and Omya (Switzerland).

MONOLITHIC REFRACTORIES

The Monolithic Refractories division develops and markets Calderys-branded monolithic refractories in Europe, India, Asia-Pacific and, more recently, in North America. It provides integrated refractory solutions for a broad range of industrial equipment developed and implemented by its teams of engineers and technicians. These solutions and services are used for construction and repair of refractory linings subject to high temperatures and intensely demanding operating conditions. Monolithic refractories are semi-finished products whose formulation includes refractory minerals, binders and additives. Monolithic refractories represent 45% of the total market for refractories in the developed economies of the world due to their intrinsic advantages: ease and speed of installation, grout-free assembly and adaptability to even the most complex furnace shapes.

Applications

Exploited and marketed worldwide, carbonates are added to intermediate or finished products to improve performance or processability and reduce overall raw materials costs.

Their main applications are as follows:

- Rubbers: calcium carbonates facilitate processability, permeability, chemical resistance and barrier properties, as well as contributing whiteness and mechanical properties;
- Personal care, health & beauty: calcium carbonates are used in a broad range of personal care products, including toothpaste;
- Sealants & adhesives: calcium carbonates improve the rheological properties of these products and reduce water and volatile compound content;
- Paints & coatings: calcium carbonates are used as extenders to improve paint quality, particularly in terms of opacity, matting, crack resistance and corrosion resistance;
- Plastics, films & polymer packaging: calcium carbonates contribute a series of increasingly technical properties to these products, including opacity, mechanical strength and thermal conductivity;
- Paper: calcium carbonates are added either to paper pulp as fillers or as coating products in combination with pigments, binders and chemical additives.

Products and services

Calderys products are formulated natural and/or synthetic mineral raw materials, including chamotte, andalusite, mullite, bauxite, tabular or fused alumina (alumino-silicate monolithics or “acid monolithics”), spinels, magnesite and dolomite (“basic monolithics”). Refractory cements, clays and chemicals are incorporated as binders. Monolithics can be installed using a range of techniques, including casting, gunning or ramming. Calderys also offers a range of prefabricated solutions that adapt to customer requirements and reduce installation time. As a result, Calderys has the capability to take care of every stage in refractory product installation, from design to on-site implementation.

Applications

Calderys monolithic refractories are specialty products used in all industries where high temperatures are required, such as steelmaking, ferrous and non-ferrous foundries (including aluminum), power generating plants, incinerators, biomass boilers, and the cement and petrochemicals industries.

Calderys is particularly well positioned to provide solutions at every sensitive stage of the production process: blast furnaces and their runners in the steelmaking industry, cyclones and burning zones in cement plants or petrochemical plant sulfur recovery units, and growth markets like waste-to-energy. In addition to the monolithic refractories produced by Calderys, the product range also includes ready-to-use forms, insulating products, anchoring systems and other accessories.

Industrial facilities

The Monolithic Refractories division operates 19 industrial sites – 16 of them certified ISO 9001 compliant – in 16 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	9	1	8	1

Main competitors

RHI Magnesita (Austria and Brazil); Krosaki Harima (Japan), Vesuvius (UK), Harbison Walker (USA) and a number of regional and local competitors.

■ GRAPHITE & CARBON

The Imerys Graphite & Carbon division is the world leader in high-performance technical applications for graphite and carbon black. With a strong global presence spanning North America, Europe, Asia, and Africa, this division produces and markets a large variety of synthetic graphite powders and conductive carbon blacks. It benefits from high-quality natural graphite reserves in Canada and Namibia, associated with a cutting-edge (synthesis and crystallization) production process. The development and combination of the resulting physical properties (purity, crystal structure, particle size, shape and special surfaces) make it possible to extend the range of specialty products.

Products

The main product families of the Graphite & Carbon division are:

- processed natural graphite sold in the form of additives, powders, blends or aqueous dispersions;
- synthetic graphite is produced in Switzerland using a complex process that involves baking petroleum coke at very high temperature;
- conductive carbon black is sold in powder or granule form;
- natural graphite flakes are produced at North America's largest graphite mine in Lac-des-Îles (Quebec Province, Canada) and in Namibia;
- silicon carbide is a by-product of graphite production.

Applications

The products of the Graphite & Carbon division are tailored to individual customer needs and can be broken down into four distinct fields of application:

- Additives for polymers: the division serves the growing market for conductive polymers with its ranges of highly conductive carbon black and synthetic graphite products. Applications include conductive coatings, resins and plastics (used in electronic housings, or for safety-related applications in the automotive and energy supply industries);
- Mobile energy: the variety of its functional additives establishes the division as the world leader in the market for the carbons and graphites used in the mobile energy industry. Graphite is used in alkaline batteries, Zn-C batteries, lithium-ion rechargeable batteries (for mobile electronic devices and electric/hybrid vehicles), fuel cells (systems for converting hydrogen to electricity), superconductors and battery case coatings. Like carbon black, graphite is used as a conductive additive in the cathodes of lithium-ion batteries. It is also used as an active component of battery anodes;
- Engineering products: by combining its natural and synthetic graphites, the division offers tailor-made products capable of meeting the precise physical and chemical specifications demanded by a broad diversity of industries. In the automotive industry, these products are used in brake pads, clutch linings, seals, iron powder metallurgy and carbon brushes. Other applications include carbon foils for flat screens (heat exchange), porous ceramics, powder metallurgy, pencil leads, powders for lubricants, catalysts and synthetic diamonds;
- Refractories and products for metallurgy also provide a significant outlet in volume terms for the Graphite & Carbon division, with these products being used particularly in bricks, monolithics, carbon additives and metal coatings.

Industrial facilities

The Graphite & Carbon division operates six industrial sites – five of them certified ISO 9001 compliant – in five countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	2	2	1	1

Main competitors

Kropfmühl, Orion (Germany), Cabot (Belgium), Nacional de Grafite (Brazil), Asbury and Superior Graphite (USA), Chuetsu, Denka, KBIC and Nippon Kokuen (Japan) and many Chinese producers.

■ OILFIELD SOLUTIONS

The main markets served by the Oilfield Solutions division are those for proppants and mineral drilling additives, which are used for shale oil and gas extraction in North America. Its production lines are located in Georgia, USA.

Products

Used for their mechanical and chemical resistance and their thermal properties, the products manufactured by the Oilfield Solutions division are:

- ceramic proppants (spherical ceramic granules made from bauxitic kaolin), which are used primarily in non-conventional oil and gas extraction;
- other mineral solutions based on calcium carbonates, perlite, diatomaceous earths and metakaolins, which are used in a broad diversity of oil and gas drilling applications and as additives in the cement industry.

Applications

The main applications served by the Oilfield Solutions division are:

- Well stimulation in the oil and gas industries: Imerys proppants are used to maintain hydrocarbon flow volumes by keeping rock fractures open as a result of their high mechanical strength and thermal resistance at low density. Ceramic proppants provide superior pressure resistance and higher well profitability by maximizing oil recovery;
- Drilling muds: the division produces and markets all the specialty products used in well drilling muds, oil well cements and waste treatment processes.

Industrial facilities

The Oilfield Solutions division operates two industrial facilities in Georgia (USA).

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	-	2	-	-

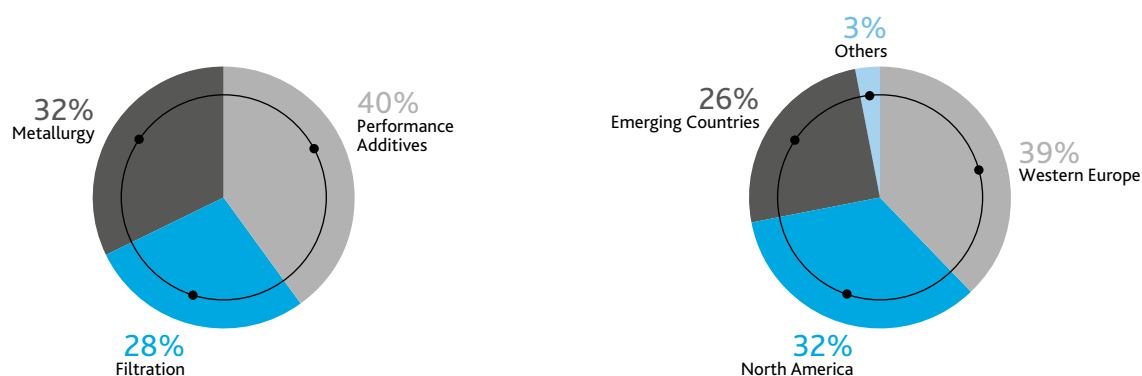
Main competitors

Curimbaba (Brazil), Carbo Ceramics and US Silica (USA), Saint-Gobain (France) and a few Chinese producers.

1.5.2 FILTRATION & PERFORMANCE ADDITIVES

The Filtration & Performance Additives business group contains the Performance Additives, Filtration and Metallurgy divisions. Its main outlets are the end-user consumer goods, automotive and construction markets.

- Annual revenue of €1,237 million, representing 27% of total Group revenue;
- Current operating income of €254 million, representing a revenue margin of 20.6%;
- 4,263 employees;
- 83 industrial sites in 24 countries.



✓ For more information on the highlights of 2017 in this business group, [see paragraph 2.1.3, Chapter 2 of the Registration Document](#).

Divisions	Products	Industries served	Main applications	Market positions ⁽¹⁾
PERFORMANCE ADDITIVES	Mica Talc Wollastonite Plastics recycling solutions	Agriculture Food Automotive Construction Packaging Industrial equipment Personal care & Health Paper & Packaging Consumer goods Electronics	Functional additives for: Agriculture Ceramics Adhesives & Coatings Personal care & Cosmetics Soundproofing insulation Construction materials Paper & Board Paints & Coatings Polymers & Rubbers Refractories Brake linings Catalytic substrates	World #1 in talc for plastics, paints, paper, ceramics, health & beauty World #1 in mica for engineered plastics and high-performance coatings World #1 in wollastonite for processed polymers, ceramics, paints and coatings
			Process enablers for filtration of: Food Beverages Sweeteners Polymer packaging Edible oils Personal care & Cosmetics Cryogenic insulation Industrial chemicals Pharmaceuticals Wine	World #1 in diatomite- and perlite-based filtration products
METALLURGY	Bauxite Bentonite Fluxes Moler Perlite Zeolite	Agriculture Animal nutrition Construction Civil Engineering Horticulture Paper Steelmaking	Continuous steel casting Tundish and Ladle insulation Binders for foundry sand molds Minerals for: Absorbents for hydrocarbons and liquid chemicals Absorbents for pet litter Animal nutrition additives Mortar and plaster additives Rheological additives for civil engineering and drilling Ceiling insulation components Horticultural fertilizers Iron ore pelletization Steel molding systems	World #1 in continuous flow casting World #1 in perlite for construction World #2 in bentonite for metal casting

(1) Imerys estimates.

■ PERFORMANCE ADDITIVES

The mineral products produced by the Performance Additives division are essential in a very broad range of applications, including agri-food, the automotive industry, construction and intermediate goods, such as paint, rubber, catalysts, paper, pharmaceuticals, personal care, health & beauty.

Products

The Performance Additives division offers many functional additives, the majority of which are derived from mica, talc and wollastonite. Particle chemical composition, shape and distribution vary from one solution to another, contributing additional properties in the end-user product; properties such as outstanding whiteness, high mechanical strength and excellent rheological properties. They are used in intermediate and finished products to improve performance, facilitate processing and reduce the total manufacturing cost of the products in which they are present.

Applications

The primary applications for the products of the Performance Additives division are:

- Rubbers: talc is used in many rubber industry applications (seals, hoses, membranes, cables, tires, etc.) to improve chemical resistance, barrier effects, whiteness and mechanical properties;
- Ceramics: the division also offers ranges of talcs for use in technical ceramics, such as cordierite honeycomb bodies, an essential part of ceramic technology that is now used worldwide as a catalytic medium in vehicle exhaust systems, and a series of special products for decorative tile and sanitary ware manufacture;

Industrial facilities

The Performance Additives division operates 22 industrial sites – 18 of which are certified ISO 9001 compliant – in 12 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	8	10	3	1

Main competitors

American Talc, RT Vanderbilt, GIM and Minerals Technologies (USA), Nordkalk (Finland), Wolkem (India), IMI Fabi (Italy), Mondo Minerals (Netherlands) and LKAB (Sweden).

■ FILTRATION

The Filtration division is the world's leading supplier of diatomite and expanded perlite-based products for filtration.

Products

The division also supplies other calcium silicate- and magnesium silicate-based products for specialty applications. Diatomite and perlite are naturally occurring minerals with exceptional properties such as low density, chemical inertia, high specific surface area and a high level of porosity. They are sought after for many applications, but particularly as filtration substrates and functional additives.

- Personal care, health & beauty: added to body powders, talc brings a silky softness to make-up and makes soaps softer and smoother, at the same time as reducing formulation costs. Talc also acts as glidant and lubricant for tableting and many other pharmaceutical industry applications;
- Paper & packaging: used as a filler and mixed with bentonite, talc acts as process enabler for organic impurity absorption in paper production to improve quality and whiteness. This mineral also offers an alternative to the use of chemicals in eco-friendly papermaking;
- Paints, coatings & construction materials: in these applications, micas and talc are used as functional additives to improve product quality and properties. Wollastonite is used as a performance additive in a wide range of paints and construction materials, including concretes and adhesives;
- Plastics, films & packaging: the division offers an extensive range of high-quality micas, talcs and wollastonites that improve the rigidity, impact resistance and dimensional stability of thermoplastic automotive components and plastics used in consumer goods, such as household appliances, flexible packaging and rigid packaging. Polymers reinforced with talc, mica and wollastonite are being used increasingly by the automotive industry, because they also make a contribution to reducing vehicle weight;
- Plastics recycling: the division also offers solutions that increase the recyclability of plastics;
- In other niche applications, mineral products offered by this division improve the performance of products that are in daily use in the construction industry, landscaping, drilling muds and personal care products.

Applications

The main applications served by the Filtration division include:

- Food and beverage filtration: diatomite and expanded perlite have the ideal particle size, shape, structure and density for use as process enablers for the filtration of beer, sweeteners, water, wine, tea and edible oils;
- Construction materials: used as functional additives, perlite and expanded perlite products contribute to the efficiency of heat and cryogenic insulation and soundproofing products, and are also used in construction materials, surface coatings and roofing;

- Pharmaceutical, cosmetics and industrial chemicals: in these industries, diatomite is used not only as a functional additive and process enabler, but also as a key component in the blood fractionation process. Perlite is used as a filler and abrasive in dentistry. Diatomite and expanded perlite are also used as a filtration substrate in biodiesel refining;

- In other niche applications, diatomite is used as a functional additive in the paint, plastic films, agriculture, polishes and rubber sectors. Perlite and expanded perlite may be used in applications such as horticulture and lightweight refractories. Calcium silicate- and magnesium silicate-based products are used in the composition of technical rubbers and pesticide formulations.

Industrial facilities

The Filtration division operates 30 industrial sites – 18 of which are certified ISO 9001 compliant – in 11 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	7	19	3	1

Main competitors

Eagle Picher Minerals and Grefco Mineral Technologies Inc. (USA), Chemviron (Europe) and Showa (Japan).

■ METALLURGY

The Metallurgy division serves the iron and steel industry, as well as a large number of intermediate industries, including construction, civil engineering and oil drilling. The division is also the world's leading perlite ore supplier for a broad range of applications, such as agriculture and pet litter.

Products

This division offers an extensive portfolio of products:

- silicon- and graphite-based alkaline mixes and other carbon sources used as functional additives for continuous flow steel casting. These products are formulated specifically for steelmaking customers, and modified as steel grade and specification requirements change;
- bentonite – a alumino-silicate sedimentary clay with a high level of rheological and absorbent properties – is processed in the Group's plants, and marketed in the form of additives for a diverse range of foundry applications, such as sand molding systems. Its absorption properties mean that bentonite is also used in pet litter and drilling muds;

- moler: a sedimentary rock formed from a natural combination of diatoms and clays. Very light in weight and with high absorption properties, moler is used as an absorbent for hydrocarbons and chemicals, and as a soil conditioner, as well in animal nutrition;
- perlite: a low-density mineral with a large surface area, which is used in a diverse range of applications, including construction, agriculture and horticulture;
- bauxite: a mineral with a characteristically high content of alumina and iron oxides. It is the main ore used in the production of aluminum, but also has applications in the production of aluminous cements, iron, mineral fibres and abrasives.

Applications

The main applications served by the Performance Additives division are:

- the continuous flow steel casting fluxes that play an essential role in process reliability and the quality of the initial casting and finished steel product;
- binders for foundry sand molds;
- other applications include construction, ceiling insulation, iron ore pellets, agricultural and horticultural fertilizers and pet litter absorbents.

Industrial facilities

The Metallurgy division operates 31 industrial sites – all of which are certified ISO 9001 compliant – in 13 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	19	7	3	2

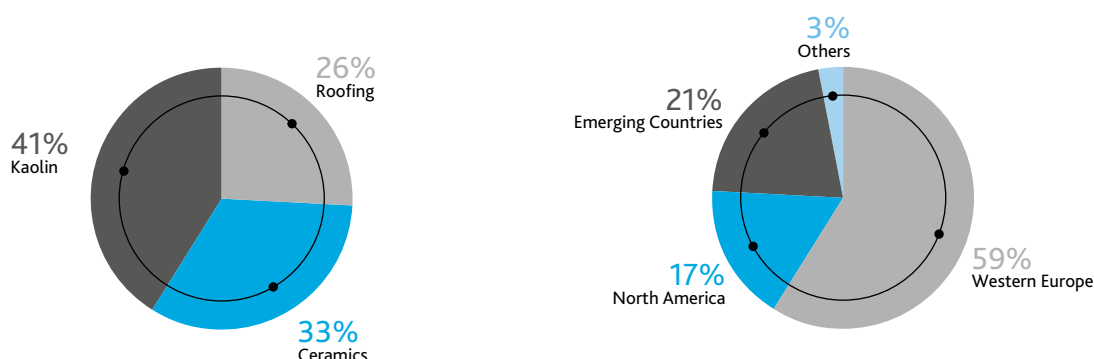
Main competitors

Clariant and Intocast (Germany), Bentonite Performance Minerals, Grefco Mineral Technologies Inc., Minerals Technologies and Shinagawa Advanced Materials America (USA), Ashapura (India), Prosimet (Italy), Showa (Japan), Vesuvius (UK), Iperlit (Turkey) and other producers in Africa, China and Turkey.

1.5.3 CERAMIC MATERIALS

The Ceramic Materials business group contains the Roofing, Kaolin and Ceramics divisions. Its products are used mainly in the new-build construction, building renovation, papermaking and ceramics industry markets.

- Annual revenue of €1,183 million, representing 25% of total Group revenue;
- Current operating, income of €213 million representing a revenue margin of 18.0%;
- 4,285 employees;
- 72 industrial sites in 20 countries.



✓ For more information on the highlights of 2017 in this business group, [see paragraph 2.1.3, Chapter 2 of the Registration Document](#).

Divisions	Products	Industries served	Main applications	Market positions ⁽¹⁾
ROOFING	Clay roof tiles and accessories Metal profiles Photovoltaic and heliothermal solar power generating solutions	New-build construction Roofing renovation	Construction Roofing	French #1 in clay tiles
KAOLIN	Kaolin	Cables Construction Packaging Paper Decorative and industrial coatings	Functional additives and process enablers for: Cables & Insulating ducts Adhesives & Sealants Graphic arts papers Specialty papers Packaging Paints and Coatings Plastics and Rubber	World #1 in kaolin for paper
CERAMICS	Ball clay Chamotte Engobes for tiles Feldspar Holloysite Kaolin Mica Ceramic bodies and glazes Pegmatite Quartz Kiln furniture & components Talc	Electronic & Electrical equipment Automotive Construction Electro-metallurgy Energy Semi-conductors Tableware	Mineral components for: Aggregates and thermal insulation Landscaping Thermal applications Waterproofing & containment barriers Floor & wall tiles Technical ceramics Cement Kiln construction Fiberglass reinforcement Porcelain electrical insulators Sanitary ware Automotive catalyst media Roof tiles Tableware Flat & container glasses	World #1 in raw materials and ceramic bodies for sanitary ware, and kiln furniture for tiles World #2 in kaolin for glass fibers World #2 in kiln furniture for tableware European #1 in raw materials and ceramic bodies for porcelain tableware

(1) Imerys estimates.

■ ROOFING

The Roofing division manufactures and supplies clay tiles and accessories, together with additional photovoltaic and heliothermic options, and serves mainly the French construction market. These products are designed essentially for the house renovation and new-build residential markets, and to a lesser extent smaller buildings. The majority of its customers are builders merchants.

Products

The clay reserves located near the clay tile production plants in France provide a source of high-quality raw materials that this division uses to provide roofers with a total roofing solution under the Imerys Toiture™ brand. This solution includes:

- a broad range of clay tiles and accessories, with an equally extensive color palette tailored to regional tradition and vernacular features;
- a comprehensive range of solar thermal and photovoltaic tiles that integrate seamlessly with the overall roof and deliver effective energy savings;
- metal roofing accessories and technical components;
- breathable weatherproof roofing membranes;
- metal profiles, gutters and downpipes for rainwater drainage.

Industrial facilities

The Roofing division operates 15 industrial sites – 11 of which are certified ISO 9001 compliant – in France.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	15	-	-	-

Main competitors

Wienerberger (Germany), Terreal (France), BMI Group (UK) and a number of Spanish manufacturers.

■ KAOLIN

The Kaolin division designs and markets innovative solutions for many industry sectors using high-quality kaolin from its extensive reserves in Brazil, the USA and UK.

Products

The extracted kaolin is purified and refined to achieve the specifications required for its final application. The main target properties of this process are whiteness, opacity, shine, particle shape and distribution, viscosity, mechanical properties, surface quality and suitability for print. As the world's largest producer of kaolin, this division obtains its raw materials from its own deposits. Each of these sites has its own unique geological characteristics, and the choice of properties offered by these extensive high-quality reserves allows the division to design bespoke solutions in response to the specific needs of each customer.

Applications

Kaolin is used as a functional additive in many industrial applications:

- Rubbers: kaolin facilitates processing, improves electrical resistance and contributes chemical resistance and barrier effect properties, as well as whiteness and valuable mechanical properties. It is used in cable insulation and sheathing, floor coverings, pharmaceutical rubbers, seals and tires;
- Ceramics: kaolin is a key component of the ceramic formulation used for sanitary ware and tableware, and acts as a functional additive in the manufacture of glazed tiles. As a source of alumina, kaolin is also widely used in the production of glass fiber;

- Sealants & adhesives: kaolin contributes protection and rheology control properties to sealants and adhesives. It is also an effective functional additive;
- Paper & packaging: kaolin is used as a functional additive in filling and coating applications. Its chemical composition, particle size distribution, whiteness and viscosity help to optimize the production processes used by paper and board manufacturers. Applications include graphic arts papers (used in high-quality commercial printing of company brochures and similar publications), specialty papers and packaging board;
- Paints & coatings: kaolin is also used as an extender to improve paint and coating quality, particularly in terms of opacity, matting, crack resistance and corrosion resistance. Applications include water- and solvent-based decorative paints and primers, as well as primers and finishes for metal, wood and synthetic coatings;
- Plastics, films & polymer packaging: the development of more sophisticated applications is generating new and increasingly demanding requirements for functional additives and their special properties. Calcined kaolins, which may be surface treated, help to improve the mechanical, barrier, thermal and electrical (insulation) properties of these products. It can also assist in the plastic product manufacturing process. Applications include PVC sheets, cables and flooring, polyolefin tubing, profiles and films, and prefabricated thermoplastic polymer components.

Industrial facilities

The Kaolin division operates 16 industrial sites – all of which are certified ISO 9001 compliant – in six countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	12	4	-	-

Main competitors

AKW and Dorfner (Germany), BASF, Burgess, KaMin and Thiele (USA), Lasselsberger and Sedlecky Kaolin (Czech Republic), Sibelco (Belgium) and Proscio (Ukraine).

■ CERAMICS

The Ceramics division is a global supplier of ceramic minerals and prepared bodies for the sanitary ware, tableware and decorative tile industries. The division also offers a wide range of solutions for technical ceramics and glassmaking (chiefly glass fiber), as well as for electrometallurgy, energy and some construction-related applications, as well as kiln furniture for the ceramics markets.

Products

The Ceramics division offers the world's ceramic industries a broad range of mineral specialties based on ball clay, feldspar, kaolin, halloysite, talc, mica, pegmatite and quartz. It also markets comprehensive mineral solutions in a range of different forms tailored to specific customer requirements: granules, slurries, tableware and sanitary ware bodies, engobe pre-blends, steatite and cordierite bodies, alumina bodies, micronized alumina and glaze formulations. The division also markets cordierite, alumina body, mullite and silicon carbide kiln furniture. This range of tailor-made solutions delivers an effective response to the specific shapes and uses required by customers.

Applications

The Ceramics division markets premium quality minerals, superior quality ceramic bodies and kiln furniture for many applications:

- Traditional ceramics:
 - Floor and wall tiles: an extensive range of premium quality materials used in the manufacture of tile bodies, frits⁽¹⁾, glazes and engobes for floor and wall tiles;

- Sanitary ware: the division is the world leader in minerals for sanitary ware manufacture. The range includes solutions for traditional vitreous china sanitary ware, as well as for fine fire clay products;
- Tableware: minerals, ceramic bodies and glazes suitable for all types of high-quality fine ceramics. The division is the world leader in raw materials for premium tableware, including the halloysite used in fine porcelain, and is the European leader for ready-to-use prepared bodies for porcelain tableware.
- Technical ceramics:
 - Advanced ceramics: ceramic, steatite, cordierite and alumina bodies;
 - Automotive industry: kaolins and talcs for the global market in vehicle catalyst media and ceramic diesel particulate filters;
 - Porcelain electrical insulators: mineral solutions specifically tailored to the needs of porcelain electrical insulator manufacturers; an industry that applies particularly demanding standards in terms of technical performance;
 - Kiln furniture: the division is a market leader in kiln furniture for tableware, sanitary ware, technical ceramics and tile production. Manufacture and marketing of superstructures and flexible, lightweight components for use in kiln cars.

Other markets served include landscaping, construction, electrometallurgy, glass and fiberglass reinforcement. Imerys also supplies additives for boilers and conventional power generating plants.

Industrial facilities

The Ceramics division operates 41 industrial sites – 14 of which are certified ISO 9001 compliant – in 17 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	25	7	7	2

Main competitors

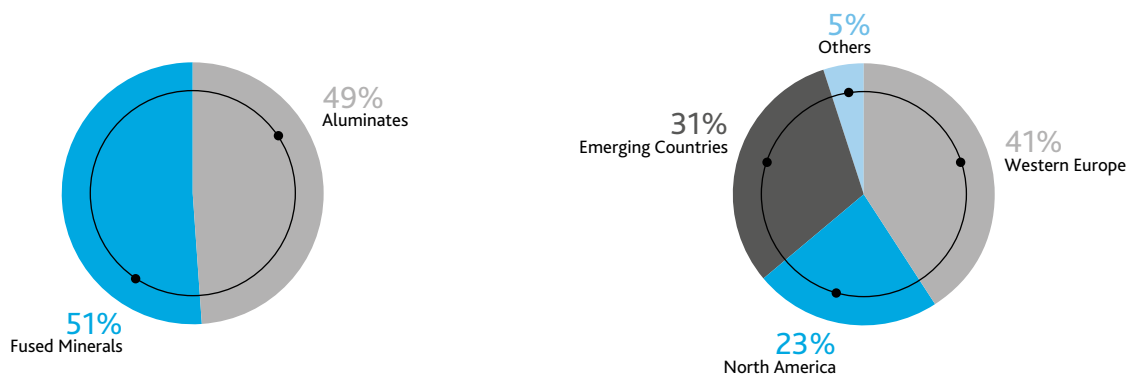
Quarzwerke, Stephan Schmidt and Refratechnik (Germany), Sibelco (Belgium), Beijing Trend (China), Active Minerals, Old Hickory, Spinks and Unimin (USA), Saint-Gobain and Soka (France), HK Ceram (Hungary), Icrac (Italy), Mota (Portugal), and Lasselsberger and Sedlecky Kaolin (Czech Republic).

(1) Frits: fluxes used as the main – usually glass-based – component of most ceramic glazes.

1.5.4 HIGH RESISTANCE MINERALS

The High Resistance Minerals business group contains the Fused Minerals and Aluminates divisions. Its main outlets are in the steel, industrial equipment, automotive and construction markets.

- Annual revenue of €915 million, representing 19% of total Group revenue;
- Current operating income of €112 million, representing a revenue margin of 12.2%;
- 4,400 employees;
- 39 industrial sites in 12 countries.



✓ For more information on the highlights of 2017 in this business group, see [paragraph 2.1.3, Chapter 2 of the Registration Document](#).

Divisions	Products	Industries served	Main applications	Market positions ⁽¹⁾
FUSED MINERALS	Fused aluminas Tabular alumina Silicon carbide Fused magnesia Electrically fused mullite Zirconia-based chemicals Electrically fused zirconia	Aerospace Electronic & Electrical equipment Automotive Construction Energy Foundry Steelmaking	Mineral components for: Abrasives Ceramics Technical ceramics Heating elements Foundry Brake pads Surface treatment Refractories Sandblasting	World #1 in fused minerals for abrasives World #1 in fused zirconia
			Binders and additives for: Self-leveling screeds Tile adhesives and grouts Technical floor preparation mortars Special hydraulic binders for: Monolithic refractory concretes Protection and repair mortars for wastewater drainage networks Process enablers: Calcium aluminate-based fluxes Mineral components for: Coatings (bricks and concretes), Refractory insulators and binders Process enablers for: Foundry Investment casting	World #1 in high-performance calcium aluminate-based binders for construction applications World #1 in high-performance calcium aluminate-based binders for refractory applications World #1 in alumino-silicate minerals for refractories
ALUMINATES	Calcium aluminate-based binders Andalusite Ball clay Chamotte Metakaolin Mullite Fused silica	Civil Engineering Refractories Steelmaking Construction technologies Aerospace Aluminum Automotive Cement Construction Steelmaking Glass		

(1) Imerys estimates.

■ FUSED MINERALS

The Fused Minerals division is the world leader in specialty products for the abrasives, refractories, technical ceramics, steelmaking heating equipment, automotive, industrial equipment and construction markets. The Fused Minerals division manufactures fused alumina, tabular alumina and fused zirconia.

Products

Minerals such as bauxite, alumina and zircon sand are sourced outside the Group. They are fused in electric-arc furnaces before being processed into the following main product families:

- fused aluminum oxide grains (also known as corundum) are produced by fusing alumina or calcined bauxite and sold in the form of macro or micro grains as abrasive or refractory minerals as a result of their superior hardness, mechanical strength, chemical resistance and thermal stability;
- tabular alumina is a sintered calcined alumina. Its high purity, high density, low porosity and exceptional thermal shock resistance make this a valuable refractory raw material for lining high-temperature kilns and furnaces;
- fused zirconia is sold in grains and precisely calibrated powders (less than 1 µm), in which form it is widely used in the automotive industry (for brake pads) and in the manufacture of technical ceramics (for oxygen sensors). It offers excellent thermal shock resistance and is commonly used as a refractory mineral;
- zirconium-based chemicals are produced only in China using a complex chemical process, and have applications in a range of industries, including papermaking, paint and cosmetics.

Applications

The Fused Minerals division offers its customers high-quality products for a varied range of applications:

- Abrasives: thanks to their wear resistance and thermal properties, fused aluminum oxides are widely used as abrasives, mainly in the form of wheels or stones (a specific grade of abrasive particles is bound together by different types of binder, including clay, ceramic or resin, to form a cutting or grinding disc or sharpening/honing stone) or in strip form for products such as sandpaper;
- Technical ceramics: in these industrial applications, the finest grades of fused alumina and zirconia are used as ceramic components valued for their crystalline structure and mechanical strength. These products typically address high added-value markets and applications, such as oxygen sensors and solid oxide fuel cells;
- Friction compounds: micron-sized zirconia grains and magnesia are used as brake pads additives in the automotive industry, where they modify friction characteristics to reduce wear;
- Heating elements: thanks to its electrical and thermal properties, electrically fused magnesia is commonly used as an essential component in the heating resistors incorporated into the heating elements fitted to domestic appliances (cookers, dishwashers, etc.) and industrial applications (commercial kitchen equipment, rail heating, industrial boilers, etc.);
- Refractories: various types of refractory products offering resistance to extreme temperatures (above 1,800°C) under harsh physical and chemical conditions are produced from alumina or zirconia, both of which have high thermal resistance and chemical inertia properties. These specialty minerals are used in the linings of furnaces for the steel, glass and aluminum industries, as well as in investment casting;
- Other industries: zirconium carbonate-based chemicals have been developed as raw materials for a wide range of applications, such as antiperspirants, paint drying agents, coatings and catalysts.

Industrial facilities

The Fused Minerals division operates 16 industrial facilities – all of which are certified ISO 9001 compliant – in 10 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	9	3	3	1

Main competitors

- Fused Aluminum Oxide (fused alumina, bauxite and magnesia): 3M and Washington Mills (USA), Motim (Hungary), CUMI (India), Tateho (Japan), Penoles (Mexico), Boxitogorsk (Russia) and various Chinese producers.
- Fused zirconia and zirconia-based products: Foskor (South Africa), Doral (Australia), Asia Zirconium (China), MEL (United States), Saint-Gobain (France), Tosoh (Japan) and various Chinese producers.

■ ALUMINATES

The Aluminates division, resulting from the merger of the Refractory Minerals division and Kerneos, is the world leader in high-performance calcium aluminate-based binders used mainly in the refractory, construction chemicals, civil engineering, mining and wastewater drainage network markets.

The division also enjoys a unique position in the production of minerals for silico-aluminous refractory solutions used in acidic or neutral environments, and at high temperature. The large range makes it possible to offer products with different functional properties meeting the need of industrials for performance continuous improvement.

Products

As an expert in calcium aluminate technology, the Aluminates division offers innovative specialty products of extremely high quality. These are high-performance binders that contribute key properties such as controlled fluidity, rapid setting, self-leveling, waterproofing and wear, abrasion and heat resistance to the solutions manufactured by its customers:

- calcium aluminate binders with controlled characteristics (reactivity, chemistry, color, etc.) specifically tailored to complex formulation requirements for building and construction chemicals applications;
- calcium aluminate binders, synthetic granulates and mortars for technical concrete applications;
- calcium aluminate binders and anti-corrosion/anti-abrasion mortars specially adapted to provide protection for wastewater drainage network pipelines and engineered structures;
- high-technology binders and aggregates specially designed for refractory concretes;
- calcium aluminate-based fluxes designed for use in the secondary metallurgy industry, where they are used to improve steel quality, boost productivity and reduce costs. They contribute to environmental protection.

Industrial facilities

The Aluminates division operates 23 industrial facilities – 18 of which are certified ISO 9001 compliant – in 7 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	9	3	3	8

Main competitors

Almatis (USA), Calucem (Croatia), Andalusite Resources (South Africa), Kaolin AD (Bulgaria), Minco (USA), Andalucita (Peru), Cluz (Czech Republic), various Chinese producers and a number of local competitors in all regions.

It also transforms a number of minerals used for their mechanical, chemical, distortion and corrosion resistance, as well as for their thermal properties in a range of different high-temperature industrial applications and processes:

- andalusite, an aluminosilicate mineral found in metamorphic rocks. In refractory applications, andalusite contributes volume stability, high thermal shock and chemical resistance;
- clays and metakaolins, which are used either as binders in the manufacture of refractory bricks, or as additives to improve rheological performance;
- chamotte is a calcined clay that is inert at the firing stage, and acts as an armature to prevent any distortion in the production of sanitary ware pieces and refractories;
- Molochite™ is an aluminum silicate produced using china clay and provides an excellent level of thermal shock resistance;
- sintered mullite is produced by calcining clays at very high temperature to increase its refractory properties; this market leading product is marketed under the Mulcoa® trademark;
- electrically fused silica, a quartz sand that has been fused to form glass. Low volumetric expansion and high purity make fused silica a very versatile material for refractory and investment casting applications.

Applications

The main applications served by the Aluminates division are:

- construction technologies (ready-to-use industrial mortars) and civil engineering (wastewater drainage networks, high-stress areas, mines and underground construction projects);
- refractory and insulation linings (to protect equipment in high-temperature industries, such as the steel, aluminum, cement, glass and petrochemicals industries, as well as incinerators), used in the acidic and neutral refractory materials (bricks and monolithic linings);
- investment casting, kiln furniture and sanitary ware (used in the manufacture of fine fire clay sanitary ware, because they enable the production of complex shapes).

1.6 MINERAL RESERVES AND RESOURCES

In accordance with its internal procedures, Group mineral reserves and resources are regularly audited by internal and external auditors. The mineral reserves and resources data published in this Registration Document have been prepared in accordance with internationally accepted and widely used reporting standards (and specifically the Pan-European Mineral Reserves and Resources Reporting Committee – PERC – code).

1.6.1 MINERAL REPORTING PRINCIPLES

■ MINERAL ASSET REPORTING

The reporting of Imerys mineral reserves and resources complies fully with the (2013) PERC Reporting Standard⁽¹⁾. The PERC Reporting Standard is a European standard for mineral asset reporting. It is a member of the CRIRSCO⁽²⁾ family of codes, which includes similar codes, such as the JORC (Australia) and CIM Guidelines (Canada).

Mineral Reserves are those portions of a deposit which are demonstrably economic to extract given current business conditions or those business conditions that can be reasonably forecast at the time of estimation. These reserves are then classified as Proven or Probable to reflect the level of certainty in the geological understanding of the deposit; Proven being the higher level of confidence. Mineral Resources are those deposits or parts of deposits whose extraction has yet to be demonstrated as economic, but where there is a reasonable expectation that extraction will be viable in the future. These assets typically lack the detailed (mining, processing, marketing and/or legal) technical studies required to demonstrate their economic viability. Mineral Resources are further classified in increasing order of geological confidence as Inferred, Indicated or Measured.

Imerys production activities consume its mineral reserves. Imerys continually implements initiatives designed to compensate for the consumption of these reserves in order to maintain a level equivalent to around 20 years of production. On existing sites, this consists of exploration and detailed modeling of mineral resources already inventoried in order to confirm their potential for exploitation based on their quality, quantity, mining parameters and associated costs. Where the conclusion of this exploratory work is positive, the opportunities for obtaining the necessary exploitation rights (outright ownership, long-term lease, concessions or drilling contract), permits and official authorizations are investigated. Where these can be obtained, the resources are converted into reserves. Group mineral reserves can also be replaced or increased through acquisition from third parties or the acquisition of companies as part of Group external growth.

■ MINERAL ASSET AUDITS

To ensure consistent reporting across all Group entities and ensure full compliance with all the relevant standards, internal and external audits are conducted on a three to five year cycle. Internal audits are conducted by a group of eight experienced geologists and mining engineers completely independent from the sites they audit. Each audit is conducted by a team of two using assessment matrices, and the audit results are published in the form of a report setting out comments and requests for improvements, whose implementation is then specifically monitored. Audits are therefore opportunities to share best practices and ensure the continuous improvement of mineral resource management and exploitation. The results of mineral reserves and resources reporting are examined by the Audit Committee.

■ RISKS AND UNCERTAINTIES

Mineral reserves and resources are estimates of the size and quality of deposits based on the technical, legal and economic parameters available at a given point in time. The estimates of Group mineral reserves and resources shown in the following table may vary over time as a result of unpredictable changes in these parameters and the natural uncertainty associated with such assessments. With continued geological exploration and evaluation, the mineral reserves and resources may change significantly, either positively or negatively. Imerys currently has no knowledge of any environmental, legal, political or other factors with the potential to adversely affect the estimates shown in these tables in any material way.

✓ For more information, [see section 4.1.1, Chapter 4 of the Registration Document](#).

(1) The PERC Reporting Standard (Pan-European Standard for Reporting Exploration Results, Resources and Reserves) is published by the Pan-European Reserve and Resources Reporting Committee.

(2) CRIRSCO: Committee for mineral reserves international reporting standards.

1.6.2 KEY MINERALS

Ball clays are very fine-grained sedimentary clays with high plasticity. Following extraction, clays are selected, processed and blended to achieve desirable properties, such as rheological stability, high resistance and mechanical strength.

Bentonite is an alumino-silicate sedimentary clay with high rheological and absorbent properties.

Calcium carbonates include marble, limestone and chalk. Processed carbonates are used in different forms. Ground natural calcium carbonate (GCC) is used for its whiteness and alkaline properties. Precipitated calcium carbonate (PCC) is a synthetic product obtained from natural limestone, and provides end products with excellent optical properties.

Diatomite is a sedimentary mineral composed of the silicon-rich skeletons of diatoms; unicellular algae present in marine and lake environments. This mineral is characterized by its low density, high surface area, high porosity and mattifying properties.

Feldspars are naturally occurring alumino-silicate minerals containing varying concentrations of potassium, sodium, calcium and/or lithium, and are used for their fusing properties at high and low temperatures.

Kaolin is composed predominantly of kaolinite, a white hydrated alumino-silicate clay produced by the geologic alteration of granite and similar types of rock. The high temperatures (700-1,200°C) of the calcination process transform kaolin into a whiter and more inert mineral material. The kaolin family of minerals also includes halloysite, prized in fine porcelain manufacture for its whiteness and translucence.

Moler is a very lightweight sedimentary rock formed from a natural mixture of diatoms and clays with highly absorbent properties.

Perlite is a very specific type of volcanic rock with a natural water content of between 2% and 5%. Perlite is a low-density, high-porosity mineral. Processed and subsequently heated, perlite expands up to 20 times its original volume, creating a multi-cellular material with large surface area at low density.

Refractory minerals are valued for their high resistance to extreme temperatures, mechanical stresses and corrosion. They include refractory clays (transformed by calcination to chamotte), bauxite and andalusite.

Talc is a hydrated magnesium silicate with properties unique to the deposit from which it is extracted.

Imerys extracts many other minerals, including bauxite, graphite (one of the crystalline forms of carbon), mica, vermiculite, wollastonite and zeolite. Imerys also produces the high-quality quartz minerals used in the production of silicon and ferro-silicon, both of which are used in special steel alloys. Imerys produces a range of high-quality synthetic graphites and talcs, the highest quality of fused magnesia, carbon black and zirconia.

The Group also sources certain raw materials from external suppliers for processing to create its specialty products. These materials include the bauxite, alumina and zirconia that are processed to produce synthetic corundums. Tabular alumina is used in refractory applications.

1.6.3 MINERAL RESERVES AND RESOURCES

For the purpose of reporting its reserves and resources in accordance with the “Public reporting of industrial minerals, cement feed materials and construction raw materials” section of the PERC Reporting Standard, Imerys has grouped mineral category estimates together in order to protect commercially sensitive information.

Reserves are not included in resources. Volumes are expressed in thousands of metric tons of minerals marketable in dry form. The corresponding estimates for December 31, 2016 are shown for the purpose of comparison. The changes in estimated reserves and resources seen between December 31, 2016 and December 31, 2017 are explained by the use of reserves for

production, the ongoing exploration and assessment of new and existing reserves, technical studies, changes in ownership of certain mining rights, and acquisitions and disposals made as part of normal business.

The mineral assets were valued at €592.6 million at December 31, 2017 (€585.4 million at December 31, 2016, following the reclassification of mineral asset usage rights). In accordance with accounting rules, the assets represented by mineral reserves and resources are accounted for on an historic cost basis. They are measured initially at their cost of acquisition, and subsequently at their historic cost decreased by accumulated depreciation and impairment losses. Depreciation is estimated on the basis of actual extraction.

■ MINERAL RESERVES ESTIMATES (AT 12/31/2017 VS. 12/31/2016)

Product	Region	Proven	Probable	Total	Proven	Probable	Total
		2017 (kt)			2016 (kt)		
Ball clays	Europe	10,100	673	10,773	10,110	765	10,875
	Americas	3,506	671	4,177	3,880	721	4,601
	Asia/Pacific	610	0	610	662	0	662
	Africa & Middle East	270	0	270	337	0	337
	Total	14,486	1,344	15,830	14,989	1,486	16,475
Bentonite	Europe	8,110	237	8,347	7,021	69	7,09
	Americas	31	232	263	33	197	230
	Africa & Middle East	90	0	90	110	0	110
	Total	8,231	469	8,700	7,164	266	7,430
Carbonates	Europe	0	28,030	28,030	0	28,733	28,733
	Americas	56,082	118,945	175,027	57,405	12,159	178,998
	Asia/Pacific	0	32,536	32,536	6,709	27,566	34,275
	Africa & Middle East	0	5,107	5,107	0	5,107	5,107
	Total	56,082	184,618	240,700	64,114	182,999	247,113
Feldspar	Europe	11,237	3,485	14,722	12,397	3,854	16,251
	Americas	0	0	0	0	0	0
	Asia/Pacific	0	0	0	0	30	30
	Africa & Middle East	2,647	843	3,490	2,697	1,832	45,29
	Total	13,884	4,328	18,212	15,094	5,716	20,810
Kaolin	Europe	1,879	16,093	17,972	1,860	16,953	18,813
	Americas	34,639	44,987	79,626	38,524	41,197	79,721
	Asia/Pacific	104	1,233	1,337	287	1255	1542
	Total	36,622	62,313	98,935	40,671	59,405	100,076
Minerals for Refractories*	Europe	625	2,087	2,712	1,132	1,810	2,942
	Americas	3,402	3,141	6,543	3,373	3,140	6,513
	Asia/Pacific	0	0	0	0	432	432
	Africa & Middle East	424	884	1,308	1,250	164	1,414
	Total	4,451	6,112	10,563	5,755	5,546	11,301
Perlite & Diatomite	Europe	4,482	21,223	25,705	5,719	18,871	24,590
	Americas	29,147	15,017	44,164	29,006	15,193	44,199
	Africa & Middle East	0	976	976	0	471	471
	Total	33,629	37,216	70,845	34,725	34,535	69,26
Roof tile raw materials	Europe	37,654	14,714	52,368	36,767	16,817	53,584
	Total	37,654	14,714	52,368	36,767	16,817	53,584
Talc	Europe	6,945	2,402	9,347	7,390	2,549	9,939
	Americas	14,896	4,384	19,280	14,609	4,119	18,728
	Asia/Pacific	2,565	456	3,021	2,634	456	3,090
	Total	24,406	7,242	31,648	24,633	7,124	31,757
Z- Other minerals	Europe	1,095	300	1,395	983	300	1,283
	Americas	2,784	1,748	4,532	2,821	1,797	4,618
	Africa & Middle East	410	538	948	449	538	987
	Total	4,289	2,586	6,875	4,235	2,635	6,888

* The estimates of the Kerneos mineral assets are currently subject of a review to ensure compliance with the PERC reporting standard and hence are not reported in 2017.

In addition to the normal activities of production, additional changes occurred due to the acquisition of a sites in Europe (perlite & diatomite) as well as significant new authorisations and reassessments in Europe (bentonite & Feldspar).

■ MINERAL RESOURCES ESTIMATES (AT 12/31/2017 VS. 12/31/2016)

Product	Region	Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
		2017 (kt)				2016 (kt)			
Ball clays	Europe	7,332	833	1,438	9,603	8,325	813	1,322	10,460
	Americas	5,961	9,678	15,061	30,700	5,725	9,874	15,061	30,660
	Asia/Pacific	61	0	0	61	61	0	0	61
	Africa & Middle East	0	594	0	594	0	0	0	0
	Total	13,354	11,105	16,499	40,958	14,111	10,687	16,383	41,181
Bentonite	Europe	49,155	23,396	1,652	74,203	52,127	35,101	1,867	89,095
	Americas	523	2,045	2,849	5,417	659	2,163	3,016	5,838
	Africa & Middle East	6,205	16	279	6,500	6,112	11	293	6,416
	Total	55,883	25,457	4,780	86,120	58,898	37,275	5,176	101,349
Carbonates	Europe	0	3,364	19,115	22,479	0	3,364	19,237	22,601
	Americas	12,845	156,49	118,945	288,280	12,231	154,651	137,157	304,039
	Asia/Pacific	0	0	460	460	0	0	507	507
	Total	12,845	159,854	138,520	311,219	12,231	158,015	156,901	327,147
Feldspar	Europe	4,771	2,275	6,167	13,213	4,771	2,787	6,167	13,725
	Americas	1,849	5,500	12,700	20,049	1,849	5,500	12,700	20,049
	Africa & Middle East	928	14,201	11,100	26,229	928	14,201	11,100	26,229
	Total	7,548	21,976	29,967	59,491	7,548	22,488	29,967	60,003
Kaolin	Europe	336	4,002	6,382	10,72	493	4,002	6,382	10,877
	Americas	23,629	58,744	52,102	134,475	24,979	55,106	49,696	129,781
	Asia/Pacific	393	5,679	387	6,459	7	5,323	377	5,707
	Total	24,358	68,425	58,871	151,654	25,479	64,431	56,455	146,365
Minerals for Refractories*	Europe	3,074	3,017	0	6,091	4,381	1,710	147	6,238
	Americas	4,458	9,708	137	14,303	4,551	9,708	137	14,396
	Asia/Pacific	0	432	258	690	0	0	258	258
	Africa & Middle East	836	739	1,902	3,477	980	689	1,764	3,433
	Total	8,368	13,896	2,297	24,561	9,912	12,107	2,306	243,25
Perlite & Diatomite	Europe	972	23,089	57,564	81,625	978	16,648	57,564	75,190
	Americas	21,622	30,663	111,913	164,198	21,169	30,576	112,152	16,897
	Asia/Pacific	79	1	0	80	79	1	0	80
	Africa & Middle East	60	1,467	7,684	9,211	158	1,869	7,161	9,188
	Total	22,733	55,220	177,161	255,114	22,384	49,094	176,877	248,355
Roof tile raw materials	Europe	37,574	635	6,804	45,013	34,206	3,349	6,804	44,359
	Total	37,574	635	6,804	45,013	34,206	3,349	6,804	44,359
Talc	Europe	9,079	8,720	4,013	21,812	9,078	8,717	3,995	21,790
	Americas	0	0	3,471	3,471	0	0	3,457	3,457
	Asia/Pacific	2,480	1,235	4,168	7,883	2,480	1,235	4,215	7,930
	Total	11,559	9,955	11,652	33,166	11,558	9,952	11,667	33,177
Other minerals	Europe	1,687	1,015	90	2,792	1,719	1,015	428	3,162
	Americas	6,27	25,673	66,478	98,421	6,270	25,717	66,478	98,465
	Africa & Middle East	529	240	285	1,054	529	240	285	1,054
	Total	8,486	26,928	66,853	102,267	8,518	26,972	67,191	102,681

* The estimates of the Kerneos mineral assets are currently subject of a review to ensure compliance with the PERC reporting standard and hence are not reported in 2017.

In addition to the normal activities of exploration, resource development and transfer of resources to reserves, in 2017 there have been the acquisitions in Europe (Perlite & Diatomite) and significant reassessments in North America (carbonates and kaolin) and Europe (Bentonite).



2

REPORTS ON THE FISCAL YEAR 2017

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2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

At its meeting of February 14, 2018, the Board of Directors drew up the terms of the management report that it will present to the Annual Shareholders' General Meeting.

Imerys uses alternative performance measures in analyzing its business operations. These financial measures are set out [in section 2.1.5. Definitions and reconciliation of alternative performance measures to IFRS indicators](#).

2.1.1 2017 HIGHLIGHTS

In 2017, the Group's results increased substantially. Imerys improved its operating performance with a +10.4% increase in revenue, in particular due to Kerneos acquisition in 2017, but also thanks to bolt on acquisitions closed since end of 2016. At comparable structure and exchange rates, revenue is up +3.3% for the whole year. In this context, current operating income increased to +11.3%, with an operating margin of 14.1%. Current free operating cash flow generation was robust, at €358 million for the fiscal year. The Group largely exceeded its growth target for net income from current operations, up +11.4% and the net income from current operations, per share, improved +11.0%.

2017 was a major year in the rollout of Imerys' strategy. The Group broadened its business portfolio with the acquisition of Kerneos, the world leader in high-performance calcium aluminate binders for the growing building chemicals market. Thanks to its expertise in calcium aluminate technology, Kerneos develops high performance binders that contribute key properties (rapid hardening, self-leveling, sealing and wear, abrasion or heat resistance) to its customers' innovative solutions for the construction (screed and adhesive tiles mortars. etc.), civil engineering (sewage system infrastructure. etc.) or refractories (protection of blast furnaces, thermal power plant, etc.) sectors. This operation enables the

Group to strengthen its innovation capability with a world-class technology platform (two R&D centers in France and China) and to step up its presence in China with three new plants.

Kerneos is consolidated as of July 18, 2017 and is already contributing to Imerys' development. The Group confirms its value creation targets, including annual synergies estimated at €23 million within 3 years.

Imerys also completed several bolt-on acquisitions in 2017, which contributed ca. €130.0 million to revenue for the financial year and enabled the Group to broaden its specialty offering and develop its geographic presence in emerging countries such as Brazil, India and particularly China, where the Group now generates more than 7% of its revenue.

Based on this strong results, the Board of Directors will propose a dividend of €2.075 per share at the General Meeting of May 4, 2018, corresponding to a +11.0% increase compared with 2017, *i.e.* a total estimated payout of €165 million, which represents 40.6% of the Group's share of net income from current operations. This proposal reflects the Board's confidence in the Group's fundamentals and development prospects. The dividend would be paid out from May 15, 2018.

(€ million)	2017	2016	Change
Consolidated results			
Revenue	4,598.4	4,165.2	+10.4%
Current EBITDA ⁽¹⁾	889.6	818.9	+8.6%
Current operating income ⁽¹⁾	648.1	582.1	+11.3%
Operating margin	14.1%	14.0%	+0.1 point
Net income from current operations, Group's share ⁽¹⁾	403.4	362.1	+11.4%
Net income, Group's share	368.2	292.8	+25.8%
Financing			
Paid capital expenditure	340.9	278.5	+22.4%
Current free operating cash flow ⁽²⁾	358.4	394.6	-9.2%
Shareholders' equity	2,878.2	2,914.2	-1.2%
Net financial debt	2,246.4	1,366.5	+64.4%
Data per share (euros)			
Net income from current operations, Group's share ⁽¹⁾⁽³⁾	5.11	4.60	+11.0%
Proposed dividend	2.075	1.870	+11.0%

(1) Throughout this management report, "current" means "before other operating revenue and expenses", as defined in the notes to the financial statements relating to the consolidated income statement.

(2) Current free operating cash flow: current EBITDA after deduction of notional tax, changes in working capital requirement and paid capital expenditure.

(3) The weighted average number of outstanding shares was 79,015,367 in 2017 against 78,714,966 in 2016.

2.1.2 DETAILED COMMENTARY ON THE GROUP'S RESULTS

SALES

Non-audited quarterly data (€ million)	2017 revenue	2016 revenue	Revenue change	Of which volume effect	Of which price-mix effect	Comparable change
1 st quarter	1,113.2	1,038.1	+7.2%	+2.4%	+0.0%	+2.4%
2 nd quarter	1,107.1	1,058.6	+4.6%	+0.2%	+1.0%	+1.2%
3 rd quarter	1,173.2	1,029.8	+13.9%	+2.8%	+0.9%	+3.6%
4 th quarter	1,204.9	1,038.7	+16.0%	+3.2%	+2.9%	+6.1%
Year	4,598.4	4,165.2	+10.4%	+2.2%	+1.1%	+3.3%

Revenue in 2017 totaled €4,598.4 million, a +10.4% increase compared with 2016. This improvement can be explained by:

- a +3.3% organic growth in a markedly improved global macroeconomic environment, particularly in the second half. New products, which represents 12.5% of the turnover, continue to support a price-mix component that remains positive at +1.1%;
- a significant Group structure effect of +329.2 million (+7.9%), particularly due to the consolidation of Kerneos from July 18, 2017 (€196.0 million) and the external growth operations completed in late 2016 (including Alteo and SPAR) and in 2017 (including Damolin, Regain Polymers and Zhejiang Zr-Valley);
- a negative exchange rate effect totaling -€34.7 million in 2017 (-0.8%), due to a -€68.4 (-3.3%) million currency translation impact in the second half of 2017, particularly due to the dollar.

Revenue by geographic destination

Revenue by geographic destination (€ million)	2017 revenue	2017 vs. 2016 change (reported)	% of 2016 revenue	% of 2017 revenue
Western Europe	1,975.7	+10.6%	43%	43%
<i>of which France</i>	500.0	+5.5%	11%	11%
USA/Canada	1,114.3	+8.0%	25%	24%
Emerging countries	1,291.2	+14.6%	27%	28%
Other (Japan/Australia)	217.2	-1.4%	5%	5%
Total	4,598.4	+10.4%	100%	100%

■ CURRENT OPERATING INCOME

Non-audited quarterly data (€ million)	2017	2016	Change
1 st quarter	147.2	135.4	+8.7%
<i>Operating margin</i>	13.2%	13.0%	+0.2 pt
2 nd quarter	165.4	157.7	+4.9%
<i>Operating margin</i>	14.9%	14.9%	-
3 rd quarter	166.9	148.5	+12.4%
<i>Operating margin</i>	14.2%	14.4%	-0.2 pt
4 th quarter	168.6	140.6	+20.0%
<i>Operating margin</i>	14.0%	13.5%	+0.5 pt
Year	648.1	582.1	+11.3%
<i>Operating margin</i>	14.1%	14.0%	+0.1 pt

Current operating income totaled €648.1 million in 2017, a +11.3% increase from 2016. The Group's **operating margin** improved by 10 basis points to 14.1%, and takes into account a -€12.6 million negative exchange rate impact in the second half, as well as several acquisitions completed in 2017, whose contribution to current operating income amounted to +€26.0 million for revenue of €329.2 million.

In 2017, Imerys benefited from the positive contribution of volumes (+€53.9 million) and the price-mix component (+€37.5 million) totaling +€91.4 million. The increase in variable costs (external production costs) remains under control at +€10.0 million, thanks to operating excellence programs and in a context of rising prices for some raw materials.

The +€45.3 million rise in fixed costs and general expenses (personnel and internal production costs) results from the sharp upturn in activity, from capital expenditure in production capacities, innovation, human resources and from programs intended to strengthen the Group's competitiveness and support its future growth. These programs relate to industrial excellence (control of industrial costs, quality improvement, traceability and process reliability, safety improvement and capacity optimization), commercial excellence (improvement of customer offering and optimization of sales & marketing approach) and internal efficiency (system convergence, pooling resources and optimizing costs).

In this context, return on capital employed before tax improved by +0.1 point compared with 2016 to 12.2%.

■ NET INCOME FROM CURRENT OPERATIONS

Net income from current operations increased +11.4%⁽¹⁾ to €403.4 million (€362.1 million in 2016). It takes the following into account:

- financial expense of -€79.2 million (-€63.9 million in 2016) due to greater exchange rate effects from the 3rd quarter onward and to the financial impact of partial repurchase of 2020 bond in December (-€12 million). Net interest expense totaled €46.5 million in 2017 (€52.7 million in 2016), which corresponds to an average cost of debt of 1.8%;
- a -€164.6 million tax charge (-€154.1 million in 2016), reflecting, in particular, the impact of a lower effective tax rate of 28.9% (29.7% in 2016), which benefits from the US tax reform.

The **Group's share of net income from current operations per share** increased +11.0% to €5.11.

■ NET INCOME

Other operating income and expenses, net of tax, totaled -€35.2 million in 2017 (-€69.3 million in 2016) and include transaction costs in particular. After taking these other operating income and expenses into account, the **Group's share of net income** totaled €368.2 million (€292.8 million in 2016), a +25.8% increase.

(1) As a reminder, the Group published on July 27, an objective of year-on-year growth of over 7% in net income from current operations, including external growth.

CASH FLOW

(€ million)	2017	2016
Current EBITDA	889.6	818.9
Change in operating working capital requirement (WCR)	(11.7)	14.4
Paid capital expenditure	(340.9)	(278.5)
Notional tax	(187.5)	(173.1)
Other	8.9	13.0
Current free operating cash flow	358.4	394.6

Imerys generated robust levels of **current free operating cash flow** in 2017 (€358.4 million vs. €394.6 million the previous year). This mainly results from the following items:

- an increase in current **EBITDA** to €889.6 million;
- a 22.4% rise in **paid capital expenditure** to €340.9 million, including in particular the continuation of the pluri-annual capital expenditure plan for mobile energy (cf. list of capital projects in appendix). This substantial capital expenditure program represents 134% of depreciation expense;
- a -€11.7 million change in operating **working capital requirement** in 2017, compared with +€14.4 million in 2016, as a result of high activity in the 4th quarter. As a share of revenue, working capital requirement improved to 22.3% in 2017 (23.6% in 2016).

FINANCIAL STRUCTURE

(€ million)	2017	2016
Net debt, end of period	2,246.4	1,366.5
Average net debt of the period	1,873.2	1,516.5
Shareholders' equity	2,878.2	2,914.2
Current EBITDA	889.6	818.9
Net debt/shareholders' equity	78.1%	46.9%
Net debt/Current EBITDA	2.5 x	1.7 x

Net financial debt amounts to €2,246.4 million as of December 31 2017, a +€879.9 million increase compared with December 31 2016. It takes into account payment of the acquisitions made in 2017, particularly Kerneos, €149.6 million of dividend payments and €27.0 million of share buybacks under the Group's treasury share purchase program.

The sound financial structure is rated Baa2 by Moody's and BBB by Standard & Poor's, with a stable outlook in both cases.

It is worth recalling that on January 10, 2017, Imerys issued a €600 million bond with a 10-year maturity and an annual coupon

of 1.50%. The offer was oversubscribed threefold and benefited from highly favorable market terms, enabling Imerys to anticipate funding of the Kerneos acquisition.

In addition, on December 5, the Group made a partial reimbursement of the 2020 bond for €176.5 million to optimize the cost of its debt.

Consequently, as of December 31, 2017, Imerys' bond financing amounted to €2.0 billion with an average maturity of 7.4 years. The Group also has €1.3 billion bilateral credit lines. As a result, the Group's **financial resources** totaled €3.3 billion with an average maturity of 5.8 years.

2.1.3 COMMENTS BY BUSINESS GROUP

■ ENERGY SOLUTIONS & SPECIALTIES

(29% of consolidated revenue in 2017)

Non-audited quarterly data (€ million)	2017	2016	Change (as reported)	Change at comp. basis
1 st quarter revenue	321.6	300.8	+6.9%	+1.0%
2 nd quarter revenue	332.0	316.2	+5.0%	+0.7%
3 rd quarter revenue	338.7	319.6	+6.0%	+5.3%
4 th quarter revenue	334.3	314.0	+6.4%	+9.0%
Full-year revenue	1,326.6	1,250.7	+6.1%	+4.0%
Current operating income	141.1	129.9	+8.6%	
Operating margin	10.6%	10.4%	+0.2 pt	

Revenue

The **Solutions for Energy & Specialties business group's revenue** totaled €1.326.6 million in 2017, up +6.1%. This increase takes into account a +37.5 million structure effect, mainly from the acquisitions in the Monolithic Refractories division and, to a lesser extent, the Carbonates and Graphite & Carbon divisions. It also includes a -€11.9 million negative exchange rate effect over the year (-€24.6 million in the second half).

At comparable structure and exchange rates, revenue rose +4.0% over the year as a whole, reflecting an overall improvement in activity that was especially visible in the second part of the year.

Operating income

The Solutions for Energy & Specialties business group's **current operating income** rose +8.6% to €141.1 million, thanks to higher volumes and the positive effect of product prices and mix.

Review by division

The **Carbonates** division benefited from positive trends in demand on its main markets in the fourth quarter. The Group continued to develop in emerging countries while broadening its specialty offering through the acquisition of Micronita (Brazil, November 2017) and Vimal Microns (India, February 2018).

The **Monolithic Refractories** division, which markets refractory solutions for a wide range of high-temperature industrial equipment, benefited from expanding industrial markets. The Group completed several external growth operations (SPAR, N.G. Johnson, Set Linings and Fagersta Eldfasta) that enabled it to develop in installation services in Europe and on the petrochemicals, power generation, cement and incineration markets in North America.

The **Graphite & Carbon** division recorded sustained sales in mobile energy (Lithium-ion batteries particularly for electric vehicles) and conductive polymer markets. The Group supported these markets' growth with substantial capital expenditure, including new carbon black and synthetic graphite production units and the development of a mine and a new processing plant for natural graphite. In addition, Imerys has acquired Nippon Power Graphite (NPG), a small technology company with a pilot production line for graphite processing.

The activity of the **Oilfield Solutions** division, now a major and enduring player in the ceramic proppants industry in North America, remained subdued and the negative contribution to the Group's current operating income was below €20 million.

■ FILTRATION & PERFORMANCE ADDITIVES

(27% of consolidated revenue in 2017)

Non-audited-quarterly data (€ million)	2017	2016	Change (as reported)	Change at comp. basis
1 st quarter revenue	312.4	278.2	+12.3%	+6.5%
2 nd quarter revenue	317.0	292.1	+8.5%	+4.0%
3 rd quarter revenue	302.2	282.0	+7.1%	+4.8%
4 th quarter revenue	305.5	292.2	+4.5%	+6.1%
Full-year revenue	1,237.0	1,144.5	+8.1%	+5.3%
Current operating income	254.2	214.6	+18.4%	
Operating margin	20.6%	18.8%	+1.8 pt	

Revenue

The **Filtration & Performance Additives business group's revenue** totaled €1,237.0 million in 2017, a +8.1% increase compared with 2016. It takes into account a +€44.1 million structure effect, mainly relating to the acquisitions of Damolin (industrial absorbents) and, to a lesser extent, Regain Polymers (plastics recycling). The exchange rate impact amounts to -€12.4 million in 2017 (-€23.0 million in the second half).

The business group's growth was robust throughout 2017, totaling +5.3% at comparable structure and exchange rates for the year. The sales reflect the development of new products, in particular.

Operating income

The business group's **current operating income**, up +18.4% to €254.2 million, benefited from higher volumes and a favorable mix due to the new product development strategy. It includes a +€6.7 million structure effect.

■ CERAMIC MATERIALS

(25% of consolidated revenue in 2017)

Non-audited quarterly data (€ million)	2017	2016	Change (as reported)	Change at comp. basis
1 st quarter revenue	310.9	323.2	-3.8%	-4.7%
2 nd quarter revenue	300.9	311.4	-3.3%	-2.9%
3 rd quarter revenue	285.9	293.8	-2.7%	-1.8%
4 th quarter revenue	285.3	293.6	-2.9%	-0.2%
Full-year revenue	1,183.0	1,222.0	-3.2%	-2.5%
Current operating income	212.7	223.4	-4.8%	
Operating margin	18.0%	18.3%	-0.3 pt	

Revenue

The **Ceramic Materials business group's revenue** totaled €1,183.0 million in 2017. The -3.2% current change from 2016 factors in a -€7.2 million exchange rate effect (-€11.7 million in the second half) and a structure impact of -€1.8 million (divestment of a site).

At comparable structure and exchange rates, the business group's revenue levelled out in the fourth quarter due to the sequential improvement in the Roofing division.

Operating income

Current operating income totaled €212.7 million in 2017 and corresponds to a margin rate that remains high thanks to tight control of operating costs.

Review by division

Trends were positive across all market segments in the **Performance Additives** division. In particular, the Group increased its production capacity for automotive polymers. It also strengthened its position in plastic recycling solutions with the acquisition of Regain Polymers in the United Kingdom.

The **Filtration** division's sales benefited from a firm consumer products sector (beers, wine, edible oils, sweeteners, etc.). Moreover, the Group continued its developments in new market segments, particularly in health (high-purity solutions for blood plasma fractionation), cosmetics (a new expanded perlite unit for exfoliating creams) and agriculture.

The **Metallurgy** division took advantage of a good commercial dynamic in a context of healthy market trends in casting and steelmaking. It expanded its specialty offering through the integration of Damolin and launched several new products.

Review by division

The **Kaolin** division continued its development in ceramic and specialty application markets (paint, rubber, plastic, ink, etc.), while the environment remained negative for the paper market.

The **Roofing** division's sales levelled out in the fourth quarter. Clay roof tile sales were down -1.5% year-on-year (source: French roof tiles & bricks federation – FFTB), as a consequence of weak renovation markets (75% of roof tile sales). In addition, the Group continued to develop its integrated roofing offering (roofing accessories, solar tiles).

The **Ceramics** division's sales were healthy, particularly in sanitary ware, tableware and technical ceramics. They were driven by emerging countries (Asia, Eastern Europe and Middle East).

■ HIGH RESISTANCE MINERALS

(19% of consolidated revenue in 2017)

Non-audited quarterly data (€ million)	2017	2016	Change (as reported)	Change at comp. basis
1 st quarter revenue	184.2	148.3	+24.2%	+14.6%
2 nd quarter revenue	171.5	151.5	+13.2%	+4.4%
3 rd quarter revenue	263.1	146.5	+79.5%	+10.7%
4 th quarter revenue	296.2	151.4	+95.7%	+13.2%
Full-year revenue	915.0	597.8	+53.1%	+10.7%
Current operating income	111.5	78.0	+43.0%	
Operating margin	12.2%	13.0%	-0.8 pt	

Revenue

Revenue for the **High Resistance Minerals business group**, which mainly serves high temperature industries (steel, foundry, glass, aluminum, etc.), abrasives and construction (high performance calcium aluminate binders), totaled €915.0 million in 2017, a +53.1% increase on a current basis compared with 2016. This change takes into account a +€256.8 million structure effect, mainly due to the integration of Kerneos in the second half and, to a lesser extent, the Alteo Group's specialty alumina production activities, which were consolidated from the end of 2016 and Zhejiang Zr-Valley's zirconia derivatives in China, from the end of July 2017. Exchange rate effects totaled -€3.6 million in 2017 (-€9.6 million in the second half).

At comparable structure and exchange rates, the High Resistance Minerals business group's sales increased +10.7%. They benefited from good commercial momentum and from innovation on high-potential markets.

Operating income

Current operating income rose +43.0% to €111.5 million in 2017. Growth in volumes and a positive price-mix effect kept profitability high, although the Group has to deal with higher prices for some raw materials and a heavy negative exchange rate effect towards the end of the year.

Review by division

Sales of the **Refractory Minerals** and **Kerneos** divisions, which were grouped together in a new **Aluminates** division, were firm. They benefitted from the upturn on refractory markets, which was accentuated by a catch-up effect, and the development of the building chemicals market for the construction and civil engineering sectors. The Group confirms the amount of synergies announced upon the acquisition of Kerneos (€23 million on year 3).

The **Fused Minerals** division's activity was boosted by the upturn in industrial activity, which directly benefited the abrasives market. In this context, sales of ultrafine alumina for high performance abrasives picked up speed.

2.1.4 2018 OUTLOOK

2018 should be another year of growth in net income from current operations. Imerys will benefit from the quality of its business model, its operational discipline, the contribution of recent acquisitions and substantial capital expenditure on production capacities, as well as from innovation, excellence programs and internal efficiency.

2.1.5 DEFINITIONS AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES TO IFRS INDICATORS

Imerys' management process is based on the following non-IFRS measures that are selected for planning and reporting purposes. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures.

■ GROWTH ON COMPARABLE BASIS

Growth on comparable basis, at comparable Group structure and exchange rates, is also qualified as internal or organic growth. It is computed by excluding exchange rates changes as well as acquisitions and disposals (Group structure effect).

Restatement of the foreign exchange effect consists of calculating aggregates for the current year at the exchange rate of the previous year. The impact of exchange rate instruments qualifying as hedging instruments is taken into account in current data.

Restatement of Group structure effect of newly consolidated entities consists of:

- for entities entering the consolidation scope in the current year, subtracting the contribution of the acquisition from the aggregates of the current year;
- for entities entering the consolidation scope in the previous year, subtracting the contribution of the acquisition from January 1 of the current year, until the last day of the month of the current year when the acquisition was made the previous year.

Restatement of entities leaving the consolidation scope consists of:

- for entities leaving the consolidation scope in the current year, subtracting the departing entity's contributions from the aggregates of the previous year as from the first day of the month of divestment;
- for entities leaving the consolidation scope in the previous year, subtracting the departing entity's contributions from the aggregates of the previous year.

Growth on comparable basis is the sum of a volume effect and a price-mix effect, which are computed as follows:

- the term **"volume effect"** corresponds to the sum of the change in sales volumes of each division between the current year and the previous one, valued at the average sales price of the previous year.
- the term **"price-mix effect"** corresponds to the sum of the change in average prices by product family of each division between the current year and the previous one, applied to volumes of the current year.

■ CURRENT INDICATORS

The following measures represent key indicators for measuring the recurring performance of the business, excluding significant items that, because of their nature and their unusual occurrence, cannot be considered as inherent to the recurring performance of the Group:

Current operating income

The term "Current operating income" corresponds to the operating income before other operating income and expenses;

Current EBITDA

The "current EBITDA" is computed from the current operating income, by restating operating amortization, depreciation and impairment losses, net change in operating provisions, share in net income and dividends received from joint ventures and associates;

Net income from current operations

The term "Net income from current operations" corresponds to the Group's share of income before other operating revenue and expenses, net;

Current free operating cash flow

The term "Current free operating cash flow" corresponds to the current EBITDA after deduction of notional tax, changes in working capital requirement and paid capital expenditure and including subsidies, value of divested assets and miscellaneous;

Current free cash flow

The term "Current free cash flow" corresponds to the Current free operating cash flow less financial expense (net of tax) and other working capital requirement items.

2.1.6 ACTIVITY AND RESULTS OF IMERYS SA IN 2017

■ INCOME STATEMENT

The operating income of Imerys SA, the parent company of the Imerys Group, amounts to -€85.3 million (-€66.3 million in 2016). Operating revenue amounts to €55.7 million (€31.1 million in 2016) and purchases and external services amount to €79.2 million (€47.4 million in 2016); these increases are attributable to the re-invoicing of services between the holding and its subsidiaries. Staff expenses increase by €11.0 million, mainly as a result of free shares grants to a certain number of employees. The provision for the rehabilitation of the former headquarters accrued in 2016 was reversed for €1.1 million. A provision for the rehabilitation of the current headquarters was thus accrued for €1.5 million in 2017.

Revenue from subsidiaries and affiliates amounts to €465.2 million, *i.e.* an increase of €278.0 million vs. 2016, mainly due to higher dividends received, in particular from its subsidiary Imerys TC, for a total of €236.1 million. Imerys SA is managing the foreign exchange rate risk related to directly or indirectly held foreign net assets, as well as that resulting from the loans and advances granted to the subsidiaries and entities under treasury contracts, through adjustments of the proportions of its indebtedness drawn in foreign currencies. In 2017, Imerys SA recognized in this respect a net foreign exchange gain of €36.1 million (-€3.6 million in 2016). The net financial expenses included in the position "Financial interests and expenses on financial instruments", increase by €3.3 million

further to the issue in 2017 of a €600.0 million bond with a maturity in 2027 and a 1.5% annual coupon, to the reimbursement of a €500.0 million bond maturing in April 2017 (with a 5.0% annual coupon), and a partial bond buy back with a maturity of 2020 for €176.5 million (with a 2.5% annual coupon). The net of increases and decreases in financial provisions is presented in [Note 20 of the statutory financial statements](#).

Exceptional income amounts to -€3.8 million (€3.5 million in 2016). A provision for management risks of €4.0 million and a provision for staff-related risks of €0.1 million were accrued in 2017.

In accordance with the terms of the tax consolidation conventions signed by each company of the Imerys Group, the tax expense or credit recognized in the accounts of Imerys SA is made up of the tax expense of Imerys SA, calculated as if it was not part

of the tax consolidation and of the net amount of additional expenses and credits resulting from the tax consolidation. In this respect, Imerys SA recognized a credit of €51.3 million in 2017 (€34.0 million in 2016).

Net income amounts to €373.4 million in 2017 (€105.6 million in 2016).

The Board of Directors will propose the payment of a dividend of €2.075 per share at the Shareholders' General Meeting of May 4, 2018, up +11.0% compared to 2016. This dividend would be paid out from May 15, 2018 for an estimated distributed total amount of €165 million, i.e. 41% of the Group's consolidated net income from current operations (proposed allocation of earnings: [see Note 29 of the statutory financial statements and chapter 8, paragraph 8.1.1 of the Registration Document](#)).

■ FINANCIAL DEBT

(€ thousands)	Amount	Maturity less than 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years
Financial debts	4,109,513	2,134,165	523,500	1,451,848
Other debts ⁽¹⁾	60,235	60,235	-	-
Deferred revenue	0	-	-	-
Unrealized exchange rate gains	55,176	55,176	-	-
Total	4,224,924	2,249,576	523,500	1,451,848

■ INVENTORY OF SUBSIDIARIES AND EQUITY INTERESTS AND MARKETABLE SECURITIES

Subsidiaries and equity interests as of December 31, 2017: [see Note 30 of the statutory financial statements](#). Marketable securities as of December 31, 2017: [see Note 18 of the statutory financial statements](#).

■ INFORMATION ON CAPITAL AND DISTRIBUTIONS OF DIVIDENDS OVER THE PAST THREE FISCAL YEARS

Share capital as of December 31, 2017: [see Notes 19 and 25 of the statutory financial statements, as well as in chapter 7, paragraph 7.3.1 of the Registration Document](#).

Distribution of dividends policy: [see chapter 7, section 7.6 of the Registration Document](#).

Dividends paid during the past three fiscal years:

	2017	2016	2015
	For the 2016 fiscal year	For the 2015 fiscal year	For the 2014 fiscal year
Gross dividend per share	€1.87	€1.75	€1.65
Net dividend per share	€1.87	€1.75	€1.65
Total net distribution	€148.2 M	€137.5 M	€132.5 M

■ CAPITAL, OTHER SECURITIES, INCOME AND OTHER KEY INDICATORS OF THE COMPANY FOR THE PAST FIVE PERIODS

Type of indicators (in euros)	2017	2016	2015	2014	2013
I - Capital and other shares at the end of the period					
Share capital	159,208,570	159,135,748	159,144,982	151,771,182	152,476,528
Number of ordinary shares at the end of the period	79,604,285	79,567,874	79,572,491	75,885,591	76,238,264
Nominal per share	€2	€2	€2	€2	€2
Number of preferred shares (without voting rights)	-	-	-	-	-
Maximum number of potential ordinary shares by exercise of options	406,037	865,621	1,459,672	2,484,569	3,090,546
II - Transactions and income for the period					
Pre-tax sales	51,615,496	30,520,557	30,377,768	37,564,102	25,308,126
Income before income taxes, legal profit-sharing and amortization, depreciation and provisions	357,813,578	67,450,733	267,801,548	10,864,457	32,340,859
Income taxes	51,281,606	33,968,800	46,644,138	44,446,604	34,950,441
Legal employee profit-sharing payable for the period	-	-	-	-	-
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	373,430,724	105,574,030	340,118,961	31,197,197	49,138,878
Distributed income (excluding withholding tax)	148,225,995	137,475,762	132,492,560	122,431,557	116,955,803
III - Earnings per share⁽¹⁾					
Income after income taxes, legal profit-sharing and before amortization, depreciation and provisions	5.14	1.27	3.95	0.73	0.88
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	4.69	1.33	4.27	0.41	0.64
Net dividend per share	2,075 ⁽²⁾	1.87	1.75	1.65	1.6
IV - Employees					
Average number of employees for the period	199.00	168.00	166.00	157.00	141.00
Payroll for the period	22,332,788	19,057,948	16,867,259	15,926,339	14,822,200
Amount paid as social contribution for the period	11,623,061	8,771,366	9,356,639	9,075,639	8,282,608

(1) Based on the number of shares as of December 31.

(2) Proposed for the approval of the Shareholders' General Meeting of May 4, 2018.

■ EVENTS AFTER THE END OF THE PERIOD

The annual statutory financial statements as of December 31, 2017 were closed by the Board of Directors at its meeting on February 14, 2018.

■ SUPPLIERS AND CUSTOMERS PAYMENT TERMS

Pursuant to article L. 441-6-1 and D. 441-4 of the French Code of Commerce, the following table discloses the number and tax-free amount of invoices received and issued, past due and outstanding at the closing date:

	Article D. 441-4-I-1°: Received and unpaid invoices at the closing date of the period						Article D. 441-4-I-2°: Issued and unpaid invoices at the closing date of the period					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Portion of delayed payments												
Number of invoices	392					90						200
Total pre-tax amount of invoices (€ thousands)	235	1,225	125	92	65	1,507		33	275	303	771	1,382
Percentage of the total pre-tax amount of purchases of the period (%)	0.31	1.63	0.17	0.12	0.09	2.01						
Percentage of pre-tax sales of the period (%)								0.06	0.53	0.59	1.49	2.67
(B) Invoices excluded from (A) related to litigious or unrecognized debts and receivables												
Number of excluded invoices	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of excluded invoices	-	-	-	-	-	-	-	-	-	-	-	-
(C) Standard terms of payment used (contractual or legal term – article L. 441-6 or article L. 433-1 of the French Code of Commerce)												
Standard terms of payment used for the calculation of delayed payments	Contractual terms: as indicated on the invoice						Contractual terms: 30 days					
	Legal terms: 30 days						Legal terms: 30 days					

The information presented in other chapters of the Registration Document is incorporated by reference and form an integral part of the Management Report of the Board of Directors, in particular:

- Social and environmental information including the consequences on the climate change; social commitments to Sustainable Development and Circular Economy (chapter 5 – Corporate Social Responsibility);
- Research & Development (chapter 1 – Presentation of the Group);
- Main risks and uncertainties, including financial risks related to impacts of the climate change (chapter 4 – Risk factors and internal control, chapter 5 – Corporate Social Responsibility and chapter 6 – Financial statements);
- Internal control and risk management procedures relating to the preparation and processing of accounting and financial information (chapter 4 – Risk factors and internal control and chapter 6 – Financial statements);
- Interest acquisitions or takeovers (chapter 1 – Presentation of the Group and chapter 6 – Financial statements);
- Use of financial instruments (chapter 6 – Financial statements);
- Transactions in securities of the Company by corporate officers (chapter 3 – Corporate Governance);
- Information on share capital, including employee shareholding in the share capital of the Company and share buyback programs (chapter 7 – information about the Company and its share capital);
- Main subsidiaries and affiliates (chapter 6 – Financial statements and chapter 7 – information about the Company and its share capital).

2.2 CORPORATE GOVERNANCE REPORT

In accordance with the new provisions of article L. 225-37 of the French Code of Commerce, the Board of Directors drew up its Corporate Governance Report at its meeting on March 8, 2018.

The information referred to in articles L. 225-37-2 *et seq* of the French Code of Commerce presented in other chapters of the Registration Document is incorporated by reference and forms an integral part of the Corporate Governance Report, in particular:

- composition, organization and functioning of the Board of Directors; list of offices and functions held by each corporate officer; exercise of Executive Management (chapter 3 – Corporate Governance);
- principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that may be allotted to Executive Corporate Officers, including the relevant draft resolutions as well as the compensation and benefits of all kinds paid to Corporate Officers during the financial year (chapter 3 – Corporate Governance and chapter 8 – Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2018);
- table summarizing the financial authorizations and delegations for share capital increases granted by the Shareholders' General Meeting to the Board of Directors (chapter 7 – information about the Company and its share capital);
- items likely to have an impact in the event of a public offer (chapter 7 – information about the Company and its share capital);
- particular conditions for admission of Shareholders to the Shareholders' General Meeting (chapter 7 – information about the Company and its share capital).

2.3 STATUTORY AUDITORS' REPORTS

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1

S.A.S. with variable capital
Statutory Auditors
Member of the compagnie régionale de Versailles

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

with a share capital S.A. of €1,723,040
Statutory Auditors
Member of the compagnie régionale de Versailles

2.3.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

■ OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Imerys ("the Group") for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

■ BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics for statutory auditors (*Code de déontologie*).

■ JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Valuation of goodwill – Notes 16 and 19

Risks identified

The carrying value of the goodwill appearing in the balance sheet totals €2,135.5 million as of December 31, 2017.

Goodwill corresponds to the difference between (i) the acquisition price and the minority interests in the acquired company, compared to (ii) the fair value of identifiable assets acquired and liabilities assumed. Goodwill is allocated to the CGUs which benefit from the synergies resulting from the acquisition.

An impairment test is carried out every 12 months at the end of the period in all CGUs comprising a goodwill component. Besides this annual testing, Management ensures itself that goodwill does not show any risk of impairment loss likely to trigger a test at another date should facts be identified indicating that the CGU has been impaired. An impairment test consists in comparing the carrying value of the CGUs tested, including the goodwill which is allocated to them, with the recoverable amount, corresponding most often to the value in use, estimated based on discounted future cash flows. An impairment loss is recognized when the recoverable amount of the CGU to which the goodwill is allocated is less than its net carrying value.

We considered goodwill valuation to be a key audit matter for the following reasons:

- The determination of the parameters used to perform impairment tests requires Management to make important judgments and estimates, such as expected levels of organic growth, perpetual growth rates and discount rates which are by their very nature dependent on the economic environment.
- The amount of goodwill is material in the consolidated financial statements.

Responses as part of our audit

We held meetings with Management to identify possible indications of impairment loss and have, if necessary, analyzed their compliance with IAS 36 – Impairment of Assets.

We have analyzed the compliance with IAS 36 and the method used by Management to determine the recoverable amount of each CGU.

We have also, with the assistance of our valuation experts, carried out a critical review of the implementation terms of this methodology and analyzed in particular:

- the consistency of the determination of this amount with the means by which cash flow projections have been determined for the value in use;
- the reasonableness of the cash flow projections relating to each CGU compared to the economic and financial context in which they operate;
- the consistency of these cash flow projections with the most recent Management estimates that were presented to the Board of Directors as part of the budget process;
- the consistency of the growth rate adopted for the projected cash flows with market analyses and the consensus of the main players;
- the calculation of the discount rates applied to future cash flows.

We have also:

- verified the sensitivity calculations performed by Management, in particular, for forecast cash flows, discount rates and perpetual growth rates, in order to determine the amount from which an impairment loss should be recognized;
- verified arithmetical calculations.

Valuation of the provisions for restoration of mining sites – Note 23.2

Risk identified

Imerys is subject to different regulatory requirements relating to the restoration, at the end of their operations, of the mining sites that the Group operates.

Provisions have been recognized on the balance sheet for this purpose, for an amount of €123.3 million as of December 31, 2017, which is material.

The calculation of these provisions requires Management to make important assumptions for estimating the useful life of the mining sites as well as for determining the costs relating to these requirements and the implementation timetable with regard to the specificities of each site, the time frame considered and local regulatory requirements. The determination of the discount rates for forecast costs is also an important assumption.

Management relies on in-house experts to validate the main assumptions, by taking into account the expected impacts, where applicable, of regulatory changes.

The valuation of provisions for restoration of mining sites is therefore considered to be a key audit matter.

Responses as part of our audit

We have familiarized ourselves with the procedures set up by Management to determine these provisions and have performed certain specific tests on a sampling of operating entities. As part of our tests:

- we have examined the competence and objectivity of the in-house experts contacted by the Group;
- we have assessed the pertinence of the method adopted and analyzed the reasonableness of the cost estimates with respect to applicable legal or contractual requirements;
- we have analyzed the method for determining discount rates and reconciled the component parameters with market data.

For the other entities, we have analyzed the changes in provisions to identify any possible inconsistencies with respect to our understanding of the relevant mining site restoration programs.

Valuation of provisions related to legal procedures – Note 23.2**Risk identified**

The Group is involved in various litigation and claims relating to allegations of personal or financial injury involving the civil liability of Group companies (delivery of defective products, health concerns or neighborhood disturbances relating to their activities) and the potential breach of contractual obligations or regulations on employee, property or environmental issues. Provisions recorded to deal with these risks are included in the €173.1 million provision for Legal, social and regulatory risks disclosed in Note 23.2.

The decision to recognize a provision depends on Management judgments concerning the probability of a favorable outcome for the Group and the possibility to make a reliable estimate of the resulting obligation, if it arises. Management also exercises its judgment when determining the amount of the provision to be recorded.

We considered the valuation of the provisions related to legal procedures to be a key audit matter, notably in the United States and Brazil, due to the significant amounts at stake and the sensitivity of the assumptions adopted by Management with respect to the Group's results.

Responses as part of our audit

We have assessed the reasonableness of the provisions recorded with respect to:

- reports on the litigation prepared by the regional legal departments for the attention of the Group's top legal management;
- schedule on the progress of known legal proceedings and the list of potential litigation which was presented to us by the Group's legal director and the deputy legal director;
- extracts of the minutes of different meetings of the Imerys Board of Directors, transcribing the discussions relating to the main proceedings underway or the risks.

We have also obtained confirmation letters from outside legal counsel in charge of significant litigation allowing us to compare their assessment of the provisions to be recorded with those of Management.

In light of the information obtained as part of our work, we have also assessed the items considered by Management when it decides not to record a provision for certain litigation.

Recognition of the Kerneos acquisition – Note 16**Risk identified**

On July 17, 2017, Imerys acquired 100% of Kerneos for an enterprise value of €880 million.

This transaction resulted in the recognition of a provisional allocation of the acquisition price leading to goodwill of €441 million after recognition of the acquired assets and liabilities assumed of the target. The allocation of the acquisition price will be finalized within the 12 months following the takeover date.

Recognition of the Kerneos acquisition is considered to be a key audit matter with respect to the materiality of this acquisition and because Management exercises a certain number of judgments and estimates that led to the identification and valuation of assets acquired and liabilities assumed.

Responses as part of our audit

Our work consisted in:

- familiarizing ourselves with the process implemented by Management to record this transaction;
- analyzing the acquisition agreements;
- analyzing the work carried out by Management as part of the allocation of the acquisition price;
- assessing, with the support of our valuation experts, the pertinence of the main assumptions adopted and conclusions reached by Imerys in terms of allocation of the acquisition price to assets and liabilities;
- familiarizing ourselves with the due diligence report prepared by the independent firm mandated by Imerys, to identify possible overvalued assets or undervalued liabilities or not taken into account during the process to identify and value assets acquired and liabilities assumed.

■ VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Director's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

■ REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed statutory auditors of Imerys by the Shareholders' Meeting of April 29, 2010 for ERNST & YOUNG et Autres and May 5, 2003 for DELOITTE & ASSOCIÉS.

As of December 31, 2017, ERNST & YOUNG et Autres was in its 8th year of uninterrupted engagement and DELOITTE & ASSOCIÉS in its 15th year.

Previously, ERNST & YOUNG Audit, which is a member of the EY International network, was the statutory auditor of Imerys from 1986 to 2009.

■ RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

■ STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we will discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Neuilly-sur-Seine, March 19, 2018

The Statutory Auditors

ERNST & YOUNG et Autres
Sébastien HUET

DELOITTE & ASSOCIÉS
Frédéric GOURD

2.3.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

■ OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Imerys for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

The audit opinion expressed above is consistent with our report to the Audit Committee.

■ BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics for statutory auditors (*Code de déontologie*).

■ OBSERVATION

Without qualifying our opinion expressed below, we draw your attention to the "Accounting policies" note to the financial statements which describes the change in accounting method resulting from the application of ANC regulation no. 2015-05 relating to forward financial instruments ("futures") and hedging transactions.

■ JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the financial statements.

Valuation of equity interests – Note 2

Risks identified

Equity interests, appearing on the balance sheet as of December 31, 2017 for a net amount of €4,069 million, represent one of the most significant balance sheet items. They are recorded as of their entry date at acquisition cost and impaired, if necessary, based on their value in use. As indicated in Note 2 to the financial statements, the value in use is estimated by Management based on the value of equity at the year end of the entities concerned, their level of profitability and their business forecasts. The estimate of the value in use of these securities requires Management to exercise its judgment in its choice of items to consider according to the type of equity interests concerned. Such items may correspond to historical items such as equity, and for others, (earnings outlooks and economic situation).

Competition and the economic environment confronted by certain subsidiaries as well as the geographical location of some of them, can lead to a decrease in their activity and a deterioration in their operating income. In this context and because of uncertainties inherent to certain items and specifically the probability of attaining forecasts, we considered the valuation of equity interests, related receivables and provisions for contingencies to be a key audit matter.

Responses as part of our audit

To assess the reasonableness of the estimate of value in use of equity interests, based on the information communicated to us, our work mainly consisted in verifying that the estimate of these values, as determined by Management, is based on an appropriate justification of the valuation method and the figures used.

For the valuations based on historical items, our work consisted in:

- verifying that the equity retained is consistent with the accounts of the entities that were the subject of an audit or analytical procedures and that any equity adjustments are based on probative documentation.

For the valuations based on forecast items, our work consisted in:

- obtaining the cash flow forecasts of the entities concerned prepared by Management and assessing their consistency with budget forecasts ;
- analyzing the consistency of the assumptions adopted with the economic environment on the dates the accounts were prepared and closed;
- verifying that the value resulting from cash flow forecasts was adjusted for the debt of the entity considered.

In addition to assessing the value in use of equity interests, our work also consisted in:

- assessing the recoverability of related receivables with respect to the equity interest analyses;
- verifying the recognition of a provision for contingencies when the Company has committed to bearing the losses of a subsidiary which has negative equity.

■ VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS ADDRESSED TO SHAREHOLDERS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the Management Report and in the Other Documents Addressed to Shareholders on the Financial Position and the Financial Statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to shareholders with respect to the financial position and the financial statements.

Report on Corporate Governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we have the following comment on the accuracy and fair presentation of this information: as indicated in the report on corporate governance, information representing the remunerations and benefits paid by the Imerys Group and the companies controlling it to directors concerned with respect to their mandates, functions or duties carried out within or on behalf of the Imerys Group. This information does not include amounts paid with respect to other mandates, functions or duties.

Concerning the information relating to the elements that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their compliance with the documents on which they are based and which have been provided to us. Based on our work, we have no comment to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

■ REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Imerys by the Shareholders' Meeting of April 29, 2010 for ERNST & YOUNG et Autres and May 5, 2003 for DELOITTE & ASSOCIÉS.

As of December 31, 2017, ERNST & YOUNG et Autres was in its 8th year of uninterrupted engagement and DELOITTE & ASSOCIÉS in its 15th year.

Previously, ERNST & YOUNG Audit, which is a member of the EY International network, was the statutory auditor of Imerys from 1986 to 2009.

■ RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

■ STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- evaluates the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we will discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Neuilly-sur-Seine, March 19, 2018

The Statutory Auditors

ERNST & YOUNG et Autres
Sébastien HUET

DELOITTE & ASSOCIÉS
Frédéric GOURD

2.3.3 STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Annual General Meeting held to approve the financial statements for the year ended December 31, 2017

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.

This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the year ended December 31, 2017, of the agreements and commitments previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

■ AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE ANNUAL GENERAL MEETING

Agreements and commitments authorized during the year ended December 31, 2017

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been notified of the following agreement concluded during the year ended December 31, 2017 which received prior authorization from your Board of Directors.

With Blue Crest Holding, shareholder of your Company

Person concerned: Mr. Ulysses Kyriacopoulos (common Director)

Nature, purpose and conditions: Second amendment to the acquisition contract dated November 5, 2014, entered into between S&B Minerals S.A., S&B Minerals Finance GP S.à r.l., S&B Minerals Holdings S.à r.l., Imerys S.A. and Blue Crest holding S.A. (the "Acquisition Contract")

The Acquisition Contract provided for an additional price in favor of Blue Crest Holding S.A., with a maximum amount of €21 million, determined on the basis of the achievement of a certain level of performance by the acquired entities. In the absence of agreement between the parties on the practical terms and conditions of application of the formula used to calculate such additional price, your Board of Directors, at its meeting held on October 30, 2017, authorized its Chairman, Mr. Gilles Michel, to negotiate the terms of a definitive agreement on this subject with Blue Crest Holding S.A. These discussions resulted, after approval by your Board of Directors on December 13, 2017, in the execution by your Company on December 22 of an amendment to the Acquisition Contract, revising certain practical terms and conditions of calculation of the additional price, regarding in particular the scope of chosen activity, as well as the applicable exchange rates, and fixing accordingly the definitive amount to €11.5 million.

Reasons justifying why the Company benefits from this agreement

Your Board of Directors justified this agreement as follows: this agreement allows your Company to avoid the uncertainty and the cost of using third-party experts to determine the methodological details of the calculation to be applied and to rapidly reach an amicable and balanced agreement between the parties.

■ AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments approved in prior years

At its meeting on March 8, 2018, your Board of Directors, in accordance with statutory rules, reviewed all the regulated agreements and commitments, authorized and concluded by your Company in previous years and whose implementation continued during the year ended December 31, 2017, in favor of Mr. Gilles Michel, as detailed below. Following Mr. Gilles Michel's wish to assert his retirement rights following the cessation of his duties as CEO at the end of the Annual General Meeting held to approve the financial statements for the year ended December 31, 2017, Your Board of Directors noted that the commitments relating to the severance indemnity of the social mandate and the social guarantee of the corporate heads and managers will become irrelevant. However, Mr. Gilles Michel remains eligible for pension plans with defined contributions and defined benefits.

a) whose implementation continued during the year ended December 31, 2017

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been notified that the implementation of the following agreements and commitments, which were approved by the Annual General Meeting in prior years, continued during the year ended December 31, 2017.

With Mr. Gilles Michel, Chairman and Chief Executive Officer of your Company

Group defined-contribution pension plan

This plan, which is managed by an external insurance company, provides for a contribution of 8% of the eligible beneficiaries' compensation, capped at eight times the French Social Security Annual ceiling, paid jointly by the beneficiary, up to 3%, and by your Company, up to 5%. Where applicable, the vested rights are deducted from the guaranteed maximum retirement benefits under the Group defined-benefit pension plan. Beneficiaries may make optional voluntary contributions to this plan in addition to the mandatory contributions.

For the year ended December 31, 2017, the contributions paid by your Company in this respect to Mr. Gilles Michel amount to €15,691.20.

Unemployment insurance plan for corporate officers

In his capacity as corporate officer, Mr. Gilles Michel is eligible for the unemployment insurance plan for corporate officers subscribed to by your Company, and, as specified above, until the cessation of his duties as CEO at the end of the Annual General Meeting held to approve the financial statements of the year ended December 31, 2017.

For the year ended December 31, 2017, your Company paid contributions to this plan amounting to €12,727.52.

b) which were not implemented during the year ended December 31, 2017

In addition, we have been notified that the following agreements and commitments, which were approved by the Annual General Meeting in prior years, were not implemented during the year ended December 31, 2017.

With Mr. Gilles Michel, Chairman and Chief Executive Officer of your Company

Defined-benefit pension plan

This scheme provides for the payment of a life annuity rent for the principal managers of your Group including your Chairman and Chief Executive Officer, who meet the restrictive and objective conditions of eligibility (at least eight years' seniority within the Group, assessed on January 1 of each new year, including four years as member of the Executive Committee).

The maximum amount of the life annuity rent that may be paid to the beneficiaries of this plan as from the payment of their pension entitlements is calculated to guarantee:

- a total annual gross amount (after taking into account pension benefits from mandatory and supplementary pension plans, including the defined-contribution pension plan referred to below) equal to 60% of their reference salary (the average of a beneficiary's last two years of fixed and variable compensation). This salary is limited to 30 times the French Social Security Annual Ceiling;
- subject to a maximum payment of 25% of said reference salary.

This plan also provides for the possibility of the payment of the life annuity rent to the surviving spouse, in proportion to the duration of the couple's marriage.

This plan is managed by an external insurance company.

The Board of Directors, at its meeting held on March 8, 2018, on the recommendation of the remunerations committee, stated that Mr. Gilles Michel already fulfilled the requisite seniority condition and that, as a result, he was already entitled to the life annuity rent, whose amount will be determined on the basis of his reference salary at the time of his retirement, subject to completion of his career in your Company. Accordingly, the Board of Directors recorded that the performance requirements set out in Article L. 225-42-1 of the French Commercial Code (*Code de commerce*) should not be set.

The total amount of the commitment estimated for Mr. Gilles Michel amounts to K€ 6,478 as at December 31, 2017.

Severance pay upon termination of Mr. Gilles Michel's corporate office

Severance pay would be payable in the event that Mr. Gilles Michel's social mandate is terminated on the initiative of your Company or in the event of a forced departure linked to a change of control, of strategy or a major disagreement thereon.

The severance pay shall be equal to his fixed compensation for the last twenty-four months, together with an amount equal to twice his variable compensation accrued in respect of the last two financial years ended.

The severance pay is subject to performance conditions assessed on the basis of the arithmetic average of the percentages of achievement of only the economic and financial targets for the last three years, as fixed for the determination of the variable compensation for each of those years, as follows:

- if the average percentage (calculated over the last three years concerned) of reaching such objectives were less than 40%, no severance pay would be due;
- if the percentage were between 40% and 80%, the severance pay would be calculated on a straight-line basis between two thresholds corresponding to 50% and 100% of the maximum amount;
- if the percentage exceeded 80%, the maximum amount would be due.

No severance pay would be payable in the event of the voluntary departure of Mr. Gilles Michel or if he had the opportunity to enforce his retirement rights in the short term, after his 63rd birthday.

As stated above, your Board of Directors, at its meeting held on March 8, 2018, noted that this commitment will become irrelevant, given the intention expressed by Mr. Gilles Michel to enforce his retirement rights following the cessation of his duties as CEO.

Neuilly-sur-Seine and Paris-La Défense, March 19, 2018

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres
Sébastien HUET

DELOITTE & ASSOCIÉS
Frédéric GOURD



3

CORPORATE GOVERNANCE

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The Company has been organized as a French Limited Liability Company ("Société Anonyme") with a Board of Directors. On April 28, 2011, the Board decided to merge the roles of Chairman of the Board and Chief Executive Officer and to appoint Mr. Gilles Michel to perform them. In 2014, it also decided to appoint a Vice-Chairman, who is currently Mr. Paul Desmarais III. Mr. Gilles Michel expressed the wish not to continue for personal reasons his executive functions at the end of his term of office as Chairman and Chief Executive Officer. On the recommendations of the Appointments Committee resulting from an in-depth review of the Group's leadership and governance, the Board of Directors at its meeting of March 8, 2018, decided to separate again the Chairman of the Board and Chief Executive Officer roles, effective as from May 4, 2018.

At the same meeting, the Board decided to re-elect Gilles Michel as Chairman of the Board of Directors, subject to the renewal of his term of office as Director by the Shareholders' General Meeting of May 4, 2018 and to appoint Conrad Keijzer immediately as Deputy Chief Executive Officer and, as from May 4, 2018, as the new Chief Executive Officer of the Company.

This new governance structure will allow to: further increase, coupled with the proposed reduction in the number of Directors (*see paragraph 3.1.2 of this chapter*), the efficiency of the Board

and its agility; to continue to benefit from the strategic vision of Mr. Gilles Michel and his deep operational knowledge of the Group, and to Mr. Conrad Keijzer to fully focus on accelerating the Group's growth and continuing its programs of excellence (*see Chapter 1, section 1.4 of the Registration Document*); and finally, to ensure that the Company continues to apply the best corporate governance practices, taking into account the presence of controlling shareholders in the Company's capital. This balance of powers in the Company's governance is further strengthened by the diversity within the Board composition.

The Company complies with the French regulations to which it is subject with respect to Corporate Governance. The AFEP-MEDEF Corporate Governance Code, updated for the last time in November 2016 (the "AFEP-MEDEF Code"), is used by the Company as a reference in drawing up the report provided for in article L. 225-37 of the French Code of Commerce (this Code is available on the Company's website: www.imerys.com, in the "The Group/Corporate Governance" section). The Company complies with all of the recommendations resulting from this Code, except for those that are explained in *section 3.8* of this chapter.

The provisions of this chapter form an integral part of the Report on Corporate Governance provided for in Article L. 225-37 of the French Code of Commerce.

3.1 BOARD OF DIRECTORS

3.1.1 POWERS

In accordance with legal and statutory provisions, the Board of Directors' general mission is to:

- make sure that the Company's corporate interests and assets are protected;
- determine the directions of the business activity of the Company and ensure their implementation;
- opt for the Company's governance form, appoint its corporate executive officers and determine their compensation;
- control the management of the Company by the Executive Management;
- ensure the quality of the information provided to shareholders and to markets.

For the purposes of that control and in accordance with the provisions of article 16 of the by-laws and of the Board's Internal Charter:

- the Board of Directors makes the checks and controls that it judges appropriate at any time of the year. It may obtain any documents that it judges useful for carrying out its mission;
- the Executive Management submits to the Board of Directors its annual operating objectives for the year ahead and, periodically, its long-term strategic projects;

- the Executive Management periodically presents a report to the Board of Directors on the status and running of Company affairs, which is drawn up under conditions requested by the Board of Directors. The report includes the presentation of the Group's quarterly and half-yearly financial statements;
- within three months of closing the financial year, the Executive Management presents the Company's annual financial statements, the Group's consolidated financial statements and its report on the financial year just ended to the Board of Directors for review and control. The Board of Directors settles these financial statements and the terms of its Management Report to be presented to the annual Shareholders' General Meeting.

Furthermore, pursuant to the provisions of the Board of Directors' Internal Charter, the Board examines and approves the following prior to their implementation, with respect to the general powers granted to it by-law:

- the strategic orientations of the Company and Group and any operations likely to significantly influence such orientations; it also periodically examines the long-term strategic plan (multiyear plan) drawn up or revised by Executive Management;

- the operations likely to significantly modify the purpose or scope of business of the Company and the Group, including:
 - the acquisition, investment, takeover or disposal of securities or any other fixed asset (and any operation economically comparable, including by way of contribution or exchange) for an amount greater than €75 million per operation, or its equivalent amount in any other currency,
 - the significant commercial or industrial agreements that would bind the long-term future of the Company or the Group,
 - any financing operations for an amount likely to significantly modify the financial structure of the Group;
- as the case may be, the allocation of management tasks between the various Delegate Chief Executive Officers, as proposed by the Chief Executive Officer;

- more generally, any commitment by the Company or the Group that may constitute a regulated agreement, in accordance with the law.

Finally, the Board of Directors grants any specific delegations of its powers to Executive Management, within the limits and conditions set down by-law, for the purposes of:

- the granting by the Company of any personal security (such as third-party guarantees and endorsements) or of any security on its assets, within the limit of a total amount determined in principle every year;
- making, pursuant to the authorizations granted to the Board of Directors by the Shareholders' General Meeting, purchases by the Company of its own shares or certain capital increase operations;
- carrying out issues of ordinary bonds in one or more times.

3.1.2 COMPOSITION

On the date of the present Registration Document, the Board of Directors is composed of 17 members. Their term of office is three years and, in principle, one third of members is renewed each year.

The composition of the Board of Directors is designed to allow the Group to benefit from the diverse and international professional experience of its members and to involve the representatives of Imerys' controlling shareholders in the definition and implementation of the Group's strategy.

The Board of Directors has since October 6, 2014 two employee representative Directors appointed by Imerys' French Group Works Council and European Works Council respectively. They benefit from training in line with the performance of their duties, borne by the Company and provided either by external organizations or by Imerys Learning Center. In accordance with regulatory provisions, the Board of Directors, at its meeting of October 31, 2017, has set the time devoted to their training to 20 hours as a minimum and 35 hours as a maximum per year as for the duration of their term of office (outside any language training). Furthermore, the Board of Directors has set at 15 hours on the legal working time the overall time spent by the employee representative Directors to prepare each meeting of the Board of Directors. Since the appointment of employee representative Directors, the Company Works Council has only been represented on the Board of Directors by one person who attends all Board meetings on an advisory basis.

■ CHANGES IN 2017

The Company's shareholders, at their Ordinary and Extraordinary General Meeting of May 3, 2017, decided to: renew the terms of office as Directors of Mrs. Marion Guillou, Messrs. Aldo Cardoso, Paul Desmarais III and Colin Hall for a further period of three years, and appoint Mrs. Martina Merz as a new Director, for the same 3-year period *i.e.* until the end of the Shareholders' General Meeting called in 2020 to rule on the financial statements for 2019.

The term of office of Mrs. Arielle Malard de Rothschild ended following the Shareholders' General Meeting of May 3, 2017. Given that she did not solicit its renewal, the Board of Directors acknowledged it at its meeting of February 15, 2017 and did not therefore propose its renewal.

Finally, on October 6, 2017, the terms of office as employee representative Directors of Mrs. Eliane Augelet-Petit and Mr. Enrico d'Ortona were renewed by Imerys' French Group Works Council and European Works Council respectively.

■ COMPOSITION

On the date of the present Registration Document, the composition of the Board of Directors is as follows:

Name	Age	Nationality	Position	Date of 1 st appointment	Year of renewal of term of office	Number of shares owned	Independent member
Gilles Michel	62	French	Chairman and Chief Executive Officer	11/03/2010	2018	98,075	No ⁽¹⁾
Paul Desmarais III	35	Canadian	Director	04/29/2014	2020	600	No ⁽²⁾
Éliane Augelet-Petit	60	French	Employee representative Director	10/06/2014	2020	n.a.	n.a.
Aldo Cardoso	62	French	Director	05/03/2005	2020	1,680	Yes
Odile Desforges	68	French	Director	05/04/2016	2019	600	Yes
Ian Gallienne	47	French	Director	04/29/2010	2019	600	No ⁽²⁾
Marion Guillou	63	French	Director	09/01/2012	2020	600	Yes
Colin Hall	47	American	Director	12/15/2015	2020	600	No ⁽²⁾
Giovanna Kampouri Monnas ⁽³⁾	62	Greek	Director	04/30/2015	2018	600	Yes
Ulysses Kyriacopoulos	65	Greek	Director	04/30/2015	2018	600	No ⁽⁴⁾
Xavier Le Clef ⁽³⁾	41	Belgian	Director	04/26/2012	2018	720	No ⁽²⁾
Martina Merz	55	German	Director	05/03/2017	2020	260	Yes
Enrico d'Ortona	54	Belgian	Employee representative Director	10/06/2014	2020	n.a.	n.a.
Laurent Raets ⁽³⁾	38	Belgian	Director	07/29/2015	2019	600	No ⁽²⁾
Katherine Taaffe Richard ⁽³⁾	36	American	Director	04/30/2015	2018	600	Yes
Arnaud Vial ⁽³⁾	65	French		05/04/2016	2019	600	No ⁽²⁾
Marie-Françoise Walbaum	68	French	Director	04/25/2013	2018	600	Yes
Total members: 17						107,335⁽⁵⁾	7

(1) Chairman and Chief Executive Officer of the Company.

(2) Director representing a majority shareholder in the Company.

(3) Director whose term of office expires on May 4, 2018 and will not be renewed or continued.

(4) Director having a business relationship with the Company.

(5) i.e. 0.13% of capital and 0.15% of voting rights as of December 31, 2017.

The minimum number of shares required to be a member of the Board of Directors is set at 100 by the by-laws. The Board's Internal Charter increased that number to 600 Imerys shares to be acquired by each Director within a year of his or her appointment.

Pursuant to current statutory provisions, the terms of office of Directors end *ipso jure* on the date of the General Meeting following the date on which the incumbent reaches the age of 70; those of Chairman and Vice-Chairman(s) end *ipso jure* following the next Board Meeting after their 70th birthday. At its meeting of March 8, 2018, the Board of Directors decided, following the recommendation of the Appointments Committee, to submit to the General Meeting of May 4, 2018, the deletion of this statutory limitation, which is more restrictive than that provided for by the law, in order to allow greater flexibility in the composition of the Board ([chapter 8, paragraph 8.1.10 of the Registration Document](#)).

Furthermore, as of the date of the present Registration Document: the proportion of women on the Board (six out of 15, outside the employee representative Directors) reaches 40%; nine members are not French nationals and seven are considered "independent". This proportion of independent members in the composition of the Board of Directors (7 out of 15) is greater than the one-third recommended by the AFEP-MEDEF Code for companies with controlling shareholders.

The definition of independence adopted by the Board of Directors since its meeting of May 3, 2005 and confirmed since then each year is "the lack of any relationship of any kind whatsoever between a Director and Imerys, its Group or its management that could compromise the exercise of his or her freedom of judgment".

At its meeting of February 15, 2017 and on the proposal of its Appointments Committee, the Board revised the independence criteria that it used until then, in order to take account of the last clarifications provided by the AFEP-MEDEF Code. On that occasion the Board pointed out that the independence criteria

thus revised⁽¹⁾ were neither exclusive of independent status if any of them were not met, nor necessarily sufficient to grant such status. A member's independent status should be appraised according to his or her particular personal situation or the Company's situation, with respect to its shareholding or for any other reason. Directors representing the Company's major shareholders may be thus considered as being independent provided that these shareholders do not take part in the control of the Company. However, above a threshold of 10% in capital or voting rights, the Board, upon a report by the Appointments Committee, systemically examines if the independence status can be retained taking into account the Company's shareholding and any potential conflicts of interest.

■ CHANGES PLANNED FOR 2018

Following an examination and opinion by the Appointments Committee, the Board will propose, at the General Meeting of May 4, 2018 to:

- renew the terms of office as Directors of Mrs. Marie-Françoise Walbaum, Mr. Gilles Michel and Mr. Ulysses Kyriacopoulos; and
- appoint Mr. Conrad Keijzer as a new Director

for a period of three years, *i.e.* until the General Meeting called in 2021 to rule on the financial statements for 2020.

On the recommendation of the Appointments Committee, the Board wished to continue the tightening in its composition in order to reinforce its agility and the efficiency of its work. In this context, it acknowledged at its meeting of March 8, 2018 the wish expressed by Mrs. Giovanna Kampouri Monnas, Mrs. Katherine Taaffe Richard and Mr. Xavier Le Clef not to request the renewal of their term of office to expire at the next Shareholders' General Meeting and by Mr. Arnaud Vial not to continue his term of office as Director after May 4, 2018.

The Board, at its meeting of May 4, 2018, will decide the cooptation of a new female member having an independent status, currently being selected, and propose that Mr. Laurent Raets continues

to participate in Board meetings no longer as a Director but as an observer ("*Censeur*"), in an advisory capacity, subject to the approval of the proposed amendments to the Company's by-laws by the Shareholders' General Meeting.

Following the wish expressed by Mr. Gilles Michel to resign from his executive functions for personal reasons, the Board of Directors at its meeting of March 8, 2018, on the recommendation of the Appointments Committee, decided to separate the Chairman and Chief Executive Officer roles, effective as from May 4, 2018.

The Board also decided to re-elect Mr. Gilles Michel as Chairman of the Board, subject to the renewal of his term of office as Director by the Shareholders' General Meeting of May 4, 2018 and to appoint Mr. Conrad Keijzer immediately as Deputy Chief Executive Officer and, as from May 4, 2018, as the new Chief Executive Officer of the Company.

Following the General Meeting of May 4, 2018, subject to the above proposals being passed, the proportion of women on the Board of Directors (five out of 12, excluding Directors representing the employees) would be 41.70%, complying with legal provisions and the recommendations of the AFEP-MEDEF Code.

Furthermore, it is proposed that the same General Meeting amend the Company's by-laws to allow the Board, if it sees fit, to appoint up to two people as observers to assist the Board in carrying out its assignments and take part in its debates on an advisory basis (*see chapter 8, paragraph 8.1.10 of the Registration Document*).

In accordance with the principles set down by the Company and the opinions given by the Appointments Committee, the Board, at its meeting of March 8, 2018, individually examined the personal situation, including any business relations that may exist with Group companies, and the independent status of each Director, particularly those whose renewal or appointment are proposed at the General Meeting.

(1) *The Board and the Appointments Committee must examine the following criteria:*

- not being or having been during the previous five financial years:
 - an employee or executive corporate officer of the Company,
 - an employee, executive corporate officer or Director of a company consolidated by the Company,
 - an employee, executive corporate officer or Director of the Company's parent company (Pargesa-GBL) or a company consolidated by that parent company;
- not being an executive corporate officer of a company in which the Company directly or indirectly holds the office of Director or in which an employee designated as such or an executive corporate officer of the Company (whether at present or in the past five years) has the office of Director;
- not being a customer, supplier, investment banker or commercial banker that is significant for the Company or its Group, or for which the Company or its Group represents a significant share of business;
- not having a close family relation to a corporate officer;
- not having been a Statutory Auditor of the Company in the past five financial years;
- not having been a Director of the Company for more than twelve years;
- not receiving any variable compensation in cash or securities or any performance-based compensation from the Company or its Group.

(2) *With no intention for them to act in concert (see chapter 7, paragraph 7.3.3 of the Registration Document).*

Following that examination, the Board noted on the basis of the personal information provided by each of the Directors and to the best of the Company's knowledge that:

- there were no business relations with the Directors representing the Company's controlling shareholders other than the capital relation between those shareholders and the Company;
- a capital relation also exists between Mr. Ulysses Kyriacopoulos and the Company following the acquisition of the S&B group by Imerys. His family holds 5.23% of Imerys' share capital through Blue Crest Holding S.A. as of the end of February 2018 and has entered into a shareholders' agreement with the GBL group⁽²⁾. Furthermore, the obligation remains to settle the additional price owed to Blue Crest Holding S.A. by Imerys under the contract for the acquisition of the S&B group ([see chapter 2, paragraph 2.2.3 and chapter 8, paragraph 8.1.2 of the Registration Document](#)) and other potential residual liability guarantees granted for the benefit of the Group, directly or indirectly, by Blue Crest Holding S.A. and its affiliates with respect to the divestment of the S&B group and its former bauxite mining activities;
- the other Directors had no business relation with the Group that was likely to affect their independence or create a conflict of interest.

On the basis of these observations and following the recommendations of the Appointments Committee, the Board:

- confirmed that the Directors representing the Company's controlling shareholders, Mr. Ulysses Kyriacopoulos and Mr. Gilles Michel, Chairman & Chief Executive Officer of the Company, and Mr. Conrad Keijzer, Deputy Chief Executive Officer and future Chief Executive Officer, did not have independent status; and
- acknowledged that Mrs. Marie-Françoise Walbaum did have independent status and maintained that status for all other Directors other than those representing employees, including Mr. Aldo Cardoso whose term of office was more than 12 years. The Board considered in particular, in accordance with the recommendation of the Appointments Committee, that the length of his term of office did not affect his critical judgement with respect to Executive Management and that his expertise was recognized in the financial, control, management and corporate governance areas, including by market regulation authorities and bodies ([see section 3.8 of the present chapter](#)).

Information on Directors whose terms of office's renewal will be put to the Shareholders' General Meeting appears in [paragraph 3.1.3 of this chapter](#); the information on Mr. Conrad Keijzer as new applicant appears in [chapter 8, paragraph 8.1.5 of the Registration Document](#).

3.1.3 INFORMATION ON THE DIRECTORS

The information below was provided individually to the Company by each of the Directors concerned in function as of December 31, 2017.

■ MAIN ACTIVITY AND OTHER RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Gilles Michel

Chairman and Chief Executive Officer

Born on January 10, 1956

Work address:

Imerys
43, quai de Grenelle
75015 Paris (France)

Biography

A graduate of École Polytechnique (1974), École Nationale de la Statistique et de l'Administration Économique (ENSAE) and Institut d'Études Politiques (IEP) of Paris, Gilles Michel began his career with the World Bank (Washington, D.C.) before joining the Saint-Gobain group in 1986 where during sixteen years he held various managerial positions, notably in the United States, before being appointed in 2000 General Manager of the Ceramics & Plastics business group. In 2001, he joined PSA Peugeot-Citroën group, as Manager of the Platforms, Techniques & Purchasing activity. In 2007, he was appointed General Manager of Citroën, and member of the managing Board of Peugeot SA. On December 1, 2008, Gilles Michel held the position of Chief Executive Officer of the Strategic Investment Fund, whose activity involves taking equity stakes in companies expected to contribute to the growth and competitiveness of the French economy. Gilles Michel joined Imerys in September 2010 and was appointed Director and Deputy Chief Executive Officer on November 3, 2010. Since April 28, 2011, he has been Chairman and Chief Executive Officer of Imerys.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Chairman and Chief Executive Officer of Imerys*.

Other responsibilities

- Director: Solvay* (Belgium); Charles Telfair Institute, IBL Ltd* (Mauritius).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

None.

Paul Desmarais III

Vice-Chairman of the Board of Directors

Born on June 8, 1982

Work address:

Power Corporation of Canada
751, Square Victoria
Montréal (QC) H2Y 2J3 (Canada)

Biography

Graduated in Economics from Harvard University and holder of a MBA from INSEAD in Fontainebleau, Paul Desmarais III began his career in 2004 at Goldman Sachs in the United States where he held various positions until 2009. He was involved in project management and strategy at Imerys from 2010 to 2012. He joined the insurance company Great-West Lifeco (Canada) in 2012 as Assistant Vice-President of Risk Management. Since May 2014, Paul Desmarais III is Vice-President of Power Corporation of Canada and Power Financial Corporation (Canada).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Premier Vice-President: Power Corporation of Canada*, Power Financial Corporation* (Holding Companies – Canada).

Other responsibilities

- Director: Groupe Bruxelles Lambert* (Belgium); Canada Life Financial Corporation, Great-West Financial (Canada) Inc.*, Great-West Financial (Nova Scotia) Co., Investors Group Inc., London Insurance Group Inc., London Life Insurance Company, Mackenzie Inc., Sagard Capital Partners GP, Inc., The Great-West Life Assurance Company, Wealthsimple (Canada); Pargesa Holding SA* (Switzerland).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Director: Great-West Life & Annuity Insurance Company (United States).

* Listed company.

Éliane Augelet-Petit

Employee representative Director

Born on August 29, 1957

Work address:

Imerys
43, quai de Grenelle
75015 Paris (France)

Biography

Éliane Augelet-Petit began her career in 1973 at Peñarroya, a listed subsidiary of Imerys (then Imetal), as an administrative employee. She joined Imerys' Legal Department in 1978 as a paralegal. She was an elected CFDT union representative on the Imerys Works Council from 1978 to October 6, 2014, the date of her appointment as an employee representative Director. She attended Imerys' Board of Directors meetings in this capacity until that date. She held various positions during that period of office, in particular the Group's CFDT union representative and Secretary of the Group French Works Council and the European Works Council.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Paralegal: Legal Department of Imerys* (France).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

None.

Aldo Cardoso

Director

Born on March 7, 1956

Work address:

Imerys
43, quai de Grenelle
75015 Paris (France)

Biography

A graduate of École Supérieure de Commerce of Paris and holder of a master of Law, Aldo Cardoso began his career in 1979 at Arthur Andersen, where he became a partner in 1989. Vice-President of Auditing and Consulting Europe in 1996, then Chairman of Andersen France from 1998 to 2002, he was appointed Chairman of the Supervisory Board of Andersen Worldwide from 2000 to 2002, before becoming Chairman of the Managing Board from 2002 to 2003. In that capacity, Aldo Cardoso managed the shutdown of Andersen's activities worldwide.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Chairman of the Board: Bureau Veritas* (France).
- Director: Engie*, Worldline* (France).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Director: Mobistar (Belgium); Accor*, Gecina*, GE Corporate Finance Bank, PlaNet Finance, Rhodia* (France).
- Censor: AXA Investment Managers (France).

* Listed company.

Odile Desforges

Director

Born on January 24, 1950

Work address:

3, rue Henri-Reine
75016 Paris (France)

Biography

A graduate of École Centrale of Paris, Odile Desforges began her career in 1973 as a researcher at Institut de Recherche des Transports (transport research institute). She joined the Renault group (France) in 1981 as a researcher in the automotive planning department before becoming in 1984 a product engineer. In 1986, she joined the purchasing department and was appointed body hardware purchasing Manager of GIE Renault Volvo Car Purchasing in 1992 and then of Renault in 1994. In March 1999, she became Deputy CEO of the Renault VI-Mack until she is appointed in 2001 President of the AB Volvo group's 3P Business Unit. In March 2003, Odile Desforges became VP Purchasing at Renault and Chairman & CEO of Renault Nissan Purchasing Organization. On that date she became a member of Renault's Management Committee. In March 2009, Odile Desforges was appointed a member of the Executive Committee, VP Engineering and Quality for the Renault group, an office that she held until July 2012, when she ended her professional activities.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Director and Chairman of the Audit & Risks Committee: Safran*, Faurecia* (France).
- Director and member of the Audit Committee: Dassault Systèmes* (France).
- Director and member of the Audit Committee, Appointments Committee and Compensation Committee: Johnson Matthey plc* (United Kingdom).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Director and member of the Appointments and Compensation Committee: Sequana* (France).
- Director: GIE REGIENOV (France); Renault España SA (Spain).
- Manager: Renault Nissan Technical Business Center "RNTBCI" (India); Renault Nissan BV (Netherlands).

Ian Gallienne

Director

Born on January 23, 1971

Work address:

Groupe Bruxelles Lambert
24, Avenue Marnix
1000 Bruxelles (Belgium)

Biography

Holder of an MBA from INSEAD, Fontainebleau, Ian Gallienne began his career in Spain in 1992 as co-founder of a commercial company. From 1995 to 1997, he was a member of the management of a consulting firm specialized in the reorganization of ailing companies in France. From 1998 to 2005, he was Manager of the private equity fund Rhône Capital LLC in New York and London. In 2005, he created the private equity funds Ergon Capital in Brussels of which he was Managing Director until 2012. Ian Gallienne has been a Director of Groupe Bruxelles Lambert since 2009 and Managing Director since January 1, 2012.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Managing Director: Groupe Bruxelles Lambert* (Holding Company - Belgium).

Other responsibilities

- Director: Frère Bourgeois (Belgium); Pernod Ricard* (France); SGS* (Switzerland).
- Member of the Supervisory Board: Adidas AG* (Germany).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Managing Director: Ergon Capital Partners SA, Ergon Capital Partners II SA, Ergon Capital Partners III SA, Umicore* (Belgium).
- Director: Erbe SA, Ergon Capital SA, Publihold SA, Steel Partners NV (Belgium); Elitech Group SAS, Fonds de Dotation du Palais, Lafarge* (France); Gruppo Banca Leonardo SpA (Italy).
- Member of the Supervisory Board: Kartesia Management SA (Luxembourg).
- Manager: Egerton Sàrl, Ergon Capital II Sàrl (Luxembourg).

* Listed company.

Marion Guillou

Director

Born on September 17, 1954

Work address:

Agreenium
42, rue Scheffer
75116 Paris (France)

Biography

A graduate of École Polytechnique Paris (1973) and ENGREF (rural, water & forestry engineering school) and a doctor of physical chemistry specializing in biotransformation, Marion Guillou began her career in 1978 and held various positions in the ministries of Agriculture & Food (Saint-Lo, Paris, Nantes) and Research (Loire region research & technology delegation). In 1986 she joined a joint Nantes university/CNRS laboratory as a research scientist. From 1993 to 1996, she was agricultural attaché to the French Embassy in London. Marion Guillou was Director General for Food at the Ministry of Agriculture from 1996 to 2000. She became Director General of the National Institute for Agricultural Research (INRA) in 2000, then its Chairman & CEO from July 2004 to August 2012. She is Special counsellor, State Council.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Chairman of the Board of Directors: Agreenium (France).
- Member of the Board of Directors: Bioversity International, BNP Paribas*, CARE France, Institute for advanced Studies in Science and Technology (IHEST), Universcience, Veolia Environnement* (France).

Other activities

- Member of the Conseil de l'ordre de la Légion (France).
- Member: National Academy of Technologies (France).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Chairman & CEO of INRA (France).
- Chairman of the Board of Directors: École Polytechnique (France).
- Member of the Board of Directors: Consultative Group on International Agricultural Research (CGIAR), Jacques de Bohan Foundation, National Political Science Foundation (FNPS), University of Lyon Foundation (France).
- Chairman: Joint European Programming Initiative "Agriculture, Food Security and Climate Change".

Colin Hall

Director

Born on November 18, 1970

Work address:

Groupe Bruxelles Lambert
24, avenue Marnix
1000 Bruxelles (Belgium)

Biography

Holder of a MBA from the Stanford University Graduate School of Business (United States), Colin Hall began his career in 1995 as a financial analyst at Morgan Stanley in New York. In 1997, he joined the Rhône Capital Group, a private equity fund, where he held various management positions for 10 years in London and New York. In 2009, he co-founded a hedge fund, Long Oar Global Investors (New York), which he directed until 2011. In 2012, he joined as CEO Sienna Capital, a wholly owned subsidiary of Groupe Bruxelles Lambert, combining its "alternative" activities (private equity, debt funds...). In 2016, he was appointed Director of the Investments Department of the Bruxelles Lambert Group.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Director of the Investments: Groupe Bruxelles Lambert* (Holding Company - Belgium).
- Managing Director: Sienna Capital (Investments holding company - Luxembourg).

Other responsibilities

- Member of the Supervisory Board: Kartesia Management SA (Luxembourg).
- Director: Ergon Capital Partners SA, Ergon Capital Partners II SA, Ergon Capital Partners III SA, Umicore (Belgium); Parques Reunidos Servicios Centrales SA* (Spain).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

None.

* Listed company.

Giovanna Kampouri Monnas

Director

Born on May 18, 1955

Work address:

Keizersgracht 296B
Amsterdam 1016EW (Netherlands)

Biography

A graduate of the London School of Economics, University of London and holder of a Master of Science, Economic Planning and Administration, Giovanna Kampouri Monnas began her career in 1981 as a Consultant to the Ministry of National Economy in Athens (Greece). The same year, she joined the group Procter & Gamble where she held until 1988 various management positions in Greece and the United States. In 1989, she joined the Joh. A. Benckiser GmbH group (Germany) where she successively assumed the functions of Marketing Coordinator of the company, General Director of the Lancaster Group (France) and Group Vice-President of Mass Cosmetics & Fragrances; in 1993, Giovanna Kampouri Monnas is appointed President of Benckiser International. She has been an independent consultant since 1996.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Director and member of the Compensation Committee of Aptar Group (United States).
- Director and member of the Appointments and Compensation Committee of Puig SL (Spain).
- Director, Chairman of the Appointments and Compensation Committee and member of the Strategic Committee of Randstad Holding* (Netherlands).
- President of the Foundation Estia Agios Nikolaos (Germany, Greece).
- Director of the Foundation Air France (France).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

None.

Ulysses Kyriacopoulos

Director

Born on September 25, 1952

Work address:

21, Amerikis Street
10672 Athens (Greece)

Biography

Mining engineer of Montanuniversität Leoben (Austria) and a graduate of the University of Newcastle upon Tyne (UK) and holder of a MBA from INSEAD in Fontainebleau, Odysseus (Ulysses) Kyriacopoulos joined in 1979 the family business S&B as the Finance Director of Bauxite Parnasse, of which he became Managing Director in 1986. In 1990, he was appointed CEO of the S&B Industrial Minerals group. He was its President from 2001 to February 2015, date on which the S&B group was sold to Imerys. He also held the functions of President of the Greek Employers (SEV), Vice-President of UNICE between 2003 and 2006 and President of the Greek National Opera between 2006 and 2009, Vice-President of the Stock Exchange of Athens from 2006 to 2010 and member of the General Council of the Bank of Greece between 2002 and 2011.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Director: ASK Chemicals GmbH (Germany); Lamda Development SA*, Motodynamiki SA* (Greece); Blue Crest Holding SA (Luxembourg).
- Member of the Board of Trustees of the American College of Greece (ACG) and of College Year in Athens (CYA) (Greece).
- Member of the Board: Foundation for Economic and Industrial Research (Greece).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Chairman of the Board of Directors: Imerys Industrial Minerals Greece SA (Greece).
- Chairman, then Vice-Chairman: Foundation for Economic and Industrial Research (Greece).

* Listed company.

Xavier Le Clef

Director

Born on August 4, 1976

Work address:

Compagnie Nationale à Portefeuille
12, rue de la Blanche-Borne
6280 Loverval (Belgium)

Biography

A graduate of the Solvay Brussels School of Economics and Management (Belgium) and holder of a MBA from the Business School Vlerick (Belgium), Xavier Le Clef began his career in 2000 as an Associate of the consulting firm in Strategy, Arthur D. Little. In 2006, he joined Compagnie Nationale à Portefeuille (CNP) as an Investments Manager and became a Director of CNP as well as Chief Financial Officer of the Frère-Bourgeois group in 2011. Xavier Le Clef was appointed Managing Director of CNP in 2015. He also holds various responsibilities as Chairman or Director of various companies, listed or not, of which the Frère-Bourgeois group is a shareholder.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Managing Director: Compagnie Nationale à Portefeuille (Holding company - Belgium).

Other responsibilities

Managing Director: Compagnie Immobilière de Roumont, Europart, Fibelpar (Belgium).

- Director: Andes Invest, BSS Investments, Carpar, Distriplus, GB-INNO-BM, GIB Corporate Services, Investor, (Belgium); Caffitaly System (Italie); Coffeelux, Finer, International Duty Free, Immobilière Rue de Namur, Kermadec, Swilux (Luxembourg); Transcor Astra 25 (Netherlands); AOT Holding, APG/SGA*, Worldwide Energy (Switzerland).
- Director: Parjointco, Transcor Astra Energy (Netherlands).
- Permanent representative of Compagnie Immobilière de Roumont (Belgium), Director of: International Duty Free Belgium (Belgium).
- Managing Director: Hulpe Offices Management (Belgium).
- Permanent representative of Hulpe Offices Management (Belgium), Managing Director of: Hulpe Offices (Belgium).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT EXPIRED DURING THE LAST FIVE YEARS:

- Director: Belgian Icecream Group "BIG", Carsport, Fidentia Real Estate Investments, Goinvest, Groupe Jean Dupuis, Loverval Finance, Nanocyl, Newtrans Trading, Starco Tielen, The Belgian Chocolate House Brussels, Trasys Group (Belgium); International Duty Free (Dubai-United Arab Emirates); Financière Flo, Groupe Flo*, Tikehau Capital Advisors, Unifem (France); Coffeblend (Luxembourg); Rottzug (Netherlands).
- Member of the Investment Committee: Tikehau Capital Partners (France).
- Director: Pargesa Asset Management (Netherlands).
- Permanent representative of Compagnie Immobilière de Roumont (Belgium), Director of: Transcor Astra Group (Belgium).

* Listed company.

Martina Merz

Director

Born on March 1, 1963

Address:

Robert-Bosch Strasse 21
70192 Stuttgart (Germany)

Biography

A mechanical engineering graduate of Stuttgart University, Martina Merz began her career in 1985 at Robert Bosch GmbH (Germany) where she held several positions before becoming Chief Executive of Bosch Closure System GmbH in 2001 then Vice-President, Closure System Division, and Member of the Executive Committee of Brose Fahrzeugteile GmbH & Co. KG until 2005. From 2005 to 2012, she was Vice-President Sales & Marketing for the Chassis System Brakes division within Robert Bosch GmbH. In 2012, she was appointed Chief Executive Officer of the Chassis Brakes International group in France. Since 2015, she has been an independant director in listed European companies.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Chairman of the Board: SAF-Holland SA* (Luxembourg).
- Director: NV Bekaert SA* (Belgium); AB Volvo* (Sweden).
- Member of the Supervisory Board: Deutsche Lufthansa AG* (Germany).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Director: Chassis Brakes International NV (Netherlands).

Enrico d'Ortona

Employee representative Director

Born on April 11, 1963

Work address:

Imerys Minéraux Belgique

Rue du Canal 2

4600 Visé-Lixhe (Belgium)

Biography

Enrico d'Ortona began his career in 1979 as a surveyor in an engineering consultancy. After holding various positions as a rolling-mill operator then a sheet metal splitter, particularly at Tolmatil then UCA (Belgium), where he was in charge of a 60-person team. In 2004 he became steelworks and overhead crane operator at Arcelor Mittal before joining Imerys Minéraux Belgique (Belgium) in 2006 as production operator. Since February 2017, he has been I-Cube team Coordinator. Enrico d'Ortona was a union delegate and a member of the Works Council from 2008 to 2012.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- I-Cube team Coordinator: Imerys Minéraux Belgique (Belgium).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

None.

Laurent Raets

Director

Born on September 9, 1979

Work address:

Groupe Bruxelles Lambert

24, Avenue Marnix

1000 Bruxelles (Belgium)

Biography

A graduate of École de Commerce Solvay of the Université Libre de Bruxelles, Laurent Raets began his career in 2002 at Deloitte Corporate Finance practice in Brussels (Belgium) as a consultant mergers and acquisitions. In 2006, he joined the Investments Department of Groupe Bruxelles Lambert as an analyst, and then became its Deputy Director in 2016.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Deputy Director: Groupe Bruxelles Lambert* (Holding company – Belgium).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

None.

* Listed company.

Katherine Taaffe Richard

Director

Born on March 11, 1982

Work address:

Warwick Energy Group
900 Wilshire Boulevard
Oklahoma City OK 73116 (United States)

Biography

A graduate of Harvard College in 2004 and a holder of a BA degree in History, specializing in postcolonial theory and the development of Africa, Katherine Richard Taaffe began her career at Goldman Sachs (United States) as an analyst within the private equity and investment banking departments in New York, London, Paris and Dallas. In 2007, she joined a multi-strategy investment company, Serengeti Asset Management (United States), as an analyst in charge of investments in oil, gas, metals, mining and sovereign debt sectors. From 2009 to 2012, she supervised the "international investment" activity in the field of energy for the private investment fund MSD Capital (United States). In 2010, Katherine Richard Taaffe founded the Warwick Energy Group (United States), of which she has been the Chief Executive Officer since then.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Chairman and Chief Executive Officer: Warwick Energy Group (United States).

Other responsibilities

- Member of the Global Agenda Council of the World Economic Forum on the future of oil and gas.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Advisor to the Ministry of Mines of the Islamic Republic of Afghanistan in the field of energy development and transparency.
- Director and member of the Advisory Committee: Microvest Capital Funds (United States).
- Member of the Board: Abraxas Petroleum Corporation (United States).

Arnaud Vial

Director

Born on September 9, 1979

Work address:

Power Corporation of Canada
751, Square Victoria
Montréal (QC) H2Y 2J3 (Canada)

Biography

A graduate of École Supérieure d'Électricité in Paris, Arnaud Vial began his career in 1977 at BNP Paribas (France). In 1988, he joined the Pargesa group as Vice-President Accounting & Financial Services then Deputy CEO of Parfinance (France). In 1993, he was appointed General Secretary of Pargesa Holding SA (Switzerland). Since 1997, Arnaud Vial has held the office of Senior Vice-President of Power Corporation of Canada and Power Financial Corporation (Canada). He has also been since 2010 Director of Pargesa Holding SA and CEO since 2013.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Main activity

- Senior Vice-President: Power Corporation of Canada*, Power Financial Corporation* (Holding Companies – Canada).
- Managing Director: Pargesa Holding SA* (Switzerland).

Other responsibilities

- Chief Executive Officer: PGB SA, Société Française Percier Gestion (France).
- Director and member of the Standing Committee: Groupe Bruxelles Lambert SA* (Belgium).
- Director and Vice-President: Power Pacific Equities Ltd (Hong Kong).
- Director: Square Victoria Digital Properties Inc. (Canada); Power Financial Europe BV (Netherlands).
- Member of the Supervisory Board: Pargesa Netherlands BV, Parjointco NV (Netherlands).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Given his responsibilities within the Power Corporation group, Arnaud Vial has served for the past five years as a Vice-President and / or Director in various Canadian companies.

* Listed company.

Marie-Françoise Walbaum

Director

Born on March 18, 1950

Address:

10, rue d'Auteuil
75016 Paris (France)

Biography

A graduate of Paris X University in sociology and holder of a master in economics, Marie-Françoise Walbaum began her career in 1973 at BNP (Banque Nationale de Paris) and held various positions in retail banking and credit analysis until 1981. From 1981 to 1994, she was successively Senior Auditor at BNP's Inspectorate General, CEO for mutual funds and CEO of the brokerage Patrick Dubouzet S.A. In 1994, Marie-Françoise Walbaum became head of principal investments and Private Equity Portfolio Manager at BNP Paribas. Marie-Françoise Walbaum left BNP Paribas on September 30, 2012 following a career spanning 39 years.

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LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2017

Responsibilities

- Director: Thales* (France).
- Director, Member of the Audit and Financial Committee and of the Governance, Appointments & Compensation Committee: FFP* (France).
- Director and Chairman of the Audit Committee: Esso* (France).
- Member of the Supervisory Board: Isatis Capital (France).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES THAT HAVE EXPIRED DURING THE PAST FIVE YEARS

- Director: Vigéo (France).
- Member of the Supervisory Board: Société Anonyme des Galeries Lafayette (France).

* Listed company.

■ OTHER INFORMATION

Expertise and experience of the members of the Board of Directors

The criteria used to select Directors include their expertise and experience. The members of the Audit Committee are also chosen for their special expertise in financial matters. The Appointments Committee pays particular attention, together with the Board of Directors, to assessing these criteria.

The activities and responsibilities of the Directors ([see their respective biographies above](#)) attest to their individual expertise and experience in different areas such as finance, industry, services, research & innovation, external growth or management which contributes to the quality of the Board's work and to its correctly balanced composition.

Family ties between the members of the Board of Directors

To the best of the Company's knowledge, there are no family ties between the members of the Board of Directors.

Potential conflicts of interest between members of the Board of Directors

To the best of the Company's knowledge, no potential conflicts of interest exist between the duties of the Directors with respect to the Company and their private interests and/or other duties other than those mentioned in paragraph 3.1.2 above concerning Mr. Ulysses Kyriacopoulos.

It is however specified that the following Directors of the Company also have executive responsibilities with the Company's controlling shareholders: Messrs. Paul Desmarais III, Ian Gallienne, Colin Hall, Xavier Le Clef, Laurent Raets and Arnaud Vial ([see their respective biographies above](#)).

No Director has been selected pursuant to any arrangement or agreement entered into with the main shareholders, customers, suppliers or other parties, except for the shareholders' agreement concluded on November 5, 2014 between Blue Crest Holding, GBL and Belgian Securities ([see chapter 7, paragraph 7.3.3 of the Registration Document](#)).

Service contracts between the Company and its Directors

To the best of the Company's knowledge, there is no service contract entered into by the Directors and the Company or any of its subsidiaries providing for the granting of advantages upon expiry of such a contract.

No sentence for fraud

To the best of the Company's knowledge, no sentence for fraud has been pronounced against any member of the Board of Directors during the past five years.

Bankruptcy, sequestration or liquidation of companies in which a Director has been involved as executive during the past five years

To the best of the Company's knowledge, no Directors have been involved as executives in the bankruptcy, receivership or liquidation of any company in the past five years.

Incrimination of and/or public sanction of the law against a Director by statutory or regulatory authorities during the past five years

To the best of the Company's knowledge, no official incrimination and/or public sanction of the law has been pronounced against any member of the Board of Directors in the past five years.

3.1.4 FUNCTIONING

Meetings

The Board of Directors meets as often as the interests of the Group require and at least three times a year. It is convened by its Chairman, its Secretary or its Vice-Chairman, by any means including verbally.

2017

Number of meetings	5
Average actual attendance rate of members	91.76%

2018

Expected number of meetings	6
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The annual provisional schedule of Board of Directors' Meetings, as well as of its specialized Committees, is set, at the latest, in the last meeting of each year. A first indication is given on this occasion to the Board of the potential specific topics to be discussed during the coming year by the Board and its Committees. The Chairman

of the Board of Directors usually sets the agenda of each Board Meeting after gathering the suggestions of the Vice-Chairman as well as the opinion of the Secretary of the Board. He runs meetings, facilitates debates and reports on meetings in accordance with the law, the by-laws of the Company and the Corporate Governance principles and practices that the Board has itself adopted, as set out in the following paragraph.

Notices of meetings, sent to each Director *via* a secure electronic platform, since the end of 2014, come with the draft minutes of the previous meeting, drawn up by the Secretary and approved by the Chairman of the Board, and all information and documents concerning the points on the agenda that are necessary for members' effective participation in debates. Such information and documents may also include, as the case may be, the Group's quarterly, half-yearly or annual (provisional or definitive) financial statements and the presentation of the various business groups' markets or any other specific items to be raised.

The work carried out by each of the specialized Committees since the previous meetings is regularly presented in a report to the Board by its Chairman or, in his or her absence, another member of the Committee in question.

Certain additional documents may also be handed to the Directors in meetings: for example, draft press releases on the Group's regular financial statements or information on the Company's share price trends.

In order to allow them to carry out their duties in appropriate conditions, the Chairman and, on his request, the members of the Executive Committee also send the Directors the following between Board meetings: any important information published, including critical items, concerning the Group (particularly in the form of press articles and financial analysis reports) and, if sufficiently important or urgent, any other relevant information on the Group's situation, projects, and economic or market environment.

The Vice-Chairman

The Chairman is assisted in organizing the work of the Board and its Committees by a Vice-Chairman. The latter, traditionally chosen amongst the Directors representing the Company's controlling shareholders, ensures that the Company's governance bodies function correctly and chairs Board meetings in the event

of the Chairman's absence. He or she also coordinates the Company's relations with its controlling shareholders and their representatives and seeks to prevent any situations likely to cause potential conflicts of interest for a Director and, more generally, ensures that best Corporate Governance practices are applied. The Vice-Chairman chairs the Appointments Committee and the Compensation Committee.

The Secretary

The Secretary of the Board is the Group's General Counsel. His or her appointment and, as the case may be, dismissal, are within the sole competence of the Board. All the members of the Board may consult the Secretary and benefit from his or her services. He or she assists the Chairman, the Vice-Chairman, the Committees Chairmen and the Board and makes any useful recommendations on the procedures and rules that apply to the functioning of the Board and its Committees, their implementation and compliance. The Secretary is empowered to certify copies or extracts of minutes of Board meetings.

The Secretary also acts as Ethics Officer, tasked with giving an opinion prior to any transactions in the Company's securities considered by Directors and Group's main senior executives, at their request (*see section 3.7 of this chapter*).

3.1.5 IMPLEMENTATION OF BEST CORPORATE GOVERNANCE PRACTICES

Internal Charter of the Board of Directors

In the context of compliance with best Corporate Governance practices, the Board has adopted an Internal Charter that contains all the principles for its members' conduct and the functioning of the Board and its specialized Committees. This Charter is regularly updated in order to incorporate: legal and regulatory developments that apply to the Company; recommendations on Corporate Governance by the AMF as well as by trade and associations bodies that represent French listed companies (AFEP, MEDEF, ANSA, etc.); and, finally, the amendments made by the Board following the annual assessments of its own functioning, carried out to comply with best practices. The Board of Directors' Internal Charter was last updated on February 15, 2017; it is available on the Company's website, www.imerys.com, in "The Group/Corporate Governance" section.

Each Director of the Company is also given a copy of the "Directors' Vade-Mecum", a collection of the main texts and provisions governing their duties and obligations, and their rights, including the Company's by-laws, the Internal Charter of the Board of Directors, the Policy for the prevention of insider trading within the Group and other useful documents and forms enabling the Directors to comply with their obligations.

Preventing conflicts of interest

Pursuant to the recommendations of the AFEP-MEDEF Code, the Board's Internal Charter provides in particular that:

- "the Director shall inform the Chairman and the Vice-Chairman of the Board of any situation likely to create a conflict of interest, even a potential one, for him or her. For that purpose, he or she shall inform the Chairman and the Vice-Chairman, of any Group operations that directly or indirectly concern him or her and of which he or she has knowledge, before they are completed. He or she abstains from voting in any Board deliberation where that situation arises, or even in the discussion prior to the vote; the minutes of the meeting mention this abstention. The Shareholders' General Meeting is informed of any such operations in accordance with the law;
- a Director may not use his or her position or functions to obtain for him or herself or for a third party any benefit, whether or not monetary;
- a Director may not take on any responsibilities on a personal basis in any business or concern in direct or indirect competition with the businesses or concerns of the Imerys group without informing the Chairman and the Vice-Chairman beforehand."

Self-assessment by the Board of Directors

Pursuant to the AFEP-MEDEF Code and in accordance with the terms of its Internal Charter, every year the Board of Directors reviews and appraises its working methods and activity during the previous financial year. The main findings of that examination are intended to appear in the Board's Corporate Governance report, to be included in the Group's Registration Document. In addition, at least every three years, at intervals determined by its Chairman the Board of Directors conducts a formal self-assessment of its functioning or has an external consultant do so.

In early 2018, the Board of Directors formally assessed its functioning and that of its Committees during 2017. Each of its members was given an individual questionnaire on the role and performance of the Board and its Committees, their composition and functioning, the organization and holding of their meetings, and the information provided to Directors. This year, to comply with the recommendations of the AFEP-MEDEF Code and AMF, the questionnaire was enhanced with a specific questionnaire on each Director's contribution to the Board's work and, as the case may be, the Committee's work. The Directors were able to complete the questionnaire *via* the secure digital platform dedicated to the Board and its Committees' functioning, in a format that keeps their answers anonymous. Individual meetings with the Secretary of the Board were proposed to the Directors who so wished, particularly independent Directors, in order to discuss the points raised in the questionnaire more freely. The results of this assessment were examined by the Appointments Committee and its main conclusions were presented and discussed at the Board of Directors' Meeting on February 14, 2018.

Generally speaking, the workings of the Board and its Committees were judged very satisfactory by their members, with most of them estimating there had been an improvement compared with 2016. The Directors particularly appreciated the quality of the information provided at each of their meetings and the quality and efficiency of debates among members. The Directors were satisfied to note that the main recommendations from the self-assessment by the Board of Directors in February 2017, intended to improve its functioning and performance and that of its Committees, has been implemented, particularly the organization in June of a specific session of the Strategic Committee on the Group's general strategy, which was open to all Directors, together with a tour of the Graphite & Carbon division's industrial site in Bodio, Switzerland, as well as increasing the diversity of Directors' profiles with the appointment of Mrs. Martina Merz.

In this new assessment, the Board confirmed the wish to see previously undertaken actions continue, particularly tours of industrial sites, reducing the number of Directors and increasing the diversity of their profiles. In addition, it was decided to submit the following to the vote of the Shareholders' General Meeting of May 4, 2018: amendments to the Company's by-laws to further increase flexibility in terms of the choice and diversity of Directors' profiles or the quality of those who can contribute to its work (removing

provisions on Director age limits that are more restrictive than the law; allowing the Board to appoint observers); increasing the maximum authorized envelope for attendance fees with a view to the possible revision of the current allocation scale for those fees (*see chapter 8, paragraphs 8.1.7 and 8.1.10 of the Registration Document*). The Board also expressed the wish to extend the planned duration of its sessions in order to further improve:

- the efficiency of its work;
- the time given to the operational monitoring of the Group's activity;
- the time given over to debates between Directors (including in the sessions periodically scheduled without the presence of Executive Management in certain Board meetings).

Finally, the Board decided to appoint an external firm to conduct the next formal assessment of its functioning in 2020.

■ SPECIALIZED COMMITTEES

The Board of Directors has formed four specialized Committees among its members: the Strategic Committee, the Appointment Committee, the Compensation Committee (resulting from the split of the Appointments and Compensation Committee decided by the Board on May 4, 2016) and the Audit Committee. These Committees carry out their activities under the responsibility of the Board which defines their missions, composition and compensation on the proposal of the Appointments Committee and the Compensation Committee.

The members of the specialized Committees are chosen by the Board of Directors upon the Appointment Committee's proposal from among the Directors except for the Chief Executive Officer and, as the case may be, the Deputy Chief Executive Officer, who may not be member of any of the Committees. The term of the duties of Committee members is the same as their term of office as Director. Each Committee elects its own Chairman after consulting the Appointments Committee.

The specialized Committees only have an advisory role and do not have any power of decision.

Each Committee determines the internal rules that apply to the performance of its work. The Committees' meetings give rise to minutes. These are provided to the members of the Committee concerned, the Chairman and the Secretary of the Board, the Chief Executive Officer and, on request to the Chairman of the Board, to the other members of the Board of Directors. The Chairman of the Committee concerned or, in his or her absence, another member of the Committee appointed for that purpose, reports to the Board of Directors on the work of the Committee.

Furthermore, each of the Committees reviews its activity and assesses its composition and its functioning during the previous year; the results of such reviews and assessments are intended to appear in the Group's Registration Document.

■ STRATEGIC COMMITTEE

(created on June 17, 1993)

Mission

The Board of Directors' Internal Charter defines the Committee's missions as follows:

"The Strategic Committee's mission is to examine the following areas and give the Board of Directors its opinion and any recommendations:

1. Strategy

- defining and setting down orientations for the Group's industrial, commercial and financial strategy and their implementation principles;
- ensuring that the strategy implemented by the Executive Management complies with the orientations set by the Board of Directors.

For that purpose, it examines in depth and, as the case may be, makes recommendations to the Board on:

- the Group budget drawn up by Executive Management;
- the operations likely to significantly modify the purpose or scope of business of the Company or the Group, including:
 - the acquisition, investment, takeover or disposal of securities or any other fixed assets (and any economically comparable operation, in particular by way of contribution or exchange) for an amount greater than €20 million per operation, or its equivalent in any other currency,

- the significant commercial or industrial agreements that would bind the long-term future of the Company or the Group,
- any financing operations the amount of which are likely to significantly modify the financial structure of the Group;
- the orientations, implementation and monitoring by Executive Management of general policy on Corporate Social Responsibility (particularly Environment, Health & Safety and Sustainable Development).

Every year, the Committee presents to the Board its expected schedule for the examination of major strategic issues for the future of the Group for the current year.

2. Risks

- questions relating to the identification, measurement and monitoring by the Executive Management of the main possible risks for the Group in the following areas:
 - external environment: investor relations, the Group's market positions,
 - internal policies: management of financial resources, human resources management and skills, dependence and continuity of key industrial or commercial activities,
 - management information: financial control and reporting and post-operation control, where appropriate, of the most significant investment projects."

Composition

On the date of this Registration Document, the Strategic Committee is made up of the following eight members appointed by the Board:

Name	Date of 1 st appointment to the Committee	Independent member status
Ian Gallienne, Chairman	April 29, 2010	No
Aldo Cardoso	May 2, 2007	Yes
Odile Desforges	May 4, 2016	Yes
Paul Desmarais III	April 29, 2014	No
Giovanna Kampouri Monnas	February 15, 2017	Yes
Ulysses Kyriacopoulos	April 30, 2015	No
Xavier Le Clef	April 29, 2014	No
Arnaud Vial	May 4, 2016	No
Number of members: 8		3

The Board of Directors, following the recommendation of the Appointments Committee, appointed Mrs. Giovanna Kampouri Monnas as a new member of the Strategic Committee as from February 15, 2017.

The Board of Directors, after gathering the opinion of the Appointments Committee, intends to appoint Mrs. Martina Merz and Mr. Colin Hall as new members of the Strategic Committee in replacement of Mrs. Giovanna Kampouri Monnas and Messrs. Xavier Le Clef and Arnaud Vial whose term of office will end following the Shareholders General Meeting of May 4, 2018; at that date the Committee will be made up of seven members.

Functioning

The Committee debates with the majority of its members in attendance and meets as often as its Chairman sees fit or at the request of the Chairman of the Board or the Chief Executive Officer. In principle, it dedicates one meeting per year to the Group's strategy and market environment, to which all Directors may be invited.

2017

Number of meetings	7
Average actual attendance rate of members	92.86%

2018

Expected number of meetings	8
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To perform its mission, the Committee hears the Chief Executive Officer, and the Deputy Chief Executive Officer, if any, the Chief Financial Officer, the M&A, Strategy & International Development Officer, the General Counsel and, on the initiative of the Chief Executive Officer or at the Committee's request to the Chief Executive Officer, depending on the items on the agenda for the Committee Meeting, any other member of the Executive Committee and the relevant Corporate Department or line managers. The Committee may, where appropriate, make visits of industrial sites and on that occasion hear any of the Group's line managers, as it judges useful for the performance of its mission.

The Secretary of the Committee is the Group's M&A, Strategy & International Development Officer, who drafts the minutes of its meetings.

Activity in 2017

Throughout the year, the Strategic Committee monitored the main management and development decisions made by the Group's Executive Management, while making sure they came under Imerys' strategy as defined by its Board of Directors.

In that respect, the Committee regularly examined the evolution of Imerys' business and the main markets on which it operates.

Consequently, it studied in detail Imerys' quarterly consolidated financial statements and how they reflected the actions taken by Executive Management. At its last meeting of the year, the Strategic Committee also reviewed the Group's estimated 2017 results and its 2018 budget. As part of that review, it heard the Group's Operations Executives give a detailed presentation of the individual budget of the divisions that they supervise, in the presence of all the other members of the Executive Committee.

At the meeting held in Lugano, Switzerland, to which all the Directors were invited, they were able to tour the Bodio plant, which specializes in the production of synthetic graphite (Graphite & Carbon division).

The Committee also began work on the Group's long-term strategy that will continue in 2018 with specific reviews on the options under consideration.

Furthermore, the Strategic Committee periodically examined and approved the key stages and main aspects of the most significant external growth or divestment projects. In 2017, this examination particularly concerned:

- the acquisition, closed on July 18, 2017, of Kerneos, the world leader of high-performance, calcium aluminate-based binders;
- the acquisition, closed on July 26, 2017, of Zhejiang Zr-Valley Science & Technology Co, a leading producer of zirconium oxychloride and high-purity zirconia in China;
- the acquisition, on September 6, 2017, of Regain Polymers, which specializes in plastics recycling in the United Kingdom;
- the acquisition, closed on November 24, 2017, of Micron-Ita, a leading Brazilian producer of micronized ground calcium carbonates for polymer applications;
- the divestment, effective in October 31, 2017 of the La Bâthie plant in France under the antitrust remedies required following the acquisition of Alteo in 2016.

Furthermore, the Strategic Committee regularly monitored the activity of the Oilfield Solutions division during the year.

Finally, as usual the Strategic Committee worked to analyze the Group's financial structure and ensure that it is sound, particularly with a view to continuing Imerys' external growth and selective capital expenditure policy.

■ APPOINTMENTS COMMITTEE

(created on November 3, 1987, it results from the split of the former Appointments and Compensation Committee into two separate committees decided by the Board on May 4, 2016)

Mission

The Board of Directors' Internal Charter defines the Committee's missions as follows:

"The Appointments Committee's mission is to examine the following areas and give the Board of Directors its opinion and any recommendations:

- proposed appointments of Executive Corporate Officers, Chairman of the Board, Directors and Chairman and members of Committees. In that respect, the Appointments Committee has to take the following items into account, particularly as regards the composition of, and changes in, the Company's shareholding, to result in a balanced composition of the Board in terms of independence, gender balance, nationality, international experience and expertise (particularly the financial or accounting skills required for members of the Audit Committee);
- the presentation of a succession plan for Executive Corporate Officers and, on the Chief Executive Officer's initiative, for the members of the Executive Committee;
- the independent status of each Director, with respect to the definition of independence adopted by the Board, and any changes (or clarification of criteria) to be made to that definition;

- the part of the Board Report on Corporate Governance falling within its duties;
- review of proposed responses to any requests from regulatory authorities (AMF, HCGE);

and more generally, the Committee makes recommendations as needed to the Board of Directors to comply with best governance

practices and the recommendations of the AFEP-MEDEF Code; in that respect, it annually reviews the conclusions of the Board and its Committees' self-assessment and the main resulting recommendations."

Composition

On the date of this Registration Document, the Appointments Committee is comprised of the following five members who are appointed by the Board and include the Vice-Chairman of the Board of Directors, who chairs the Committee:

Name	Date of 1 st appointment to the Committee	Independent member status
Paul Desmarais III, Chairman	May 4, 2016	No
Ian Gallienne	April 26, 2012	No
Marion Guillou	April 29, 2014	Yes
Martina Merz	May 3, 2017	Yes
Marie-Françoise Walbaum	May 4, 2016	Yes
Number of members: 5		3

This Committee is predominantly comprised of independent members in accordance with the recommendation of the AFEP-MEDEF Code.

The Board of Directors, following the recommendation of the Appointments Committee, appointed Mrs. Martina Merz as a new member of the Appointments Committee as from May 3, 2017, replacing Mrs. Arielle Malard de Rothschild whose term of office expired.

Functioning

The Committee debates with at least two of its members in attendance and meets as often as its Chairman sees fit, or on the request of the Chairman of the Board or the Chief Executive Officer.

2017

Number of meetings	3
Average actual attendance rate of members	86.67%

2018

Expected number of meetings	6
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To perform its mission, the Committee hears the Chairman of the Board, the Chief Executive Officer, the Group Vice-President Human Resources and the Company Secretary; it also takes advice from independent experts as it sees fit.

The Secretary of the Committee is the Group Vice-President Human Resources, who draws up the minutes of the Committee's meetings.

Activity in 2017

The Appointments Committee was first consulted on the composition of the Board of Directors and its Committees. It examined the situation of the Directors, particularly those whose terms of office ended following the Shareholders' Annual General Meeting, the proposed candidates, as the case may be, for their replacement

and new appointments. In particular, the Committee looked into the prospect of reducing the number of Directors of the Company in order to improve the Board's responsiveness, and the efficiency and intensity of exchanges among its members.

The Committee also analyzed the individual situation of the Company's current directors and proposed candidates with respect to the necessary diversity of skills and experiences to be brought together in the composition of the Board and the definition of its members' independence used by the Board. In that respect, the Committee also examined whether there were any business relations between those members and the Group. It also made sure that the current compositions of the Board, the Audit, Appointments and Compensation Committees, their Chairs and any changes in them complied with the proportions of independent Directors or women set down by legal provisions and recommendations of the AFEP-MEDEF Code, respectively. As regards any practices by the Company that did not comply with the Code, the Committee made recommendations to the Board on the relevance and transparency of the explanations justifying these exceptions in the table on the application of the AFEP-MEDEF Code to be drawn up by the Company.

The Appointments Committee also examined changes in organization and skills in the Group resulting from the implementation of its transformation plan. In particular, it looked into diversity issues and the related action plans. The Committee also examined the development and succession plan for all members of the Group's Executive Committee.

Following the wish expressed by the Chairman and Chief Executive Officer to devote for personal reasons more time to his close family, the Committee has conducted an in-depth review of the Group's leadership and governance. In this context, the Committee has started the process of selecting and evaluating potential candidates for the positions of executive corporate officers of the Group.

■ COMPENSATION COMMITTEE

(created on November 3, 1987, it results from the split of the former Appointments and Compensation Committee into two separate committees decided by the Board on May 4, 2016)

Mission

The Board of Directors' Internal Charter defines the Committee's missions as follows:

"The Compensation Committee's mission is to examine the following areas and give the Board of Directors its opinion and any recommendations:

- the amount and allocation method for attendance fees (fixed and variable parts, the latter being larger) allotted to the Directors;
- general compensation policy for executive corporate officers, which the Board will put to the vote of the Shareholders' General Meeting;
- general compensation policy for the Group's executive managers;
- all components of compensation (fixed, variable and extraordinary), payments with respect to the taking or ending of office, benefits of any kind owed or likely to be owed to each of the executive

corporate officers and which the Board will put to the vote of the Shareholders' General Meeting;

- general policy for granting stock options or free shares of the Company and for determining the beneficiaries of stock option or free share plans proposed by the Chief Executive Officer;
- determining individual grants of stock options or free shares to executive corporate officers as well as the specific terms and restrictions that apply to those allotments, pursuant to the recommendations resulting from the AFEP-MEDEF Code (achievement of economic performance goals, restriction of their number, obligation to keep shares in the Company, etc.);
- the Group's employee shareholding policy and its implementation terms as proposed by the Chief Executive Officer;
- the part of the Board Report on Corporate Governance falling within its duties;
- review of proposed responses to any requests from regulatory authorities (AMF, HCGE); and

more generally, the Committee makes recommendations as needed to the Board to comply with best governance practices in terms of compensation and the recommendations of the AFEP-MEDEF Code."

Composition

On the date of this Registration Document, the Compensation Committee is comprised of the following six members who are appointed by the Board and include the Vice-Chairman of the Board of Directors, who chairs the Committee:

Name	Date of 1 st appointment to the Committee	Independent member status
Paul Desmarais III, Chairman	May 4, 2016	No*
Éliane Augelet-Petit	January 1, 2017	n.a.
Ian Gallienne	April 26, 2012	No
Marion Guillou	April 29, 2014	Yes
Martina Merz	May 3, 2017	Yes
Marie-Françoise Walbaum	May 4, 2016	Yes
Number of members: 6		3

* See section 3.8 of this chapter.

This Committee is predominantly comprised of independent members in accordance with the recommendation of the AFEP-MEDEF Code.

The Board of Directors, on the recommendation of the Appointments Committee, appointed as new members of the Compensation Committee: Mrs. Éliane Augelet-Petit, an employee representative Director, as from January 1, 2017 and Mrs. Martina Merz as from May 3, 2017, replacing Mrs. Arielle Malard de Rothschild whose term of office expired.

Functioning

The Committee debates with at least two of its members in attendance and meets as often as its Chairman sees fit, or on the request of the Chairman of the Board or the Chief Executive Officer.

2017

Number of meetings	2
Average actual attendance rate of members	100%

2018

Expected number of meetings	6
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To perform its mission, the Committee hears the Chairman of the Board, the Chief Executive Officer and the concerned Group Human Resources managers; it also takes advice from independent experts as it sees fit.

The Secretary of the Committee is the Group Vice-President Human Resources, who draws up the minutes of the Committee's meetings.

Activity in 2017

During the first half of the year, the Compensation Committee, as usual, assessed the performance of the Chairman & Chief Executive Officer for 2016. It measured the achievement of criteria, particularly quantitative criteria, assigned to the Chairman & Chief Executive Officer for the determination of the amount of the variable part of his compensation with respect to 2016, payable in 2017, and those on which the vesting of free shares granted under previous long-term retention plans depends. The Compensation Committee then made its recommendations on the setting of quantitative and qualitative criteria for determining the variable part of the Chairman & Chief Executive Officer's compensation with respect to 2017 and quantitative criteria for his 2017 individual long-term retention program.

The Committee also examined the main characteristics of the general long-term compensation and retention program that applies to the Group's other key executives. In particular, it made recommendations to the Board on the design of the long-term retention plan and the related performance criteria.

In this respect, the Committee checked that the practices implemented and the proposals made complied with the recommendations of the AFEF-MEDEF Code on compensation of executive corporate officers.

AUDIT COMMITTEE

(created on March 27, 1996)

Mission

The Board of Directors' Internal Charter defines the Committee's missions as follows:

"The Audit Committee's mission is to examine the following areas and give the Board of Directors its opinion and any recommendations:

1. Financial statements

- the Company and the Group consolidated annual and half-yearly financial statements to be drawn up by the Board of Directors, as well as the quarterly financial statements before their review by the Board; these financial statements are the subject of a presentation by the Group's Chief Financial Officer;
- the scope of consolidation;
- the relevance and consistency of accounting methods, by verifying, in particular, the reliability of internal information-gathering and information-control procedures, with the aim of ensuring that financial statements are fairly presented and that they give an accurate image of the financial situation of the Company and the Group;
- the method and estimates used for the impairment tests carried out by the Group;
- the Group's debt position, including the structure as well as interest and currency rate hedging policy and its outcome;
- the significant litigation and off-balance sheet commitments, and their impact on the Group's accounts;

- the production and dissemination process for accounting and financial information, ensuring that it complies with legal requirements, regulatory authorities' recommendations and internal procedures;
- the review of any remarks made by regulatory authorities (AMF) and the proposed responses.

2. Financial information

- the policy and applicable procedures for financial information intended to ensure the Group's compliance with its regulatory obligations;
- the main financial communication items relating to the Group and Company financial statements, in particular:
 - review of press releases,
 - concordance between the financial statements and reports on them in financial communications,
 - relevance of items used in this communication.

3. External control

- the proposals to appoint or renew the Statutory Auditors. When appropriate, the Committee examines and approves the content of the requirements, schedule and organization for the invitation to bid, with a view to the appointment and, as the case may be, renewal of the Statutory Auditors, and checks that the invitation to bid proceeds correctly;
- the Statutory Auditors' work program and any additional assignments that they or other members of their network may be given, as well as the amount of the corresponding compensation;
- the supervision of the rules for using Statutory Auditors for services other than the legal certification of accounts ("authorized non-audit services") and, more generally, compliance with the principles guaranteeing the independence of the Statutory Auditors and the safeguard measures taken by the Statutory Auditors to mitigate those risks. In that respect, the Audit Committee reviews and approves the authorized non-audit services beforehand, in the conditions set by the Board. On an exceptional basis, services corresponding to specific assignments, the total annual amount of which does not exceed the percentages or amounts set by the Board, are simply ratified by the Audit Committee by December 31 of each year at the latest;
- the conclusions of diligence work by Statutory Auditors as well as their recommendations and follow-up actions.

4. Audit & Internal control

- the annual internal audit and internal control assessment programs and the resources for their implementation;
- the results of the work of the internal and external Auditors and Internal Control Function, the monitoring of any recommendations they make, particularly in regard to the analysis, the corrective measures and the development of the mapping of the Group's main risks, their control and that of significant off-balance sheet commitments, as well as the organization of the internal audit teams;
- the drafting and content of the Annual Report of the Board of Directors on risks and internal control of the Group.

5. Risks

- the identification, measurement and monitoring by the Executive Management of the main possible risks for the Group in the following areas:
 - external environment: legal or regulatory developments, crisis management or disaster occurrence, cybersecurity,
 - internal processes: legal monitoring of major litigation, compliance with applicable existing regulations (particularly Environment, Health & Safety and Sustainable Development), business conduct in accordance with regulations and Imerys' fundamental ethical values (conduct and ethics, anti-corruption, anti-trust, etc.),
 - mineral reserve and resource potential;

- the orientations, implementation and monitoring by Executive Management of the Group's general policy on Internal Control, risk prevention (organization, policies and procedures, IT infrastructures and systems, telecommunications and digitization, etc.) and insurance, and any changes therein;
- the work programs and results of internal experts (e.g. auditors, lawyers) and any external experts that may be called upon to analyze, audit or measure the risks and the Group's performance in the above-mentioned areas;
- any other subject likely to have a significant financial and accounting impact for the Company or the Group."

Composition

On the date of this Registration Document, the Audit Committee is comprised of the following three members who are chosen by the Board for their financial competence as described in their respective biographies ([see paragraph 3.1.3 of this chapter](#)).

Name	Date of 1 st appointment to the Committee	Independent member status
Aldo Cardoso, Chairman	May 3, 2005	Yes
Colin Hall	December 15, 2015	No
Marie-Françoise Walbaum	April 25, 2013	Yes
Number of members: 3		2

Two thirds of the Audit Committee are independent members, as recommended by the AFEP-MEDEF Code and by the AMF working group on the Audit Committee.

The Board intends to appoint as a new member of the Audit Committee the new female Director, having an independent status, currently being selected, he will co-opt at its meeting of May 4, 2018.

Functioning

The Committee debates with the majority of its members in attendance. It meets as often as its Chairman sees fit and at any time at the request of two of its members or of the Chairman of the Board of Directors or the Chief Executive Officer, and at least two days (as far as possible) before the Board of Directors draw up the definitive annual and half-yearly consolidated financial statements and, since 2016, before the publication of the Group's quarterly consolidated results.

2017

Number of meetings	5
Average actual attendance rate of members	100%

2018

Expected number of meetings	5
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To perform its mission, the Audit Committee hears the Statutory Auditors, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer of the Group and, on their initiative or at the Committee's request to them according to the items on the agenda for the Committee's Meeting, the other people participating in drawing up and controlling the financial statements and in risk prevention or management (Finance Department, Internal Audit & Control Department, Legal & CSR Department).

The Committee has unrestricted access to all available information on the Group. It may also make visits of industrial sites and hear any of the Group's line or support managers as it may deem advisable or necessary for the performance of its duties. The Committee may also, while informing the Chairman of the Board and the Chief Executive Officer thereof, request that any internal or external audit be carried out on any subject that it judges within the scope of its mission.

The Secretary of the Committee is the Group's Chief Financial Officer. He draws up the minutes of Committee meetings, which are kept available to the Statutory Auditors.

Activity in 2017

As usual, the Audit Committee conducted a review of the corporate and consolidated financial statements for 2016, as well as the Group's quarterly and half-yearly financial statements for 2017. As part of that work, the Committee examined closing work and the related draft press releases and was able to recommend that the Board unreservedly approve the definitive financial statements presented to it. The Committee also reviewed the accounting rules applied by the Group and their relevance to changes in the IFRS accounting framework, as well as the application of market regulators' recommendations. As in previous years, it also examined the evolution of the effective overall tax rate for the Group and its components and reviewed the results of impairment tests on the Cash Generating Units (CGUs) concerned.

In early 2017, the Audit Committee reviewed the Chairman of the Board's draft report on the Group's internal control and risk management procedures for 2016, as well as payments made to governments by Group entities with a mining activity.

At its last meeting of the year, the Committee examined the main closing items of the Group's consolidated financial statements for 2017. It particularly focused on the CGUs that were likely, according to management's analyses, to be put through an impairment test because of the gap between their financial performance prospects at the end of the year and their budget. In addition, it made sure, after hearing the Statutory Auditors, that the accounting methods chosen by the Group were relevant and consistent. The Committee validated the key points of the 2017 financial statements audit performed by the Statutory Auditors; it examined the terms of the agreement for determining the additional price for the acquisition of S&B to be paid to Blue Crest Holding; finally, it was informed of the Company's exchanges with AMF on the drafting of its 2017 Annual Report in Corporate Governance, Executive Compensation, Internal Control and Risk Management. At the end of each half-year, the Committee examined the report by the Audit & Internal Control Department on its activity. This report covered audit assignments completed, and the results of the corrective measure plans carried out following audits in previous years, as well as tests and appraisals of the internal control systems in force in the Group. The Committee also reviewed the audit plan and the specific actions scheduled for 2017. The Committee also observed that the Group's main risks, as resulting from their last mapping done in 2016, were regularly examined either by itself or by the Strategic Committee and were supported by sufficient controls. It also validated the update of the management authority rules that apply in the Group.

During the year, the Committee also examined the following specific points: accounting of the main acquisition (including the provisional operation on Kerneos) and restructuring operations made by the Group; inventory of the Group's mining reserves and resources; management and status of main legal risks, particularly developments in lawsuits in the United States, and appraisal of the corresponding provisions; assessment of the Group's tax positions in the main countries where it is based and any potential related risks; and the organization, management and control systems for the Group's cash and the related risks. The Committee also reviewed the Group's new strategy in terms of Corporate Social Responsibility (CSR) and the current state of its performance with respect to the main indicators tracked.

Finally, on the basis of regular reviews with the Statutory Auditors of the list of non-audit services provided by them to the Company and its subsidiaries, the Committee periodically made recommendations to the Board of Directors on the provisional measures to be taken in order to comply with the new regulatory provisions applicable in France. It made sure that the control and monitoring methods for those non-audit services were correctly applied, in accordance with the authorization and arrangements set by the Board.

3.2 EXECUTIVE MANAGEMENT

3.2.1 COMPOSITION

As of April 28, 2011, the Group's Executive Management was carried out exclusively by Gilles Michel, Chairman of the Board of Directors and Chief Executive Officer.

Following the wish expressed by Gilles Michel not to continue his executive functions for personal reasons, the Board of Directors at its meeting of March 8, 2018, on the recommendations of the Appointments Committee, decided to separate the Chairman of the Board and Chief Executive Officer roles, effective as from May 4, 2018.

At the same meeting, the Board decided to re-elect Gilles Michel as Chairman of the Board, subject to the renewal of his term of office as Director by the Shareholders' General Meeting of May 4, 2018 and to appoint Conrad Keijzer immediately as Deputy Chief Executive Officer and, as from May 4, 2018, as the new Chief Executive Officer of the Company.

The information relating to Gilles Michel as well as the offices he holds or has held in the past five years appear in [paragraph 3.1.3 of this chapter](#), the one about Conrad Keijzer is in [chapter 8, paragraph 8.1.5 of the Registration Document](#).

3.2.2 POWERS

Pursuant to legal and statutory provisions, the Chief Executive Officer is vested with the most extensive powers to act on behalf of the Company under any circumstances. He exercises his powers within the limits of the corporate purpose and subject to the powers expressly vested in the Shareholders' General Meeting and the Board of Directors; he represents the Company with respect to third parties.

Pursuant to article 18 of the by-laws, the Board of Directors may limit his powers. However, this limitation is void against third parties. On the proposal of the Chief Executive Officer, it may also appoint one or several Deputy Chief Executive Officer(s).

[Paragraph 3.1.1 of this chapter](#) describes the internal functioning arrangements for the Board of Directors and, in particular, lists the operations that require the authorization of the Board of Directors prior to their implementation by Executive Management.

3.2.3 EXECUTIVE COMMITTEE

The Executive Management is assisted in carrying out his mission by an Executive Committee that comprises the Group's main line and support managers.

The Executive Committee is an informative and advisory body.

MISSION

Its mission is to ensure that the organization, resources and general management of the Group's business, as implemented by each member within their individual area of responsibility and under the authority of the Chief Executive Officer, are adapted to the strategy adopted by the Board of Directors and in accordance with fixed policies and objectives.

The key aspects of this mission are:

- to review the strategies and budgets submitted by individual Group divisions to the Strategic Committee and the Board of Directors, ensure their implementation, supervise their application, and make any adjustments required to ensure compliance with them;

COMPOSITION

On the date of the present Registration Document, the Executive Committee is comprised of Gilles Michel, Chairman and Chief Executive Officer, Conrad Keijzer, Deputy Chief Executive Officer, and the following nine members:

Name	Function	Nationality	Year of joining the Group	Date of 1 st appointment to the Committee
Gilles Michel	Chairman and Chief Executive Officer ⁽¹⁾	French	2010	October 1, 2010
Conrad Keijzer	Deputy Chief Executive Officer ⁽²⁾	Dutch	2018	March 8, 2018
Operations managers				
Frédéric Beucher	Vice President, Supervision of the Roofing, Kaolin, Ceramics and Graphite & Carbon divisions He joined Imerys in 2003 after several years in investment banking, first at Société Générale in France and Spain and then at Rothschild & Cie in Paris. Started with Imerys as Head of Strategy and Development, he was then in charge of the Minerals for Ceramics division. Since 2013, he has also overseen the Roofing division, then the Kaolin (since 2015) and Graphite & Carbone divisions (since 2017).	French	2003	July 1, 2013
Alessandro Dazza	Vice President, Supervision of the Fused Minerals, Refractory Minerals, Monolithic Refractories and Kerneos divisions He joined Imerys in 2000 upon the acquisition of Treibacher Schleifmittel after working for a chemical company in Italy and then in Germany. He was then successively in charge of a business unit and then of the whole Fused Minerals division. He also oversees the Monolithic Refractories division (since 2016) as well as the divisions Refractory Minerals (since 2013) and Kerneos (since 2017) newly integrated within a single division, Aluminates.	Italian	2000	July 1, 2013

(1) Until May 4, 2018, date of his reelection as Chairman of the Board of Directors.

(2) As from March 8, 2018 and until May 4, 2018, date of his appointment as new Chief Executive Officer.

Name	Function	Nationality	Year of joining the Group	Date of 1 st appointment to the Committee
Olivier Hautin	Vice President, Supervision of the Oilfield Solutions division and of Mergers & Acquisitions and International Development departments He joined Imerys in 1995, after beginning his career in strategy consulting at Mars & Co. He was first in charge of Strategy & Development for the Group. After having held management positions in several business units and divisions, he was successively appointed head of various business groups: Pigments for Paper & Packaging, Minerals for Ceramics/Refractories/Abrasives & Foundry, Energy Solutions & Specialties. In October 2016, he took the responsibility over Imerys Strategy, M&A and International Development while maintaining the supervision of the Oilfields Solutions division.	French	1995	February 13, 2008
Daniel Moncino	Vice President, Supervision of the Performance Additives, Filtration, Metallurgy and Carbonates divisions He joined Imerys in 2002 after beginning his career in Europe and in the USA with Siemens and then held several positions with BASF and Schlumberger. He was successively in charge of a business unit, a division and then of the Performance & Filtration Minerals business group. In addition to the Performance Additives & Filtration divisions, he also oversees the Metallurgy division (since 2015) and the Carbonates division (since 2017).	American	2002	February 13, 2008
Support managers				
Jean-François Claver	Chief Industrial Officer He joined Imerys in 2015 as Director of Mining and Industrial Operations and was appointed Group Chief Industrial Officer in October 2016. He previously held industrial management positions at Pechiney for nearly 16 years and then in several other International industrial groups (Alcan, Vallourec, Lafarge, Etex).	French	2015	October 17, 2016
Vincent Lecerf	Chief Human Resources Officer He joined Imerys as Group Chief Human Resources Officer in January 2017, after holding various human resources management positions for the groups: Valeo, Poclain Hydraulics, Rhodia and Norbert Dentressangle. He was since 2008 Director of Human Resources and member of the Managing Board of Tarkett.	French	2017	January 2, 2017
Thierry Materne	Chief Innovation Officer He joined Imerys in June 2016 as Group Chief Innovation Officer. Previously, he spent more than 11 years in research and development at Goodyear Tire & Rubber in Europe and the United States, before taking on responsibility for innovation at Dow Corning and then heading Sabic Innovative Plastics (formerly GE Plastics).	Belgian	2016	October 17, 2016
Denis Musson	General Counsel, Company Secretary He joined Imerys in 1999 as General Counsel and Secretary of the Board. His career was previously with Pechiney, where he started in the Group's Legal Department before taking over its Corporate Department. Since the end of 2016, he also heads the Group's CSR department.	French	1999	January 1, 2003
Olivier Pirotte	Chief Financial Officer He joined Imerys in 2015 as Chief Financial Officer of the Group. He began his career with Arthur Andersen where he held various management positions before joining Groupe Bruxelles Lambert in 1995 where he held various positions including Director of Investments, then Chief Financial Officer.	Belgian	2015	June 1, 2015

■ FUNCTIONING

The Executive Committee meets once a month on average, as often as the interests of the Group require or at the request of the Chairman and Chief Executive Officer or, as the case may be, the Chief Executive Officer.

The Executive Committee met 11 times in 2017.

3.3 COMPENSATION

3.3.1 BOARD OF DIRECTORS

Pursuant to the provisions of article L. 225-37-3 of the French Code of Commerce, the information given below presents the compensation paid or granted in 2017 by the Company to its Directors (excluding the Chairman and Chief Executive Officer) and is an integral part of the Corporate Governance Report referred to in article L. 225-37 of the French Code of Commerce.

■ AMOUNT

The maximum gross amount of attendance fees that may be allotted to the members of the Board of Directors with respect to one year is determined by the Shareholders' General Meeting; it currently amounts to €1,000,000. Pursuant to the law and article 17 of the Company's by-laws, it is up to the Board of Directors to determine the allotment of attendance fees among its members.

The allotment scale for attendance fees is set by the Board of Directors on the recommendations of the Compensation Committee, then reviewed every year by the Board in order to ensure it is suitable and competitive in relation to the best market practices.

At its meeting of February 14, 2018, the Board decided on the occasion of its self-assessment, and following the recommendations of the Appointments Committee, that the allotment scale of attendance fees would be the subject of a specific review at its meeting in May and would, if necessary, be revised. To this end, and in order to allow the Board to have a greater flexibility, to take into account in particular the separation of the Chairman of the Board and Chief Executive roles, it is proposed to the General Meeting of May 4, 2018 to increase the annual maximum amount of the attendance fees to € 1,200,000 (*see chapter 8, paragraph 8.1.7 and section 8.4 of the Registration Document*).

The allotment scale had already been revised in 2016 in order to make its variable part predominant and thus comply with the recommendations of the AFEF-MEDEF Code.

Payments are made semi-annually in arrears. Consequently, the gross amount of attendance fees effectively paid during a given financial year include (i) the amount of fees with respect to the second half of the previous year and (ii) the amount of fees with respect to the first half of said year.

Pursuant to the recommendations of the AFEP-MEDEF Code and the provisions of article L. 225-37-3 of the French Code of Commerce, the table below sets out the individual gross amount of attendance fees paid to each member of the Board with respect to the last two financial years.

(€)	2017		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
G. Michel, Chairman and Chief Executive Officer ⁽¹⁾	-	-	-	-
A. de Seze, Vice-Chairman ⁽²⁾	-	-	64,500	146,000
P. Desmarais III, Vice-Chairman ⁽³⁾	152,500	158,000	117,250	63,250
E. Augelet-Petit	36,000	40,000	37,333	32,333
A. Cardoso	84,750	93,000	96,833	83,083
O. Desforges ⁽⁴⁾	44,250	44,250	30,417	6,667
I. Gallienne	75,500	81,250	84,750	81,000
M. Guillou	40,500	36,500	39,833	39,833
C. Hall	47,500	53,000	55,333	26,000
G. Kampouri Monnas	42,500	35,750	35,333	32,333
U. Kyriacopoulos	39,750	44,500	49,833	46,083
F. Layt ⁽⁵⁾	-	-	14,667	30,667
X. Le Clef	45,500	43,000	42,583	44,083
A. Malard de Rothschild ⁽⁶⁾	16,333	41,833	47,333	35,833
M. Merz ⁽⁷⁾	21,667	1,667	-	-
E. d'Ortona	30,000	32,000	35,333	32,333
R. Peugeot ⁽⁵⁾	-	-	17,667	37,667
L. Raets	30,000	34,000	37,333	32,333
K. Taaffe Richard	22,000	26,000	31,333	30,333
A. Vial ⁽⁴⁾	35,250	41,750	31,167	6,667
MF. Walbaum	61,000	70,000	61,833	44,333
Total	825,000	876,500	930,664	850,831

(1) Chairman and Chief Executive Officer - does not receive attendance fees.

(2) Director and Vice-Chairman until May 4, 2016.

(3) Vice-Chairman since May 4, 2016.

(4) Director since May 4, 2016.

(5) Director until May 4, 2016.

(6) Director until May 3, 2017.

(7) Director since May 3, 2017.

It is specified that:

- the amounts set out in the table above represent the entirety of the compensation paid in 2017 by the Imerys group or by its controlling shareholders to each of the members of the Board of Directors with respect to the offices, responsibilities or other duties performed personally by those members within or on behalf of the Imerys group;
- except for the compensation paid to Gilles Michel as sole Executive Corporate Officer who was in office in 2017 (see paragraph 3.3.2 of this chapter) and the one paid in 2017 to the two employee representative Directors with respect to their salaried positions in the Imerys group.

■ ALLOTMENT SCALE

The allotment scale for attendance fees, applicable since May 4, 2016, is as follows:

Gross amounts (€) before taxes and social contributions		Allotment scale as from May 4, 2016
Board of Directors	Vice-Chairman	100,000 fixed per year 4,000 per attended meeting
	Other members	10,000 fixed per year 4,000 per attended meeting
Strategic Committee	Chairman	20,000 fixed per year
	All Committee members	2,500 per attended meeting
Audit Committee	Chairman	25,000 fixed per year
	All Committee members	3,500 per attended meeting
Appointments Committee	Chairman	10,000 fixed per year
	All Committee members	3,000 per attended meeting
Compensation Committee	Chairman	10,000 fixed per year
	All Committee members	3,000 per attended meeting

Since that date, the variable part of the attendance fees is reduced by half for attendance by telecommunication means.

3.3.2 EXECUTIVE MANAGEMENT

The information given below concerns:

- Gilles Michel, Chairman and Chief Executive Officer until May 4, 2018, the only executive corporate officer in office in 2017,
- Conrad Keijzer, Deputy Chief Executive Officer as from March 8, 2018 and until May 4, 2018, date of his appointment as new Chief Executive Officer.

Pursuant to the provisions of article L. 225-37-2 of the French Code of Commerce, this information includes the compensation policy for executive corporate officers, which will be submitted for approval ("ex-ante vote") of the Shareholders' General Meeting called for May 4, 2018 ([see chapter 8, paragraph 8.1.3 and section 8.4 of the Registration Document](#)). This policy includes the principle and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of any kind that may be granted to any executive corporate officer due to his/her term of office.

This information also presents the total compensation and benefits of any kind paid or granted by the Company to the Chairman and Chief Executive Officer in 2017, as well as the commitments made by the Company for his benefit which, pursuant to the new article L. 225-37-3 of the French Code of Commerce, will be subject for the first time to the approval ("ex-post vote") of the Shareholders' General Meeting of May 4, 2018 ([see chapter 8, paragraph 8.1.4 and section 8.4 of the Registration Document](#)). You are reminded that these items were determined in accordance with the compensation policy approved by the General Meeting of May 3, 2017 (sixth resolution).

All of this information and that on performance shares ([see sections 3.5 and 3.6 of the present chapter](#)) are an integral part of the Corporate Governance Report referred to in article L. 225-37 of the French Code of Commerce.

■ TABLE SUMMARIZING THE COMPENSATION ITEMS

(€)	2017	2016
Executive Corporate Officer's name and position		
Gilles Michel, Chairman and Chief Executive Officer		
Compensation due in respect of the financial year	1,815,218	1,688,299
Valuation of the stock options awarded during the financial year		
Valuation of the performance shares awarded during the financial year ⁽¹⁾	1,854,786	1,420,792
Total	3,670,004	3,109,091

(1) Valued at the time of their grant in line with IFRS 2, after taking into account notably any discount related to performance criteria and the probability of presence in the Company at the end of the vesting period, but before spreading the expense over the acquisition period.

■ DETERMINATION PRINCIPLES AND CRITERIA

The compensation of executive corporate officers is set by the Board of Directors on the proposal of the Compensation Committee. This proposal is intended to ensure competitiveness with respect to the external market; to make its recommendations, the Committee draws on assessments and comparisons made periodically by specialized consultants.

Fixed part

The fixed part of compensation is determined according to the experience and level of responsibility of each executive corporate officer on the day of taking up office, then reviewed every year by the Board, on the recommendations of the Compensation Committee, in order to make sure that it is in line with the market practices of comparable companies.

It takes into account, in particular, the benefit represented by the supplementary collective pension scheme from which Imerys main executives benefit.

Annual variable part

The calculation of the variable part is based on quantitative and qualitative criteria set by the Board of Directors on the recommendation of the Compensation Committee. Achievement of the goals is measured and observed annually by the Board of Directors on the recommendation of the Compensation Committee. The variable part of compensation owed with respect to the financial year is not paid until the following year, when all the items in its calculation are known, particularly after the Group's definitive financial statements for the year in question are approved by the Board of Directors and subject to the approval of the shareholders in an "ex post vote" at the General Meeting.

The amount resulting from the measurement of the achievement of quantitative criteria is calculated from a reference base equal to 110% of fixed annual compensation, to which a coefficient of 0.8 to 1.2 is applied according to the achievement of qualitative criteria. The Board may, if it deems it necessary, fix specific objectives among these qualitative criteria, as it was the case when setting those for the 2017 financial year. The amount of the variable for 2017 could be increased or decreased by 3% depending on the achievement of an additional objective related to safety at work, common to all Group senior managers.

The total variable compensation that may be granted to an executive corporate officer is set since 2016 at 132% of his/her fixed compensation.

The Board of Directors may also, on the proposal of the Compensation Committee, decide to grant to any executive corporate officer a multi-annual variable compensation subject to the achievement of quantitative and/or qualitative criteria. The payment of this compensation is subject to the approval of the Shareholders General Meeting ("ex-post vote").

Exceptional components

The Board of Directors may, as the case may be, decide to grant, on the proposal of the Compensation Committee, extraordinary compensation and a signing bonus to any executive corporate officer if the circumstances warrant it. The payment of any extraordinary or variable compensation is subject to the approval of the Shareholders' General Meeting ("ex-post vote").

Benefits in kind

On the proposal of the Compensation Committee, the Board of Directors may also grant to any executive corporate officer, benefits in kind; for Gilles Michel and Conrad Keijzer, these benefits include the use of a company car as well as the contributions to the social guarantee for Company manager and executives (GSC).

The contributions paid by the Company are reinstated in their compensation as benefits in kind. For further details about Gilles Michel, [see chapter 2, paragraph 2.3.3 of the Registration Document](#).

End of contract indemnity

Gilles Michel, Chief Executive Officer

Gilles Michel's employment contract as executive corporate officer provides that a potential severance indemnity would be owed to Gilles Michel by the Company in the event of forced departure linked to a change of control or a change of strategy or a major disagreement over them. No indemnity would be owed in the event of Gilles Michel's voluntary departure or if he had the possibility of benefiting from his pension rights at short notice after he reaches the age of 63.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code and according to the payout conditions provided below, the amount of Gilles Michel's severance indemnity would be calculated on the basis of a maximum of two years' compensation (fixed + variable). Pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, the payment of this severance indemnity would be subject and proportional to performance conditions appraised on the basis of the arithmetic average of the percentages of achievement of the sole quantitative criteria of the last three financial years, as set down for the determination of the variable compensation with respect to each of those financial years. For further details, [see chapter 2, paragraph 2.3.3 of the Registration Document](#). As an illustration, the theoretical amount of the severance indemnity would be €3,467,008 as at December 31, 2017.

Conrad Keijzer, Deputy Chief Executive Officer and future Chief Executive Officer

Conrad Keijzer's employment contract as executive corporate officer provides that a potential severance indemnity would be owed to him by the Company in the event of forced departure linked to a change of control or a change of strategy or a major disagreement over them. No indemnity would be owed in the event of Conrad Keijzer's voluntary departure or if he had the possibility to claim retirement benefits within a short period of time or in the event of gross or willful misconduct.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code and according to the methods of calculation set out below, the maximum amount of Conrad Keijzer's severance indemnity would be calculated on the basis of two years of (fixed and variable) compensation in the event that his term of office exceeds a period of two years.

Pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, the payment of such severance indemnity would be subject to, and made in proportion of, a performance condition to be assessed on the basis of the arithmetic average value of the percentages of achievement of the quantitative criteria over the last three financial years ended, as set in order to determine the variable compensation with respect to each of such financial years. If the average percentage of achievement of such objectives (calculated over the last three financial years in the event of departure following the expiry of his term of office) is lower than 40%, no indemnity would be payable and, if it is higher than 80%, the maximum amount of indemnity would be payable.

Non-compete indemnity

The Board of Directors may also decide, on the proposal of the Compensation Committee, to award non-compete compensation to any executive corporate officer.

No compensation is provided for Gilles Michel's benefit. Concerning Conrad Keijzer, he will be subject to a non-compete obligation for a two-year period from the date of termination of his duties as Chief Executive Officer, with no compensation other than his severance indemnity, if any.

Impatriation bonus

Subject to its approval by the Shareholders' General Meeting of 4 May, 2018 as part of the executive corporate officers' compensation policy ([see chapter 8, paragraph 8.1.3 of the Registration Document](#)), the Board of Directors on the proposal of the Compensation Committee decided to grant to Conrad Keijzer an annual "impatriation" bonus, which shall be equal to 30% of his fixed and variable compensation paid in respect of each financial year. Its payment shall give rise to a monthly down payment and an adjustment of its final amount upon the payment of the relevant annual variable compensation.

Pension commitments

Gilles Michel, Chairman and Chief Executive Officer

In 1985, Imerys set up a collective defined benefit supplementary pension plan for the principal managers of Imerys who met the restrictive and objective eligibility conditions, in particular seniority (at least eight years' seniority in the Group, to be assessed as of January 1 of each year, of which four as a member of the Executive Committee).

This collective defined benefit supplementary pension plan is managed by an external insurance company. Following the information and consultation of the works council, this plan has been amended as of January 1, 2016 to freeze its membership except for existing participants that are close to retirement age.

Gilles Michel, Chairman and Chief Executive Officer since April 28, 2011 is among the potential beneficiaries of the current collective defined benefit supplementary pension plan of the Company.

The maximum amount of the life annuity that may be paid to the beneficiaries of the plan as from the liquidation of their pension rights is calculated in order to guarantee them:

- a total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan described below) of 60% of their reference salary (average of the last two years of the beneficiary's fixed plus variable compensation); said salary is limited to 30 times the annual French social security ceiling (PASS);
- subject to a pay-in ceiling equal to 25% of said reference salary.

This plan also provides for the possibility of reversion of the life annuity amount to the surviving partner(s) in proportion to the time of union.

According to actuarial calculations made on December 31, 2017, the current value of the estimated share of the Chairman and Chief Executive Officer in the total amount of the Group's commitment with respect to the past services of all the beneficiaries of this supplementary pension plan amounts to €6,478,000 (compared with €5,609,000 as at the end of 2016).

The provisions of this plan are in line with the recommendations of the AFEP-MEDEF Code.

The Board of Directors, at its session on March 8, 2018, on the recommendation of the Compensation Committee, noted that Gilles Michel already met the required seniority condition and that, consequently, the right to payment of the life annuity, of which the amount will be determined on the basis of his reference salary at the time of his retiring, was already vested, subject to the completion of his career at Imerys SA. The Board therefore noted that there was no need to set the performance conditions provided for by article L. 225-42-1 of the French Code of Commerce.

Gilles Michel and Conrad Keijzer, Executive Corporate Officers

A fixed-contribution supplementary pension plan was set up as from October 1, 2009 for the benefit of some of Imerys' top managers, including Gilles Michel, Chairman and Chief Executive Officer, and Conrad Keijzer, Deputy Chief Executive Officer as from March 8, 2018. Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of eight PASS, are made jointly by the employee (for 3%) and the Company (for 5%). This scheme also allows beneficiaries to make free and voluntary contributions. An external insurance company has been appointed to manage the scheme.

No other commitments

Apart from the provisions described above, the Company has not made any other commitments with respect to the taking-up, end or change of Gilles Michel's current position of Chairman and Chief Executive Officer and of Conrad Keijzer's one as Deputy Chief Executive Officer and subsequently Chief Executive Officer as from the next Shareholders' General Meeting.

At its meeting of March 8, 2018, the Board of Directors re-examined in accordance with legal provisions all of the agreements and commitments authorized and entered into by the Company in previous years for the benefit of Gilles Michel and that continued in 2017 as detailed in the Statutory Auditors' Special Report ([see chapter 2, paragraph 2.3.3 and chapter 8, paragraph 8.1.2 of the Registration Document](#)).

Given the intention expressed by Gilles Michel to claim retirement benefits following the expiry of his term of office as Chief Executive Officer, the Board considered that the commitments relating to its potential severance indemnity and to the social guarantee for Company managers will become irrelevant and that his eligibility for supplementary pension plans, as described above, will be maintained.

The commitments made for the benefit of Conrad Keijzer in particular the granting of severance pay and the entitlement to the supplementary fixed-contribution pension plan have been authorized by the Board of Directors pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, will be notified to the Statutory Auditors for the drafting of their special report on regulated agreements and commitments and will be subject to the approval of the Shareholders' General Meeting convened in 2019 to rule on the financial statements for the financial year ended on December 31, 2018.

■ EMPLOYMENT CONTRACT

	Employment contract	Supplementary pension plan	Indemnities or benefits due to end or change of duties	Indemnities under a non-competition clause
Gilles Michel, Chairman and Chief Executive Officer	No	Yes	Yes	No
Conrad Keijzer, Deputy Chief Executive Officer ⁽¹⁾	No	Yes ⁽²⁾	Yes	Yes ⁽³⁾

(1) as from March 8, 2018 and until May 4, 2018, date of his appointment as new Chief Executive Officer.

(2) fixed-contribution supplementary pension plan only.

(3) non-competition agreement, with no compensation other than his severance indemnity, if any.

Employment contract

At the time of the appointment of Gilles Michel as Deputy Chief Executive Officer on November 3, 2010, the employment contract between him and the Company was terminated, given the duties of Chairman and Chief Executive Officer that he was led to perform, in order to comply with the recommendations of the AFEP-MEDEF Code.

■ AMOUNTS

Amounts due and paid in 2016 and 2017

The amounts and breakdown of compensation and benefits in kind owed (fixed and variable parts for the year in question) and paid (fixed part for the year in question and variable part for the previous year, paid during the year in question) by the Group to Gilles Michel with respect to financial years 2016 and 2017 are as follows:

(€)	2017		2016	
Executive Corporate Officer's name and position	Amounts due	Amounts paid	Amounts due	Amounts paid
Gilles Michel, Chairman and Chief Executive Officer				
Fixed part	800,000	800,000	800,000	800,000
Variable part	996,864 ⁽¹⁾	870,144	870,144	882,816
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits ⁽²⁾	18,354	18,354	18,155	18,155
Total	1,815,218	1,668,498	1,688,299	1,700,971

(1) Subject to the approval of the Shareholders' General Meeting of May 4, 2018.

(2) These benefits include the supply of a chauffeur-driven car and the contributions to the Social Guarantee for Company managers and executives (GSC).

The above amounts include all the compensation due or paid by the Group to Gilles Michel with respect to the related financial years and the value of all the benefits in kind due or received with respect to the financial years in question.

All the compensation and assimilated benefits granted to the Group's top managers (Executive Committee, including Gilles

Michel) and recorded as expenses during the years in question are stated in [note 27 to the consolidated financial statements](#); the criteria for determining their compensation are presented in [chapter 1, paragraph 1.3.2 of the Registration Document](#).

Moreover, the amount of the five highest compensations paid by the Company with respect to 2017 was certified by the Statutory Auditors.

■ 2017 COMPENSATION

At its meeting of March 8, 2018, the Board of Directors appraised, on the recommendations of the Compensation Committee, Gilles Michel's achievement of the quantitative and qualitative criteria that he had been set for 2017 in order to determine the amount of his variable compensation with respect to that year.

The quantitative criteria for 2017 related to the achievement of goals for the Group's net income from current operations, free operating cash flow and return on capital employed of 50%, 30% and 20% respectively. These are identical to the 2016 goals.

The qualitative criteria concerned, in particular, implementation of the Group's strategy, its organic and external growth, and its internal transformation programs. The confidential nature of these criteria prevents their full publication. For 2017, the Board set down

a specific goal relating to workplace safety that is common to all the Group's top managers and accounts for 3% of the overall achievement of quantitative criteria.

Determination of 2017 variable compensation

Consequently, the Board of Directors determined the amount of Gilles Michel's variable compensation with respect to 2017, which will be paid to him in 2018 subject to the approval of the General Meeting of May 4, 2018, i.e. an amount of €996,864, corresponding to a percentage of 124.61% of his fixed compensation with respect to 2017. This amount results from the fulfilment of 96.9% of the quantitative criteria and 100% of the qualitative criteria. It reflects the quality of achievement of the specific goals that were set for Gilles Michel, given the removal of 3% with respect to the specific goal on workplace safety.

Quantitative criteria	Weight	Maximum variable part (% of the fixed part)	% of achievement	Amount (in euro)
Net Current Income	50%	55%	100.00%	
Free Operating Cash Flow	30%	33%	100.00%	
Return on Capital Employed	20%	22%	84.70%	
Total		110%	96.90%	852,720
Quantitative criteria	Impact of the achievement	Application	Adjusted % of achievement	
Implementation of the Group's strategy, its organic and external growth, and its internal transformation programs	Multiplier rate 0.8 and 1.2	1.2	116.28%	170,544
Specific objective related to safety at work	Adjustment by +/- 3 points	-3%	113.28%	(26,400)
		Maximum variable part (% of the fixed part)	Final % of achievement	
Total		132%	113.28%	996 864

■ 2018 COMPENSATION

Determination of fixed compensation

At its meeting of March 8, 2018, the Board of Directors decided, on the proposal of the Compensation Committee, to maintain for 2018 the annual fixed compensation of Gilles Michel as Chairman and Chief Executive Officer until May 4, 2018 at €800,000, an unchanged amount since his appointment in November 2010 and to set Conrad Keijzer's one as Deputy Chief Executive Officer as from March 8, 2018 and subsequently as Chief Executive Officer, at €700,000.

As previously stated, the members of the Executive Management do not receive any attendance fees with respect to their office as Director of the Company (see paragraph 3.3.1 of this chapter).

Determination of variable compensation

At its meeting of March 8, 2018, the Board also examined and set on the proposal of the Compensation Committee the criteria applicable for determining the variable compensation, with respect to 2018 of Gilles Michel, Chairman and Chief Executive Officer until May 4, 2018 and Conrad Keijzer, Deputy Chief Executive Officer since March 8, 2018. The quantitative criteria chosen for 2018 concern the achievement of financial goals of a similar nature to those used for 2017, with an identical weighting (50%: net income from current operations, 30%: free operating cash flow and 20%: return on capital employed) to which a coefficient of 0.8 to 1.2 is applied according to the achievement of qualitative criteria (particularly those relating to the quality of execution of the Group's strategy, its continued growth and the implementation of talent management program) and potentially increased or decreased by 3% depending on the achievement of a specific objective related to safety at work, common to all senior managers of the Group. The confidential nature of these qualitative criteria does not allow the full publication. Quantitative and qualitative criteria set for 2018 are identical for Gilles Michel and Conrad Keijzer. The qualitative criteria applicable to Conrad Keijzer will be reviewed upon the Compensation Committee's opinion by the Board of Directors on May 4, 2018, date of his appointment as Chief Executive Officer.

Quantitative criteria	Weight	Maximum variable part (% of the fixed part)
Net Current Income	50%	55%
Free Operating Cash Flow	30%	33%
Return on Capital Employed	20%	22%
Total		110%

Quantitative criteria	Impact of the achievement
Quality of execution of the Group's strategy, its continued growth and the implementation of talents management program	Multiplier rate 0.8 and 1.2
Specific objective related to safety at work	Adjustment by +/- 3 points
Total	132%

The variable compensation amount of Gilles Michel and Conrad Keijzer for 2018 will be determined by the Board, on the Compensation Committee's recommendation, according to the degree of fulfillment of the quantitative and qualitative criteria; their payment will be subject to the approval of the Shareholders' General

Meeting convened in 2019 to rule on the financial statements for the financial year ended on December 31, 2018 ("ex-post vote").

All of these decisions were published on the Company's website in accordance with the recommendations of the AFEP-MEDEF Code.

3.4 STOCK OPTIONS

3.4.1 STOCK OPTION PLANS IN FORCE

■ GRANT POLICY

The Company's general policy for granting stock options is set, if necessary, by the Board of Directors on the proposal of the Compensation Committee. Since 2008 and until 2012, stock subscription option grants have been combined, within a single annual program, with grants of free shares subject to the achievement of certain economic or financial goals ("performance shares"). At its meeting of April 25, 2013, following the Appointments and Compensation Committee recommendation, the Board of Directors reviewed its policy and decided to simplify it by granting performance shares solely ([see paragraph 3.5.1 of this chapter](#)). As a consequence, no stock option has been granted since the April 2012 Plan.

■ CHARACTERISTICS OF GRANTED OPTIONS

Since 2011, the authorization periodically given to the Board by the Shareholders' General Meeting to grant options for subscription or purchase of the Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them, expressly excludes any discount of the option exercise price, confirming therefore the practice observed by the Company since 1999.

The duration of the options granted and currently in force is 10 years. These options were in principle definitively vested (except in the event of the beneficiary's dismissal, resignation or departure from the Group) after the end of the third year following their allotment or, if earlier, on the date of the beneficiary's retirement after the age of 63 (reference age set at 60 years in plans prior to 2009), his/her cessation of activity for incapacity or his/her death. The only exception concerned grants made within employee shareholding operations, for which the options were dependent on the employee's investment in Imerys shares with immediate vesting.

Conditional stock options granted to certain Group executives (the Chairman and Chief Executive Officer as well as, since 2011, the other members of the Executive Committee) were vested subject to the achievement of economic performance goals. The number of vested options was conditioned on and proportionate to the achievement of these goals.

Option exercise conditions

Definitively vested options may be exercised at any time, except in the event of the beneficiary's death or departure from the Group. However, the beneficiary must bear any additional costs and taxes borne by the Company in the event that applicable local regulations provide for an immobilization period longer than the one provided for by French regulation.

Exercise by the beneficiary must comply with certain minimum amounts (currently set for all plans adopted as from 2008 at 500 options, any whole multiple of 500 or the balance of outstanding options if less than 500).

Loss or maintaining of options

Options not exercised on expiry of their exercise period are automatically cancelled.

The beneficiary's departure from the Group for any reason (including in principle if the Company employing him or her leaves the Group perimeter and except in the event of his or her death, incapacity or retirement), brings about:

- if the departure takes place before the vesting date of the options, their immediate cancellation;
- if the departure takes place after the vesting date of the options, the cancellation of said options failing their exercise by the beneficiary by the end of the third month following his or her departure from the Group.

Date of record of shares resulting from the exercise of options

All Imerys shares resulting from the exercise of subscription options enjoy, from their creation, all the rights attached to existing shares, with which they are immediately assimilated.

Consequently, new and old shares are listed on the same line on NYSE Euronext, regardless of their date of issue. The new shares enjoy the same dividend rights as old shares, including with respect to the dividends approved and paid during the year of creation of the shares with respect to results for the previous financial year.

■ CHANGES IN THE NUMBER OF OPTIONS IN 2017

It is recalled that no stock options were granted in 2017.

The total number of stock subscription options in existence on December 31, 2017 is 406,037, representing 0.50% of Imerys' share capital on that date after dilution; their weighted average exercise price is €47.06.

In 2017, 23,173 stock subscription options were cancelled; 436,411 were exercised by 88 beneficiaries at a weighted average price of €53.37.

3.4.2 CONDITIONAL STOCK OPTIONS GRANTED BY THE COMPANY TO ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As previously stated, the Company did not grant any stock options to Gilles Michel in 2017.

■ HOLDING AND CHANGES

As of December 31, 2017, the total number of stock options held by the Chairman and Chief Executive Officer is 65,680, representing 0.08% of Imerys' share capital on that date after dilution; these options are fully vested by Gilles Michel at a weighted average exercise price of €48.69.

The Chairman and Chief Executive Officer exercised 82,000 options in 2017.

■ SPECIFIC TERMS AND RESTRICTIONS

The specific conditions, as well as the restrictions that apply to stock options granted to the Chairman and Chief Executive Officer in previous years, are also those that apply to performance shares. They are described in [section 3.6 of this chapter](#).

3.4.3 DETAILS OF STOCK OPTION PLANS IN FORCE⁽¹⁾

The following table summarizes the history, status and main characteristics of the stock option plans in force as at December 31, 2017.

	April 2012	April 2011	Nov. 2010	April 2010	August 2009	April 2008	May 2007	Total
Initial grant								
Authorization: date of Shareholders' General Meeting	04/28/2011	04/28/2011	04/30/2008	04/30/2008	04/30/2008	04/30/2008	05/03/2005	
Date of Board of Directors/Supervisory Board or Managing Board Meeting	04/26/2012	04/28/2011	11/03/2010	04/29/2010	07/29/2009	04/30/2008	05/02/2007	
Opening date of option exercise period ⁽¹⁾	04/26/2015	04/28/2014	03/01/2014	04/29/2013	08/14/2012	04/30/2011	05/03/2010	
Option expiration date	04/25/2022	04/27/2021	11/02/2020	04/28/2020	08/13/2019	04/29/2018	05/01/2017	
Share subscription price	€43.62	€53.05	€44.19	€46.06	€34.54	€54.19	€65.61	
Total number of initial beneficiaries	183	161	1	155	166	183	160	
Total number of options initially granted, of which to the Executive Corporate Officers:	362,720	331,875	82,000	482,800	464,000	497,925	560,000	2,781,320
■ to G. Michel, Chairman and Chief Executive Officer	44,000	40,000	82,000	n.a.	n.a.	n.a.	n.a.	166,000
■ to the ten Group employees who received the most options	98,669	83,669	-	120,900	206,750	198,150	154,000	862,138
Change during financial 2017								
Number of options remaining to be exercised on 01/01/2017	149,045	130,631	82,000	140,250	75,586	101,570	186,539	865,621
Number of shares subscribed in 2017, of which:	38,198	19,338	82,000	29,800	39,323	61,101	166,651	436,411
■ by G. Michel, Chairman and Chief Executive Officer	-	-	82,000	n.a.	n.a.	n.a.	n.a.	82,000
■ by the ten Group employees who received the most options	1,500	4,334	n.a.	8,300	21,500	25,966	34,395	95,995
Number of options cancelled ⁽²⁾ in 2017	(1,284)	(2,001)	-	-	-	-	(19,888)	(23,173)
Number of options remaining to be exercised on 12/31/2017 ⁽³⁾ of which:	109,563	109,292	-	110,450	36,263	40,469	-	406,037
■ by G. Michel, Chairman and Chief Executive Officer	30,360	35,320	-	n.a.	n.a.	n.a.	n.a.	65,680

(1) Except longer tax immobilization periods applicable locally.

(2) Following the beneficiaries' departure from the Group or considering the performance conditions.

(3) Following cancellation and exercise of the options since the date of approval of the plan in question.

(1) The figures presented in this table take into account, where necessary, the adjustments made on June 2, 2009 following the company's share capital increase.

3.5 PERFORMANCE SHARES

3.5.1 PERFORMANCE SHARE PLANS IN FORCE

■ GRANT POLICY

Following the favorable recommendation made by the Appointments and Compensation Committee (split into two separate committees in May 2016), in 2006 the Board of Directors for the first time decided to grant free conditional shares in the Company. At the time, the Board intended to reserve this grant for exceptional cases in favor of a limited number of Group executives (which could not include the Chief Executive Officer) in charge of carrying out specific medium-term action plans that were judged priorities for the Group.

In 2008, the Board decided to extend that grant policy to a greater number of beneficiaries by combining it with the existing policy of stock option subscription grants within a single long-term Group policy for retaining their beneficiaries. In accordance with the Appointments and Compensation Committee's recommendations, the Board of Directors decided at its meeting of April 25, 2013 to simplify that policy by granting shares conditional on the achievement of economic performance goals ("performance shares") solely, excluding any stock options with which they were previously combined.

The main characteristics of the grants made by the Board are as follows:

- grants take the form of performance shares, in principle, entirely conditional on economic performance goals;
- except in exceptional circumstances, the periodicity of the plans is annual, the grant being traditionally made on the day of the Shareholders Annual General Meeting;
- the actual or likely beneficiaries of performance shares are the Group's senior executives (members of the Executive Committee, divisions managers as well as the main functional or functional managers reporting to them) and employees whose development potential or individual performance is recognized as outstanding.

■ MAIN CHARACTERISTICS OF PERFORMANCE SHARES

Vesting of shares

Freely granted shares are vested following a period that, in accordance with the legal provisions in force, cannot be less than one year following the grant date (since the "Macron law" of August 6, 2016) or two years for grants prior to August 8, 2015, subject in principle to the achievement of certain economic and financial performance criteria that cannot be appraised on a single year. The number of vested shares is conditioned on and proportionate to the achievement of these goals.

Loss of shares

The departure of the beneficiary from the Group before the expiry of the vesting period for any reason (including in principle if the Company employing him or her leaves the Group perimeter) entails the loss of all rights to the vesting of his or her performance shares, except in the event of death, incapacity or retirement of the beneficiary whose rights will be retained according to the specific terms set forth by each related plan.

Keeping vested shares

In accordance with applicable regulations on free share grants, the minimum period for their beneficiaries' keeping of these shares cannot in principle be less than two years from the date of vesting; before the coming into force of the Macron law, this two-year period may, however, be removed in the event that the vesting period for the granted shares had already been set at four years.

Since the Macron law came into force, the total duration of vesting and keeping periods for granted performance shares cannot be less than two years.

Following any such keeping period, the beneficiaries have free use of the shares.

■ PERFORMANCE SHARE PLAN ADOPTED BY THE BOARD OF DIRECTORS IN 2017

In 2017, 293,400 performance shares were granted by the Board of Directors to 200 Group managers residing in France or abroad including the Chairman and Chief Executive Officer (vs. 185 in 2016).

The vesting and number of the performance shares granted with respect to this plan adopted by the Board of Directors on May 3, 2017 are conditioned by and proportionate to the achievement of objectives common to all beneficiaries (including the Chairman and Chief Executive Officer). The Board of Directors, on the recommendation of the Compensation Committee, was able to verify the demanding nature of these goals based on two quantitative criteria: the Group's annual growth in Net current income per share and Return on capital employed for 2017-2019, with identical weight (50%).

The achievement of these goals, after their review by the Compensation Committee, will be set down by the Board of Directors following the end of each financial year of the 2017-2019 period on the basis of the Group's consolidated financial statements.

These performance shares will be vested by their beneficiaries according to the achievement of the goals to which they are subject, following a period of three years from their granting by the Board; consequently, pursuant to the provisions of article L. 225-197-1-I al. 7 of the French Code of Commerce, these actions are not subject to any keeping obligation after the end of their vesting period.

Apart from those granted to the Chairman and Chief Executive Officer, 84,500 performance shares were granted to the 10 beneficiaries receiving the highest number of these shares.

■ CHANGES IN THE NUMBER OF PERFORMANCE SHARES IN 2017

In 2017, 114,905 performance shares were cancelled and 195,763 were vested and accordingly transferred to their respective beneficiaries.

The total number of performance shares in existence on December 31, 2017 was 1,046,108, which represents 1.29% of Imerys' share capital on that date after dilution.

3.5.2 PERFORMANCE SHARES GRANTED BY THE COMPANY TO ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2017

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	Date of Plan	Number of shares granted in 2017	Valuation of shares ⁽¹⁾ (€)	Vesting date	Availability date	Performance conditions
Gilles Michel, Chairman and Chief Executive Officer ⁽²⁾	May 3, 2017	35,000	1,854,786	May 3, 2020	May 3, 2020	Yes

(1) Valued at the time of their grant in line with IFRS 2, after taking into account notably any discount related to performance criteria and the probability of presence in the Company following the vesting period, but before the spread of the expense over the acquisition period.

(2) Sole executive corporate officer in 2017.

On the recommendation of the Compensation Committee, the Board of Directors, at its meeting of May 3, 2017, decided to grant performance shares to the Chairman and Chief Executive Officer. The Board thought fit to align the Chairman and Chief Executive Officer with the Group's entire executive team on common, shared goals, after checking that these were demanding. Consequently the Board subjected the performance shares granted to Gilles Michel to the achievement of the same quantitative criteria as those provided for under the 2017 general performance share plan intended for the Group's main executives: growth of the Group's net current operating income per share (50%) and Group's ROCE (50%) during the 2017-2019 period.

These performance shares will be vested to Gilles Michel according to the achievement of the goals to which they are subject, upon expiry of a three-year period following their grant date; these shares, once vested, shall not be subject to any holding period. These conditions are also identical to those provided for by the 2017 general performance share plan intended for the Group's other top managers.

■ HOLDING AND CHANGES

As of December 31, 2017, among the performance shares granted to Gilles Michel by the Company:

- 97,475 shares, representing 0.12% of Imerys' share capital after dilution, are vested (vs. 74,495 on December 31, 2016);
- 128,045 shares depend on the achievement of the performance goals to which they are subject ([see paragraph 3.5.3 below](#)).

No performance shares were sold by Gilles Michel in 2017.

■ SPECIFIC TERMS AND RESTRICTIONS

In addition to the economic performance goals mentioned above, the other specific terms and restrictions which are applicable to the grant of performance shares made to the Chairman and Chief Executive Officer are set out in [section 3.6 of this chapter](#).

3.5.3 DETAILS OF PERFORMANCE SHARE PLANS

The following table summarizes the history, status and main characteristics of the performance share plans in force as on December 31, 2017.

	May 2017 Plan	May 2016 Plan	April 2015 Plan	April 2014 Plan	April 2013 Plan
Date of Shareholders' General Meeting	05/04/2016	05/04/2016	04/29/2014	04/29/2014	04/28/2011
Date of Board of Directors	05/03/2017	05/04/2016	04/30/2015	04/29/2014	04/25/2013
Total number of shares granted, of which to:	302,500	302,500	309,550	282,475	268,500
■ G. Michel, Chairman and Chief Executive Officer	35,000	32,500	35,000	32,500	30,000
Date of vesting ⁽¹⁾	05/03/2020	05/04/2019	04/30/2019	04/29/2018	04/25/2017
Date of the end of the keeping period ⁽¹⁾	05/03/2020	05/04/2019	04/30/2019	04/29/2018	04/25/2017
Performance conditions	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE
Cumulative number of shares acquired at December 31, 2017	-	750	626	590	174,347
Cumulative number of shares cancelled or lapsed ⁽²⁾	4,000	15,500	31,124	89,227	94,153
Performance shares remaining at December 31, 2017	289,400	286,250	277,800	192,658	-

(1) For all beneficiaries, irrespective of their place of tax residence.

(2) Following the beneficiaries' departure from the Group or considering the performance conditions.

3.6 SPECIFIC TERMS AND RESTRICTIONS APPLICABLE TO EXECUTIVE CORPORATE OFFICERS

The Board of Directors, pursuant to the recommendations of the Compensation Committee, and in accordance with the provisions of articles L. 225-185 and L. 225-197-1 of the French Code of Commerce, confirmed, as need be, at its meeting of May 3, 2017 during which it granted performance shares to its Chairman and Chief Executive Officer, the restrictive rules on holding and keeping shares it set down for the first time in 2010. Thus, the Chairman and Chief Executive Officer shall hold on a registered basis, until the date of termination of his duties:

- as regards the grants of conditional stock subscription options: a number of shares resulting from each option exercise corresponding to at least 25% of the net gain realized upon each exercise (net of the amount needed to fund that exercise, and of any related taxes and obligatory contributions);
- as regards the grants of performance shares: a number of shares at least equal to 25% of the total number of vested shares following the applicable vesting period,

until the total amount⁽¹⁾ of the shares he holds⁽²⁾ reaches, upon the exercise of stock subscription options and the availability of performance shares, a coefficient equal to 300% of his last annual fixed compensation on the date in question.

On these occasions, the Board also confirmed that:

- this keeping rule applies to the grants made to Gilles Michel with respect to the conditional stock subscription option and performance share plans implemented by the Company as from November 3, 2010 (date of his first appointment as Corporate Officer of the Company);
- the total amount of investment in shares of the Company shall take into account all the shares held by Gilles Michel on the date in question, regardless of their origin (purchase on the market, exercise of stock subscription options or shares acquired under performance share grant plans).

Furthermore, the grant of performance shares awarded on May 3, 2017 to Gilles Michel by the Board is within the limits it had set at its meeting of July 29, 2009 pursuant to the recommendations of the AFEP-MEDEF Code: ceiling of the value (under IFRS 2) of the granted conditional stock options and performance shares at one year of his gross annual compensation (fixed part + maximum variable part). At its meeting of March 8, 2018, the Board of Directors also decided, on the recommendation of the Compensation Committee, to increase the ceiling of the value (under IFRS 2) of conditional stock options and performance shares to be granted to executive corporate officers to 18 months of their respective gross annual compensation (fixed part + maximum variable part).

Pursuant to the recommendations of the AFEP-MEDEF Code, all these conditions were published on the Company's website.

In addition, since 2016, pursuant to the recommendations of the AFEP-MEDEF Code, the authorizations given by the Shareholders' General Meeting to the Board with a view to granting stock options and free shares for the benefit of employees or corporate officers, limit the number of rights to be allocated to executive corporate officers to 0.5% of the Company's share capital ([see chapter 7, paragraph 7.2.3 of the Registration Document](#)).

At its meeting of March 8, 2018, on the recommendation of the Compensation Committee, the Board decided to propose, at the Shareholders' General Meeting called for May 4, 2018 to rule on the renewal of free share grant authorization, that grant ceiling for the executive corporate officers be kept the same as the one currently in force ([see chapter 8, paragraph 8.1.9 of the Registration Document](#)).

(1) Estimated on the basis of the share price on the date of each option exercise or the date of availability of the free shares in question.

(2) After the sale of those needed, as the case may be, to fund the option exercise or the settlement of any taxes, contributions or expenses with respect to the transaction.

3.7 CORPORATE OFFICERS' TRANSACTIONS IN SECURITIES IN THE COMPANY

The Board of Directors has adopted a Policy for the prevention of insider trading within the Imerys group. This policy, which was adopted in its initial version in July 2002, has regularly been amended since then to take account of the latest regulatory developments and market recommendations.

The policy defines permanent and occasional Insiders; sets out the Company's obligation to draw up a list of Insiders for the Group and determines the related arrangements. It also reiterates the rules with respect to transactions by corporate officers in Imerys shares or, as the case may be, any other securities issued by the Group or any financial instruments (mutual fund, MONEP, warrants, convertible bonds, etc.) that are related to Imerys shares ("Imerys securities").

In accordance with the general principle that applies to Insiders, any corporate officer and related persons must, in the event that they directly or indirectly hold privileged information, before the public has knowledge of such information, refrain from carrying out any transaction, including forward transactions, in Imerys securities.

To make its implementation easier, the Board of Directors appointed the Group's General Counsel and Secretary of the Board as ethics officer, tasked with providing, on request from any concerned party, an opinion prior to the transactions on the Company's securities under consideration by Directors and Group senior executives. This decision is in line with AMF guidelines for preventing insider misconduct by executives of listed companies. The opinion given by the ethics officer is purely advisory.

Furthermore, the obligation to abstain also applies to any transaction on Imerys securities (including as hedging) during the periods prior to the public announcement of the Group's periodical results, known as "blackout periods". This obligation concerns corporate officers as well as the persons who are involved in drawing up the Group consolidated financial statements and having regular or occasional access to accounting or financial information concerning the Company and its subsidiaries prior to their publication. Blackout periods are understood as the number of days leading up to the publication of the Group's results and the day of that announcement. At its meeting of February 11, 2016,

the Board of Directors decided to increase the duration of the blackout periods for the publication of the Group's annual and half-yearly consolidated financial statements to 30 calendar days and to maintain them at 15 calendar days for the publication of the quarterly results, to strictly comply with legal requirements and AMF's recommendation.

Gilles Michel pledged to the Board to comply with those abstention obligations, even including for option exercises (which cannot be speculative in nature as the exercise price is predetermined). Moreover, the transparency of these operations was fully guaranteed by the obligation to declare to the AMF the transactions made in securities in the Company, including through the exercise of options, pursuant to legal and regulatory provisions.

The annual schedule of announcements of the Group's consolidated results as well as the resulting schedule of blackout periods are supplied to the Directors at the end of the previous year; it may be consulted at any time on the Group's website, is included regularly in the Chairman and Chief Executive Officer's quarterly letter to shareholders and is available on request from the Group's Financial Communication Department.

Furthermore, the Group's policy prohibits the executive corporate officers from making any leveraged transactions or speculative transactions in Imerys securities. To comply with the recommendation of the AFEF-MEDEF Code, Gilles Michel reiterated his commitment in front of the Board on May 3, 2017 not to resort to the use of any risk hedging transactions in respect of his conditional stock options and performance shares granted or to be granted to him during his term of office as Chairman and Chief Executive Officer.

Pursuant to the provisions of article 223-26 of AMF's General Regulations, the summary table below presents the transactions made on Imerys securities during 2017 by corporate officers and, as the case may be, any individuals connected to them, that are covered by the obligation of declaration to AMF in accordance with the provisions of article L. 621-18-2 of the French Monetary and Financial Code. These declarations are available on AMF's website (www.amf-france.org).

Declaring	Capacity	Financial instrument	Number	Nature of operation	Number of operations	Gross amount ⁽¹⁾ of operations
Blue Crest Holding SA	Person related to Ulysses Kyriacopoulos, Director	Shares	54,831	Transfer ⁽²⁾	1	€4,000,004
		Shares	60,000	Sale	6	€4,602,099
		Others	105,189	Swap ⁽³⁾	8	€8,026,288
		Others	44,800	Swap settlement	5	€3,445,478
Gilles Michel	Chairman and Chief Executive Director	Stock options	82,000	Exercise	1	€3,623,580
		Shares	82,000	Sale	1	€6,232,000
Colin Hall	Director	Shares	600	Acquisition	1	€46,014

(1) Before taxes, charges and costs.

(2) Transfer of shares from Imerys to Blue Crest Holding SA with respect to the second additional payment for the acquisition of the S&B group (to find out more, see paragraph 7.2.4 and 7.3.3 of chapter 7 of the Registration Document).

(3) Total return equity swap (TRS).

3.8 APPLICATION OF THE CORPORATE GOVERNANCE CODE

The Company refers to the AFEP-MEDEF Code, in particular for the purpose of drawing up the report provided for by article L. 225-37 of the French Code of Commerce (this Code is available on the Company's website: www.imerys.com, in the "The Group/Corporate Governance" section).

The Company complies with all of the recommendations resulting from this Code, except for those for which explanation is given in the following table.

Recommendations of the AFEP-MEDEF Code	Justification
Paragraph 8.5.6 Independent status criteria <i>"Not having been a Director of the Company for more than 12 years; the loss of independent Director status occurs on the date the 12 years are reached."</i>	<p>The Board of Directors decided to maintain the independent status to Aldo Cardoso, whose term of office as Director exceeds 12 years, as it considers that:</p> <ul style="list-style-type: none"> the duration of his term of office does not affect his critical judgment with respect to the Group's executive management; his expertise and authority are acknowledged in the financial, control, management and Corporate Governance areas, including by market authorities and regulators.
Paragraph 17.1 Chairmanship of the Compensation Committee <i>"It is recommended that the Chairman of the [Compensation] Committee be independent and that one of its members be an employee Director."</i>	<p>The Board considers that it is legitimate in a controlled company for the Chairman of this Committee to represent a controlling shareholder, it being specified that:</p> <ul style="list-style-type: none"> no representative or individual connected to the controlling shareholders has any executive responsibility in the Group; the Compensation Committee is comprised of six members, of whom three are independent directors and one is an employee representative Director.

All the information included in this chapter forms an integral part of the Corporate Governance Report provided for in Article L. 225-37 of the French Code of Commerce.



4

RISK FACTORS AND INTERNAL CONTROL

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4.1 RISK FACTORS

Imerys group carries out its activities worldwide, within a constantly evolving economic and political environment that is difficult to predict by nature. This uncertainty may lead to major changes that have the potential to cause significant negative impacts on the operations, business or financial situation of such activities, as well as on external stakeholders associated with Imerys' operations.

The main risk factors the Group is facing at the date of this Registration Document, as well as the related control methods,

are presented hereafter in descending order of impact in each category. Other risks the Group is not aware of yet, or which are today considered as insignificant, could nevertheless exist and, if they were materializing, could possibly have a substantial negative impact. Further information on the environmental, social and governance risks for the Group's external stakeholders linked to Imerys' operations as well as measures taken to mitigate such risks are presented in [chapter 5 of the Registration Document](#).

4.1.1 BUSINESS RELATED RISKS

■ MINERAL RESERVES AND RESOURCES

Mineral reserves and resources form one of the Group's primary assets. The accurate assessment of these assets is critical to the management and development of Imerys' operations.

An internal network of experts is responsible for this appraisal for each operating activity. Under the responsibility of the Geology and Mining Director, who reports directly to the Chief Industrial Officer, these experts carry out an annual consolidated review according to the principles presented in [chapter 1, section 1.7 of the Registration Document](#) and submit the findings to the Executive Committee each year. Because of unforeseeable changes in the parameters on which this assessment is based, which may be technical, regulatory and economic, and the uncertainty naturally inherent to appraisals, no absolute guarantee can be given on the results of their work.

Nonetheless, processes and resources are used to ensure the accuracy of the assessment. These are examined yearly by the Audit Committee:

- all Group sites operating mineral deposits set down their long-term mining plan. Based on sales volume forecasts, these plans model the optimum depletion of deposits in order to supply the Group's relevant processing plants over the long term. The quality of these plans is systematically assessed on the basis of fifteen criteria. The Chief Industrial Officer has the power to take action on divisions' mining plan proposals to make sure they are consistent with the Group's long-term mineral asset management policy, as well as occupational, environmental and health & safety management systems;
- the reserve and resource estimates carried out by each site are audited over a three to five-year cycle by internal independent experts;
- an additional external assessment of the approach is performed every five years. In 2017, an external audit carried out by an internationally recognized consultancy firm confirmed that the general approach to reserve and resource estimation conducted

by the Group is in line with industry practices and that the way the Group reports its mineral assets is compliant with the Pan European Standard for Reporting Exploration Results, Resources and Reserves (the PERC Reporting Standard).

■ VOLATILITY AND EROSION OF END MARKETS

The Group's earnings are sensitive to the economic conditions of the end markets which it serves. Volatility of some specific markets, such as the iron & steel or oil industry, as well as the structural decline of some mature markets, such as printing and writing paper, may negatively affect the individual financial performance of a few Group divisions.

The Group's exposure to economic cycles and erosion on some end markets is, however, reduced by:

- the wide range of end markets served by the Group (none of which represents more than 15% of its sales);
- a close management of anticipated market trends through regular business reviews, as well as strategic planning exercise conducted at division and Group levels;
- the empowerment and agility of the operating divisions to implement the business and industrial actions necessary to adjust to market changes;
- the allocation of Group's available resources between each of the operating divisions and the portfolio management of Group's assets and businesses by the Executive Committee, under the guidance or control of the Strategic Committee and the Board of Directors, as the case may be.

■ INNOVATION

To remain competitive, maintain organic growth and increase profitability, the Group puts organizational, technological and commercial innovation at the heart of its strategy. Through addition, the Group likewise ensures the sustainable development of its activities.

Regarding its innovation policy, the Group faces the following risks and has implemented relevant control methods:

- risk of investment in inadequate technologies. A project portfolio management tool allows better management, appraisal and optimization of investments by the Group or the divisions in their respective innovation projects;
- risk of misalignment between new products and market needs. Stringent methods are implemented to ensure an optimal fit between products developed by divisions and their customers' needs. They include the development of close relations between the relevant Science & Technology teams, divisions' marketing teams, and external customers to gain a better understanding of their activities and technical issues, and anticipate their needs;
- risk related to potential loss of key talents in Science & Technology and Business Innovation functions. A mobility procedure as well as specific succession plans for this community are established under the supervision of a dedicated Human Resources manager;
- risk of delay in the start-up of industrial facilities using new methods, or new product manufacturing lines. The Group's industrial excellence program "I-Cube" (*see chapter 1, section 1.4 of the Registration Document*) includes a robust and stringent procedure for capital expenditure requests from the divisions, and controls to verify its correct implementation are in place.

The Group has also structured an innovation organization with the creation of technology clusters headed by directors reporting directly to the Chief Innovation Officer. These directors are responsible, with the support of the relevant Science & Technology teams at the division level, for developing and implementing best practices in their respective clusters, notably regarding project management, intellectual property, people development, core competencies, scientific excellence and processes.

■ EXTERNAL GROWTH OPERATIONS

Imerys implements a growth strategy that combines organic growth and acquisitions (*see chapter 1, section 1.2 of the Registration Document*). In this context, the Group often makes acquisitions of activities or companies and establishes joint ventures. These operations inherently entail risks relating to: the correct appraisal of the corresponding assets and liabilities, the integration of the acquired activities, personnel and their existing information and management systems into the Group; or, in the case of joint ventures, potential changes in the relationship with the relevant partners.

Imerys has set up internal control procedures which, depending on the amounts at stake and the nature of the project, require prior approval by one or several members of the Executive Committee, the Chairman & Chief Executive Officer, in addition to prior review or approval by the Strategic Committee or the Board of Directors, according to the internal charter of the Board (*see chapter 3, section 3.1 of the Registration Document*).

These procedures include:

- the analysis of rigorous financial return metrics and the implementation of strict investment profitability criteria, backed up by in-depth due diligence reviews;
- the review and negotiation by the relevant internal or external experts and business managers of key contractual terms and conditions adequate for the relevant transactions (including, when needed, specific indemnification obligations of sellers related to potential liabilities of the businesses concerned);
- the preparation, implementation and permanent monitoring of integration plans of the newly acquired activities or companies.

■ COST AND SUPPLY OF ENERGY

Some of the Group's activities have high operational energy needs, especially in mineral conversion processes that use thermal technologies and mining operations that use heavy equipment. They may be affected by a sharp increase in energy prices or energy supply difficulties (mainly in electricity and natural gas). The ability of the Group to pass through these cost increases to its customers largely depends on the market environment in which those activities operate and the commercial practices that usually prevail. The inability of the related Group activities to immediately and/or fully pass increases in energy costs through the selling price of their products could have a material adverse effect on their financial performance.

To manage this risk, the Group has implemented the following measures:

- hedging transactions on some energy purchases with forward contracts (*see note 24.5 to the consolidated financial statements*);
- an energy efficiency improvement program, overseen by a Group Energy Director, together with an encouragement of divisions to diversify the fuel mix of their plants' supply, including biomass (olive seeds, sawdust) and alternative fuels (bio gas) (*see chapter 5, paragraph 5.6.2 of the Registration Document*).

Through its commitment to the United Nations Global Compact principles, the United Nations Sustainable Development Goals and the French Business Climate Pledge, the Group is determined to make progress towards helping overcome the climate change challenge in part through efficient energy usage, emissions management and use of alternative energy (*see chapter 5, paragraph 5.6.2 of the Registration Document*).

■ COUNTRY

The Group's activities are conducted in many countries across the world, some of which have an unstable political, social, legal or regulatory environment. An unexpected change in the operating context within some of these countries could affect the Group's local activities or assets, cash flows, profitability and ability to continue operating and developing in such countries.

To manage this risk, the following set of measures have been implemented:

- the Executive Committee regularly reviews the exposure of the Group's assets and revenues in at-risk countries. To identify such countries, Imerys uses the "Business Climate" assessment published by Coface, the primary French insurance firm specializing in export credit insurance (for more information on these ratings, [see chapter 6, paragraph 6.1.2 of the Registration Document](#)). Other international indicators are regularly reviewed to measure the exposure of the Group's personnel and assets to criminal and political risks;
- the Executive Committee, as needed and when appropriate, is supported by external consultants who provide updated information and forecast on the local environment, including economic and political risk, in some countries in order to better anticipate possible future adverse developments;
- Imerys has set up a process for regular monitoring of the Group's performance in specific countries (particularly South Africa, Brazil, China and India) by the Executive Committee and by local Steering Committees. These local Committees bring together the main operating and support managers of the related country or region, and strengthen corresponding cross-functional organization by country or region according to their respective size and nature as well as their development potential;
- in all countries where Imerys' operations are located, the Group considers of utmost importance to keep and develop its constructive and open relations with local stakeholders, including but not limited to local authorities and communities ([see chapter 5, paragraph 5.5.5 of the Registration Document](#)).

The Audit Committee is regularly updated on the outcomes of the above analyses and actions.

■ HUMAN RESOURCES

The management and development of the Group's activities require the employment and recruitment of a large number of highly qualified professionals and managers. The success of the Group's internal and external development plans depends partly on its ability to recruit and integrate new skills, notably in the most remote geographic areas, as well as its ability to train and promote new talents.

Imerys Human Resources policy aims to attract, retain and renew the expertise, talents and skills needed to carry out its activities worldwide and support its internal and external growth. Additional details on the overarching framework is presented in [chapter 5, paragraph 5.5.4 of the Registration Document](#).

■ INFORMATION SYSTEMS

Daily management of the Group's activities, specifically the conduct of its commercial, industrial and financial processes, requires the proper functioning of technical information infrastructures, management and data processing systems. The risk of malfunction or shutdown of such infrastructures or systems, which may be from external or internal origin (computer viruses or hacking, service provider failures, blackouts or network shutdowns, natural disasters, human errors, etc.) may have a material adverse effect on the conduct or monitoring of the operations of a division or the Group, the protection of their confidential information and know-how, and the production of their financial and non-financial reporting.

To minimize this risk, the Information Systems Department has strict rules of governance and security for IT infrastructures and computer or digital systems, data backups and disaster recovery plans. They are rolled out at division and Group levels and controlled by the Internal Audit & Control Department.

In 2017, the Group started to implement its multi-year transformation and internal efficiency program that was designed in 2016. This Group-wide project aims to upgrade information and data management systems, tools and operational processes and promote internal efficiency through better sharing of resources between the various operating activities. Several key initiatives were launched, including a new global network architecture, a common Human Resources system, a digital workplace based on collaborative solutions and the progressive roll-out of a single Customer Relationship Management software involving all divisions.

In addition, in light of increasing IT security threats, an external assessment of the Group's potential exposure and current protection system was performed by a specialized consulting firm. The established list of priorities aiming at improving the Group's cybersecurity organization and tools will lead to the implementation of a specific Group's action plan under the leadership of the Global Information Technology & Process Director.

4.1.2 INDUSTRIAL AND ENVIRONMENTAL RISKS

■ PROPERTY DAMAGE

Like any industrial group, Imerys' production sites are exposed to the occurrence of unforeseen industrial incidents (of various nature or origin, e.g. accidents, natural disasters, machine breakage) that may lead to temporary operating stoppages, some of which may significantly affect the activity of the operating sites concerned.

The risk of such events occurring and their possible impact on the Group's overall business are limited by the following set of factors and measures:

- the number and geographic dispersal of industrial sites, many of which are of moderate size, in each operating division;
- an active industrial risk and loss prevention policy set up by the Group, including:
 - an interdisciplinary working group to identify and prioritize key industrial risk events and define risk prevention plans, overseen by the Corporate Social Responsibility Department,
 - regular capital expenditure committed by each division to modernize and maintain its industrial assets,
 - the development of business continuity plans and/or crisis management plans for the most strategic sites,
 - a minerals solids storage facility review program for the relevant sites.

The potential financial impact that may arise from property damage or sites' temporary operating stoppages is covered through an insurer that is internationally recognized for its reputation and financial soundness under a Group insurance program combined with a robust risk prevention program ([see paragraph 4.1.5 of the present chapter](#)).

The Group General Counsel presents the Group's policy on insurance, risk coverage and the related prevention programs periodically to the Executive Committee and once a year to the Audit Committee.

Finally, the Group's industrial project management program was revised in 2017 with new procedures implemented to further reduce this risk.

■ ENVIRONMENT, HEALTH & SAFETY

Even though industrial mineral processing techniques are mainly physical (crushing, grinding and sorting) and generally require very few chemicals, industrial mining and mineral processing activities can have an environmental impact (especially on soil and water

conditions). As such, the Group may have to incur expenses (on a regular basis or at the very end of sites' operating lifespans) for industrial site restorations or environmental cleanups. In addition, failure to respect applicable environmental regulations for its operations' local activity could lead to civil, administrative or criminal prosecution.

Besides, the industrial nature of the Group's activities entail potential workplace health and safety risks. Driving heavy mobile equipment, using high-voltage electrical facilities and carrying out tasks requiring the stoppage of industrial facilities, proper functioning of protection systems on some machines or working at heights lead to dangerous situations to the personnel engaged in these activities and the people around them.

To manage the above-mentioned risks, Imerys has established:

- an effective Environmental Management System (EMS) that enables to identify, prioritize and establish controls for any potentially significant environmental impacts resulting from its industrial activity ([see chapter 5, paragraph 5.6.1 of the Registration Document](#));
- an integrated approach, entitled the "Imerys Safety System" (ISS) organized around three main themes: compliance audits (Environment, Health & Safety (EHS) organization), communication/training (Safety Universities) and continuous safety improvement (Safety Culture Improvement Team, Take 5). The components of each of these three pillars help to reduce accidents and improve safety culture ([see chapter 5, paragraph 5.5.1 of the Registration Document](#)).

The Executive Committee reviews the Group Safety performance at each monthly meeting and examines all EHS non-financial performance indicators and the results of audits in the various divisions periodically. The Audit Committee reviews the processes and resources implemented to achieve established annual objectives. The Board of Directors reviews the Group Safety performance indicator at each of its ordinary meetings and is given an overall presentation on all the above points at least once a year.

In addition, the Group recognizes its responsibility to minimize negative environmental impacts associated with its operations and provide effective stewardship for its products. Additional details on the Group's objectives, targets and programs to manage EHS risks are presented in [chapter 5 of the Registration Document](#).

4.1.3 LEGAL RISKS

■ COMPLIANCE WITH AND/OR CHANGES IN LAWS AND REGULATIONS

The Group's companies have to deal with a great number of national and regional laws and regulations, given the nature of their operations (particularly mining of natural resources) and their diverse locations (Imerys is based in over 50 countries and has 267 industrial sites as at year-end 2017). Consequently, the Group must make sure that it is able to comply with those applicable laws and regulations in order to continue running all its operations and enable them to maintain an acceptable level of profitability.

The external risks the Group is facing as part of its activities are twofold:

- in some countries (notably emerging countries with high economic growth rates), foreign companies (especially those that exploit local natural resources) may be affected by the adoption of new laws or regulations having a direct impact on their business or by the possible discriminatory interpretation that can be provided by the local authorities in charge of their application;
- the legislative and regulatory framework is generally becoming tighter with respect to the protection of the Environment, Health & Safety and the promotion of the development of local economies and communities.

The costs entailed in bringing the Group's activities into compliance with those laws, regulations or interpretations, the penalties that may be imposed in the event of non-compliance and the resulting possible damage to the Group's reputation may have a negative impact on the economic conditions of the Group's operations and the competitiveness of its activities.

To ensure its operations' optimal compliance with all applicable legislation and regulations, Imerys has a network of internal legal specialists assigned to the Legal Department and based in the Group's main geographic regions, supplemented by internal experts in the fields of environment and product stewardship and assigned to the Corporate Social Responsibility Department. Furthermore, as stated in [paragraphs 4.1.1 and 4.1.2](#), audits of geology and EHS practices allow the Group to regularly check the compliance of local activities with applicable laws and regulations.

In addition, in many countries Imerys develops close relations with regulatory bodies, trade associations, local authorities and communities in order to better anticipate or orientate (whenever possible and with full respect of applicable laws and internal policies) the planned legislative and regulatory changes that may have an impact on the Group's activities. Imerys tries to anticipate those changes and factor them into its research and development programs to be able to meet the requirements of new regulations in a timely manner, while limiting its costs, and/or to use those changes as commercial opportunities for the Group.

To the best of Imerys' knowledge, no risk of violation and/or changes in laws and regulations with a potentially significant financial impact for the Group exists on this issue as of the date hereof.

■ LITIGATION

The Group may be involved in legal, administrative or regulatory proceedings (or "litigation and claims" risks) in the ordinary course of business, the most common being allegations of personal injury or financial loss entailing liability of the Group's entities related to:

- operating commercial or industrial activities; in particular, claims from customers with regard to the delivery of unsatisfactory products or from third parties alleging health concerns or neighborhood disturbances relating to the Group's activities;
- the possible infringement of contractual obligations;
- the failure to observe certain applicable legal or statutory provisions in social, fiscal, property or environmental matters.

The highest risk intensity for the Group is in:

- the United States, especially in the context of actions brought before the courts of several US states and the US federal courts by multiple plaintiffs concerning the liability of local subsidiaries for alleged possible hazards related to the use of certain products or the consumer products manufactured using such products, or for the alleged failure to provide warnings regarding such alleged hazards (e.g. talc-based cosmetics). From a financing perspective, these risks increase by the amount of the defense costs to be incurred and the unpredictability or media coverage of certain court decisions, tried by juries before the courts and subject to appeal procedures of certain US states and the US federal courts; and
- Brazil, especially in the context of civil, administrative, fiscal, social or criminal actions brought by local or federal public authorities in respect of the alleged failure to comply with the applicable regulations in such relevant fields, and which may also involve third parties in cases falling under environmental regulations.

The risks related to third party claims, and their incurred defense costs (beyond any applicable deductibles), are generally covered by the Group's existing insurance programs and other policies issued to the Group's subsidiaries in the United States or their predecessors. In addition, Imerys and its subsidiaries also benefit from certain rights to be indemnified (or may also be subject to certain indemnification obligations) by third parties under specific indemnities or contractual guarantees (or conversely, granted to third parties) in connection with past acquisitions of assets or routine commercial transactions.

The litigation and claims to which the Group is exposed are assessed by the Legal Department with the assistance of local lawyers (and if applicable, in partnership with the insurers concerned). A summary of the largest claims is reviewed on semi-annual basis by the Group's Finance Department and Auditors to ensure such claims are reflected in Imerys' financial statements. The General Counsel makes a summary presentation of claims to the Audit Committee as part of its annual examination of the risks facing the Group.

Although the outcome of all outstanding actions and claims cannot be foreseen with certainty, their resolution, taken individually or as a whole, and taking into account available insurance policies or contractual indemnities and legal remedies – even if adverse for the Group companies involved – is unlikely to have any material impact on the Group's consolidated financial statements. The amount of provisions booked for product warranties is €30.2 million as of December 31, 2017 (€30.7 million as of December 31, 2016) and the amount of provisions booked for legal, social and regulatory risks is €173.1 million as of December 31, 2017 (€133.1 million as of December 31, 2016). These provisions have a probable maturity between 2018 and 2022.

More generally, to the best of Imerys' knowledge, as of the date of the present Registration Document, no governmental, legal or arbitration proceedings, whether actual or threatened, is likely to have, or has had in the past 12 months, any significant effect on the financial position or profitability of the Company and/or the Group.

✓ For more information, please [see note 23.2 to the consolidated financial statements](#).

■ MAJOR CONTRACTS

To the best of Imerys' knowledge, apart from the contracts entered into (i) in the ordinary course of business, including contracts with respect to operating rights for mineral reserves and resources, (ii) in relation to acquisition or divestment of assets or businesses already carried out or announced or (iii) in relation to the financing operations mentioned in the present Registration Document, no other major contracts have been signed by any Group company in the two years prior to the date of the present Registration Document that are still in force on that date and which contain provisions entailing an obligation or commitment likely to have a significant impact on the Group's business, financial position or cash flow.

However, with respect to some contracts, significant commitments and guarantees have been granted by Imerys or its subsidiaries. The amount of off-balance sheet commitments given is €625.7 million as of December 31, 2017, compared with €645 million as of December 31, 2016 ([see note 28 to the consolidated financial statements](#)).

4.1.4 FINANCIAL MARKETS RISKS

These risk factors and their control methods are described in the notes to the relevant consolidated financial statements.

■ CURRENCY RISK

([See notes 21.3 and 24.5 to the consolidated financial statements.](#))

■ INTEREST RATE RISK

([See note 24.5 to the consolidated financial statements.](#))

■ LIQUIDITY RISK

([See note 24.5 to the consolidated financial statements.](#))

4.1.5 INSURED RISKS

The Group's policy with regard to protecting its earnings and assets against identifiable risks is to seek the most suitable solutions on the insurance market that offer the best balance between their cost and the coverage provided.

The coverage of major risks that are common to all operating activities is almost exclusively integrated into "All Risks Except"-type international Group insurance programs taken out on the market with insurers that are internationally recognized for their reputation and financial solidity. This integration enables the Group to benefit from the most extensive coverage with the highest limits while optimizing its cost. As part of the active external growth policy implemented by the Group, steps are taken to ensure that acquired businesses are immediately integrated into existing Group insurance programs or benefit from coverage terms that are at least equivalent. In the latter case, integration is restricted to the additional coverage offered by Group programs compared with the local insurance policies that apply to the acquired activities.

Within Imerys, companies also use the local market to cover the specific risks of some of their non-recurrent activities or operations through the services of the brokers in charge of managing the Group's insurance programs, or when such insurance is made compulsory by applicable local regulations.

The Group judges that it currently benefits from sufficient insurance coverage, in terms of both scope and insured amounts or limits of guarantees, for the most important risks related to the pursuit of its businesses worldwide.

The two main Group insurance programs cover general liability as well as property damage and operating losses.

■ GENERAL LIABILITY

The purpose of this first program is to cover the Group's liability in the event of bodily injury, property damage or consequential damage occurring during operations or after the delivery of products, and any damage resulting from accidental pollution.

The Group's activities are first covered by local policies issued in each country ("first layer"), then by a Master policy issued in France and an additional policy in excess of the limit of cover of the Master policy ("Excess").

These Master and Excess policies are also used in addition to the limits and coverage of several specific sub-programs, particularly in North America, to cover Automobile Civil Liabilities and Workers' Compensation, and in addition to the mandatory Employer's Liability policy issued in the United Kingdom.

The coverage provided by the Group General Liability program, subject to the exclusions that are common practice on the insurance market for this type of risk and to sub-limits applied to certain defined events, amounts to €100 million per claim and per year.

■ PROPERTY DAMAGE AND OPERATING LOSSES

This second program is particularly intended to cover property damage caused suddenly and directly, affecting the insured property as well as any resulting operating losses.

The Group's activities are covered for property damage and business interruption under a Master policy that is issued in France and applies directly in most European countries and in addition to local policies in other countries, when regulations allow.

Imerys has opted to retain "frequency" risks within a captive reinsurance company consolidated in the Group's accounts for a claims ceiling of €4 million annual aggregate.

The Master policy provides the Group, subject to the exclusions that are common practice on the insurance market for this type of risk and the sub-limits applied to certain defined events, with coverage for property damage and business interruption of €200 million per claim.

In assigning its property damage and business interruption program to an insurance carrier that is renowned for its expertise in prevention engineering, Imerys intends to continue its extensive efforts on risk awareness and protection in its activities. Almost all the Group's industrial sites are regularly inspected by prevention engineers, giving rise to recommendations that enable Imerys to improve its industrial risk management. More than 100 sites were inspected in 2017.

This prevention program is supplemented by an interdisciplinary working group set up in 2017 to identify and prioritize key industrial risk events and define risk prevention plans, overseen by the Corporate Social Responsibility Department.

■ OTHER GROUP-WIDE INSURED RISKS

The Group's other main insurance programs are intended to cover the following risks, which are common to all its legal entities or several of its activities: Directors' & Officers' liability; motor fleet insurance (Europe); marine cargo and charterer's liability.

4.2 INTERNAL CONTROL

4.2.1 INTRODUCTION

■ INTERNAL CONTROL OBJECTIVES

To define its internal control reference system and structure its approach, the Group draws on the framework and the application guide published by AMF (the French securities regulator). That system includes the objectives and the components of the AMF framework.

The Imerys group's internal control system covers all controlled companies in the Group's scope of consolidation, including newly acquired companies. By implementing this system in all its activities, Imerys intends to ensure that it has the means, behaviors and procedures needed to manage the risks that its activities face to provide assurance concerning:

- the reliability of its financial information;
- compliance with the laws and regulations in force;
- the efficiency and effectiveness of its internal operating, industrial, environmental, health & safety, marketing and other processes;
- the protection of tangible and intangible assets, in particular the prevention of fraud.

In this way, the internal control system helps to protect the Company's value for its shareholders and employees and to achieve the strategic, financial, compliance and operational goals that it sets for itself.

However, by its nature, such a system cannot provide an absolute guarantee as to the total control of the risks that the Group faces and the achievement of its goals.

■ INTERNAL CONTROL PRINCIPLES

In line with the above objectives, Imerys' internal control system is founded on the following principles:

- a relevant organization comprised of skilled, accountable professionals;
- a periodic analysis of the Group's main risks;
- relevant control activities.

4.2.2 RELEVANT ORGANIZATION

■ ORGANIZATIONAL MODEL

Imerys' internal control is based on the Group's operating and management organization and on support functions that are directly or indirectly responsible for controlling the risks that the Group faces or that may have an impact on external stakeholders as a result of Imerys' operations.

The control system set up in the Group is founded on a tight governance structure that guarantees both an effective circulation of information and the transparency and traceability of decisions, while conserving the principles of subsidiarity and decentralization that are considered essential to the optimal running of the Group's industrial and commercial activities. It requires great commitment and accountability from every operating or support manager who must take ownership of the policies and procedures defined at Group and division levels, contribute to their implementation and observance, and enrich them through measures that are relevant to the specificities of the activities or fields under their charge.

■ PARTICIPANTS IN INTERNAL CONTROL

The Board of Directors and its specialized Committees

The Board of Directors constantly controls the management of the Group by the Chairman & Chief Executive Officer. It particularly makes sure that internal control mechanisms are set up correctly in the Group.

To assist the Board in its mission, four specialized Committees were formed from its members and perform their duties under its responsibility: the Strategic Committee, Appointments Committee, Compensation Committee and Audit Committee. The Strategic Committee and the Audit Committee are responsible for identifying and managing risks and monitoring certain internal control mechanisms as presented in [chapter 3, section 3.1 of the Registration Document](#). Twice a year, the Audit Committee reviews the processes, risk analysis results and appraisal of internal control mechanisms.

Executive Management and Executive Committee

The Chairman & Chief Executive Officer has operating and functional responsibility to implement the strategy defined by the Board of Directors for all the Group's activities. In particular, he is in charge of the effective implementation of internal control mechanisms within the Group.

The Chairman & Chief Executive Officer is assisted in this mission by an Executive Committee of which he appoints the members. The Executive Committee is a consultative and informative body with the mission, under the authority of the Chairman and Chief Executive Officer, to ensure an alignment of all its members with the main decisions falling within their individual scope of responsibility and relating to the Group's organization or general conduct of its business ([see chapter 1, paragraph 1.3.2 of the Registration Document](#)).

Operating management

In accordance with the Group's decentralized operating principles, the general managers of each division have the responsibility and necessary powers to continuously organize, run and control their operations, under the supervision of an Executive Committee member, and to delegate in similar conditions to the operating managers reporting to them.

Each division designs and implements the most appropriate internal organization for the markets that it serves, taking into account their commercial, industrial or geographical specificities. The general manager of the division is responsible for adopting internal control mechanisms that are consistent with its organization, on the one hand, and, with the Group's principles and rules, on the other hand.

Support Functions

The Group functional departments have a twofold mission:

- organize and control the Group's operations in their respective scopes of expertise;
- provide technical assistance to operating activities in those fields when necessary.

These departments enable the Group not only to benefit from the scale effects related to its size and from better sharing of skills, but also to ensure that all the operations are carried out in a common framework of secure, consistent management and control processes and systems. Through their presence, Group experts or shared support services make a significant contribution to the Group's internal control mechanisms. Most of the Group managers of these functions have at least a functional authority over the operating managers whose missions come under their scope of expertise.

4 RISK FACTORS AND INTERNAL CONTROL

INTERNAL CONTROL

Group functions	Main internal control responsibilities
Finance	<ul style="list-style-type: none"> ■ Implement continuous control of the Group's results and operating performance ■ Participate in the development of the budget and in the quarterly monitoring of its execution ■ Oversee related financial performance at all operating levels of the organization ■ Analyze and validate the capital expenditures requests from the divisions or other Group's investments projects of the same nature ■ Define policy for financing, market risk control and banking relationships for the entire Group
Legal	<ul style="list-style-type: none"> ■ Identify and assess the main legal risks of the Group and each of its divisions ■ Define and implement relevant policies and controls for managing such legal risks and compliance with applicable laws and regulations ■ Provide legal advice and options to the relevant operating and support managers to (i) secure the rights and interests of the Group and its divisions or comply with their legal obligations, and (ii) contribute to achieve their business goals with adequate legal solutions
Corporate Social Responsibility	<ul style="list-style-type: none"> ■ Promote and coordinate Group's compliance or management programs with respect to industrial, environmental and product stewardship risks ■ Identify and assess the main industrial risks within the Group through regular risks mapping exercise ■ Identify the needs for, define, implement and manage appropriate Group insurance programs to cover or mitigate potential losses arising out of major incidents or liabilities
Strategy, M&A & International Development	<ul style="list-style-type: none"> ■ Identify and evaluate the global strategic, marketing and commercial risks the Group faces across divisions ■ Identify and assess with the assistance of the relevant internal or external experts the main potential risks or liabilities associated with acquisition or disposal projects of assets or businesses to be factored in the value and terms and conditions of the proposed transactions ■ Assist in the potential business geographic expansion of the Group, with a specific focus on monitoring and controlling risks when identified opportunities exist in emerging countries
Industry	<ul style="list-style-type: none"> ■ Support and review all significant industrial projects and purchasing contracts in its field of expertise, proposed by the divisions ■ Promote and coordinate the implementation of Group industrial excellence program in all operating plants ■ Promote and coordinate Group health & safety standards ■ Promote and coordinate Group mineral reserves and resources management standards ■ Monitor the application of EHS and geology reference framework principles through audits
Innovation	<ul style="list-style-type: none"> ■ Manage a system for assessing and monitoring the portfolio of research projects ■ Centralize management of budget and human resources dedicated to Research & Development
Human Resources	<ul style="list-style-type: none"> ■ Define policies to ensure employees have relevant skill level with respect to their responsibilities ■ Define controls to ensure the integrity of salary determination and payment processes, and supervise the setup of benefits ■ Monitor compliance with applicable labor laws, regulations and agreements ■ Develop policies for international mobility and business travelers
Information & Internal Efficiency Systems	<ul style="list-style-type: none"> ■ Define Group policies and best practices for information systems including computer network security ■ Manage Group-wide IT projects, monitor and control information networks and infrastructures (servers, telecommunications...) ■ Develop standardization, automation and efficiency of some common internal control processes within the Group

Risk Committee

The Risk Committee coordinates risk & control analysis and management activities within the Group. It is composed of senior industrial, business or support function managers. It contributes, in particular, to the Group's major risk identification and assessment through a mapping exercise conducted every two years. The Committee meets regularly and twice in 2017.

Internal Audit & Control Department

The Internal Audit & Control Department's mission is to regularly check the quality and efficiency of the Group's internal controls and to take improvement actions if needed. It alerts management of any internal control failures and issues recommendations to correct them. For the newly acquired businesses, these reviews are usually performed from 6 to 18 months following their integration within Imerys.

The Internal Audit & Control Department is independent of the operating and functional activities that it audits. For that purpose, the Internal Audit & Control Director reports hierarchically to the Chairman & Chief Executive Officer and functionally to the Audit Committee. A complete report on the Internal Audit & Control services' activities is presented and discussed every six months at an Executive Committee meeting, then at an Audit Committee meeting attended by the Statutory Auditors.

At the end of 2017, the Internal Audit & Control Department had 18 staff, working in the areas of internal audit, internal control and risk management.

Internal Audit & Control Department	Main responsibilities	Reference standards and/or measures
Internal audit	<ul style="list-style-type: none"> Make sure operating entities comply with the principles and rules defined by the Group Perform specialized information systems assignments Identify and share best practices Investigate fraud incidents Monitor implementation of action plans Review reliability of self-assessments 	<ul style="list-style-type: none"> Audit cycle from 4 to 7 years Annual audit plan validated by the Audit Committee 55 audit reports reported to the Executive Committee in 2017 Audit methodology Best practices library Fraud incident reports Anti fraud training and awareness Quarterly action plans follow-up dashboard Sincerity audits
Internal control	<ul style="list-style-type: none"> Develop and maintain the Group internal control standards Provide training on internal control Lead the annual self-assessments 	<ul style="list-style-type: none"> Group policies and procedures 5 training sessions on internal control in 2017 Self-assessment questionnaires for all operating entities and related action plans
Risk management	<ul style="list-style-type: none"> Develop risk management methodology Define and update relevant Group's risks universe Conduct mapping of Group's main risks Review implementation of action plans developed during risk mapping <i>See further details in section 4.2.3</i> 	<ul style="list-style-type: none"> Risk universe Risk map

4.2.3 PERIODIC ANALYSIS OF THE GROUP'S MAIN RISKS

OBJECTIVES

Analyzing risks enables Imerys to identify the events that, if they occur, could represent a major threat to the achievement of its strategic, financial and operating goals and its compliance with applicable local laws and regulations, or could negatively impact Imerys' external stakeholders.

Through a structured process designed to enable the Group to appraise and analyze its main risks, Imerys can assess the suitability of its existing internal control mechanisms, set up relevant action plans to improve their efficiency and, more generally, increase the protection of the Group's value in compliance with applicable laws and regulations, and stakeholder expectations.

ORGANIZATION

A three-level risk analysis process is organized:

- With respect to their duties, every support and operating manager must constantly seek to identify, analyze and manage risks in his or her areas of responsibility. The identification and management of these risks are periodically reviewed and discussed by the Chairman & Chief Executive Officer and the Chief Financial Officer as part of the budget process, quarterly income statement reviews and monthly management reporting;
- Furthermore, the Group has undertaken a formal, recurrent process to analyze its main risks by drawing up a map that shows the potential impact of identified risks and the extent to which they are managed. The main directors responsible for central support departments and services, as well as the main managers responsible for each of the operational activities, take part in this process. Results are reviewed and approved by the Group's Executive Committee and presented to the Audit Committee. Based on the results, new actions are defined to tighten the Group's control of certain identified risks. The nature of the main

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risks to which the Group is exposed and their management and control methods are detailed in [section 4.1 of the present chapter](#). The analysis of potential risks associated with Imerys operations or those of its supply chain, to which both internal and external stakeholders may be exposed, are described below;

- Finally, the Risk Committee ([see section 4.2.2 of the present chapter](#)) meets two to three times a year in order to review and coordinate risk and control analysis and management activities within the Group and proposes potential improvement measures following its review of the updated Group risk map. The Internal Audit & Control Director provides regular reports to the Executive Committee and the Audit Committee on the work of the Risk Committee.

■ RISK MAPPING RELATED TO CORRUPTION AND CORPORATE DUTY OF CARE

Methodology

Following two recent major regulation changes in France ("Sapin 2" and "Corporate Duty of Care" laws enacted respectively in December 2016 and March 2017), the Group has launched a revamping of certain of its existing compliance programs. In order to adequately adjust its current programs pursuant to the newly applicable obligations, the Group Legal & Corporate Social Responsibility and the Internal Audit & Control departments, with the assistance of an internationally recognized consultancy firm, designed and conduct an extensive formal risk mapping process.

This process is carried out in an iterative fashion, by geographical areas and with a mix of the current local operational activities of the Group. The main internal stakeholders (directors of central support departments, such as the Heads of Compliance, Health & Safety, Environment and Purchasing, as well as the main managers responsible for the concerned operational activities) identify, assess and prioritize the potential risks of corruption for the Imerys group itself on one hand and the risks of violation of human rights, fundamental freedoms, health, safety and environment for the Imerys group itself and for its supply chain on the other hand. The risk scenarios listed hereafter are assessed anonymously by each stakeholder who considers both the impact (direct and indirect) and the mitigation effectiveness. More specifically, the stakeholders identified public and private corruption risk scenarios, be they active or passive. Additional details on the processes in place to mitigate the risk scenarios and prevent serious breaches are provided in [paragraphs 5.2 and 5.7.2 of chapter 5 of the Registration Document](#).

The staged results of this process are reviewed and approved by the Group Compliance Steering Committee set up in 2017, chaired by the Group General Counsel, and composed of senior industrial, business or support functions managers of Imerys (including 4 members of its Executive Committee). Based on this review, the relevant Group compliance programs will be amended and specific action plans will be developed to improve the Group's controls and management systems applicable to the material identified risks in 2018 and beyond. A report of the Group Compliance Steering Committee's activity and decisions is made regularly by the Group General Counsel to the Executive Committee.

Risk scenarios

The risk scenarios assessed for corruption, human rights, fundamental freedoms, health, safety and environment are summarized below:

- Corruption: Access to financing resources/Access to raw materials, energy, water and infrastructures/Claims & litigations/Client relationship/Confidential data protection/Consultancy services/Customer acquisition/Customs & tax authorities/Day-to-day administrative operations/Day-to-day logistics operations/Joint venture & consortium/Mergers & acquisitions/Operating permitting & licenses/Product registrations/Public tender/Purchase of raw materials, goods & services/Quarry rehabilitation/Security on site/Social licensing;
- Human Rights & Fundamental Freedoms: Diversity/Non-discrimination/Equal opportunity/Child labour/Forced labour/Human trafficking/Slavery/Local stakeholders (community, administration, associations)/Freedom of association and right to collective bargaining/Support to non-state armed group;
- Health and Safety: Occupational health (dust, noise, vibration, lifting and repetitive tasks, etc.)/Occupational safety (falls, trips, slips, falls from heights, handling of chemicals, etc.)/Product stewardship;
- Environment: Biodiversity/Pollution (air, water, ground and hazardous substances)/Consumption of natural resources (water, minerals, energy, etc.)/Waste production.

4.2.4 RELEVANT CONTROL ACTIVITIES

Control activities are carried out to ensure that the risks related to a given operating or support process are correctly covered. They are adapted to the goals set by the Group.

■ FRAMEWORK

Group rules

Imerys' internal governance framework is set down in the Code of Business Conduct and Ethics and the Corporate Governance policy, as well as in a number of charters (Board of Directors Charter, Sustainable Development Charter, Environment, Health & Safety Charter) that apply Group-wide. These sets of rules are intended to create a favorable control environment, based on robust principles and the experienced practice of Corporate Governance, as well as on upright, ethical behavior in compliance with laws, regulations and the Group's strategic objectives.

Furthermore, the Group's policies have been defined by central support services and departments and define the specific organization, responsibilities, working and reporting principles for the respective areas of expertise under their responsibility.

Finally, the Group's internal control manual defines the main internal control principles and the principal control activities to be carried out with respect to the Group's operating and financial processes.

The Group's charters, policies and manuals are grouped together in the Blue Book, which all employees can consult online *via* the intranet. This initial set of rules forms the reference framework by which the Group's operating activities are conducted. It applies to all Imerys' activities and the companies it controls. Certain specific communications are subject to a process of electronic certification through which relevant employees certify that they have read the information and pledge to enforce the relevant internal controls in their area of responsibility.

In operating activities, a second set of rules defines specific working and reporting principles as needed. In compliance with Group policies, these arrangements are adapted to the activities' internal organization, the management of their specific mining, industrial and commercial activities and to their specific risks. They take into account specificities in terms of applicable local laws and regulations.

Code of Business Conduct and Ethics

The Imerys Code of Business Conduct and Ethics summarizes the ethical principles to which the Group aspires. It summarizes the commitments of the Group as well as what the Group expects from all its employees, especially its senior managers, as well as its contractors, suppliers and other partners with whom Imerys people have close relations. It is designed so that everyone, in

his or her daily work, not only complies with local legislation, but also adopts an attitude in line with the Group's values, principles and rules with respect to responsibility, integrity, transparency, fairness and openness. In order to ensure that the Code of Business Conduct and Ethics is known and complied with by all Group's employees, the induction process of all newly hired managers at Imerys includes an introductory class on this Code. For more information, [see chapter 5, paragraph 5.7.2 of the Registration Document](#).

■ INFORMATION SYSTEMS

The effectiveness of information systems and tools contributes to the reliability and improvement of support and operating processes.

The Group's policy consists of integrating its value chain (particularly sales, distribution, purchasing, inventory, fixed assets, production, supply chain and finance) as much as possible *via* its computerized enterprise resource planning (ERP) tools. Imerys strives to use integrated ERP control systems in order to ensure the optimum level of control while meeting the specific requirements of good management of its operating activities.

Imerys is organized around several ERP systems that have been selected in order to achieve support and maintenance synergies as well as satisfactory consistency, while taking into account the size of operations and the geographic areas where they are to be rolled out.

For the reporting and consolidation of its accounting and financial information, the Group uses a single software package in all its entities.

Furthermore, tools for consolidating and monitoring the most important non-financial data have been set up Group-wide. Depending on the case, they are used to achieve the following goals:

- better vision of the performance of the Group's different activities, preventing or solving any difficulties and fostering or measuring improvement (*e.g.* reporting and consolidation of representative indicators for managing human resources or Corporate Social Responsibility);
- accurate management of data and helping to monitor operations' compliance with legal or regulatory obligations that apply to the Group, contractual commitments and Group rules (*e.g.* reporting and consolidation of legal and administrative information on the Group's subsidiaries and interests, and on their corporate officers, management and monitoring the approval and execution of contractual commitments).

■ HUMAN RESOURCES MANAGEMENT

Recruitment and development

To support its growth, the Group recruits in every country and every function. To make sure that recruitments are consistent and relevant, the Human Resources function defines standards and periodically verifies the quality of practices.

In order to develop its existing staff in line with its business needs, the Group deployed several processes described in [chapter 5, paragraph 5.5.4](#), and notably an annual individual assessment (Performance Appraisal and Career Development – PAD) and succession plans for key positions.

Recruitment and development processes are now managed through a common tool which is being deployed across the Group. The objectives of this ongoing project are twofold: to simplify and standardize Human Resources processes, and to improve the Group's ability to identify a global talent pool and develop talents internally.

The results and main analyses resulting from the management of human resources and skills are presented periodically to the Executive Committee and to one of the Board of Directors' Committees.

Training

In addition to the training programs organized by the operational activities, Group training sessions are organized by the Imerys Learning Center ([see chapter 5, section 5.5 of the Registration Document](#)). These sessions enable employees to enhance their professional expertise (e.g. finance, geology, marketing, project management) and foster the sharing of best practices.

Compensation & benefits

Compensations are reviewed annually. The review mainly focuses on base salary and individual bonuses.

In addition, the main benefit schemes, especially health and long-term care insurances (applicable to death, illness or disability) are subject to constant appraisals and improvements in line with local or regional market practices.

Detailed information on both principles is provided in [chapter 5, section 5.3 of the Registration Document](#).

■ CONTROL ACTIVITIES OVER ACCOUNTING AND FINANCIAL INFORMATION

The control mechanism and the procedures for the production of the accounting and financial information are uniform throughout the Group. This mechanism is made up of a cross-Group accounting organization, consistent accounting standards, a single consolidated reporting system and central quality control of the internal and external financial and accounting information that is produced.

Organization of the accounting and financial function

Accounting and financial operations are managed by the Group Finance Department. Its central organization includes:

- an Accounting and Consolidation function, responsible for the preparation and presentation of the Company's statutory financial statements and the Group's consolidated financial statements;
- a Financial Control and Budget Control function, which prepares and consolidates budget and monthly management reporting data and analyzes operations' performance in relation to budget targets and to comparable periods during the previous year;
- a Treasury and Financing function, which is particularly in charge of preparing and consolidating data on financial debt and on the Group's financial income/expense. Its main missions concern the centralized management and optimization of the Group's debt and financial resources, as well as the management of liquidity, interest rate, currency and local energy supply volatility price risks, notably through hedging instruments;
- a Tax function, which is particularly responsible for monitoring the local tax consolidations made in the Group, estimating the resulting amount of taxes and controlling their overall consistency.

Because of the decentralized organization of accounting and financial functions, the financial controller of each operational activity has a key role. In particular, he or she is in charge of making sure that accounting and financial internal control procedures are correctly applied in the activities for his or her scope of responsibility. Each controller reports to the manager of the operating entity in question but also to the Group Finance Department on a functional basis.

Accounting framework

The general rules are described in the Blue Book, which all employees can consult *via* the Group's intranet, and apply to all Imerys operating and legal entities. In compliance with the IFRS standards adopted within the European Union, they include:

- a reminder of the general accounting principles and recommendations to comply with;
- a detailed common chart of accounts consistent with the transactions and materiality of the Group;
- a definition of the Group's accounting methods that apply to the most important items and/or operations.

These documents are regularly updated with every amendment or application of new accounting standards, under the responsibility of the Accounting and Consolidation function, after review by the Audit Committee and under the control of the Statutory Auditors. This function also has an advisory role within the Group and is responsible for providing periodic training to the divisions finance managers.

Multiyear strategic plan

The long-term orientations of each division and the resulting financial forecasts are formalized and monitored under a multiyear strategic plan for the Group and periodic strategic reviews for each activity. These are drawn up under the control and supervision of the Chairman & Chief Executive Officer. Their conclusions are reviewed by the Executive Committee before being presented to the Strategic Committee then, for approval, to the Board of Directors.

Annual budget and execution monitoring

Imerys implements an annual budget process and a monthly reporting for all the Group's entities in order to ensure accurate and consistent information. The match between accounting data and information derived from reporting is the key control principle for ensuring the accuracy of accounting and financial information.

Imerys' budget preparation procedure is based on the involvement of cross-functional teams in every activity and on the control of the overall consistency of assumptions and methods by the Accounting and Consolidation function.

The reporting system enables the Group to accurately monitor monthly results (income and cash flow statements) and financial

data for operating activities and to compare them with the budget and results for the corresponding period in the previous financial year. Local operating managers comment on financial and operational indicators and the main variations are analyzed by the Accounting and Consolidation function.

Consolidation process

A single accounting consolidation system handles all information from every Group operating and legal entity.

To guarantee the quality and accuracy of its financial information, Imerys has set up a unified reporting and consolidation system (SAP Business Object Financial Consolidation) for the collection of budget and reporting information and the production of consolidated financial statements. The system is rolled out in all the Group's entities. It is sourced from local accounting data either by interface, by retrieving the necessary data from the financial modules of entities' ERP systems, or by manual input. The system provides for the automatic control of certain reported and/or consolidated data.

A detailed schedule is drawn up for annual and interim (quarterly and semi-annual) account closings by the Accounting and Consolidation function.

Results review

Every month, each division examines its management reporting, and analyzes significant variations compared to the previous year or the budget. It defines any corrective actions that it judges necessary and monitors their implementation. This performance assessment of each division is subsequently reviewed by the Executive Committee.

Results are also reviewed at the quarterly meetings in which divisions managers present their results to the Chairman & Chief Executive Officer and the Chief Financial Officer. A summary of each of those reviews is presented to the Strategic Committee and, if needed, to the Board of Directors.

Finally, the consolidated financial statements, accounting procedures and complex financial transactions are systematically reviewed by the Executive Committee. The semi-annual and annual consolidated financial statements are also reviewed by the Board of Directors following examination by the Audit Committee and the latter also reviews the quarterly consolidated accounts prior to publication.

5

CORPORATE SOCIAL RESPONSIBILITY

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5.1 VISION AND AMBITION

5.1.1 STRATEGY AND GOVERNANCE

Imerys respects the world in which it operates. The Group is committed to play a role in society, to meet its obligations to the countries and communities within which it does business, and to act as responsible environment stewards and thereby contribute to sustainable development.

In order to achieve the aforementioned ambitions, the Group shall continue to align its Group Corporate Social Responsibility (CSR) ⁽¹⁾ strategy to the international framework of the United Nations Global Compact (UN GC), United Nations Sustainable Development Goals (SDG), United Nations Guiding Principles on Business and Human Rights, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the International Labour Organization (ILO) Fundamental Conventions.

In 2017 the Group created a new CSR Steering Committee. The responsibilities of the CSR Steering Committee are to establish Group CSR ambitions, validate the Group CSR strategy and guide and monitor implementation on progress towards the Group objectives. The CSR Committee meetings are held quarterly. In addition to the new CSR governance structure, the functional organization of CSR within the Group changed in 2017 with the creation of a new CSR department, reporting to General Counsel & Company Secretary. The department is responsible for the elaboration and monitoring of implementation of the Group CSR Strategy, and also holds the mandate to develop and provide expert oversight and guidance on specific disciplines including, environment, products stewardship, industrial risk management & loss prevention, insurance, government affairs and coordination of Group CSR activities.

The Group 2017 CSR objectives originate from a 2015-2017 three-year Sustainable Development plan published in 2014. The three-year plan was developed taking into consideration a wide range of inputs from internal and external stakeholders, including but not limited to publications by expert committees, professional associations, sector research institutes, the Group's Risk Committee, local forums, customer and market signals and reviews of global megatrends. Yearly objectives aim to achieve gradual performance improvement articulated around three axes: social, environmental and governance. The high-level commitments as outlined in the Group Sustainable Development Charter are:

- Social: ensuring respect for employees and communities;
- Environment: minimizing any negative impacts of Group activities on the environment;
- Governance: establishing Group CSR ambition and ensuring activities are carried out ethically.

In 2017 the Group decided to develop a new CSR strategic plan to be launched in an iterative fashion starting from early 2018. The mid-term objective to be achieved through this new plan is to further embed CSR within the Group strategy and drive systematic continuous improvement of CSR aspects in operations, thereby continuing to reduce risks, unlock opportunities and build capacity for long term value creation.

The full objectives and preliminary performance results of the new Group CSR program shall be reported on within the 2018 Registration Document.

- ✓ For more information on the Group CSR governance, [see chapter 1, section 1.3.4 of the 2017 Registration Document](#).
- ✓ For more information on the Group Risk Committee, [see chapter 4, section 4.2.2 of the 2017 Registration Document](#).

(1) In 2017, the Group Corporate function, environment, social and governance strategy and associated objectives were renamed from Sustainable Development to Corporate Social Responsibility.

5.1.2 UNITED NATIONS GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

In 2016 Imerys became a signatory member of the United Nations Global Compact and has thus committed to base its business approach on the following 10 Principles:

WE SUPPORT



Human Rights	<ul style="list-style-type: none"> ■ Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and ■ Principle 2: make sure that they are not complicit in human rights abuses.
Labour	<ul style="list-style-type: none"> ■ Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; ■ Principle 4: the elimination of all forms of forced and compulsory labour; ■ Principle 5: the effective abolition of child labour; and ■ Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	<ul style="list-style-type: none"> ■ Principle 7: Businesses should support a precautionary approach to environmental challenges; ■ Principle 8: undertake initiatives to promote greater environmental responsibility; and ■ Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	<ul style="list-style-type: none"> ■ Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

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In September 2015, 193 member States of the United Nations adopted 17 Sustainable Development Goals with the aim to end extreme poverty, protect the planet and ensure prosperity for all within a new universal agenda. Imerys supports the ambitions of this global program and is duly evaluating the policies and practices within its operations that directly contribute to these sustainable development objectives.



In accordance with the UN GC Principles, the Group shall submit its first Communication of Progress (COP) in 2018. Group CSR commitments, 2017 objectives and results, as detailed within the 2017 Registration Document, are presented in the context of preliminary progress made towards the UN GC Principles and UN

SDGs. For the purpose of the elaboration of Group CSR Strategy for 2018 and beyond, internal reflection and dedicated working groups have been launched to identify programs to be developed or strengthened to contribute further towards these goals.

5.2 STAKEHOLDER ENGAGEMENT

The Group depends on the solid long-term relationships it develops with its key stakeholders; respecting the countries, communities and environments across the globe where its operations are located. As such Imerys considers itself accountable to a wide variety of stakeholders, both internal and external. Identifying stakeholders and gaining an understanding of their needs and expectations is a critical step to foster engagement.

The list of stakeholders groups with whom Imerys engages in various capacities across the globe includes:

- Banks & Brokers;
- Business Partners;
- Competitors & Peer Companies;
- Customers;
- Employees;
- Government Authorities;
- Local Community Members;
- Media;
- Non-Governmental Organizations;
- Professional Associations;
- Shareholders & Investors;
- Suppliers & Subcontractors.

In the context of the definition of the Group's new CSR strategy, Imerys launched in 2017 a **materiality assessment** process in order to further integrate stakeholder expectations on environmental social and governance (ESG) risks, threats and opportunities facing the Group within the definition of material CSR priorities. This process can be summarized in three phases: **framing**, **engagement** and **analysis and validation**.

The **first phase** of framing focused on the research and analysis required to identify and verify a long list of potentially significant environmental, social and governance issues, including but not limited to: the identification of megatrends potentially affecting Group business in the future, inputs from the 2050 Roadmap of the Industrial Minerals Association (IMA) Europe⁽¹⁾, an assessment of selected international companies CSR strategies, levels of CSR maturity, and main CSR themes; as well as a review of selected climate change, biodiversity, supply chain, diversity, and circular economy strategies. This research was supplemented by an assessment of external rating agencies indices, feedback on Imerys CSR performance in 2016 and a review of the Group 2017 senior leadership seminar takeaways and feedback to identify perception of strengths and areas for improvement. As a result a preliminary list of potentially significant issues was elaborated and validated by internal operational and functional experts.

The **second phase** of engagement with both external and internal stakeholders was strengthened in 2017 through the launch of a global employee engagement survey as well as an external stakeholder survey. The global employee engagement survey was launched in early 2017 in order to gain confidential and anonymous insights and feedback from across the Group. The external feedback was gained by surveying a mix of external stakeholders with the aim of achieving a representative mix in terms of types of organization (investors, banks, local community members, and associations) as well as geographic areas.

The **third phase** involved the analysis and validation. Several interviews were conducted with Executive Committee members and division General Managers to structure the preliminary results. The final assessment and results were then presented and validated by CSR Steering Committee and Executive Committee, which resulted definition of priority CSR themes to be addressed and preliminary actions to be taken.

The rating agency indices and assessments related to Group ESG performance that were included in the definition of material CSR priorities process as described above as well as the most recent rating awarded Imerys are summarized in the table below.

Indices/Assessment	2017 Rating
CDP Climate Change ⁽¹⁾	B
	Absolute Score (0-5) = 3.3
FTSE4Good Index ⁽²⁾	Supersector Relative (1-100) = 58
MSCI ESG Leaders Indexes ⁽³⁾	AAA

(1) Details on the CDP assessment scope and rating system can be found at: <https://www.cdp.net/en>.

(2) Details on the FTSE4Good Index Series scope and rating system can be found at: <http://www.ftse.com/products/indices/FTSE4Good>.

(3) Details on the MSCI ESG Leaders Indexes scope and rating system can be found at: <https://www.msci.com/esg-indexes>.

(1) IMA Europe published the "2050 Roadmap" for the industrial mineral sector in September 2014: <http://www.imagethefuture.eu/sites/default/files/imagethefuture/IMA-Roadmap-2050-bleed-22092014-Web.pdf>. This roadmap identifies the megatrends, risks and opportunities of the industrial minerals sector between today and the horizon of 2050.

In addition to the above, Imerys ESG practices are also assessed within: Ethibel Sustainability Index Excellence Europe, Vigeo Europe 120, STOXX® Global ESG Leaders Index, Oekom, Ecovadis and Sedex Advance assessments.

✓ For more information on the Group Employee Engagement survey, [see section 5.5.4.3 of the present chapter](#).

✓ For more information on Group CSR Reporting Methodologies, [see section 5.8 of the present chapter](#).

5.3 MATERIAL CSR RISKS

A robust assessment of material CSR risks is fundamental to the definition of the Group CSR strategy consistent with Imerys' long term business strategy as well as stakeholder expectations. Materiality in this context is about identifying the key issues, threats and opportunities for Imerys and its stakeholders that may negatively impact or have the capacity to create value.

Imerys material CSR challenges and opportunities related to environmental, social and governance topics are summarized below under six pillars: business conduct, product management, human capital, safety and health, climate change and natural resources management. The material CSR risks presented here within are consistent with the macro approach to risk and internal control presented in [chapter 4 of the 2017 Registration Document](#).

Ensuring the **safety and health** of Groups employees as well as contractors is Imerys' number one priority. Being a safe place to work is a cornerstone of Imerys' sustainability.

Ensuring ethical **business conduct** in a rapidly evolving global business environment is achieved through strong corporate governance, which is the foundation upon which the Group is built. Yet evolving regulations focusing on fair operating practices, and responsible supply chain require continual adaptation of Group systems and processes. Imerys also faces social challenges and opportunities in its interactions with the communities surrounding its sites, which need to be carefully identified and managed. More generally, Imerys makes a fundamental contribution to a multitude of regional, national and international economies and as a local employer, it creates concrete socio-economic benefits to employees, to contractors and suppliers, thus, helping to fight poverty and contribute to sustainable development.

Responsible **product management** contributes to the development of sustainable business opportunities for Imerys. The technological expertise within Imerys enables the Group to be in an excellent position to continuously improve the process efficiency and

production methods of its operations. At the same time, the Group's innovation capacity together with its awareness of global megatrends will enable the Group to harness opportunities for minerals' development, taking due consideration of the environmental footprint and sustainability of products in collaboration with different stakeholders.

Imerys **human capital** is the most important Group asset, thus ensuring the respect of human rights and labour practices, developing tools for talent and skills management, maintaining constructive social dialogue and ensuring a diverse and inclusive environment with equal opportunities for all are crucial to the Group long term strategy.

Imerys is committed to contribute to reduce the impacts of **climate change** and is aware of the global trend towards an economy that is low carbon or carbon-free. For the transformation of industrial minerals, this requires ensuring greater energy efficiency through new technologies and processes as well as integration of renewable energy sources.

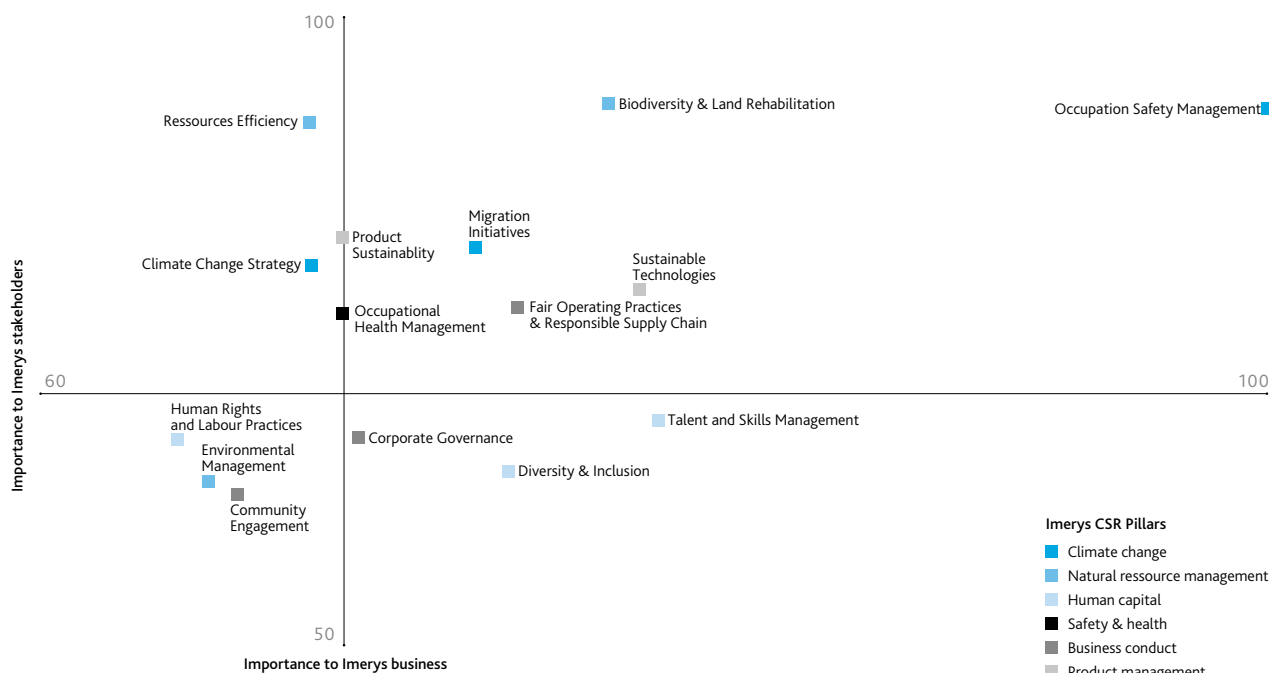
The techniques used for processing industrial minerals are primarily physical (crushing, milling, and sorting) but also include thermal processes such as calcination and fusion. Through sound **natural resources management** Imerys strives to optimize the use of mineral resources and processing of mineral solids, limit the consumption of utilities such as water, manage the discharges of industrial waste, gaseous and liquid effluents and preserve biodiversity⁽¹⁾.

Crossing all the data coming from different sources aims to get a better vision of which issues are materials for Imerys and so to orientate the mid-term and long-term CSR strategy in an optimal way for the Group and its stakeholders.

Imerys' most material issues are presented the figure below, with the **2018 CSR priority themes** identified in bold.

(1) Other environmental aspects such as noise and vibration, dust, and spill of hazardous substances may be significant at a local level and as such are managed accordingly within the site Environmental Management System. They are not considered material at global level.

Imerys material themes and 2018 priorities



5.4 KEY OBJECTIVES AND PERFORMANCE

In the following sections of this chapter, Group CSR commitments, objectives and performance in 2017 associated with the Group 2015-2017 three-year SD plan are presented in greater detail together with their alignment to UN GC Principles and the UN Sustainable Development Goals to which they contribute. The Group objectives for 2018 based on the new CSR strategy and linked with the material issues and stakeholders' expectations are likewise presented. A complete summary of the Group's non-financial Key Performance Indicators (KPIs), which also reflect local performance at site level, can be found in [section 5.8.2 of the present chapter](#). Any changes or evolution in the 2017 SD objectives that occurred during the year are duly noted. One of the 2017 Group objectives related to the integration of sustainable development as a key driver of Imerys business strategy is not reported on within this section as the progress towards this objective fulfillment is linked to the definition of the new CSR governance structure, CSR department and Group CSR strategy as reported in [sections 5.1 and 5.2 of the present chapter](#).

During 2017 the Group made a series of acquisitions, which are described within [chapter 1, section 1.4.2 of the 2017 Registration Document](#). The acquisition of Kerneos in particular has the potential to impact Group ESG performance, primarily in terms of environmental footprint, due to the size and nature of Kerneos activities. Kerneos brings a solid culture of Corporate Social Responsibility as a new Group division, having since 2014 deployed

a dedicated CSR program within its own organization. Building on the existing synergies between Kerneos CSR vision, policies and programs, the integration of Kerneos within Imerys compliments and reinforces the Group CSR program deployment. The potential ESG impacts of all Imerys 2017 acquisitions are described wherever appropriate in the following sections of this chapter.

In addition to the CSR performance linked to the aforementioned Group level objectives, for the past 13 years the Group has organized a company-wide competition that serves as an impetus to develop and share best practices, innovations, and technological solutions, each contributing to the Group CSR commitments and supporting progress towards several UN Sustainable Development Goals. In total, 847 projects have been submitted in the "SD Challenge" internal program over the last 13 years. The Imerys SD Challenge 2017 edition reached a record level of participation with 130 projects submissions representing all the Group geographic areas and divisions⁽¹⁾. To be considered for the Challenge a project must help to achieve the goals of the Sustainable Development Plan 2015-2017 and focus on long-term sustainable results. Imerys is committed to ensure that the Group SD Challenge shall continue to inspire greater awareness and understanding of material CSR risks and continue to serve as a platform to support the realization of the Group CSR vision and ambition.

✓ For more information on Group SD Challenge initiatives, [see Imerys.com](#).

(1) Kerneos, which was acquired by Imerys in July 2017, did not participate in the 2017 SD challenge as a division as to SD challenge was launched before the acquisition was finalized.

5.5 SOCIAL RESPONSIBILITY

5.5.1 SAFETY AND HEALTH LEADERSHIP

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Develop a proactive safety and health culture by implementing the three pillars of the Imerys Safety System: compliance, continuous improvement and communication	<ul style="list-style-type: none"> ■ LTA Rate: ≤ 1.05 for employees and contractors⁽¹⁾ ■ Implement action plan for engagement between senior executives and employees at the site level ■ Safety Culture Improvement Team (SCIT) events at 30 sites ■ Ensure that all divisions roll out training sessions dedicated to safety for new production managers and industrial supervisors ■ Launch a new initiative on Contractor Safety Management ■ Launch initiative on ergonomics⁽²⁾ 		
	2018 objectives <ul style="list-style-type: none"> ■ Occupational Safety Management <ul style="list-style-type: none"> ● LTA Rate: ≤ 1.31 for employees and contractors⁽³⁾ ● Assess Occupational Safety maturity of all Group operations and develop specific site level safety action plans ■ Occupational Health Management <ul style="list-style-type: none"> ● Develop an Occupational Health maturity matrix integrated within "I-Cube" ■ Product Stewardship <ul style="list-style-type: none"> ● Develop a new Group product stewardship policy and supporting protocols 	Principle 1	SDG 3

(1) The Group combined LTA rate for employees and contractors at the end of 2017 was 1.42 (see section 5.5.1.1 below for additional details).

(2) A potential program on ergonomics was evaluated in 2017 and shall be revisited in 2018; as such progress towards this objective is not reported in the 2017 Registration Document.

(3) The Group combined LTA target for employees and contractors has been set at ≤ 1.31 for 2018 in order to take into consideration changes within the Group reporting perimeter, which includes all the Group recent acquisitions.

Safety and health are core values for all Imerys operations worldwide. The Group is committed to developing a proactive safety and health culture through partnerships among management, employees, contractors, suppliers, visitors and the communities in which it operates. The Group is likewise committed to continuous improvement cycle of safety and health performance, setting objectives and monitoring, reporting, auditing and reviewing. This safety and health framework is fundamental to the Groups success and contributes to SDG 3 to ensure healthy lives and promote well-being for all at all ages.

5.5.1.1 OCCUPATIONAL SAFETY

Imerys requires each operation to have an effective Safety Management System. Programs are built within the Imerys Safety System (ISS) based on continuous improvement. A Safety Culture Maturity (SCM) matrix integrates all these programs and helps operations to conduct gap analyses and drive their improvement plans, in partnership with the industrial team and safety professionals within the Group "I-Cube" Program.

✓ For more information on the Group "I-Cube" Program, see chapter 1, section 1.4 of the 2017 Registration Document.

Training and awareness on the Group safety and health system are achieved through various communication and training tools that include Safety Summits, Imerys Safety University (ISU), web seminars, a digital learning path called IM-Pulse, which covers Imerys Safety System and key programs amongst other topics, safety toolbox meetings and the Group Welcome Sessions for new managers. Training on EHS topics represents 54% of total training hours in 2017 (see section 5.8.2 within the present chapter).

Given the importance of Behavior-Based Safety (BBS) as an essential component within an effective safety culture, Imerys' operations either implement specialized BBS programs or integrate behavioral factors into regular safety inspections. Improvement in BBS is also supported by a dedicated section of the Group Safety Culture Maturity matrix.

The Group recognizes the pivotal role that senior management plays within the Group safety culture. Their ability to effectively engage with all employees at site level on safety is fundamental to continually improve safety performance. The Group Safety Summits focus on strengthening Visible Felt Leadership (VFL) within the most senior leadership, while the Imerys Safety University (ISU) focuses on a tailored approach to coach site managers on how to cascade Visible Felt Leadership within their supervisory teams. At the end of 2017, 3 Safety Summits, 119 VFL safety visits by Executive Committee members were conducted and 9 special sessions of ISUs were organized with approximately 300 participants.

Safety Culture Improvement Team (SCIT) events are organized by senior EHS professionals within the Group to drive safety culture improvement. All 30 SCIT events were conducted in 2017, thus the Group objective was achieved for the year. To support the alignment to Group safety culture expectations, since the beginning of 2017 every newly appointed operational General Manager at divisional or regional level have participated in a specific safety induction with a region EHS Director, followed by participation in a SCIT event. At year end these General Managers have a one-on-one face-to-face safety debrief with a Group Executive Vice-President.

A new Group safety awareness endeavour was launched in 2017 to focus on the behaviours and actions needed to ensure safe operations. The first Imerys Safety Connect Day focused on safe mobile equipment and pedestrian interactions and earmarked the launch of a powerful film narrated by the Group Chairman and Chief Executive Office entitled "Hidden Dangers". Imerys Executive and Senior Management demonstrated their engagement by participating in the activities and workshops organized at Group sites around the globe. This event will become an annual event on the Group calendar.

✓ For more information on the Hidden Dangers film, *see "Imerys Replay" on YouTube www.youtube.com/user/ImerysReplay*.

The Group has an internal safety and health incident reporting process and associated database. Incident investigations are conducted and corrective actions are implemented at site level with follow-up at division level. Safety Alerts are issued whenever a lost-time accident occurs to share root causes and lessons learned. Where appropriate, corrective actions identified through an incident investigation are directly integrated into the next update of Group safety protocols to reduce the risk of reoccurrence. In 2017, approximately 59 safety alerts were delivered by the Group.

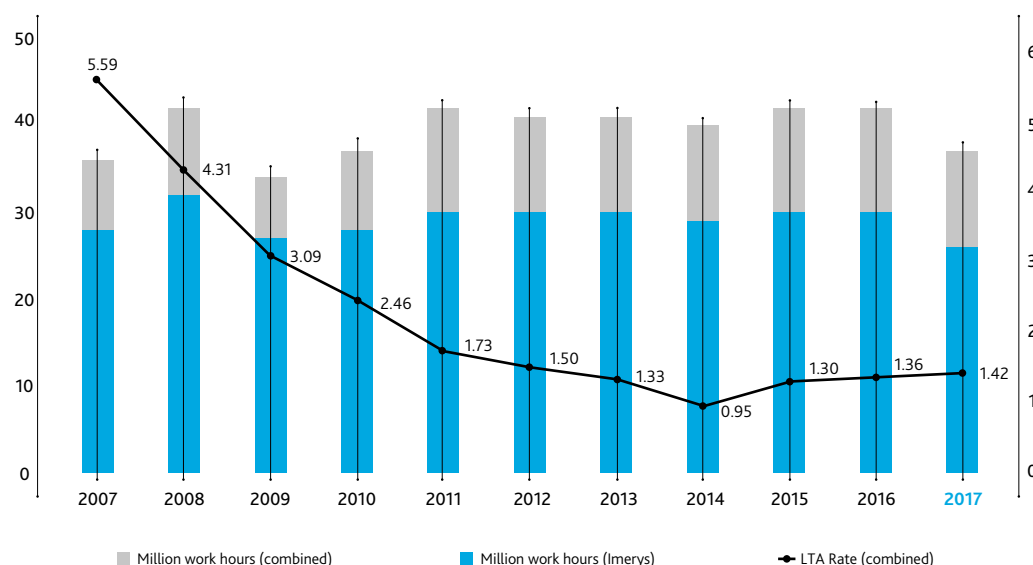
Safety compliance requirements for each Imerys operation include not only local laws and regulations, but also the Group's Environment, Health and Safety policies, protocols and procedures. The Group EHS Audit Team conducted approximately 30 comprehensive onsite EHS compliance audits across the Group in 2017. Corrective actions are tracked by Corporate EHS to completion through the web-based software system.

Alignment of Group contractors within Imerys safety system and safety cultural expectations is fundamental to achieve the Group safety goals. As such in 2017 a new Contractor Safety Management initiative was launched, which outlines a common and systematic approach for the selection, monitoring and continuous improvement of the health and safety performance of contractors and sub-contractors.

Imerys tracks and analyses safety performance on a monthly basis using indicators for fatalities, lost-time accidents, life-changing injuries, and accidents without lost time at the Group level. All levels of the Group review recorded safety performance metrics every month. The progress on all the aforementioned key objectives and programs is reviewed quarterly.

✓ For more information on Group safety reporting methodologies and metrics, *see section 5.8 of the present chapter*.

Group Lost Time Accident Rate



As of December 2017, the combined Lost-Time Accident Rate (LTA) of the Group was 1.42 and the combined Total Recordable Injury Rate (TRIR)⁽¹⁾ was 5.17 in 2017. Despite the significant improvements observed overall in the last 10 years, the results this year do not meet the Group ambition. The Group is committed to make a step change to eradicate life changing incidents and fatalities and shall maintain its unyielding focus on continuously improving safety performance. Unfortunately in 2017 one Imerys subcontractor suffered a fatal accident in Ipoh Malaysia when a front tyre of an Articulated Dump Truck (ADT) burst, causing the ADT to traverse a berm and fall.

5.5.1.2 OCCUPATIONAL HEALTH

Imerys recognizes workplace health as a priority for the Group's employees and contractors. Specific issues in mineral mining and processing activities include dust, noise and vibration. Limited quantities of chemicals are also used during industrial processes and in the laboratories for quality assurance and R&D. Certain jobs also involve lifting or repetitive tasks with the potential to cause ergonomic problems. Imerys occupational health protocols

outline the framework for controlling and mitigating occupational health risks, which include providing training and systematically verifying compliance Group protocols and applicable regulations through the EHS Audit program.

Dust reduction actions are initiated and monitored through the Group "I-Cube" Program. At the divisional level, health programs are integrated into wellness initiatives and supported with engagement and communication campaigns. In 2018, the Group occupational health program shall be assessed and reinforced in a continuous improvement cycle as **2018 priority CSR themes**.

Most of the Group's European operations participate in the European Social Dialogue Agreement (SDA) on workers' health protection through the good handling and use of crystalline silica and products containing it and have reported on specific aspects of their implementation through participation in a program organized by the European Network for Silica (NEPSI)⁽²⁾. The NEPSI reporting campaigns are conducted every 2 years, with the fifth NEPSI report results published in April 2016. One hundred percent of the relevant Imerys sites in Europe participated in the 2016 reporting campaign.

Group Reported Occupational Illnesses

	2017	2016	2015
Occupational illnesses with lost time	2	2	7
Occupational illnesses without lost time	6	7	6
Total	8	9	13

In 2017, eight new occupational illnesses were reported from four different sites across the Group. Seven of these cases were linked to illness related to repetitive actions and one to a

long-term exposure to noise. Medical treatment and alternative jobs were identified in each case and corrective actions such as the modification of the workstation were implemented.

5.5.2 INDUSTRIAL RISK MANAGEMENT AND LOSS PREVENTION

Due to the nature of industrial process or infrastructure some of Imerys sites are exposed to the risk of the occurrence of industrial incidents that may cause potentially material environmental or business continuity risks. As such industrial risk management and loss prevention is essential to ensure the safety of Group people and assets.

In 2017 the Group integrated industrial risk management and loss prevention as one of the new disciplines with the Corporate CSR Department. To minimize and mitigate exposure to industrial risks, an interdisciplinary working group has identified and prioritized key

industrial risk events that have the potential to materially impact the Group and defined risk prevention plans, which are overseen by qualified third party risk engineers and insurers. A network of internal and external experts with specific skills and competencies in industrial risk and loss prevention has been created and for the few industrial sites where it is required a process safety management is being developed.

✓ For more information on Risk Factors and Internal Control, see chapter 4, section 4.1 and 4.2 of the 2017 Registration Document.

(1) Imerys has a different TRIR definition than many other Groups. Many Groups consider an injury as "recordable" when its treatment requires more than first aid. However, Imerys considers a recordable injury as an accident without lost-time whenever a medical service provider is involved in the treatment, even if the treatment is first aid.

(2) NEPSI: the European Network for Silica is comprised of employees and associations of European companies that have signed the multi-sectoral social dialogue agreement.

5.5.3 PRODUCT STEWARDSHIP

Imerys is committed to providing high-quality products to its customers, and indirectly, to end-users. Each business is responsible for insuring that its products comply with regulatory requirements and to prevent potential physical and health hazards. For products manufactured in (or imported into) Europe, the Group complies with the European Directive on "Regulation, Evaluation and Authorization of Chemicals" (REACH). Substances marketed by Imerys are frequently subject to risk studies to determine their properties (e.g., pursuant to the GHS/CLP⁽¹⁾ Regulations in Europe). Imerys monitors these studies closely, and labels its products to appropriately reflect the results of these studies.

For certain minerals, the Group applies the Mine to Market Mineral Management (M4) program, which is articulated around four components 1) ore/deposit characterization at all stages of the mineral cycle, 2) product quality monitoring, 3) industrial hygiene and, 4) management review. The characterization of the ore starts from the mine planning stage and follows the ore through

all mining stages prior to the milling of the product. The quality of the product is verified using a combination of the state-of-the-art techniques, and ore is rejected if strict quality control standards cannot be confirmed.

In 2017 the Group integrated product stewardship as one of the new disciplines with the Corporate CSR Department and further strengthened this expertise through the creation of an external scientific advisory panel. The Group also created a regional product stewardship community in North America to discuss regulatory developments and share best practices, and this concept is being expanded to other regions.

As of the end of 2017, approximately 70% of Imerys operations were certified to the ISO 9001 Quality Management System.

✓ For more information on Group ISO 9001 certifications, [see chapter 1 of the 2017 Registration Document](#).

5.5.4 HUMAN RESOURCES

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Develop the professional and personal capabilities of our employees, provide them with appropriate benefits, promote workplace diversity and maintain industrial relations by fostering an environment of mutual respect	<ul style="list-style-type: none"> Continue to oversee the implementation of new benefits schemes in a series of countries (Japan, Italy, New Zealand, Belgium, etc.) Launch internal communication towards Education program on literacy and numeracy Leverage the Sustainable Development Challenge to support the Education program implementation in target countries Issue a monthly report to measure the progress of the Education program; Create relevant tools for HR and employee representatives, to contribute to the Education program assimilation and to disseminate it. Have the specific Charter for Diversity, Literacy and Benefits objectives signed by the European Works Council⁽¹⁾ 		
Respect fundamental human rights by referring to core international conventions and the International Bill of Human Rights, and take particular actions to eradicate child labour and forced labour	<p>2018 objectives</p> <ul style="list-style-type: none"> Human Rights and Labour Practices <ul style="list-style-type: none"> Define and implement Corporate global level employee engagement survey action plans Talent and Skills Management <ul style="list-style-type: none"> Ensure a comprehensive embedding of <i>Imerys Leadership Behaviors</i> in HR programs, process & tools Design and implement a global recruiting and internal mobility policy and process Design and deploy a Group Onboarding Program Social Dialogue <ul style="list-style-type: none"> Define and implement local employee engagement survey action plans Diversity and Inclusion <ul style="list-style-type: none"> Adapt Imerys recruitment and mobility policies & practices to support the reinforcement of diversity Develop and deliver training & communication programs on unconscious bias Develop a diversity and inclusion maturity matrix to steer Group diversity and inclusion programs 	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6	SDG 4 SDG 5 SDG 8 SDG 10

⁽¹⁾ During 2017, this objective was adjusted to cover a charter covering literacy approved by the European Works Council and is report as such within the 2017 Registration Document.

⁽¹⁾ GHS/CLP: Globally Harmonized System/Classification, Labelling and Packaging of chemicals.

Human capital is at the heart of Imerys' business. Imerys seeks to create an environment that promotes employees development as a key element of growth and transformation, and as such the Group HR policies and practices are based on fairness, openness and mutual respect. The long term objectives of the Group are to identify, attract, select and retain talented people; develop and provide essential competencies; share ideas, projects, best practices across the organization; and ensure transparency and compliance with both legal requirements and Imerys' policies and regulations.

The Group is committed to respect and promote the International Bill of Human Rights and provisions of the fundamental conventions of the ILO and to complying with local legislation in force in the countries where it operates, particularly in terms of non-discrimination, privacy, child labour, compensation and working hours. To improve its procedures, the Group regularly updates its HR policies. Through constant engagement on these subjects the Group contributes to various SDG goals.

Employment⁽¹⁾

	2017	2016	Variance 2016/2017
Registered employees	18,359	15,697	+17%
of which permanent employees	17,381	15,003	+16%
of which non-permanent employees	978	694	+41%

(1) In 2016, the Group reported temporary fixed-term & sub-contractor contracts. This indicator is not reported within the 2017 Registration Document due to data collection challenges associated with reporting definitions across the Group. The fixed-term & sub-contractor indicator shall continue to be refined and reintroduced for subsequent reporting cycles.

5.5.4.1 HUMAN RIGHTS AND LABOUR PRACTICES

Imerys strives to promote mutual respect and diversity in all practices and dealings with employees, contractors, suppliers, customers and vendors, and in the communities in which the Group operates. Imerys recognises that management of relations with employees is critical to the creation of an environment in which all employees can excel. Imerys endeavours to have a positive impact through its employment practices upon the welfare of employees and on the communities surrounding operations and thereby contribute to SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Imerys recognizes the right to freedom of association and the right to collective bargaining, which is clearly articulated within the Group Code of Business Conduct and Ethics and the Group Employee Engagement Policy. At the end of 2017, approximately 68% of employees were covered by Collective Bargaining Agreements (CBAs). These CBAs commonly include subjects such as health and safety, work organization and working hours, training, compensation and benefits, and equal opportunities.

Imerys is fully committed to taking effective measures to end discrimination and to eradicate child labour and forced labour. Compliance with Group protocols on human rights and labour practices, including preventing child labour and forced labour, is included within due diligence assessment for new projects and within the scope of internal auditing missions for the Group existing activities. Protocols on prohibition of child labour and forced labour have been in place since 2009, and were reviewed and updated in 2017.

✓ For more information on the Code of Business Conduct and Ethics, [see paragraph 5.7.2 of the present chapter](#).

The Group has continued its actions to implement social benefits for all its employees worldwide. Death & disability coverage is now in place for all employees in Turkey and China and at the same time detailed assessments have been conducted in Germany and Belgium, where harmonized coverage will be implemented from January 2018. Imerys will continue to roll-out and reinforce the social benefits for local employees in various countries (Japan, Italy, New Zealand). Moreover, the Group Pension Committee has undertaken in the UK and USA especially, an effort to optimize the financial management of plan assets to fund retirement plans.

5.5.4.2 TALENT AND SKILLS MANAGEMENT

Talent and skill management is essential to maintain an innovative, engaged and motivated workforce and to ensure strong long term growth within the Group. The Group Talent Road Map continues to improve Human Resources processes focusing on recruitment, employer branding, internal mobility, professional learning, and skills and talent development. All of these processes contribute the development of human capital in Imerys and thus work towards SDG 4 to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Employee moves

	2017	2016
Net variation of permanent employees (excluding M&A and divestitures)	0	(416)
External recruitments	1,717	1,290
Redundancies (economical & non economical)	(523)	(707)
Retirement	(258)	(211)
Voluntary termination & other	(936)	(788)
Turnover ⁽¹⁾	5.8%	5.1%
Net variation of temporary employees (excluding M&A and divestitures)	186	(9)
Mergers/Acquisitions – Divestitures	2,476	(8)
Variation of Registered Headcount	2,662	(433)

(1) The turnover above is based on the number of voluntary termination and other termination in the year, and the average headcount for the year for permanent employees. This indicator had previously included retirement figures, which are now reported as a separate indicator.

The need to improve the efficiency of Group activities may lead to internal restructuring plans and job cuts. In such situations, the Group's policy is to give priority to finding in-house placement solutions for concerned employees and to set up retraining programs and support measures to help them find a job or carry out a personal project. The total variation in registered headcount in 2017 is principally associated with the Group acquisitions that occurred within the year.

Supporting internal evolution and career moves across the Group is a priority. In 2017, 60 out of the 77 (78%) senior management positions opened in operational and functional roles were filled internally from amongst the 263 senior managers that make up the Group's executive management teams. Imerys is committed to ensure its employees' development and specialized committees meet regularly to discuss internal mobility and promotions.

Imerys continues to attract new and highly experienced managers, and likewise continues to focus on developing the Group managers of the future. In 2017 Imerys welcomed, 24 graduates from 8 different nationalities in its Graduate Program, which is structured around two successive 12 month cycles that introduce the graduate to two different business environments across the Group.

Imerys Leadership Behaviours, which were rolled out in 2016 and have become an integral part of the entire talent management cycle, from recruitment, to performance and potential assessment, to development and succession plans. Annual reviews are now composed of a shared evaluation between employees and their line manager based on these principles.

The Group compensation and benefits systems and policies aim at ensuring both market competitiveness and internal consistency, while being driven by a clear pay-for-performance objective. Fixed compensations are reviewed on a yearly basis under the close coordination of the Human Resources function, supported by regular local and/or sectorial surveys, and conducted with strict financial discipline. Short term variable pay schemes include both individual and collective objectives, in order to reward both personal and financial collective performance. Long term compensation programs, based on Performance Shares, are fully aligned on the Group long term financial objectives. The Group endeavours to align its remuneration practices across the best international standards.

✓ For more information on the Executive Remuneration, [see chapter 3, section 3.2 and 3.3 of the 2017 Registration Document.](#)

The Group is committed to continuously diversify and increase Group's training program through a blended learning approach, enabling employees to actively lead their own development and learning experience. The Group e-learning platform "IM-Pulse" hosts Imerys' entire training offer and as of 2017 is accessible to 4,000 employees/managers across the Group. Training courses can be followed on line or in person. In 2017, Imerys Learning Center provided 9,740 hours of training through 54 programs covering geology, finance, management, project management and industrial marketing performance. In 2017, the number of training paths offered in IM-Pulse increased significant from 33 to 100 training paths offered. As an example, the Industrial Learning Channel "Operations & Me" integrated IM-Pulse, giving the Industrial Function enhanced tools to improve performance by providing new learning resources available across the Group at any time. A total of 7,730 hours of e-learning were attended by 3,200 people in 2017.

Imerys is fully committed to education and in particular to the fight against illiteracy, the education of women and girls and the support of young adults to enhance their employability. In 2017 Imerys had a specific objective to create an education program, contributing to SDG 4 to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The Group launched internal communication using various medium to share information on the education program objectives towards literacy and numeracy, including a charter for literacy for employee representatives and human resources professionals, which was approved by the European Works Council (EWC) ([see section 5.5.4.3 of the present chapter](#)). The Group SD Challenge served as an effective channel to strengthen the focus on education: 4 out of 10 winning projects in 2017 were related to education. In the Monolithic Refractories division its operations in Indonesia launched an illiteracy eradication program to support the development of the basic skills of reading & writing amongst employees. By partnering with a local NGO licensed by the Government the employees gain recognized certificates upon completion of the training, which opens up new possibilities for future professional growth and development.

Group training hours

	2017	2016	Variance 2016/2017
Number of trained employees	13,166	12,428	+6%
Number of training hours by year	341,927	293,191	+17%
Number of hours by category of program			
Environment, Health & Safety	185,002	156,083	+19%
Technical skills	126,533	109,787	+15%
Management	30,393	27,322	+11%

In 2017, 77% of employees⁽¹⁾ in the Group have benefited from at least one training program in the year.

5.5.4.3 SOCIAL DIALOGUE AND EMPLOYEE ENGAGEMENT

The Group strives to build constructive, open dialogue with its employees and their representatives in accordance with local regulations and implements best practices in matters of workforce management. Establishing and maintaining this open dialogue is a means to contribute to SDG 10 to reduce inequality within and among countries.

The European Works Council (EWC) covers all employees in 21 countries: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom. The EWC is informed and consulted on Group strategic decisions such as acquisitions. The employee delegation consists of 17-members, representing 17 different nationalities. In addition to the annual plenary session, the EWC's five officers meet at least twice a year and act as liaison between representatives and Imerys management. In 2017, 12,828 hours were lost due to strikes (35,167 in 2016), of which 9,906 in France and 2,754 in South Africa.

Internal communication campaigns aim to provide all employees with information that can help them understand the Group's strategy, environment and activities, build their sense of belonging and highlight the Group's values to help strengthen its identity. Open communication is shared through a variety of formats, including through the Group intranet, which hosts information on Group charters, policies, protocols and procedures, latest news, transversal programs, job & mobility offers, new appointments, acquisitions, practical tools, and access to other dedicated sites. To highlight employees, projects, initiatives and successes throughout the Group a digital newsletter "Headlines" is published regularly and shared with all employees. A special edition is systematically dedicated to the winners of the annual SD Challenge competition

to provide details and share best practices in CSR. To facilitate the integration process for new managers "Welcome Sessions", which provide information about the Group and its ambitions, are regularly organized in Europe, USA, China, India, Brazil, South Africa and South-East Asia. In 2017, seven Welcome Sessions were held across the Group. The Group Enterprise Social Network "Chatter" is an additional platform to share information and support discussion on specific topics and within specialized communities.

In April of 2017, Imerys launched its first global employee engagement survey "Your Voice". This survey was conducted confidentially and anonymously offering employees the opportunity to express their position on a wide range of topics. The questionnaire, composed of 53 questions including one open ended question and available in 17 languages, was shared with all employees with Group emails across all Imerys countries & divisions. The Global response rate reached 75%, which provides the Group with clear signals on employee engagement levels and on Group strengths and areas for improvement. The results of the survey showed high levels of engagement and enablement across the Group, driven by a strong loyalty to Imerys. When compared to the industrial benchmark of data collected from over 2.4 million employees in 90 organizations operating in the industrials sector, feedback on Imerys commitment and performance in terms of safety and environment ranked high among Imerys strengths (17% and 9% above the industry average for safety and environment, respectively). The outcomes of this survey were presented across the Group, with a particular focus on local results. The presentation of results was followed by the creation of working groups tasked with the elaboration of local action plans to focus on areas where potential improvement are needed, which will continue throughout 2018. As described in [section 5.2 of the present chapter](#), the outcome of this employee engagement survey has been integrated into the materiality assessment to contribute to the identification of material CSR risks and definition of Group CSR priorities.

(1) The training hours percentage is based on the average registered headcount of Group employees in 2016 and 2017.

5.5.4.4 DIVERSITY AND INCLUSION

The Group's Diversity Charter outlines the commitment to achieving greater diversity, as well as to equal opportunities and inclusion across the Group is a high priority and shall continue to be the focus of particular efforts at all levels of the organization. Imerys does not tolerate any discrimination and/or harassment of its employees, customers and vendors, on the basis of gender, age, nationality, citizenship, ethnicity, religion, background, sexual orientation,

disabilities, marital and parental status, or political affiliation. The Group recognizes that diversity is a long-term engagement and while the Group has not yet reached the full target it is fully committed to accelerate efforts and as such contribute further to SDG 5 to achieve gender equality and empower all women and girls and SDG 10 to reduce inequality within and among countries.

Gender diversity

	2017	2016	Variance 2016/2017
Percentage of women in the Group	17.5%	17.1%	+2%
Percentage of women in senior management	14.4%	16.5%	-12%

Disability

	2017	2016	Variance 2016/2017
Number of employees with a disability	242	213	+14%
Percentage of registered headcount with disability	1.3%	1.4%	-3%

Age and seniority

	2017	2016
Percentage of permanent headcount by age bracket		
Less than 30 years	11%	11%
From 30 to 39 years	25%	25%
From 40 to 49 years	30%	29%
From 50 to 54 years	16%	16%
More than 55 years	19%	19%
Percentage of permanent headcount by seniority		
Less than 10 years	50%	49%
More than 10 years	50%	51%
of which more than 20 years	24%	26%

The proportion of senior managers (male and female) as a percentage of total employee headcount decreased in 2017 due to the nature of the Group acquisitions. To the same effect, the proportion of women in senior management roles decreased slightly in 2017, while the overall proportion of women in the Group has remained relatively stable over the past three years. Particular efforts will be deployed in 2018 and beyond to improve these trends.

In 2017, nine workshops were held to raise awareness on the effects of implicit and/or unconscious bias and to help participant develop effective strategies for ensuring that such bias does not undermine Group efforts to ensure a diverse and fulfilling workplace for all employees. A dedicated section on diversity and inclusion was created within the IM-Pulse e-learning platform, which provides a wide range of practical range of resources and tools for divisions and sites to use for training and awareness campaigns.

Within the context of the 2017 SD Challenge, special recognition was awarded by the Jury to the Monolithic Refractories division in India for their program linked to the Imerys Diversity Charter. The program's

principle aim is to increase opportunities for women in management, in particular in operational roles. To support the goal to increase the numbers of female employees and continue to improve the working culture of the office and plants, the program's was designed to empower and educate both female and male supervisors through training on leadership, communication and collaboration, as well as coaching for the supervisors. In 2017 approximately 50 employees took part in the program which shall run throughout 2018 and shall serve as a pilot to be replicated in other sites.

In line with the approach taken for the **2018 priority CSR themes** as described in [section 5.3 of the present chapter](#), in 2017 the Group launched a diversity and inclusion working group composed of representatives of different businesses and functions across the Group. The purpose of this working group, whose mandate will continue in 2018, is to conduct research and analysis on diversity and inclusion across the Group, to identify key drivers and challenges and propose concrete practices, including the necessary monitoring and review, to accelerate progress.

5.5.5 COMMUNITY ENGAGEMENT

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Build positive relationship with communities around our sites and contribute to local social and economic development	■ Conduct desktop review for quality improvement of the community relations plans at 10% of the Group's mining operations		SDG 3
	■ Add 10 projects contributing local social and/or economic development		SDG 4
	■ Implement the micro-business incubation initiatives (continuation)		SDG 5
	■ Carry out a pilot stakeholder engagement survey in the surrounding communities of two quarries in Europe	Principle 1	SDG 6
		Principle 6	SDG 7
		Principle 8	SDG 8
		Principle 9	SDG 10
			SDG 12
			SDG 13
			SDG 15
	2018 objectives		
	■ Community Engagement		
	● Develop a stakeholder relations and community engagement maturity matrix and assess the maturity of 1 division		

Working around the world, Imerys operations and employees inevitably become a part of the local community and are seen as representatives of Imerys Group as a whole. As such the Group actively encourages divisions and employees to contribute to the socio-economic development of their respective communities by not only identifying and understanding stakeholder needs and expectations, but by actively sharing talents and skills and by supporting the initiatives that create shared value for local communities. Working in a collaborative and constructive fashion with local partners, communities, associations and other stakeholders helps the Group to contribute to numerous SDGs through its operations.

The Group framework for stakeholder mapping and community relations is articulated in a "Community Relations" protocol, which is available in seven languages. Guidance on the implementation of the aforementioned protocol is provided through a Community Relations Toolbox, assist the Imerys operations to create and implement their community relations programs. The Toolbox outlines the approach to identify stakeholders and issues and outlines the content of a stakeholder engagement plan.

In 2017, the Group continued to review the quality of community relation plans across the Group, focusing on a desk top review of 10% of the Group mining sites. The review was conducted together with the site managers of 14 sites, focusing on compliance with Imerys protocols as well as on proactive engagement, planning, monitoring and review. The review outlined areas for improvement for each site and served as a means to share best practices across sites involved in the assessment. Follow-up on the recommendations will be conducted through the Internal Control Self-Assessment (ICSA) campaign described in [section 5.7.2 of the present chapter](#).

In addition to the particular focus on education as described above, the Imerys SD Challenge supports the development and sharing of best practices in stakeholder and local community engagement. In the 2017 SD Challenge, of the 102 initiatives competing over 60% of the entries were linked to community relations including 52 projects contributing to local economic or social development. Among those projects, a program called "Crescendo Micro-credit" was created in 2016 in Brazil in alignment with the Group's micro-business incubation initiatives. In 2017 additional micro-business incubation initiatives were developed, such as "Imerys Saksham" community skill development & livelihood initiative developed by

Monolithic Refractories division in India. The initiative focuses on developing practical skills by training local women in sewing and beauty salon essentials with the support of a local NGO. Another such initiative was launched by the Refractory Minerals division in Clérac France to support the launch of local micro business. With the support of a local consultancy, a commission has been established to identify the strongest candidate projects, who will receive guidance on business management including recruitment and investment planning. Follow up on the recently launched initiative is made with the local authority and is planned to continue over the next two years.

✓ For more information on Imerys documentary films, [see "Imerys Replay" on YouTube \[www.youtube.com/user/ImerysReplay\]\(http://www.youtube.com/user/ImerysReplay\)](#).

More than 20 Imerys sites across the globe took part in this year's Minerals Day, an industry-wide initiative demonstrating the importance of minerals to the public and an opportunity for engagement local and regional stakeholders. In Milos Greece, visitors to the Bentonite and Perlite operations of the Metallurgy division participated in several events aimed at improving children's understanding of safety, through drama and role play. Over 250 visitors participated in the open doors event organized by the Ceramics division Quartz de Dordogne in France. Similarly in the Performance Additives division, at its Talc site in Luzenac, over 300 guests, including local authorities and neighbours, visited the quarry to share information focus on geology, biodiversity, sustainable and regional development as well as talc uses. In 2017 within the context of these open door events, the Group launched a pilot community stakeholder engagement survey to incorporate feedback from local stakeholders within the Group materiality assessment described in [section 5.2 of the present chapter](#). The survey provided valuable insight into local perception of Group impacts and potential to create economic, societal, cultural, and environmental value through its activities.

In addition to the local community engagement programs and initiatives described above, Imerys' focuses on education and photography through corporate sponsorship. Imerys aims to promote access to culture and diversity through its support of photography and as such the Group entered into a partnership with the RMN-Grand Palais (Paris) to sponsor their photographic exhibitions for three years starting from 2016. Imerys maintained its partnership with "Les Arts Florissants" to support its music program through the end of 2017.

Imerys is also a technology partner of the “Energy Challenge”, a competitive ocean racing project led by the skipper Phil Sharp that shares the Group values of innovation and excellence. The Energy Challenge is focused on developing and demonstrating cutting edge technologies, contributing data to climate change studies, and communicating on the efficiencies of high performance zero-carbon emissions in Class 40 yacht racing. Imerys and two

divisions (Graphite and Carbon and Roofing) are sponsoring the Energy Challenge project, which in 2017 claimed victory in the Class 40 Championship and was the only zero CO₂ yacht in the racing circuit.

✓ For more information, see <http://philsharpracing.com/energy-challenge>.

5.6 ENVIRONMENTAL STEWARDSHIP

5.6.1 ENVIRONMENTAL MANAGEMENT

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGs
Assess relevant environmental risks and continually improve control measures to reduce adverse environmental impacts	<ul style="list-style-type: none"> Conduct comprehensive Environmental Management System audits at 15 operations (10 desktop and 5 onsite audits) Support dust management programs at the top 10 priority sites identified⁽¹⁾ 		
	2018 objectives		
	<ul style="list-style-type: none"> Environmental Management <ul style="list-style-type: none"> Develop an environmental management maturity matrix and assess the maturity on selected pilot sites 	Principle 7 Principle 8 Principle 9	SDG 6 SDG 7 SDG 12 SDG 13 SDG 15

(1) During the course of 2017, this objective was re-evaluated and postponed; as such progress towards this objective is not reported in the 2017 Registration Document.

Imerys aims to minimize negative environmental impacts associated with its operations. Environmental stewardship rests upon the implementation of a robust Environmental Management System (EMS), a framework that is fundamental to contribute to numerous SDGs, but in particular to SDG 12 to ensure sustainable consumption and production patterns in the long term. Imerys requires each operation to have an effective EMS enabling it to identify and establish controls for significant environmental risks. The mandatory EMS requirements for all activities are covered by a Group-specific environmental protocol, which includes eight pillars aligned to the core elements of the international standards for environmental management systems: policy, aspects and impacts, legislative and regulatory requirements, objectives and targets, roles and responsibilities, training, emergency response, and auditing.

In addition to implementation of mandatory EMS requirements, the Group encourages ISO 14001 and Eco Management and Audit Scheme (EMAS) certification. As of the end of 2017, 114 of 267 (43%) of Group operations are ISO 14001 or EMAS certified by external certification organizations.

Regulatory compliance is to be evaluated annually and each operation is required to perform annual EMS audits. To confirm regulatory compliance and conformity with the Group protocols, Imerys operations are audited at regular intervals as per the Group Environmental, Health and Safety (EHS) auditing protocol. In 2017, 30 Group EHS Audits were conducted, including comprehensive Environmental Management System audits; as such the 2017 objective was duly achieved.

In 2017, in addition to the aforementioned EHS audits, 20 environmental compliance desktop audits were launched by an independent third-party consultancy, specifically to verify compliance with environmental operating permits, licenses, authorizations, operational controls as well as environmental emergency planning and prevention. These sites are a sample that represents all of the Group geographic areas as well as most of the Group divisions.

The Group has also structured an internal environmental incident reporting process and a database that requires reporting of five different types of issues, including any significant structural deterioration of an impoundment, any release of discolored water, any release of dust, any non-routine inspection, investigation or notice of noncompliance from an environmental regulatory agency or any credible complaint concerning an environmental condition related to the operations. In 2017, 11 environmental incidents were reported. Incident investigations were conducted and all corrective actions were completed and incident reports closed as per the Group protocol. Environmental regulatory compliance issues are regularly assessed and managed as part of each operation's EMS.

Environmental incidents, prosecutions and fines

	2017	2016	2015
Number of environmental incidents	11	7	17
Number of prosecutions	6	12	13
Amount of fines (€)	148,868	346,402	67,568

The prosecutions that occurred in 2017 were associated with environmental permitting obligations regarding water or particles discharges and air emissions limits. The concerned sites were located in Canada, Italy, South Africa, United Kingdom and United States. Corrective actions to fully address environmental non-compliance issues have been promptly implemented at the relevant operations.

The probability and the magnitude of the fines that could potentially be imposed on the Group as part of these prosecutions have been estimated by the related divisions and Group managers, with the support of external law firms and consultant for the most significant litigations or complaints. The estimated financial impact has been consolidated into the provisions of "environmental and dismantling obligations", [see note 23.2 to the consolidated financial statements](#).

5.6.2 ENERGY EFFICIENCY AND EMISSIONS

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Apply advanced technologies and promote operational excellence to maximize the sustainable use of raw materials and other natural resources	<ul style="list-style-type: none"> ■ Improve by 6% the Group energy efficiency on the 2014 baseline by the end of 2017 ■ Improve by 6% the Group carbon efficiency on the 2014 baseline by the end of 2017 		
	2018 objectives <ul style="list-style-type: none"> ■ Climate Change Strategy <ul style="list-style-type: none"> ● Define the Group 2030 and 2050 CO₂ emission reduction targets in line with COP 21 2° C trajectory ■ Mitigation Initiatives <ul style="list-style-type: none"> ● Improve the Group energy efficiency by 2% relative to 2017 by the end of 2018 ■ Product Sustainability <ul style="list-style-type: none"> ● Develop a Group framework and methodology to evaluate product sustainability 	Principle 7 Principle 8 Principle 9	SDG 7 SDG 13

Imerys recognizes that climate change is a major global challenge. Through the Groups' commitment to the UN GC Principles and SDGs, the Group is determined to make progress towards helping overcome this challenge in part through efficient energy and emissions management.

5.6.2.1 ENERGY EFFICIENCY

Imerys has operational energy demand, especially in its mineral transformation processes that use thermal technologies and its quarrying activities that use heavy equipment. The Group energy initiatives are driven collaboratively between the different operational and functional groups at Corporate, divisional and site level, including operations, industrial management, environment, purchasing, geology and mining. The Group Corporate Energy function defines the analysis standards and reporting and provides necessary training to ensure consistency and reliability of the reported results.

Energy efficiency improvement makes it possible to use less energy to achieve the same level of productivity and consequently to contribute to SDG 7 to ensure access to affordable, reliable, sustainable and modern energy for all. Detailed energy efficiency analysis is disclosed in a quarterly energy report and, together with the improvement plans, this analysis is reviewed by senior management. Part of the Group variable incentive scheme for concerned managers (energy managers, facility managers, process operation managers, etc.) has also been linked to performance against energy efficiency KPIs.

Total energy consumption and breakdown by energy source

	2017	2016 ⁽²⁾	2015 ⁽²⁾
Total energy consumption⁽¹⁾ (Tera Joules, TJ)	36,932	33,041	33,154
Electricity (net), steam, hot water	30.2%	30.6%	29.8%
Natural gas	45.8%	47.7%	45.5%
Other fossil fuels	21.7%	18.6%	22.0%
Biomass	2.3%	3.1%	2.7%
Energy consumption/turnover (MJ/€)	8.03	7.93	8.11

(1) Several Imerys sites use Combined Heat and Power (CHP) facilities. Excess electricity from these facilities is sometimes sold on the grid. The total energy consumption does not count the resold electricity.

(2) Small corrections were made to Group energy data reported in 2015 and 2016 Registration Documents and as such the values vary slightly from those reported previously.

Between 2016 and 2017, the total energy consumption increased by 2.8% at a constant perimeter and 11.8% including the new acquisitions. Kerneos sites consumption represented 72% of the total consumption of these new acquisitions. The overall increase is mainly linked to the electricity and mix of fossil fuels consumption from recently acquired facilities, which at present consume primarily recycled oil, lignite coal, and gasoline.

At a constant perimeter, the overall energy efficiency improved by 0.5% from 2016 and cumulatively 4.3% from the baseline year of 2014 which is below the objective of 6%. Eight out of thirteen business divisions improved their energy efficiency and five reached the objective of -2% for the year 2017.

As Imerys has a product portfolio based upon a wide variety of different minerals, the consumption intensity of the Group can be measured in MJ per Euro of turnover. The rate was 8.03 in 2017, which represents an increase of 1.3% from 2016.

Since 2016, the Group has been focusing in particular on energy management of 12 key industrial sites, which represent approximately 30% of the Group's total energy consumption. Specific improvements projects have been carried out at these sites and the main variations observed are assessed in order to follow the progress on the KPIs. Imerys is improving energy management and driving excellence through the Group "I-Cube" Program. All of the 12 key sites mentioned above are under specific review within the "I-Cube" program, and the reviews at these sites generated 74% of the energy saved by the Group in 2017.

✓ For more information on the Group "I-Cube" Program, see [chapter 1, section 1.4 of the 2017 Registration Document](#).

In 2017, an energy community was created on the Group Enterprise Social Network "Chatter" to share knowledge and good practices. The community is supported by webinars and regional seminars designed to promote energy management.

Best practices challenges were also launched in 2017 to strengthen the operations commitment to energy efficiency. The first challenge was dedicated to energy measurement while the second challenge focused on combustion optimization. The winner of the first challenge came from a site of the Carbonates division in Ipoh, Malaysia on electrical mapping, allocation and energy trend monitoring enhancements. Another shared best practice came from the Refractory Minerals division, in Andersonville, United States, where waste heat from calcination was captured and utilized in the milling process. Flow meters are installed to track fuel usage and heat recovery system to recover heat losses, which will allow operating more efficiently and likewise generate a positive financial impact.

The Group continues to support the transition to renewable energy and advanced and cleaner fossil-fuel technology where feasible. Renewable energy sources (solar, hydropower and wind power) are also being employed in the electrical power grid and indirectly supplied to some of the Imerys operations. To date 17 renewable installations have been developed across Group sites: 10 in the United Kingdom, four in France, one in Australia, one in Austria and one in India accounting for 52 MW (eight solar units, four wind turbines, four hydraulic systems and one district heating).

5.6.2.2 CARBON EMISSIONS

The majority of the Group Green House Gas (GHG) emissions are generated through in the production of thermal energy from natural gas, fossil fuel, biomass and steam. Indirect emissions from the consumption of electricity are the second source emissions. Some processes used in Imerys operations result in a direct emission of CO₂ (e.g., de-carbonation of raw materials). Measures to monitor and reduce the GHG emissions are one of the principal means through which the Group contributes towards SDG 13 to take urgent action to combat climate change and its impacts.

Group carbon emissions

(thousands of tons, kt)	2017	2016	2015
Scope 1 ⁽¹⁾ CO ₂ emissions	2,018	1,738	1,725
Scope 2 ⁽¹⁾ CO ₂ emissions	1,161	1,056	1,056
Total CO₂ emissions (Scope 1 and Scope 2)	3,179	2,794	2,781
Energy	86.0%	87.1%	89.1%
Processes	14.0%	12.9%	10.9%
CO₂ emission/turnover (ton CO₂e/€M)	691.3	670.9	680.4

(1) Scope 1 emissions are direct emissions from sources owned or controlled by the Group. Scope 2 emissions are indirect emissions from the generation of purchased energy.

Between 2016 and 2017, the annual total Scope 1 and Scope 2 CO₂ emissions increased by approximately 385 kt. Emissions from facilities linked to new Group acquisitions represented 9.7% of the Group total emissions (85% of this fraction coming from Kerneos division sites).

At a constant perimeter, the overall carbon efficiency improved by 0.9% vs. 2016, corresponding to a reduction in CO₂ emissions of 25 kt. This is equivalent to a 6.0% improvement from the base year 2014, in line with the target set. The overall carbon emission intensity of the Group is aggregated at 691.3 tCO₂e per million Euros of turnover.

A preliminary identification of climate change risks to which the Group is exposed was conducted in 2017 through the industrial risk and loss prevention assessment. For high priority sites Business Continuity Plans (BCP) are being developed to consider and mitigate the exposure to such risks. Additional climate change risks will be assessed within the Group 2018 risk mapping exercise.

In 2017, on the occasion of the One Planet Summit, the Group became signatory of the "French Business Climate Pledge". Through this Pledge, Imerys publicly affirms its engagement to contribute to the collective efforts to combat climate change. The Group likewise launched a climate change working group composed

of environmental, energy, industrial, business development as well as financial managers to address climate change as a **2018 priority CSR theme**. The purpose of this cross-functional working group is to complete a comprehensive climate change benchmark, identify additional concrete opportunities for carbon reduction and develop the Group long-term climate change strategy, which will be rolled out in 2018.

✓ For more information on the French Business Climate Pledge, see <http://www.medef.com/fr/dossiers/french-climate-business-pledge>.

For the past 11 years, Imerys has participated in the climate change program of the Carbon Disclosure Project (CDP). As of the end of 2017 the Group CDP performance score is ranked as Level B, which corresponds to the "integration of climate change recognized as priority for strategy, not all initiatives fully established".

In order to progressively quantify the impacts along the Group value chain, the Group is increasing the attention it pays to the relevant Scope 3 emissions and the life cycle impact of its products and services.

Upstream, the Group's purchase of raw materials, consumables and transportation services has a cost equivalent to approximately 40% of the Group turnover.

Group upstream value chain suppliers

Purchasing categories	Percentage of key purchases ⁽¹⁾	Upstream suppliers
Raw materials ⁽²⁾	27%	Principally, but not exclusively, bauxite, zircon sand, soda ash, silica sand
Mining and industrial supply	17%	Mining subcontractors, service vendors for maintenance and repair
Transportation	25%	Freight by rail, truck and ship, and business travel
Energy	17%	See energy mix above, counted in Scope 1 & 2 emissions
Chemicals and other consumables	14%	Mainly chemicals and packaging materials

(1) The analysis was based upon the 2016 data; the total spend of above-mentioned categories was approximately €1,962 million.

(2) Imerys self-supplies approximately two-thirds of raw materials and purchases one-third externally.

Group Scope 3 emission estimation

Item	Sources of Scope 3 ⁽¹⁾ Emissions	Metric tons CO ₂ e	Emissions calculation methodology	Explanation
Mining and industrial supply	Contracted mining activities (not included in Scope 1 or 2)	131,428	This is related to diesel use in mobile fleets in Imerys' contracted mining activities. Emissions are estimated based on Imerys' own diesel use in mines. GHG Protocol ⁽²⁾ emission factors have been used for the calculation.	This is the main source of fuel usage among Imerys' contracted activities.
Transportation	Business travel of several regional headquarters	7,754	Emissions calculated from the travel distances. Data are provided by Imerys main travel agencies for train, car rental and air travels. Calculations were made from GHG Protocol ⁽²⁾ emission factors.	The data were provided by the travel agencies, such as Egencia (France & UK), Concur (USA), and Europcar (Europe).
Transportation	Goods delivered by truck	180,495	Emissions calculated from the travel distance, the volume transported and the type of transportation. Calculations were made using GHG Protocol ⁽²⁾ emission factors.	The data reported here has been extrapolated from the data associated with one Imerys division that represents approximately 29% of the Group total volume transported in 2017. Data for two months of the year (November & December 2017) were estimated based on previous months data.

(1) Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the Group value chain, including both upstream and downstream emissions.

(2) The Greenhouse Gas Protocol is the guidance for accounting and reporting of GHG emissions from organizations developed in 2001 by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

Reliable emission data from the suppliers of purchased minerals by Imerys divisions is not available; as such the estimation of Scope 3 emissions from purchased materials and capital goods is not captured in the above Scope 3 estimation. The transportation services by vendors are mainly measured by volume and cost, rather than distance traveled. Similarly, it is difficult to calculate the Scope 3 emissions for transportation of finished products. The Scope 3 emissions from Imerys goods and services are considered as limited. However, no quantitative assessment is available yet.

With respect to downstream emissions, Imerys has begun the process of analyzing the impact of its products along their life-cycle and will continue to develop its competencies and tools as a **2018 priority CSR theme**. For this purpose, the Group has launched an interdisciplinary working group consisting of experts in environment, innovation, strategy, marketing, and product

stewardship to define a robust process and methodology to assess product sustainability within Imerys, including the definition of relevant KPIs and targets.

5.6.2.3 NO_x AND SO₂ EMISSIONS

Several of the Group's mineral conversion processes use calcination, which can emit nitrogen oxide (NO_x) and sulfur dioxide (SO₂).

The Group emission estimation methodology is described within a dedicated energy, emissions & production reporting protocol. Group NO_x emissions are made through applying specific conversion factors to each source of consumed fuel. In 2017, the Group updated and refined the SO₂ estimation methodology and likewise updated the emission factors used within the database in order to increase the accuracy of the estimation.

✓ For more information, [on Group CSR reporting methodologies, see section 5.8 of the present chapter](#).

Group SO₂ and NO_x emissions

(tons)	2017	2016 ⁽¹⁾	2015 ⁽¹⁾
Sulfur dioxide (SO ₂)	5,494	4,088 ⁽²⁾	4,767
Nitrogen oxide (NO _x)	6,505	5,828	6,068

(1) Group SO₂ and NO_x emission factors were updated in 2017, and as such 2016 and 2015 data have been recalculated on the bases of the most recent emission factors.

(2) An error was reported within the Group total SO₂ emissions published in 2016 Registration Document. This error has been corrected above with total 2016 SO₂ emissions corrected to 4,088 from the value 5,009 originally reported.

While the Group acquisition of Kerneos resulted in an increase of SO₂ and NO_x emission between 2016 and 2017, the Group continues its efforts to reduce both SO₂ and NO_x emissions related to its operations through technological upgrades and investments. In the Kerneos division a new flue gas treatment project was launched at the Tianjing site in China. This enabled the site to be the first installation in the Chinese cement industry

to meet the very high standard imposed through the new national legislation on air emissions, resulting in praise for this project by local authorities. The treatment installations at the Tianjing plant have resulted in a 78% reduction in NO_x emissions since mid-2016.

Some of the Group SO₂ emitting sites have likewise launched CAPEX projects to upgrade abatement systems, which once fully in place are expected to considerably reduce Group air emissions.

5.6.3 RESOURCES EFFICIENCY

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGs
Apply advanced technologies and promote operational excellence to maximize the sustainable use of raw materials and other natural resources	■ Imerys Industrial Improvement (I-Cube) Program Adoption: > 55% operations ⁽¹⁾		
	2018 objectives		
	■ Resources Efficiency <ul style="list-style-type: none"> ● Ensure Imerys Industrial Improvement (I-Cube) Program Adoption on 195 sites across the Group 	Principle 7 Principle 8 Principle 9	SDG 6 SDG 12

(1) During the course of 2017, indicator for this objective related to I-Cube program deployment was modified from the percentage of operations covered to the percentage of coverage of the Group gross margin.

The technological know-how of Imerys, as a world leader in industrial minerals, enables the Group to be in an excellent position to improve the yield on materials of its operations. At the same time, the strength of the Group's commercial network and strong innovation capacity maximize Group production value and minimize waste discharges across the globe, thereby contributing to SDGs related to the efficient use of resources.

5.6.3.1 MINERAL RESOURCES MANAGEMENT

Establishing and maintaining effective management of mineral resources is a priority for the Group. Mineral resources management is defined through a series of geology and mine planning policies, procedures and protocols. Each mining operation is required to have a Life of Mine Plan (LOM Plan) and create a detailed Five-Year Mine Plan. This approach enables the operations to maximize the efficient use of mineral resources, thereby contributing towards the targets of the SDG 12 to ensure sustainable consumption and production patterns.

Since 2016, two maturity matrices on "Geology & Mine Planning" and "Mining Operations" have advanced the industrial management of quarries in addition to the previous LOM plans. The matrices are fully integrated into the "I-Cube" program implementation. As of December 2017, 143 sites, which represent 54% of the total Imerys sites and cover 78%⁽¹⁾ of the Group gross margin have deployed the "I-Cube" program.

✓ For more information on the "I-Cube" program, [see chapter 1, section 1.4 of the 2017 Registration Document](#).

The industrial minerals industry is working in partnership with downstream industries on processes to increase recyclability. The professional association IMA-Europe studied publicly available data on recycling of glass, plastic, concrete and paper and concluded that a total of 40% to 50% of all minerals consumed in Europe are recycled. While recycling rates of industrial minerals are relatively high, the Group is committed to continue to identify recycling opportunities and assess circular economy solutions, recognizing the global need to produce with less, for longer and smarter. One such example was developed within the Kaolin division in the United Kingdom, where Imerys made an agreement with a local aggregates company to utilize surplus waste material from one of the redundant tips at Lee Moor in order to process and sell secondary aggregates as a sustainable alternative to primary sourced materials. The sale of sand, stone and concrete block products derived from Lee Moor waste materials is evidence of a long term sustainable business approach: creating jobs in the area, generating a royalty income for Imerys, delivering significant environmental improvements by re-profiling the tip and a long term aim of improving the visual aspect of the entire area.

Likewise in 2017, within the Carbonates division in Beverley, United Kingdom, the investment in modern high efficiency chalk slurry screening equipment achieved multiple long term benefits, including: reducing the loss of chalk product from the screens by over 90%, reducing waste product ultimately disposed, reducing maintenance time and costs from extended life of the screen meshes and increasing operational efficiency by reducing time spent cleaning and maintaining the equipment.

(1) This percentage corresponds to the I-Cube coverage versus the total Gross Margin of the Group, excluding the Kerneos division.

In addition, Imerys' commitment to sound mineral resources management, technological improvements and newly-developed applications makes it possible to transform low-grade materials, tailings and wastes into marketable resources. ImerPlast™, the Imerys' mineral-based solution to make polyethylene/polypropylene blends compatible, is targeting a potential market of 650,000 tons per year of recycled polyolefin. The Imerys ReMined™ products from the Carbonates division, produced from calcitic white marble, are 100% certified as pre-consumer recycled materials and eligible for various green building credits in the United States (e.g., LEED® Program, National Green Building Standard, NSF/ANSI 140).

5.6.3.2 WASTE MANAGEMENT

Imerys processes minerals using methods that are primarily mechanical and physical. As such the Group's activities generate relatively small quantities of both domestic and industrial wastes. The Group is nevertheless committed to reduce waste generation through prevention, reduction, recycling and reuse as a means to contribute further to SDG 12 on sustainable consumption and production patterns.

Overburden and unused mineral solids (e.g., tailings, off-specification materials, etc.) are usually stored on or near production areas at the quarries given their potential to be used in the future. Overburden and unused minerals are also used in many cases as backfilling or re-profiling materials in post-mining restoration work.

Group waste generation and recycling

	2017	2016	2015
Total industrial waste (tons) of which:	252,022	213,421	203,607
Non-recycled hazardous industrial waste	1,907	1,734	1,480
Recycled hazardous industrial waste	1,764	1,641	1,910
Non-recycled non-hazardous industrial waste	92,704	78,538	81,612
Recycled non-hazardous industrial waste	155,647	131,508	118,606
Industrial waste generation/turnover (kg/€)	0.05	0.05	0.05

The Group's activities have generated 252 kt of industrial waste in 2017, 98.5% of this waste was non-hazardous. The industrial waste generation rate per Euro of turnover was 0.05 kg/€ in 2017. The intensity of waste generation has remained steady at a relatively low level for several years.

New actions to reduce waste and increase recycling are identified continuously during the implementation process of the "I-Cube" program and through other ongoing initiatives, including the Group SD Challenge. In 2017 alone, various sites contributed to improving waste management by launching projects that range from reprocessing expired finished goods, increasing paper recycling, improving the commercialization of some specific tailings and improving waste classification and sorting.

The objective set by the French law "Transition Énergétique pour la Croissance Verte" (TECV) to achieve a recovery rate of non-hazardous inert waste (measured in mass) of 55% by 2020 was achieved by Imerys in 2017 (63%) and the Group expects to reach the required target of 65% by 2025.

Imerys has minimal implications from the aspects of the French TECV law, partially directed towards reducing organic waste and combating food waste. The Group has approximately 3,183 employees in France at 55 operations. While most Group operations have dedicated areas where employees can take

breaks and eat their meals, the majority do not have canteens that provide prepared food. Some of the largest sites provide access to catered canteens, which are operated by third-party vendors. The waste generated from these third-party canteen facilities is not presently monitored.

5.6.3.3 WATER MANAGEMENT

Imerys aims to minimize the impact of its operations on water resources. The Group is committed to ensure effective management of water resources by focusing on three axes:

- optimizing water consumption by limiting withdrawal from natural environment;
- developing recycling possibilities for process water; and
- improving the water quality of liquid effluent emissions.

The aforementioned commits contribute towards the targets of the SDG 6 to ensure availability and sustainable management of water and sanitation for all.

Imerys classifies water withdrawals according to source, including groundwater, surface water and water suppliers. Water moved from one zone to another without being used (water pumped for quarrying operations) is not quantified within this metric as the quality of this water is not altered.

Group water consumption

	2017	2016	2015
Total water withdrawals ⁽¹⁾ (millions of liters)	45,441	38,910	40,046
Water withdrawn/turnover (liters/€)	9.9	9.3	9.8

(1) Additional water consumption related key performance indicators are included in the summary table in section 5.8.2 of this chapter.

The top 10 water users in the Group account for more than 56% of the total annual water withdrawal. Site-specific water management plans have been established at eight of these sites. The plans include a description of current water use, water balance analysis, water accounting, water risk assessment and pertinent action planning to manage high priority water issues.

Using the World Business Council for Sustainable Development's Global Water Tool (GW)⁽¹⁾, the Group identified 19 operations located in areas of water scarcity. Most of the 19 operations use only dry processes for production and have limited water use for other purposes. The aggregated water withdrawal of these operations accounted for 4.3% of the Group's total 2017 withdrawal. As of December 2017, these operations have established water management plans and mitigation measures, including awareness of water footprint and community aid actions.

Conscious of the importance of responsible water consumption in water scarce areas, in 2017, the Metallurgy division in Milos, Greece, combined a carbon emission objective with a water consumption objective. The site installed a new condensing flue gas economizer system designed to recover waste heat from the dryer exhaust. The recovered energy is then used to preheat air within the same dryer in order to reduce fuel oil consumption and recover water for industrial purposes, thereby reducing emission and water consumption associated with the plant processes.

Imerys also reports the amount of water recycled by its operations as recycling water reduces the amount of water being removed from natural habitats, thereby reducing the Group water footprint.

Group water recycling

	2017	2016	2015
Total water recycled ⁽¹⁾ (millions of liters)	44,392	43,293	40,483
Number of sites reporting recycled water	62	61	68
Recycled water rate ⁽²⁾	0.51	0.52	0.50

(1) The environmental reporting protocol includes the definition of "recycled water". In 2014, Imerys clarified that the cooling water supplied by third-party facilities (e.g. a customer's paper mill) and circulated back in a close loop should not be counted as recycled water by the Imerys operations.

(2) Recycled water rate: total recycled water/(total water withdrawal + total recycled water).

Water recycling offers multiple advantages to operations. For example, in 2017, the Graphite & Carbon division in Lac des Îles, Canada developed a water recycling project to reduce water withdrawal and discharges to the Lac-des-Îles River by developing a circuit to recycle water surface and final effluent that accumulated in one of the plant pits. The modification to the site installation not only reduced water withdrawal and discharges, the primary objective, but it also reduced energy consumption and maintenance requirements contributing to the operational efficiency of the site.

Wastewater discharge is managed and reviewed in the site-specific EMS in compliance with the corresponding regulatory limits. Any release of water that has a potential to create a nuisance is required to be reported into the Group environmental incident database. In 2017, six out of 11 of the environmental incidents reported were related to water discharges. Appropriate corrective actions have been completed for these incidents at site level in compliance with the Group Incident reporting protocol requirements.

The Group continues to explore solutions to improve discharged water quality through introduction of new technology. One such example is taken from the Refractory Minerals division in Clérac, France, where a project was developed to identify and evaluate new processes to reduce suspended solids in water effluents discharged towards a Natura 2000 stream. Following six months of evaluation, the site tested an innovating process where silted-water is pumped from the mine and sent to a new installation. Within this installation, mud is treated through a dosing system by injecting polymers/flocculants based on turbidity measurements. The treated mud is then introduced into the geotextile bags, wherein the flocculants ensure the sludge is de-watered with maximal retention of the solids.

(1) The World Business Council for Sustainable Development (WBCSD) provides companies with an assessment tool for their risks relating to the quality and quantity of their water supply.

5.6.4 BIODIVERSITY AND REHABILITATION

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Preserve and create biodiversity value by enhancing rehabilitation of mines during their life spans with the aim of harmonizing with local ecosystems	<ul style="list-style-type: none"> Biodiversity management plans at 100% of quarries adjacent to areas of High Biodiversity Value 		
	2018 objectives <ul style="list-style-type: none"> Biodiversity & Land Rehabilitation <ul style="list-style-type: none"> Establish a formal partnership with external leader in biodiversity management to support Group biodiversity framework development Define the Group biodiversity roadmap Develop biodiversity projects with associated action plans on 3 pilot sites 	Principle 7 Principle 8 Principle 9	SDG 15

Imerys' extractive activities have the potential to modify the environments where they are located. In the case of mineral quarries, this can be not only the modification of an original habitat, but can also be the creation of new natural habitats. Quarries have their own characteristics, in part because of their landscape and ecological impacts, but also due to their long yet temporary operational and rehabilitation phases. Numerous studies have demonstrated that mineral quarries are, in fact, often favorable to the development of biodiversity both during the activity phase and after the restoration of the site.

The question of impacts on the living world arises during the entire life cycle of a quarry, whether for the choice of the site, its operation or its rehabilitation. Aware of this responsibility, Imerys has taken many measures to protect the flora and fauna within and surrounding its sites. The Group is committed to strengthen its expertise and in the quality of its practices to continue to contribute to SDG 15 to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Rehabilitation is integrated into the Life of Mine (LOM) plan and considered throughout project execution during mining operations until mine closure. The Group has a specific protocol outlining the requirements related to rehabilitation. Rehabilitation planning starts from the very initial phase of mine proposals as they are included as an element within the site environmental impact assessment. They are also supported by the baseline environmental assessments, which include reviews of biodiversity sensitivity. As most countries define the framework for the preparation, submission, consultation and approval of environmental impact assessments for resource operational permits, in most cases rehabilitation plans are disclosed and discussed with civil society and governing authorities prior to final approval.

In addition to site specific environmental impact assessments and rehabilitation planning, the Group uses the International Union for Conservation of Nature (IUCN)⁽¹⁾ Protected Areas Categories System to identify mining operations on or adjacent to areas of high biodiversity value. As of the end of 2017, 31 of the Group's 119 mining operations (both active and inactive) are in or adjacent to areas of high biodiversity value⁽²⁾.

For 2017 and building on the work done to establish biodiversity management plans (BMP) in previous years, the Group objective was to establish site-specific BMPs at 100% of the operations inside areas of high biodiversity value. At year end 12 of 13 target operations finalized their BMPs, slightly below the objective set for 2017. Furthermore the Group identified the need to increase the quality of the content of these plans. As a result, in 2017, the Corporate Environment function launched a biodiversity and land rehabilitation working group composed of environmental, geology, mining and operational managers to address biodiversity as a **2018 priority CSR theme**. The purpose of this cross-functional working group is to identify and assess opportunities to improve biodiversity management across the Group and develop related action plans to be rolled out in 2018.

In parallel with the research and collaboration being conducted through the working group, sites across Imerys have continued to develop initiatives aimed at supporting biodiversity and promoting innovative rehabilitation projects, both during and after mining activities. The Ceramics division in Ploemeur, France has engaged in several actions to preserve biodiversity along the coast where it is located. The site is supporting the eradication of invasive plant species through goat pasturage. Imerys 'Tomorrow's Heathland Heritage Project – Putting the Wild Heart Back into Cornwall' was recognized in 2017 as the overall winner of the Natural England Award for Landscape-scale Restoration at the Quarries and Nature 2017 event in the Biodiversity Category. The Ceramics division continued to promote and expand the CeraBees programme, a program that aims to support the preservation of bees as the guarantors of biodiversity through their role as pollinators and now encompasses over 70 beehives implemented worldwide. In 2017, the division signed a 3-year partnership agreement with the National Union of French Apiculture (UNAF) supporting the implementation of apiaries on additional sites throughout France and developed a toolkit to support the creation of similar projects throughout the Group.

The Group follows two land use indicators across 48 quarries located in Western Europe, quantifying the surface disturbed by the Group's mining activities, as well as the surface rehabilitated. In 2017, the total disturbed surface area by these 48 quarries was 2,078 hectares, and the total rehabilitated area was 1,173 hectares.

✓ For more information on the CeraBees programme, see "Imerys Replay" on YouTube www.youtube.com/user/ImerysReplay.

(1) The International Union for Conservation of Nature (IUCN) is the world's main authority on the conservation status of species.

(2) Areas of high biodiversity value are sites within 500 m of areas defined as per IUCN Guidelines for Applying Protected Area Management Categories (2008), Regional directives on habitats, fauna, etc., as well as UNESCO Man and the Biosphere Programme (MAB) Biosphere reserves.

5.7 GOVERNANCE, ETHICS AND COMPLIANCE

5.7.1 CORPORATE GOVERNANCE

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Implement best practices in Corporate Governance in accordance with the AFEP-MEDEF Code	<ul style="list-style-type: none"> Amendment of the Internal Charter of the Board of Directors to comply with best practices and the revised AFEP-MEDEF Code Appointment of an employee representative Director as a new member of the Compensation Committee 		
	2018 objectives <ul style="list-style-type: none"> Corporate Governance <ul style="list-style-type: none"> Update 2018 Group Risk mapping exercise to include additional industrial risk and process safety as well as climate change risks Revise the Group Crisis Management framework Create 'Panel of Interested Parties' to assess the Group CSR strategy in 2019 	Principle 1	SDG 16

Imerys is committed to exemplary corporate governance as a means to ensure the Group continually improves its functioning and management, in an atmosphere of transparency, duly respecting the expectations of investors and other stakeholders. Imerys follows the recommendations of the AFEP-MEDEF Corporate Governance Code applicable to French listed companies. In February 2017, the Internal Charter of the Board of Directors was updated based on the November 2016 amended Code.

The Compensation Committee studies the appointment proposals of Directors and members of the Executive Management, their compensation as well as the general compensation and retention policy for top managers. In January 2017 an employee representative was appointed as a new member of the Compensation Committee.

✓ For more information regarding Corporate Governance, [see chapter 3 of the 2017 Registration Document](#).

5.7.2 COMPLIANCE AND BUSINESS ETHICS

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Respect internationally-recognized OECD Guidelines for Multinational Enterprises and other international standards and conventions	<ul style="list-style-type: none"> Strengthen the internal reporting system to alert on non-compliance issues with Imerys Code of business conduct and ethics Refresh the Group anti-fraud & anti-bribery compliance program, in particular following the enactment of the new French law "Sapin 2" Refresh and strengthen the Group's antitrust compliance program Implement a new personal data protection compliance program, in particular following the adoption of the new applicable EU regulations 		
	2018 objectives <ul style="list-style-type: none"> Fair Operating Practices <ul style="list-style-type: none"> Complete the update and roll-out of the revised Group Code of Business Conduct and Ethics and ESG policies, including the new internal alerts system and delivery of training to employees 	Principle 10	SDG 8 SDG 10 SDG 16

Imerys is committed to respecting internationally-recognized human rights, as set out in the International Bill of Human Rights and the ILO's Fundamental Conventions. The Group is committed to respect human rights and avoid complicity in human rights abuses, as stated in the UN Guiding Principles on Business and Human Rights, and provide access to remedy. These commitments and the policies and programs that support their implementation

contribute to SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all to SDG 10 to reduce inequality within and among countries and to SDG 16 to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Imerys Code of Business Conduct and Ethics ("the Code") summarizes the principles of ethical behavior the Group expects from all of its employees, contractors, suppliers, and other partners. The umbrella principles set forth in the Code are supported by a series of policies and protocols applying to both the general conduct of Imerys and the individual conduct of each employee. The subjects covered by the Code include compliance with laws and regulations, protection of environment and human rights, relations with local communities and trade unions, workplace safety and health, diversity and equality, confidentiality, prevention of fraud or corruption, prevention of insider trading and conflicts of interest, protection of the Group's assets, fair competition, transparency, and integrity.

The Code and the related policies and protocols are regularly reviewed and updated in order to take into account changes and developments in applicable international regulations. In this context, in 2017, the Group launched a comprehensive cross-functional compliance working group overseen by Executive Committee members. The objectives of the working group program were twofold: to re-enforce the Group compliance program to fight against corruption in all countries where it operates in accordance with the new French "Sapin II" legislation⁽¹⁾ and to implement preventive measures to protect human rights, health & safety and environment in Group operations around the world as well as within the Group supply-chains in accordance with the new French "Duty of Care" legislation⁽²⁾. The Group risk mapping, including identification, analysis and ranking processes are presented in [chapter 4, section 4.2 of the 2017 Registration Document](#).

As a result of 2017 compliance program, the Code and supporting policies and protocols were reviewed to further align recommendation of the OECD Guidelines for Multinational Enterprises and integrate all the new anti-corruption and transparency obligations. A new internal alerts system, operated by an independent qualified third-party and open to all employees and external parties was designed, and shall be finalized and launched in 2018 to enable employees to report any violations of the Group Code. Consultation, communication and training on the updates of the Group Code and supporting policies shall continue as a **2018 priority CSR theme** to ensure full compliance with both new French laws Sapin II and Duty of Care.

Compliance with the Code and other Group policies and protocols is verified by Internal Audit Functions who conduct periodic audits. In 2017, four internal fraud cases were reported and investigated but without material financial impacts. Remedial actions have been implemented for internal control. In 2017, no potential human right violations were reported or identified in the Group. The 2017 Internal Control Self-Assessment (ICSA) campaign, which is conducted annually, focused on the Code of Business Conduct and Ethics. The ICSA Code compliance campaign will be followed throughout 2018 in order to identify any key missing controls and define action plans where any missing internal controls are identified as described in [chapter 4, section 4.2 of the 2017 Registration Document](#).

In 2017, the Group likewise strengthened its antitrust compliance program, reviewing the Group policy and initiated training sessions on compliance with the principles defined within the program, which shall continue to be rolled-out during 2018.

In compliance with the new European Union General Data Protection Regulation (GDPR), which will come into force in May 2018, the Group has launched a personal data protection compliance program to review and map Imerys data flows, ensuring all necessary controls, notifications and authorizations are in place for both compliance and business efficiency.

In accordance with provisions of Article L. 225-102-3 of the French Code of Commerce, the report on payments greater than or equal to €100,000 made in favor of governmental authorities by Group entities conducting activities in exploration, prospecting, discovery, development or extraction of minerals will be filed with the French Register of Commerce and available on the website of the Company (www.imerys.com) as per the conditions prescribed by the Law.

(1) Law no. 2016-1691 of December 9, 2016 related to "enhancing transparency, fighting corruption and modernizing the economy".

(2) Law no. 2017-399 of March 27, 2017 related to the "duty of vigilance for parent and instructing companies".

5.7.3 RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Imerys' Commitment	2017 objectives	UN GC Principles	UN SDGS
Require high standards in governance, social and environmental areas from business partners and suppliers	<ul style="list-style-type: none"> Implement the Imerys Supplier Environmental, Social and Governance Standard in contracts with suppliers of more than two million Euros divisional spend 	Principle 1	
	2018 objectives	Principle 2	
		Principle 3	
	<ul style="list-style-type: none"> Responsible Supply Chain <ul style="list-style-type: none"> Conduct additional supply chain risk mapping based on 2017 pilot risk assessments Develop and deliver CSR training on CSR risks to a targeted pool of professionals 	Principle 4	SDG 3
		Principle 5	SDG 6
		Principle 6	SDG 7
		Principle 7	SDG 8
		Principle 8	
		Principle 9	
		Principle 10	

Imerys believes that high standards in all environmental, social and governance areas are essential for all of its business operations. The Group expects its business partners and suppliers to adhere to the same principles as elaborated with the Group Code of Ethic and Business Conduct.

In 2016, Imerys defined and launched its supplier ESG standards. The standards are based on the ten principles of the UN GC initiative and are based on the International Bill of Human Rights, the ILO's Fundamental Conventions, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. Starting from its suppliers of more than €2 million spent at divisional level, the Group requested formal confirmation of compliance with the standards. At the end of 2017 these standards have been communicated to over 150 suppliers, of which 70% have formally acknowledged receipt and confirmed compliance with, 25% have provided comparable codes of conduct and the remaining have been assessed internally as presenting very low risk of non-compliance with the Group Code. Imerys considers responsible supply chain a key priority and thus shall continue to progressively evolve the compliance review along its supply chain as a means to contribute to several SDGs.

Within the compliance working group exercise described in [section 5.7.2 of the present chapter](#), the Group evaluated ESG risks within its supply chain based on two pilot geographical areas. The CSR risk mapping exercise is described in [chapter 4, section 4.2.3 of the 2017 Registration Document](#).

The outcome of this risk mapping determines the applicable internal process to be followed, which can be summarized as follows:

- (1) Screening criteria for the qualification of suppliers including ESG elements;
- (2) Flow-down of ESG obligations to suppliers (signature of supplier ESG standard and/or specific clauses within contracts as appropriate);
- (3) Monitoring program to verify compliance focusing as a priority on high risk suppliers;
- (4) Criteria for engagement/disengagement with non-compliant suppliers; and
- (5) Training and awareness raising on ESG obligations, risks and processes for key internal functions.

In 2017, the Group likewise updated the Group General Terms and Conditions of purchase for CAPEX projects to ensure that all suppliers and their subcontractors comply with the Imerys Code of Ethic and Business Conduct.

To ascertain the validity of claims made against one of supplier sources of the Performance Additives division, Imerys appointed an independent international organization to conduct an on-site due diligence assessment of the supply chain of its Pakistani supplier of talc from Afghanistan. The assessment's findings showed that, given changes in the supply conditions, compliance with the Group's requirements of its suppliers could no longer be guaranteed. Consequently, the Group has discontinued the purchases in question, which represent less than 1% of its talc sales, and alternative sourcing has been set up.

In addition to the specific activities conducted as part of the compliance program 2017 working group, Imerys also conducted a series of purchasing information sessions and workshops. Within the context of the Group purchasing transformation they offered an opportunity to create greater awareness amongst purchasing professionals around the world of the specific risks and obligations in the management of the Group's global supply chain.

5.8 REPORTING METHODOLOGIES

5.8.1 METHODOLOGIES AND PROTOCOLS

Imerys Group reporting complies with the French “Grenelle II” Law and other applicable French reporting obligations. The Group CSR strategy and reporting approach is based on frameworks such as GRI’s Sustainability Reporting Guidelines (“Core” option), the UN GC, the UN Guiding Principles on Business and Human Rights, OECD Guidelines, International Organization for Standardization (ISO) 26000 and the ILO Fundamental Conventions.

The Group’s CSR reporting covers all of the activities over which it exerts operational control. Protocols and guidelines exist at the Group level to regulate the collection and collation of human resources, health and safety, environmental and energy data from the Group’s operations.

The Group has also structured the processes for data consolidation and quality control to ensure the reliability and auditability of the reporting, including several layers of internal verifications. Under the regulatory obligations stemming from the “Grenelle II” law, the Group retains a third-party to verify its sustainability reporting and compliance status. Deloitte provided the verification services for the 2017 reporting and issued the report in [section 5.9.1 of the present chapter](#).

The correlation table for each of the 42 elements of “Grenelle II” is presented in [section 5.9.2 of the present chapter](#).

✓ For detailed information on the reporting items, frequency, scope and collection systems, within the Group [CSR Reporting Principles 2017](#) on www.imerys.com.

5.8.2 SUMMARY OF KEY PERFORMANCE INDICATORS

The Group’s key performance indicators (KPIs) on Corporate Social Responsibility have been defined and gradually evolved in accordance with pertinent international standards and regulatory framework mentioned above. The following table summarizes the KPI results of three consecutive years (2015-2017). The perimeter of each category is Group level unless explicitly indicated otherwise.

Category	KPIs	Unit	2017	2016	2015	GRI
Social Responsibility						
Safety and Health						
Fatalities	Fatalities – Imerys Employees	#	0	1	1	403-2
	Fatalities – Contractor Employees ⁽¹⁾	#	1	0	0	403-2
Life-changing injuries ⁽²⁾	Life-changing injuries – Imerys Employees	#	3	2	2	403-2
	Life-changing injuries – Contractor Employees	#	0	0	2	403-2
Lost-time accident rates ⁽³⁾	Imerys employees	/	1.52	1.35	1.27	403-2
	Contractor employees	/	1.17	1.40	1.38	403-2
	Combined rate (employees and Contractor employees)	/	1.42	1.36	1.30	403-2
Total recordable incident rates ⁽⁴⁾	Imerys employees	/	5.23	5.00	5.80	403-2
	Contractor employees	/	5.05	4.42	4.30	403-2
	Combined rate (employees and Contractor employees)	/	5.17	4.82	5.36	403-2
Severity rates ⁽⁵⁾	Imerys employees	/	0.09	0.09	0.11	403-2
	Contractor employees	/	0.05	0.06	0.06	403-2
	Combined rate (employees and other employees)	/	0.08	0.08	0.10	403-2
Occupational illnesses	Occupational illnesses with lost time	#	2	2	7	403-2
	Occupational illnesses without lost time	#	6	7	6	403-2
Quality management systems	Percentage of ISO 9001 or Quality Management System certified operations	%	70	70	84	103-2

Category	KPIs	Unit	2017	2016	2015	GRI
Human Resources						
Workforce	Year-to-end total headcount on payroll	#	18,359	15,697	16,130	
	Permanent employees	#	17,381	15,003	15,356	102-8
	Fixed-term contract	#	978	694	774	102-8
	Employees by region – Europe	#	9,421	8,006	8,174	102-8
	of which France	#	3,183	2,641	2,664	102-8
	Employees by region – Americas	#	4,419	4,234	4,261	102-8
	Employees by region – Asia Pacific	#	3,801	2,875	3,076	102-8
	Employees by region – Africa & Middle East	#	718	582	619	102-8
	Employees by function – Operations/Production/Manufacturing	#	12,214	10,316	10,558	
	Employees by function – Logistics/Purchasing	#	827	700	729	
	Employees by function – R&D/Geology	#	792	673	709	
	Employees by function – Sales and Marketing	#	1,647	1,472	1,533	
	Employees by function – Support and Administration	#	2,880	2,537	2,571	
	Employees by Business Group – Energy Solutions & Specialties	#	4,990	4,798	4,870	
	Employees by Business Group – Filtration & Performance Additives	#	4,263	3,665	3,925	
	Employees by Business Group – Ceramic Materials	#	4,285	4,298	4,278	
	Employees by Business Group – High Resistance Minerals	#	4,400	2,583	2,728	
	Holding	#	421	353	329	
Hiring and Labour Relations	New Hiring	#	1,717	1,290	1,109	401-1
	Rate of employee turnover ⁽⁶⁾	%	5.8	5.2	4.1	401-1
	Net variation of permanent employees (excluding M&A and divestitures)	#	0	(416)		
	Net variation of temporary employees (excluding M&A and divestitures)	#	186	(9)		
	Mergers/Acquisitions – Divestitures	#	2,476	(8)		
	Variation of Registered Headcount	#	2,662	(433)		
	Working hours lost due to strikes	Hours	12,828	35,167	352	
	Absenteeism rate	%	2.78	2.81	2.78	403-2
	Number of educational projects to assist workforce members, their families, or community members regarding serious diseases	/	NA	12	18	
	Number of employees who received training at least once in the reporting year	#	13,166	12,428	12,332	
Diversity	Training hours	Hours	341,927	293,191	260,941	404-1
	Total percentage of women employees	%	17.5	17.1	17	405-1
	Percentage of women in senior management	%	14.4	16.5	17.0	405-1
	Number of employees with disability	#	242	213	220	405-1
Communities	Percentage of registered headcount with disabilities	%	1.32	1.36	1.36	405-1
	Percentage of sites with a formal action plan managing the impacts of operations on communities	%	88	83	73	413-1

Category	KPIs	Unit	2017	2016	2015	GRI
Human Rights						
Human Rights	Total number of incidents of discrimination	#	0	0	0	406-1
	Percentage of employees under collective bargaining agreement	%	68	69 ⁽⁷⁾	69	
	Number of reported human rights violation	#	0	0	0	412-1
Environmental Stewardship						
Environmental Management						
Environmental Management Systems	Percentage of operations with EMS ⁽⁸⁾	%	100	100	100	103
	ISO 14001 or EMAS ⁽⁹⁾ certified operations	#	114	105	106	103
	Operations with Imerys 8-pillar EMS	#	153	145	147	103
Environmental incidents & regulatory inspections	Number of environmental incidents	#	11	7	17	
	Number of prosecutions	#	6	12	13	
	Amount of fines	€	148,868	346,402	67,568	
Energy and Emissions						
Energy	Total energy consumption	TJ	36,932	33,041	33,154	302-1
	Natural gas	%	45.8	47.7	45.5	
	Other fossil fuels	%	21.7	18.6	22.0	
	Biomass	%	2.3	3.1	2.7	
	Electricity (net), steam, hot water	%	30.2	30.6	29.8	
	Energy efficiency (base 100 in 2014)	%	-4.3	-3.8	-1.3	
Carbon Emissions	Scope 1 CO ₂ emissions	kt CO ₂ e	2,018	1,738	1,725	305-1
	Scope 2 CO ₂ emissions	kt CO ₂ e	1,161	1,056	1,056	305-2
	Total CO ₂ emissions	kt CO ₂ e	3,179	2,769	2,726	
	CO ₂ emissions from Energy (without biomass)	%	83.0	83.2	87.5	
	CO ₂ emissions from Processes	%	14.0	12.9	10.9	
	CO ₂ emissions from Biomass	%	3.0	3.9	3.4	
	Carbon efficiency (base 100 in 2014)	%	(6.0)	(5.1)	(1.5)	305-5
Other Emissions	Sulfur dioxide (SO ₂)	Tons	5,494	4,088	4,767	305-7
	Nitrogen oxide (NO _x)	Tons	6,503	5,828	6,068	305-7
Resource Management						
Waste	Total industrial waste produced	Tons	252,022	213,421	203,607	306-1
	Non-recycled hazardous industrial waste	Tons	1,907	1,734	1,480	306-2
	Recycled hazardous industrial waste	Tons	1,764	1,641	1,910	306-2
	Non-recycled non-hazardous industrial waste	Tons	92,704	78,538	81,612	306-2
	Recycled non-hazardous industrial waste	Tons	155,647	131,508	118,606	306-2
Water Management						
	Total water withdrawals	M liters	45,441	38,910	40,046	303-1
	Water obtained from water suppliers	%	11.4	11.0	10.4	303-1
	Water withdrawn from ground water	%	54.0	57.1	53.5	303-1
	Water withdrawn from surface water	%	28.8	25.3	28.8	303-1
	Water obtained from other sources ⁽¹⁰⁾	%	5.8	6.7	7.3	303-1
	Number of sites located in a water-scarcity area	#	19	19	19	303-2
	Total water recycled	M liters	44,392	43,293	40,483	303-3
	Sites with recycled water reported	#	62	61	68	303-3

Category	KPIs	Unit	2017	2016	2015	GRI
Biodiversity, Mine and Land Rehabilitation						
	Surfaces disturbed by the Group's mining activities ⁽¹¹⁾	Hectares	2,078	2,166	2,187	
	Surfaces rehabilitated ⁽¹¹⁾	Hectares	1,173	1,216	1,197	304-3
	Number of sites identified as located in or near a high biodiversity value area	#	31	31	35	304-1
	Number of sites in or near a high biodiversity value area with a biodiversity management plan in place	#	30	18	10	103-1
Governance, Ethics and Compliance						
Corporate Governance and Business Ethics	Percentage of independent Board members	%	46.7	46.7	44.4	405-1
	Percentage of female Board members	%	40	40	38.9	405-1

(1) Employees of a company under contract with Imerys, in charge of a specific operation on site or providing a service.

(2) A "life-changing injury" refers to a serious injury with permanent impact to the victim, such as amputation and disability.

(3) Lost Time Accident (LTA) rate: (number of lost time accidents x 1,000,000)/number of hours worked.

(4) Total Recordable Incident Rate (TRIR): (number of lost time accidents and non-lost time accidents x 1,000,000)/number of hours worked.

(5) Severity rate: (number of lost days x 1,000)/number of hours worked.

(6) The turnover above is based on the number of voluntary termination and other termination in the year, and the average headcount for the year for permanent employees.

(7) The survey on collective bargaining coverage is conducted every two years. This result refers to the 2015 survey.

(8) EMS: Environmental Management System. The number of sites for EMS reporting excludes divested, closed, newly acquired or newly constructed sites during the reporting period.

(9) EMAS: Eco Management and Audit Scheme (European Standard).

(10) Water obtained from sources other than water suppliers, ground water or surface water (i.e. collection of rainwater or water obtained from customers).

(11) The two land use indicators are only applied to the open mining operations in Western Europe.

5.9 ATTESTATION AND CORRELATION TABLE

5.9.1 ATTESTATION OF COMPLETENESS AND LIMITED ASSURANCE REPORT OF ONE OF THE STATUTORY AUDITORS

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2017

In our capacity as Statutory Auditor of Imerys SA, (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048,⁽¹⁾ we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2017 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the reporting protocol used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

It is not our responsibility to provide any conclusion on the compliance with other applicable legal expectations, in particular those concerning article L.225-102-4 of the French code of commerce (duty of care) or the French law 2016-1691 (anti-corruption law).

Our work involved six persons and was conducted between October 2017 and March 2018 during a seven-week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information.

(1) Whose scope is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in '5.8 Reporting Methodologies' section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

- We conducted around twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:
- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important⁽³⁾ :

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected⁽⁴⁾ by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 15% of headcount and between 24% and 31% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 19 March 2018

One of the Statutory Auditors

Deloitte & Associés

Frédéric GOURD

Partner

Olivier JAN

Partner, Sustainability Services

(3) Selected human resources quantitative information: Year-to-end total headcount; External recruitments; Redundancies (economical and non-economical); Voluntary termination, retirement and other; Turnover ; Percentage of employees covered by Collective Bargaining Agreements (CBAs); Fatalities (Imerys employees and other employees); Accident frequency rate (Imerys employees and other employees); Accident severity rate (Imerys employees and other employees); Total occupational illnesses.

Selected environmental quantitative information: Operations with EMS (ISO 14001/ EMAS(7) certified and Imerys 8-pillar EMS); Sulfur dioxide (SO₂) air emissions; Nitrogen oxide (NO_x) air emissions; Total industrial waste produced (hazardous and non-hazardous); Recycled industrial waste (hazardous and non-hazardous); Total water withdrawals; Total energy consumption; Total CO₂ emissions (Scopes 1, 2 and 3).

Selected qualitative information: Human resources principles & main areas of action; safety and health; Freedom of association and right to collective bargaining; Measures to comply with relevant International Labour Organization's (ILO) convention; Gender equality promotion; Prohibition of child labor and forced labor; Environmental management system; Water management plans in areas of water scarcity; Biodiversity and rehabilitation; Relations with neighboring residents; Stakeholder engagement; Anti-fraud and anti-corruption policy; Human rights and supplier commitments.

(4) Selected entities: Belgium (Carbonates EMEA – Lixhe PAP), China (Imerys Fused Minerals Yingkou Co., Ltd.), United-States (Imerys Carbonates Sylacauga, Imerys Oilfield Solution - Wrens Facility, IRM Andersonville, Sandersville Deepstep Road plant), France (Imerys TC Saint Germer, Imerys TC Sainte Foy l'Argentière), Greece (Milos GR Total), Indonesia (Calderys Indonesia - PT Indoporlen), United Kingdom (IML – UKKP).

5.9.2 CORRELATION TABLE WITH THE ELEMENTS OF "GRENELLE II"

1) Social information		Pages
Employment	Total headcount and breakdown by gender, age and geographical zone	133
	New hires and Redundancies	134
	Compensation and its evolution	134
Work organization	Organization of working time	133
	Absenteeism	151
Social relations	The organization of social dialogue, notably information and consultation procedures for personnel and negotiation with the latter	135
	Outcome of collective agreements and their impacts on the company economic performance and on the employees working conditions	133
Health and safety	Health and safety conditions at work	129
	Outcome of agreements signed with trade union organizations or personnel representatives regarding occupational health and safety	133
	Workplace accidents, notably their frequency and severity, as well as occupational illnesses	129-131
Training	Policies implemented regarding training	134
	Total number of training hours	135
Equal treatment	Measures promoting gender equality	132; 136
	Measures promoting the employment and integration of people with disabilities	132; 136
	Policy against discrimination	132; 136
Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organization relative to:	Freedom of Association and the Effective Recognition of the Right to Collective Bargaining	133
	Elimination of Discrimination in Respect of Employment and Occupation	133; 136
	Elimination of all Forms of Forced and Compulsory Labour	132; 133
	Effective abolition of child labour	132; 133
2) Environmental Information		
General environmental policy	Organization of the Company to take into account environmental concerns, and, where applicable, environment-related assessment or certification initiatives	138
	Training and information towards employees on environmental protection	135
	Means devoted to the prevention of environmental risks and pollution	138
	Amount of the provisions and guarantees for environment-related risks, provided that this information would not be likely to cause the Company serious damage within the framework of on-going litigation	212; 236
Pollution	Production, reduction or compensation measures for emissions into the air, water or ground and that seriously affect the environment	138-143
	Consideration of adverse noise pollution and any other forms of pollution specific to an activity	127; 138
Circular Economy – Prevention and recycling of waste	Prevention, recycling, reuse or any other way of valorization and disposal of waste	143-144
	Actions against food waste	144
Circular Economy – Sustainable use of resources	Water consumption and water procurement on the basis of local constraints	144-145
	Consumption of raw materials and the measures undertaken to improve the efficiency of their usage	143
	Energy consumption, measures undertaken to improve energy efficiency and the use to renewable energies	139-140
	Land use	146
Climate change	The significant amounts of greenhouse gas emissions generated as a result of the company's activity, in particular, through the use of the goods and services it produces	140-143
	Adapting to the consequences of climate change	127; 141
Biodiversity protection	Measures undertaken to preserve or develop biodiversity	146

3) Societal Information		Pages
Territorial, economic and social impact of the Company's activity	In terms of local employment and regional development	126;137
	On local and surrounding communities	126;137
Relations maintained with individuals or organizations interested in the Company's activity, notably integration associations, education institutions, environmental defense associations, consumer associations, and neighboring residents	Conditions of dialog with these individuals or organizations	126
	Philanthropic or sponsorship actions	137
Subcontracting and suppliers	Integration of social and environmental criteria in the purchasing policy	130; 148-149
	Importance of subcontracting and integration of CSR in the relationships with suppliers and subcontractors	130; 148-149
Fair operating practices	Actions implemented to prevent corruption	147-149
	Measures implemented to promote consumer health and safety	132
Other actions promoting human rights		133



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FINANCIAL STATEMENTS

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6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 FINANCIAL STATEMENTS

■ CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	2017	2016
Revenue	5	4,598.4	4,165.2
Current income and expenses		(3,950.3)	(3,583.1)
Raw materials and consumables used	6	(1,429.8)	(1,303.2)
External expenses	7	(1,251.6)	(1,115.7)
Staff expenses	8	(987.5)	(898.6)
Taxes and duties		(51.0)	(49.1)
Amortization, depreciation and impairment losses		(265.6)	(225.8)
Other current income and expenses	9	35.2	9.3
Current operating income		648.1	582.1
Other operating income and expenses	10	(53.6)	(88.8)
Gain or loss from obtaining or losing control		(11.0)	(14.5)
Other non-recurring items		(42.6)	(74.3)
Operating income		594.5	493.3
Net financial debt expense		(46.5)	(52.7)
Income from securities	11	10.2	12.3
Gross financial debt expense	11	(56.7)	(65.0)
Other financial income and expenses		(32.7)	(3.7)
Other financial income		212.1	236.5
Other financial expenses		(244.8)	(240.2)
Financial income (loss)	12	(79.2)	(56.4)
Income taxes	13	(146.2)	(142.2)
Net income		369.1	294.7
Net income, Group share ⁽¹⁾	14	368.2	292.8
Net income, share of non-controlling interests		0.9	1.9
<i>(1) Net income per share</i>			
Basic net income per share (in €)	15	4.66	3.72
Diluted net income per share (in €)	15	4.59	3.66

■ **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(€ millions)	Notes	2017	2016
Net income		369.1	294.7
Items never reclassified subsequently to profit or loss			
Post-employment employee benefits		(19.6)	12.8
Actuarial gains and (losses), excess of the actual return on assets over their normative return in profit or loss	23.1	(19.6)	12.8
Income taxes on items never reclassified	13	4.9	(3.3)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		(5.7)	25.8
Recognition in equity	24.4	11.2	19.1
Reclassification in profit or loss	24.4	(16.9)	6.7
Translation reserve		(238.7)	68.9
Recognition in equity	26	(238.4)	67.9
Reclassification in profit or loss	26	(0.3)	1.0
Income taxes on items that may be reclassified	13	(11.3)	(3.2)
Other comprehensive income		(270.4)	101.0
Total comprehensive income		98.7	395.7
Total comprehensive income, Group share		100.5	390.5
Total comprehensive income, share of non-controlling interests		(1.8)	5.2

■ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Notes	2017	2016
Non-current assets		5,251.5	4,343.3
Goodwill	16	2,135.5	1,674.7
Intangible assets	17	305.5	81.6
Mining assets	18	592.6	585.4
Property, plant and equipment	18	1,896.0	1,686.5
Joint ventures and associates	9	115.5	122.5
Other financial assets	21.1	52.1	40.0
Other receivables	21.1	46.3	40.5
Derivative financial assets	24.4	22.5	17.8
Deferred tax assets	13	85.5	94.3
Current assets		2,216.4	2,389.1
Inventories	20	840.2	712.5
Trade receivables	21.1	676.1	608.1
Other receivables	21.1	302.4	234.4
Derivative financial assets	24.4	7.0	14.9
Other financial assets ⁽¹⁾	24.2	8.8	9.6
Cash and cash equivalents ⁽¹⁾	24.2	381.9	809.6
Consolidated assets		7,468.0	6,732.4
Equity, Group share		2,827.6	2,861.5
Capital		159.2	159.2
Premiums		529.1	529.7
Reserves		1,771.0	1,879.8
Net income, Group share		368.3	292.8
Equity, share of non-controlling interests		50.6	52.7
Equity	22	2,878.2	2,914.2
Non-current liabilities		2,859.8	2,356.7
Employee benefit liabilities	23.1	321.3	295.4
Other provisions	23.2	394.6	343.8
Loans and financial debts ⁽¹⁾	24.2	1,986.3	1,601.7
Other debts	24.3	20.2	38.5
Derivative financial liabilities	24.4	2.7	4.6
Deferred tax liabilities	13	134.7	72.7
Current liabilities		1,729.9	1,461.5
Other provisions	23.2	27.1	22.6
Trade payables	24.1	510.9	422.7
Income taxes payable		100.9	79.1
Other debts	24.3	417.2	336.5
Derivative financial liabilities	24.4	6.0	5.2
Loans and financial debts ⁽¹⁾	24.2	664.9	584.0
Bank overdrafts ⁽¹⁾	24.2	2.9	11.4
Consolidated equity and liabilities		7,468.0	6,732.4
(1) Positions included in the calculation of the net financial debt	24.2	2,246.4	1,366.5

■ **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Equity, Group share										
	Reserves							Net income, Group share	Subtotal	Equity, share of non-controlling interests	Total
	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves	Subtotal				
(€ millions)											
Equity as of January 1, 2016	159.2	530.2	(14.3)	(11.2)	(231.4)	2,143.2	1,886.3	68.4	2,644.1	27.8	2,671.9
Total comprehensive income	-	-	-	17.0	71.2	9.5	97.7	292.8	390.5	5.2	395.7
Transactions with shareholders	0.0	(0.5)	(42.4)	0.0	0.0	(61.8)	(104.2)	(68.4)	(173.1)	19.7	(153.4)
Allocation of 2015 net income	-	-	-	-	-	68.4	68.4	(68.4)	0.0	-	0.0
Dividend (€1.75 per share)	-	-	-	-	-	(137.5)	(137.5)	-	(137.5)	(1.9)	(139.4)
Capital increases	0.6	15.6	-	-	-	-	0.0	-	16.2	-	16.2
Capital decreases	(0.6)	(16.1)	-	-	-	-	0.0	-	(16.7)	-	(16.7)
Transactions on treasury shares	-	-	(42.4)	-	-	(3.0)	(45.4)	-	(45.4)	-	(45.4)
Share-based payments	-	-	-	-	-	10.5	10.5	-	10.5	-	10.5
Transactions with non-controlling interests	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)	21.5	21.4
Reclassification	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)	0.1	0.0
Equity as of December 31, 2016	159.2	529.7	(56.7)	5.8	(160.2)	2,090.9	1,879.8	292.8	2,861.5	52.7	2,914.2
Total comprehensive income	-	-	-	(3.7)	(249.2)	(14.8)	(267.7)	368.3	100.6	(1.8)	98.8
Transactions with shareholders	0.0	(0.6)	12.3	0.0	0.0	146.6	158.9	(292.8)	(134.5)	(0.3)	(134.8)
Allocation of 2016 net income	-	-	-	-	-	292.8	292.8	(292.8)	0.0	-	0.0
Dividend (€1.87 per share)	-	-	-	-	-	(148.2)	(148.2)	-	(148.2)	(1.5)	(149.7)
Capital increases	0.8	22.4	-	-	-	-	0.0	-	23.2	2.7	25.9
Capital decreases	(0.8)	(23.0)	-	-	-	-	0.0	-	(23.8)	-	(23.8)
Transactions on treasury shares	-	-	12.3	-	-	(10.9)	1.4	-	1.4	-	1.4
Share-based payments	-	-	-	-	-	13.4	13.4	-	13.4	-	13.4
Transactions with non-controlling interests	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)	(1.5)	(2.0)
Equity as of December 31, 2017 ⁽¹⁾	159.2	529.1	(44.4)	2.1	(409.4)	2,222.7	1,771.0	368.3	2,827.6	50.6	2,878.2
(1) Proposed dividend (€2.075 per share)	-	-	-	-	-	(165.2)	(165.2)	-	(165.2)	-	(165.2)
Equity after proposed dividend	159.2	529.1	(44.4)	2.1	(409.4)	2,057.5	1,605.8	368.3	2,662.4	50.6	2,713.0

■ CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	2017	2016
Cash flow from operating activities		621.5	633.6
Cash flow generated by current operations	Appendix 1	836.1	834.8
Interests paid		(76.8)	(57.1)
Income taxes on current operating income and financial income (loss)		(132.9)	(102.0)
Dividends received from available-for-sale financial assets		(0.8)	(0.2)
Cash flow generated by other operating income and expenses	Appendix 2	(4.1)	(41.9)
Cash flow from investing activities		(639.6)	(279.2)
Acquisitions of intangible assets and property, plant and equipment	Appendix 3	(340.7)	(278.4)
Acquisitions of investments in consolidated entities after deduction of cash acquired	16	(311.9)	(44.5)
Transaction costs		(19.3)	(13.5)
Acquisitions of available-for-sale financial assets		(3.2)	(6.1)
Disposals of intangible assets and property, plant and equipment	Appendix 3	19.7	27.4
Disposals of investments in consolidated entities after deduction of cash disposed of		5.1	27.6
Net change in financial assets		0.1	(4.2)
Paid-in interests		10.6	12.5
Cash flow from financing activities		(380.1)	6.2
Capital increases and decreases in cash		2.1	(0.5)
Disposals (acquisitions) of treasury shares		(2.6)	(49.4)
Dividends paid to shareholders		(148.2)	(137.5)
Dividends paid to non-controlling interests		(1.4)	(1.9)
Acquisitions of investments in consolidated entities from non-controlling interests	16	(0.2)	(0.1)
Loan issues	24.2	604.2	604.0
Loan repayments	24.2	(1,136.9)	(4.1)
Net change in other debts	24.2	302.9	(404.3)
Change in cash and cash equivalents		(398.2)	360.6

(€ millions)	2017	2016
Opening cash and cash equivalents	798.1	411.6
Change in cash and cash equivalents	(398.1)	360.6
Impact of changes due to exchange rate fluctuations	(21.0)	25.9
Closing cash and cash equivalents⁽¹⁾	379.0	798.1
Cash	289.7	568.8
Cash equivalents	92.2	240.8
Bank overdrafts	(2.9)	(11.5)

(1) As of December, 2017, the position "Closing cash and cash equivalents" comprises a balance of €1.9 million (€2.5 million as of December 31, 2016) not available for Imerys SA and its subsidiaries, of which €1.3 million (€1.1 million as of December 31, 2016) with respect to foreign exchange control legislations and €0.6 million (€1.4 million as of December 31, 2016) with respect to statutory requirements.

Appendix 1: cash flow generated by current operations

(€ millions)	Notes	2017	2016
Net income		369.1	294.7
Adjustments		499.9	514.8
Income taxes	13	146.2	142.2
Share in net income of joint ventures and associates	9	(6.0)	(1.7)
Dividends received from joint ventures and associates		5.8	5.6
Impairment losses on goodwill	10 & 16	-	0.5
Share in net income of associates out of the recurring business		0.1	0.1
Other operating income and expenses excluding impairment losses on goodwill		53.5	88.2
Net operating amortization and depreciation	Appendix 3	265.5	225.6
Net operating impairment losses on assets		(7.2)	7.4
Net operating provisions		(16.7)	(1.8)
Net interest income and expenses		48.1	53.7
Share-based payments expense	8	13.4	10.5
Change in fair value of hedge instruments		2.6	(2.1)
Income from current disposals of intangible assets and property, plant and equipment	9	(5.4)	(13.4)
Change in the working capital requirement		(32.9)	25.3
Inventories		(52.9)	58.5
Trade accounts receivable, advances and down payments received		(18.9)	(25.5)
Trade accounts payable, advances and down payments paid		60.1	(18.6)
Other receivables and debts		(21.2)	10.9
Cash flow generated by current operations		836.1	834.8

Appendix 2: cash flow generated by other operating income and expenses

(€ millions)	Notes	2017	2016
Other operating income and expenses	10	(53.6)	(88.8)
Adjustments		49.5	46.9
Transaction costs		19.3	13.5
Income from disposals of consolidated investments and available-for-sale financial assets	10	1.3	1.0
Impairment losses on goodwill	10 & 16	-	0.5
Income from non-recurring disposals of intangible assets and property, plant and equipment	10	1.0	(1.0)
Other net operating amortization and depreciation	Appendix 3	13.9	22.4
Other net operating provisions	10	0.4	1.0
Share in net income of associates out of the recurring business		0.1	0.1
Income taxes paid on other operating income and expenses		13.5	9.4
Cash flow generated by other operating income and expenses		(4.1)	(41.9)

Appendix 3: table of indirect references to the notes

(€ millions)	Notes	2017	2016
Consolidated statement of cash flows			
Acquisitions of intangible assets and property, plant and equipment		(340.7)	(278.4)
Intangible assets	17	(22.8)	(9.5)
Property, plant and equipment	18	(334.3)	(279.0)
Neutralization of finance lease acquisitions		0.2	0.1
Change in payables on acquisitions of intangible assets and property, plant and equipment		16.2	10.0
Disposals of intangible assets and property, plant and equipment		19.7	27.4
Intangible assets	17	0.5	13.6
Property, plant and equipment	18	14.9	(0.5)
Income on asset disposals	9	5.4	13.4
Income on non-recurring asset disposals	10	(1.0)	1.0
Change in receivables on disposals of intangible assets and property, plant and equipment		(0.1)	(0.1)
Appendix 1			
Net operating amortization and depreciation		265.5	225.6
Increases in amortization – intangible assets	17	13.7	9.5
Increases in depreciation – property, plant and equipment	18	252.7	223.5
Amortization of prepaid expenses		(0.1)	-
Amortization and depreciation reversals – intangible assets and property, plant and equipment		(0.7)	(7.2)
Neutralization of finance leases depreciation		(0.1)	(0.2)
Appendix 2			
Other net operating amortization and depreciation		13.9	22.4
Impairment losses – intangible assets	17	-	0.7
Impairment losses – property, plant and equipment	18	16.8	25.2
Reversal of impairment losses – property, plant and equipment	18	(2.9)	(3.5)

6.1.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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■ 2017 SIGNIFICANT EVENTS

This paragraph aims at enabling the reader to easily identify the main notes addressing the significant events of the period.

- Acquisition of the Kerneos group: [Notes 16 & 25](#).
- Bond repayment: [Note 24.2](#).
- Imerys and the Brexit: [Information by segments – Information by geographical location – Exposure to country risk](#).

■ BASIS OF PREPARATION

NOTE 1 REFERENTIAL

1.1 STATEMENT OF COMPLIANCE WITH THE REFERENTIAL

Pursuant to European regulation no. 1606/2002 of July 19, 2002, Imerys, a group of the industrial minerals sector, with its headquarters in Paris, 43 quai de Grenelle and whose share is admitted to trading on the compartment A of NYSE Euronext Paris, has established its consolidated financial statements as of December 31, 2017 in compliance with IFRS (International Financial Reporting Standards) as adopted within the European Union at the closing date (hereafter “the Referential”). The financial statements have been closed on February 14, 2018 by the Board of Directors of Imerys SA, the Parent Company of the Group, on a going concern basis, in millions of Euros with one decimal rounded up to the nearest tenth.

1.2 DIFFERENCES BETWEEN THE REFERENTIAL AND IFRSS

The adoption process within the European Union may create temporary time-lags at the closing date between the Referential and IFRSs. However as of December 31, 2017, no difference exists between the Referential and IFRSs.

1.3 OPTIONAL STATEMENTS

First-time adoption. Upon first-time adoption of the Referential, Imerys published financial statements as of January 1, 2004 that included a retrospective application limited by some optional

exemptions provided for by standard IFRS 1 on first-time adoption of IFRSs and exercised by the Group. The acquisition of businesses prior to the first-time adoption have not been adjusted. The carrying amount of property, plant and equipment has not been adjusted except for mineral reserves and resources, which have been measured at fair value. The actuarial differences of post-employment employee benefits unrecognized at the date of first-time adoption have been included in the measurement of the plan assets and provisions against the reserves. Finally, the translation differences of foreign operations have been reclassified in the reserves.

Other optional statements. Some standards of the Referential present recognition and measurement options. The amortized / depreciated historical cost qualifies as the measurement basis for intangible assets (*Note 17*), mining assets (*Note 18*) and property, plant and equipment (*Note 18*). Inventories are measured on the basis of their characteristics in accordance with the “First-In, First-Out” (FIFO) or weighted average cost methods (*Note 20*). The rules of hedge accounting are applied to the recognition of derivatives hedging currency, interest rate and energy price risks (*Note 24.4*).

1.4 ABSENCE OF GUIDANCE

In the absence of any applicable standard or interpretation or sufficient detail of the existing standards and interpretations, the Executive Management has defined recognition and measurement policies on three subjects: greenhouse gas allowances (*Note 17*), mining assets (*Note 18*) and purchase commitment of non-controlling interests of an entity controlled by the Group (*Note 25*).

NOTE 2 CHANGES IN ACCOUNTING POLICIES AND ERRORS

Accounting policy

Accounting policies are identical from one period to the other and are modified either on a mandatory basis to apply a new standard or interpretation (*Note 2.1*), or on a voluntary basis to improve the reliability or the relevance of information (*Note 2.2*). Changes in accounting policies are accounted for retrospectively, unless required by the specific transition provisions of the standard or interpretation. Financial statements are modified for all reported periods, as if the new policy had always been applied. Errors (*Note 2.3*) are corrected retrospectively.

2.1 MANDATORY CHANGES

Anticipated application

Imerys did not apply by anticipation any standard or interpretation in 2016 and 2017.

Application upon effective date

Amendments to IAS 7: Disclosure Initiative. The objective of this amendment is to improve the disclosures on cash and non-cash changes in liabilities arising from financing activities (*Note 24.2 – Changes in liabilities arising from financing activities*).

Besides, the amendments to IAS 12, Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses, do not apply at Imerys.

2.2 VOLUNTARY CHANGES

Imerys did not perform any voluntary change in accounting policy in 2016 and 2017.

2.3 ERRORS

Any material current period error identified before the financial statements are authorised for issue is corrected. Any material prior period error is corrected in the comparative information.

NOTE 3 STANDARDS AND INTERPRETATIONS EFFECTIVE AFTER THE CLOSING DATE

On the basis of the last projected adoption agenda of IFRSs within the European Union dated February 8, 2018 published by the EFRAG (European Financial Reporting Advisory Group), Imerys will apply the following standards and interpretations after December 31, 2017.

3.1 APPLICATION IN 2018

Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions. This amendment is providing clarifications on equity-settled share-based payments. It specifies that such a transaction is fully addressed as an equity-settled payment, even if it is incidentally resulting into a cash settlement with respect to a tax obligation. Besides, the amendment is providing clarifications on a type of transaction that is not in use at Imerys: cash-settled share-based payments. As of December 31, 2017, the adoption process of these amendments is in progress within the European Union.

IFRS 9, Financial Instruments. IFRS 9 is intended to replace current standard IAS 39 on financial instruments. The improvements introduced by IFRS 9 include a classification and measurement model of financial instruments, an impairment loss model based upon expected losses and no longer upon past credit events, as well as a new approach to hedge accounting. The classification and measurement model of financial instruments introduced by IFRS 9, simpler than that of current standard IAS 39, shall improve the readability of disclosures in [Notes 11, 12, 21.1 and 24.1](#). Besides, no material impact is expected from the change from an incurred loss model to an expected loss model as a consequence of the limited exposure of Imerys to credit risk. In terms of hedge accounting, Imerys could consider the possibility to expand the scope of hedged items beyond its current state. Indeed, IFRS 9 is offering broader possibilities than IAS 39 in terms of designation of items eligible to hedge accounting. At last, as a result of the derivative instruments used as part of its hedging policy, the Group shall be affected by the new recognition requirements applicable to changes in the time value of options and forward points of outright contracts. The latter shall be recognized in equity instead of profit or loss as is currently the case. Amendments to IFRS 7, Financial Instruments: Disclosures, state the disclosures that enable to understand the bridge, at the adoption date of standard IFRS 9, between the old and new financial instruments categories and the old and new measurement rules for the financial instruments held at that date. Amendments to IFRS 9, Financial Instruments state that the entities that will adopt IFRS 9 as of January 1, 2018

will not have to restate any comparative period. At that date, the bridge between the old and new financial instruments categories will be explained, as a result of the amendments to IFRS 7, by the disclosures provided in the notes and the difference between the old and new valuations of the financial instruments held at that date will be recognized as an adjustment of the consolidated equity as of January 1, 2018. The amount of the time value of options and forward points of outright contracts credited to the 2017 profit or loss (€0.7 million) shall thus be reclassified as of January 1, 2018 to the cash flow hedge reserve.

IFRS 15, Revenue from Contracts with Customers. This new standard, whose objective is to replace the current standard on revenue, is based upon two principles: recognition of the sale when the customer obtains control over the good or service and measurement for the amount of the expected payment. For sales of goods, the analysis performed in particular on the transactions combining a sale of goods and a freight service lead to a revision of cut-off analysis procedures without however identifying any significant impact. For service contracts, the completed analysis specifically examined how the notion of control could influence the recognition pattern of revenue, considering if the customer obtains control over the service at a point in time or throughout time. The analysis of the various contracts types of the Monolithic Refractories business, the main business concerned by this issue, concluded that the requirements of the new standard would not result in any material impact.

IFRIC 22, Foreign Currency Transactions and Advance Consideration. In the absence of indications from standard IAS 21, The Effects of Changes in Foreign Exchange Rates, on the exchange rate applicable to anticipated payments and receipts related to transactions in foreign currencies that result in the recognition of a non-monetary asset or liability, interpretation IFRIC 22 specifies that each payment and receipt is measured at the exchange rate at the date of the cash movement. Already facing the absence of indications from standard IAS 21 on this subject, Imerys had integrated that specification into its accounting policies as soon as 2014, based upon the guidance provided by the technical documentation of a first rank accounting firm. The Group is thus anticipating no impact related to the adoption of this interpretation. As of December 31, 2017, the adoption process of this interpretation is in progress within the European Union.

Besides, the amendments to IAS 40, transfers of Investment Property and to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts do not apply at Imerys.

3.2 APPLICATION IN 2019

Amendments to IAS 19, Plan Amendment, Curtailment or Settlement. This amendment requires an update of the actuarial assumptions used to calculate the current service cost, the unwinding and the normative return on plan assets and reimbursement rights, after a plan amendment, a curtailment or a settlement. As of December 31, 2017, the adoption process of these amendments is in progress within the European Union.

IFRS 16, Leases. This standard abolishes for the lessee the current distinction between operating leases, recognized as expenses (*Note 7*) and finance leases, recognized as property, plant and equipment (*Note 18*) against a financial debt (*Note 24.1*) to require, for all leases, the recognition of a use right against a financial debt. This standard, whose application shall have an impact, mainly on the level of capital employed (*Information by segments*), the depreciation expense recognized in Current Operating Income, the interest expense recognized in Financial Income (Loss) (*Note 12*), the impairment tests (*Note 19*) and the financial ratios that the Group is required to comply with for part of its financing (*Note 24.5 – Borrower's liquidity risk*) and the level of the commitments given with respect to the current operating leases contracts (*Note 28*), is monitored by the Group since the first Exposure Draft was released in August 2010. The works performed since 2014 with the intent to define the perimeter of the contracts included in the scope of the standard, were extended

in the second half of 2016 to the search for IT solutions to manage the volume of identified contracts. The IT solution selected in the first half of 2017 enabled the historical data recovery of contracts in the second half of the year. The check of this database is currently in progress, specifically in terms of completeness and compliance with the provisions of the standard.

IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation is clarifying how uncertainties related to the recognition and measurement of income taxes should be addressed. The entity shall presume that a taxation authority has access to all information necessary to carry out its examinations. The interpretation indicates the criteria that shall be examined to determine if several uncertainties shall be addressed together or separately. It requires the entity to assess whether it is probable that a taxation authority accepts an uncertain tax treatment and to draw the resulting consequences. Finally, the interpretation requires judgments and estimates to be reassessed in case of changes in facts and circumstances.

Besides, amendments to IFRS 9, Prepayment Features with Negative Compensation and to IAS 28, Long-term Interests in Associates and Joint Ventures, do not apply at Imerys.

3.3 APPLICATION IN 2021

Standard IFRS 17, Insurance Contracts does not apply at Imerys.

NOTE 4 ESTIMATES

Estimates are intended to provide a reasonable assessment of the latest reliable information available on an uncertainty. They are revised to reflect changes in circumstances, new information available and experience effects. Changes in estimates are accounted for prospectively. The significant estimates of the Executive Management are separately outlined in the notes:

- allocation of certain transactions by levels within the income statement (*Notes to the consolidated income statement*);
- estimate of the values of the assets and liabilities of an acquired business (*Note 16*);
- amortization methods of intangible assets (*Note 17*);

- depreciation methods of property, plant and equipment and specifically of mineral reserves, overburden assets as well as certain industrial assets of discontinuous use (*Note 18*);
- definition, as part of the impairment tests of non-financial assets, of Cash Generating Units (CGUs), impairment indicators, duration and amount of future cash flows as well as the discount rates used in the calculation of the values in use of the CGUs (*Note 19*);
- actuarial assumptions of defined benefit plans (*Note 23.1*); and
- assessment, as part of the recognition and measurement of provisions, of the probability of settlement and amount of the obligation, of the expected timing of future payments and of discount rates (*Note 23.2*).

■ INFORMATION BY SEGMENTS

Accounting policy

Imerys delivers high value-added, functional solutions to a great number of sectors, from processing industries to consumer goods. Within each of its four business groups, the Group draws on its knowledge of applications, technological expertise and its material science know-how to deliver solutions based on beneficiation of its mineral resources, synthetic minerals and formulations. These contribute essential properties to customers' products and performance, including refractoriness, hardness, conductivity, opacity, durability, purity, lightness, filtration, absorption and repellency:

- Energy Solutions & Specialties (ESS): functional additives used in construction (plastics, paints, etc.) and in the production of paper, monolithic refractory products for the protection of high-temperature industrial equipment (iron and steel, foundry, petrochemical, glass and cement industries, etc.) and mineral specialties for the mobile energy, electronics and non-conventional oil exploration markets;

- Filtration & Performance Additives (F&PA): process aids and functional additives for the filtration of edible liquids, plastics, paints, polymers as well as foundry and steel industries, for the sectors of construction, consumer goods (beverages, food, magazines, packaging, pharmaceuticals, health and beauty, etc.) and durable goods (mainly automobile);
- Ceramic Materials (CM): clay roof tiles and mineral solutions for floor tiles, sanitary ware, tableware, technical ceramics, paints, plastics and paper;
- High Resistance Minerals (HRM): fused minerals for abrasive industries (cutting, grinding and polishing tools), performance binders pour les secteurs de la construction (soil screeds mortars) and refractory industries (refractory minerals used in high-temperature industries: steel, foundry, power generation, etc.) and engineering sectors (sewage systems, etc.).

Each of the reported segments is thus engaged in the production and rendering of related goods and services presenting geological, industrial and commercial synergies and results from the aggregation of the Cash-Generating Units followed each month by the Executive Management in its business reporting (*Note 19*). The Executive Management considers that the holding structures dedicated to the centralized financing of the Group are no segments. Their aggregates are thus presented in a reconciliation column with inter-segment eliminations (IS&H). The financial information by segment is measured in accordance with the principles of the Referential (*Note 1*). The transactions between segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

Consolidated income statement

Revenue from transactions of Imerys with each of its external customers never exceeds a threshold of 10.0% of the Group's revenue.

As of December 31, 2017

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
External revenue	1,319.9	1,230.3	1,154.3	878.0	15.9	4,598.4
Sales of goods	1,098.1	1,125.4	1,026.6	865.6	14.8	4,130.5
Rendering of services	221.8	104.9	127.7	12.4	1.1	467.9
Inter-segment revenue	6.7	6.8	28.7	36.9	(79.1)	0.0
Revenue	1,326.6	1,237.1	1,183.0	914.9	(63.2)	4,598.4
Current operating income	141.1	254.2	212.7	111.5	(71.4)	648.1
of which amortization, depreciation and impairment losses	(58.6)	(52.7)	(79.8)	(55.8)	0.1	(246.8)
Other operating income and expenses	(4.3)	8.5	(24.1)	(40.8)	7.2	(53.5)
Operating income	136.8	262.7	188.6	70.7	(64.2)	594.6
Financial income (loss)	(11.5)	(12.0)	(7.7)	(20.8)	(27.2)	(79.2)
Interest income	1.8	0.2	4.5	0.7	3.5	10.7
Interest expenses	(0.9)	(0.5)	(0.1)	(2.6)	(54.8)	(58.9)
Income taxes	(50.7)	(66.9)	(55.6)	(36.3)	63.2	(146.3)
Net income	74.6	183.8	125.3	13.6	(28.2)	369.1

As of December 31, 2016

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
External revenue	1,251.5	1,137.7	1,197.4	576.3	2.3	4,165.2
Sales of goods	1,045.1	1,030.0	1,040.4	563.1	1.0	3,679.6
Rendering of services	206.4	107.7	157.0	13.2	1.3	485.6
Inter-segment revenue	(0.8)	6.8	24.6	21.5	(52.1)	0.0
Revenue	1,250.7	1,144.5	1,222.0	597.8	(49.8)	4,165.2
Current operating income	129.9	214.6	223.4	78.0	(63.8)	582.1
of which amortization, depreciation and impairment losses	(58.2)	(57.1)	(81.7)	(28.7)	(10.5)	(236.2)
Other operating income and expenses	(24.5)	0.5	(14.3)	(50.7)	0.2	(88.8)
Operating income	105.4	215.1	209.1	27.3	(63.6)	493.3
Financial income (loss)	(5.1)	(7.6)	6.1	(1.5)	(48.3)	(56.4)
Interest income	0.1	0.1	11.3	0.7	0.4	12.6
Interest expenses	(1.0)	(0.2)	0.4	(2.6)	(62.8)	(66.2)
Income taxes	(43.8)	(58.0)	(60.6)	(11.7)	31.9	(142.2)
Net income	56.5	149.5	154.6	14.1	(80.0)	294.7

Consolidated statement of financial position

As of December 31, 2017

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
Capital employed – Assets	1,605.5	1,885.7	1,321.2	1,966.7	131.1	6,910.2
Goodwill ⁽¹⁾	318.5	839.2	262.6	714.5	0.8	2,135.6
Intangible assets and property, plant and equipment ⁽²⁾	788.1	590.0	623.1	742.4	50.5	2,794.1
Inventories	179.0	166.3	191.8	304.4	(1.3)	840.2
Trade receivables	222.3	189.3	130.2	144.1	(9.8)	676.1
Other receivables – non-current and current	72.4	66.5	83.1	61.2	65.4	348.6
Joint ventures and associates	25.2	34.4	30.4	0.1	25.5	115.6
Unallocated assets						557.8
Total assets						7,468.0
Capital employed – Liabilities	290.2	229.7	230.4	260.4	38.3	1,049.0
Trade payables	170.3	109.1	120.1	117.0	(5.7)	510.8
Other debts – non-current and current	97.8	95.4	105.5	132.4	6.3	437.4
Income taxes payable	22.1	25.2	4.8	11.0	37.7	100.8
Provisions	134.0	198.1	160.8	143.4	106.7	743.0
Unallocated liabilities						2,797.7
Total non-current and current liabilities						4,589.7
Total capital employed	1,315.3	1,656.0	1,090.8	1,706.3	92.8	5,861.2
(1) Increases in goodwill	20.7	58.7	4.3	434.6	-	518.3
(2) Acquisitions of intangible assets and property, plant and equipment	115.6	62.0	87.2	61.3	14.6	340.7

As of December 31, 2016

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
Capital employed – Assets	1,578.5	1,843.2	1,385.2	897.2	42.1	5,746.2
Goodwill ⁽¹⁾	313.1	794.4	274.9	291.5	0.8	1,674.7
Intangible assets and property, plant and equipment ⁽²⁾	790.9	612.2	673.7	269.7	7.0	2,353.5
Inventories	165.6	159.5	193.4	194.7	(0.7)	712.5
Trade receivables	211.5	181.3	135.1	87.4	(7.2)	608.1
Other receivables – non-current and current	67.8	61.3	76.8	53.8	15.2	274.9
Joint ventures and associates	29.6	34.5	31.3	0.1	27.0	122.5
Unallocated assets						986.2
Total assets						6,732.4
Capital employed – Liabilities	275.0	226.0	215.2	134.2	26.4	876.8
Trade payables	153.9	102.3	116.6	61.7	(11.8)	422.7
Other debts – non-current and current	99.3	97.9	95.7	64.9	17.2	375.0
Income taxes payable	21.8	25.8	2.9	7.6	21.0	79.1
Provisions	134.4	199.6	181.2	86.4	60.2	661.8
Unallocated liabilities						2,279.6
Total non-current and current liabilities						3,818.2
Total capital employed	1,303.5	1,617.2	1,170.0	763.0	15.7	4,869.4
(1) Increases in goodwill	29.7	-	2.4	13.6	-	45.7
(2) Acquisitions of intangible assets and property, plant and equipment	96.4	61.4	79.2	39.2	2.2	278.4

Information by geographical location

Notion of country risk. Due to their mining activity and to the variety of their final markets, the entities of Imerys are located in numerous countries. The Group may thus be exposed to certain risks specific to these countries which may have in the future a certain impact on its financial statements. Country risk comprises two components: on the one hand, the transfer and convertibility risk, i.e. the risk a government imposes foreign exchange or capital controls that prevent an entity from transferring funds to third parties located outside the country and/or converting local currency into foreign currency; and on the other hand the general economic environment, mainly in its dimensions related to the quality of public and private governance, as well as to the risks of conflicts, expropriation, or civil and political instability.

Exposure to country risk. The transfer and convertibility component of country risk results in the unavailability of cash balances for an amount of €1.3 million as of December 31, 2017 (€1.1 million as of December 31, 2016) (*Consolidated Statement of Cash Flow*). Besides, country risk is taken into account in the country-market risk premium of the discount rates used for impairment tests (*Note 19*). However, the fact that most of the supply sources and

final markets of Imerys are located in developed countries limits the exposure of the Group to country risk. In order to identify high-risk countries, Imerys uses as a first step the grading system “Business Environment” of the Coface, the main French insurance company specialized in export credit insurances, which measures if an economic and financial interest in an entity is influenced by the economic, financial and political prospects of the related countries. The grading system of the Coface consists of eight categories from A1 to E, with an increasing order of importance of the assessed risks. Categories C to E, corresponding to the highest risks, include Algeria, Egypt, Russia and Ukraine (category C) and Venezuela and Zimbabwe (category E) where the Group is present. As a second step, Imerys may carry out analyses on specific situations. In this way, the follow-up performed since 2016 on the consequences of the British decision to leave the European Union (Brexit) concluded to immaterial potential risks: 5.27% of revenue by geographical location of the businesses of the Group in 2017 (5.49% in 2016), 3.11% of revenue by geographical location of customers in 2017 (2.71% en 2016) and 4.65% of the statement of financial position, after elimination of intragroup transactions, as of December 31, 2017 (5.22% as of December 31, 2016).

The following table discloses revenue by geographical location of the businesses of the Group:

(€ millions)	2017	2016
France	949.9	689.3
Other European countries	1,656.2	1,568.2
North America	1,225.6	1,179.1
Asia – Oceania	574.7	567.0
Other countries	192.0	161.6
Revenue by geographical location of the businesses of the Group	4,598.4	4,165.2

Revenue generated in countries rated C à E by the grading system “Business Environment” of the Coface represents in 2017 0.91% of Group revenue (1.05% in 2016) and 1.07% of current operating income (0.96% in 2016).

The following table discloses revenue by geographical location of customers:

(€ millions)	2017	2016
France	500.0	473.9
Other European countries	1,739.6	1,541.0
North America	1,187.6	1,100.9
Asia – Oceania	854.2	773.5
Other countries	317.0	275.9
Revenue by geographical location of customers	4,598.4	4,165.2

The following table discloses the carrying amount of goodwill, intangible assets and property, plant and equipment by geographical zone:

	2017			2016		
	Goodwill	Intangible assets and property, plant and equipment	Total	Goodwill	Intangible assets and property, plant and equipment	Total
(€ millions)						
France	1,178.3	792.8	1,971.1	743.5	283.9	1,027.4
Other European countries	383.3	691.6	1,074.9	333.7	635.6	969.3
North America	303.7	744.0	1,047.7	329.8	853.7	1,183.5
Asia – Oceania	195.1	207.3	402.4	205.2	199.7	404.9
Other countries	75.2	358.4	433.6	62.5	380.6	443.1
Total	2,135.6	2,794.1	4,929.7	1,674.7	2,353.5	4,028.2

The total of the statement of financial position located in countries rated C à E by the grading system “Business Environment” of the Coface represents 0.28% of the statement of financial position (0.23% as of December 31, 2016) and -0.96% of consolidated equity, Group share (-1.09% as of December 31, 2016).

■ NOTES TO THE CONSOLIDATED INCOME STATEMENT

Accounting policy

Revenue and expenses recognized in the consolidated income statement are aggregated by natures in accordance with materiality and are only offset in application of a standard or interpretation. Comparative information is disclosed with respect to period N-1, comparative information with respect to period N-2 being incorporated by reference ([Chapter 9, section 9.4 of the Registration Document](#)). Profit or loss is structured in two main

levels: operating income and financial income (loss). If for most cases, the allocation of transactions by profit or loss level does not require any specific comment, the options of some standards and the absence of guidance of other standards led the Executive Management to make some presentation decisions. The three tables hereafter present these decisions by profit or loss level and enable the link with the corresponding note.

Operating income. Operating income includes current operating income and other operating income and expenses. Current operating income ([Notes 5 to 9](#)) includes the performance of the ordinary activities of Imerys as well as the following items:

	Notes
Share-based payments expense	8
Changes in employee benefits unrelated to restructuring	
▪ plan curtailments, settlements and amendments	8
▪ contributions to the funds and direct payments to beneficiaries	8
▪ liabilities reversals on contributions and direct payments	8
▪ administrative fees of open plans	8
Hedge accounting	
▪ ineffective portion of operational hedge instruments	11
▪ amortization of the effective portion of de-designated operational hedge instruments	11
Assets disposals unrelated to restructuring	9
Net income of associates of the recurring business	9

Other operating income and expenses. Other operating income and expenses ([Note 10](#)) correspond, in accordance with the recommendation ANC 2013-03 of the French accounting standard setting authority on the format of IFRS financial statements, to items of income and expenses resulting from a limited number of well identified, non-recurring and significant events, such as the profit or loss impacts from obtaining or losing control of a business, of a restructuring, including related assets disposals, of an impairment loss on goodwill or of a significant litigation. In particular, since applicable standards do not define the notion of restructuring by reference to any criterion of infrequent or unusual occurrence, the Executive Management set up criteria validating that only those management decisions that meet both the definition of a restructuring and the non-recurring character, be recognized as other operating income and expenses.

	Notes
Gain or loss from obtaining or losing control	10
Impairment loss on goodwill	10
Restructuring	10
Asset disposal related to restructuring	10
Changes in employee benefits related to restructuring	
▪ plan curtailments, settlements and amendments	10
▪ contributions and direct payments to beneficiaries	10
▪ liabilities reversals on contributions and direct payments	10
Significant litigation	10
Net income of associates out of the recurring business	10

Financial income (loss). The financial income (loss) mainly includes the cost of indebtedness, foreign exchange differences, the financial components of defined benefit plans, the unwinding of the discount of provisions and impairment losses on financial assets (Note 12), as well as the following specific items:

	Notes
Hedge accounting	
▪ ineffective portion of financing hedge instruments	11
▪ amortization of the effective portion of de-designated financing hedge instruments	11
Unrealized and realized foreign exchange of operating and financial transactions	12
Financial changes in employee benefits	
▪ unwinding	12
▪ normative return on assets	12
▪ contributions to under-funded closed plans with mandatory funding requirement	12
▪ administrative fees of closed plans with mandatory funding requirement	12
▪ liabilities reversals of closed plans with mandatory funding requirement	12

NOTE 5 REVENUE

Accounting policy

Sales of goods represent the greater part of revenue. They are recognized upon transfer of the risks, rewards and control. Their incoterms are multiple because of the specificities of packaging (bulk, powder, paste, slurry, etc.) and freight (sea, rail, road, etc.) and represent the key indicator for the recognition of sales of goods. Re invoicing of the freight cost of the product represents the majority of rendering of services and its recognition generally

derives from the sale of the transported product. Furthermore, for both goods and rendering of services, a sale is recognized only if the corresponding receivable is recoverable and the amount of the transaction and related costs necessary to complete the transaction can be measured reliably. Sales of goods and rendering of services are measured at the fair value of the transaction, decreased by trade and volume rebates, as well as discounts for early payment.

Period activity

(€ millions)	2017	2016
Sales of goods	4,130.5	3,679.7
Rendering of services	467.9	485.5
Total	4,598.4	4,165.2

Revenue amounts to €4,598.4 million in 2017 (€4,165.2 million in 2016), i.e. an increase of +10.4% (+1.9% in 2016), including a negative effect of -€34.7 million due to foreign currency changes (-€4.4 million in 2016) and a positive structure impact of +€329.2 million (+€140.2 million in 2016). At comparable structure and foreign currency rates, revenue increases by +3.3% (decreases by -1.4% in 2016).

NOTE 6 RAW MATERIALS AND CONSUMABLES USED

(€ millions)	2017	2016
Raw materials	(771.3)	(538.6)
Energy	(344.0)	(324.1)
Chemicals	(63.4)	(68.8)
Other consumables	(231.9)	(199.3)
Merchandises	(84.7)	(126.8)
Change in inventories	53.5	(58.5)
Internally generated property, plant and equipment	12.0	12.9
Total	(1,429.8)	(1,303.2)

NOTE 7 EXTERNAL EXPENSES

(€ millions)	2017	2016
Freight	(558.5)	(497.5)
Operating leases	(86.6)	(79.7)
Subcontracting	(146.3)	(125.9)
Maintenance and repair	(124.8)	(110.5)
Fees	(111.3)	(97.5)
Other external expenses	(224.1)	(204.6)
Total	(1,251.6)	(1,115.7)

NOTE 8 STAFF EXPENSES

(€ millions)	2017	2016
Salaries	(747.6)	(691.1)
Social security contributions	(150.4)	(133.4)
Net change in employee benefit liabilities	5.1	3.5
Contributions to defined employee benefit plans	(18.7)	(15.0)
Contributions to defined contribution plans	(28.1)	(22.9)
Profit-sharing	(32.3)	(28.6)
Other employee benefits	(15.5)	(11.1)
Total	(987.5)	(898.6)

Share-based payments management principles

The Group's long-term retention policy comprises since 2008 the grant of conditional free shares acquired on the market. Imerys attributes free shares. The corresponding expense is recognized as "Other employee benefits" for €13.4 million in 2017 (€10.5 million in 2016). The management principles of these share-based payments are set by the Board of Directors upon the Appointments and Compensation Committee's recommendations. Aside from the grants made under the Group's employee shareholding operations, free shares are in principle subordinated and proportional to the achievement of economic and/or financial performance objectives set by the Board of Directors. Share-based payments plans are annual and the total number of rights granted each year is adjusted in accordance with the Group's overall performance or to specific events. Grants traditionally take place on the Shareholders' General Meeting. The actual or likely beneficiaries are the Group's executives (Chairman and Chief Executive Officer, Executive Committee members, business group and activity management committees, managers of the Group's main corporate departments) and the holders of certain key positions reporting to them, as well as high-potential managers and employees that make an outstanding contribution to the Group's performance.

Accounting policy

The fair value of services rendered against the grant of Imerys free shares is measured using the Black & Scholes pricing model by reference to the fair value of instruments at the grant date. This measurement takes into consideration the life of instruments, the underlying share price, as well as the turnover rate of beneficiaries. In the majority of cases, the acquisition of rights is subject to a condition of duration of service and the fair value of services rendered is amortized in profit or loss over the vesting periods of rights, against an increase in equity. The accounting treatment is identical where, in addition to the duration of service condition, the acquisition of rights is subject to the achievement of pre-determined economic performance conditions. The volatility and the assumptions related to the probability of acquisition of rights are revised at each closing date. The turnover rates of beneficiaries are adjusted definitely as vesting periods are closed.

Share-based payments expense

	Number of free shares	Maturity	Turnover rate	Average dividend rate	Performance conditions	Fair value (€)	Total cost of each plan (€M)	2017 cost of the plans (€M)	2016 cost of the plans (€M)
2013	233,500	4.0 years	15.7%	2.9%	76.6%	45.15	(6.5)	(0.3)	(1.7)
2013	30,000	4.0 years	0.0%	2.9%	76.6%	45.15	(1.0)	(0.1)	(0.3)
2014	276,975	4.0 years	8.9%	2.9%	75.0%	55.37	(10.5)	(2.7)	(2.6)
2015	20,700	2.0 years	0.0%	2.9%	-	63.01	(0.5)	(0.1)	(0.1)
2015	309,550	4.0 years	8.7%	2.9%	75.0%	61.17	(13.0)	(3.2)	(3.2)
2016	32,500	3.0 years	0.0%	2.9%	75.0%	58.29	(1.4)	(0.4)	(0.3)
2016	270,000	3.0 years	10.0%	2.9%	75.0%	57.43	(10.5)	(3.5)	(2.3)
2017	35,000	3.0 years	0.0%	3.0%	75.0%	70.66	(1.9)	(0.4)	(0.3)
2017	258,400	3.0 years	10.0%	3.0%	75.0%	70.66	(12.3)	(2.7)	(2.3)
Cost of plans recognized as staff expenses								(13.4)	(10.5)
Weighted average exercise price (€)								53.4	54.8

NOTE 9 OTHER CURRENT INCOME AND EXPENSES

(€ millions)	2017	2016
Other income and expenses	(0.1)	(0.3)
Income on asset disposals	5.4	13.4
Grants received	5.1	5.0
Net change in operating provisions and write-downs	18.8	(10.5)
Share in net income of joint ventures and associates	6.0	1.7
Total	35.2	9.3

Imerys is holding investments in businesses over which the Group exercises joint control or significant influence. The net income generated by these investments is disclosed in "Share in net income of joint ventures and associates" for €6.0 million in 2017 (€1.7 million in 2016).

Accounting policy

Imerys measures under the equity method the investments under joint control (joint ventures), i.e. those whose financial and operating policies are subject to an unanimous vote of Imerys and a third party venturer and the investments under significant influence (associates), i.e. those whose financial and operating policies are governed by the third party venturer, while Imerys only participates in these policies, without controlling them. The shares held in the net assets and results of these entities are presented in distinct positions in the operating income and in the assets.

Main joint ventures and associates

The main investments measured under the equity method are the joint ventures The Quartz Corporation, Stollberg & Samil and the associate MST Mineralien Schiffahrt. The summarized financial information of these investments is disclosed hereafter as 100.00% amounts. The debit amounts are negative and the credit amounts are positive. These data are closed as of December 31, except for those of MST Mineralien Schiffahrt, that stem from the most recent financial statements to which the Group has access, i.e. those of the September 30, annual closing.

(€ millions)	Joint ventures				Associates	
	The Quartz Corporation		Stollberg & Samil		MST Mineralien Schiffahrt	
	2017	2016	2017	2016	2017	2016
Consolidated income statement						
Revenue	83.1	67.2	31.7	35.2	90.6	75.8
Net income	3.6	3.0	1.9	1.3	8.5	(3.1)
Consolidated statement of financial position						
Non-current assets	(72.6)	(76.8)	(15.6)	(18.2)	(207.8)	(208.9)
Current assets	(36.5)	(38.0)	(25.5)	(20.6)	(41.8)	(43.4)
Equity	50.3	51.9	26.0	25.4	84.9	81.8
Non-current liabilities	41.1	50.0	9.8	4.6	124.1	126.9
Current liabilities	17.7	12.9	5.3	8.8	40.6	43.6

The Quartz Corporation (joint venture) is a 50.00% interest (50.00% as of December 31, 2016) of the Ceramic Materials business group in a group of companies specialized in the extraction of and adding value to high purity quartz in the United States and Norway. Stollberg & Samil (joint venture) is a 50.00% interest (50.00% as of December 31, 2016) of the Filtration & Performance Additives business group in an entity that produces and distributes products for the foundry industry in South Korea. At last, MST Mineralien Schifffahrt (associate) is a 27.34% interest (50.00% as of

December 31, 2016) in a German minerals shipping company. These three investments are recognized in accordance with the equity method. The amount of the commitment given by the Group to this company as part of a chartering contract is indicated in [Note 28](#). The table below discloses a reconciliation between the equity of the joint ventures and associates, as disclosed at 100.00% in the previous table and as recognized in the assets of Imerys in accordance with the equity method.

	2017				2016			
	Equity	Interests of other shareholders	Goodwill	Interest of Imerys	Equity	Interests of other shareholders	Goodwill	Interest of Imerys
(€ millions)								
The Quartz Corporation	50.3	(25.2)	2.3	27.5	51.9	(26.0)	2.5	28.5
Stollberg & Samil	26.0	(13.0)	-	13.0	25.4	(12.7)	-	12.7
MST Mineralien Schifffahrt	84.9	(61.7)	-	23.2	81.8	(57.2)	-	24.6
Other investments	118.0	(68.4)	2.2	51.8	128.2	(73.7)	2.2	56.7
Total	279.2	(168.2)	4.5	115.5	287.3	(169.5)	4.7	122.5

The table below analyzes the change in the interest recognized in the assets of Imerys in accordance with the equity method.

	2017	2016
(€ millions)		
Opening carrying amount	122.5	126.2
Disposals	-	(4.4)
Income	6.0	1.6
Dividends distributed by the joint ventures and associates	(5.8)	(5.6)
Other	(7.2)	4.7
Closing carrying amount	115.5	122.5

NOTE 10 OTHER OPERATING INCOME AND EXPENSES

(€ millions)	2017	2016
Gain or loss from obtaining or losing control	(11.0)	(14.5)
Transaction costs	(19.3)	(13.5)
Changes in estimate of the contingent remuneration of the seller	9.5	-
Income from disposal of consolidated businesses	(1.2)	(1.0)
Other non-recurring items	(42.6)	(74.3)
Impairment losses on goodwill	-	(0.5)
Impairment losses on restructuring	(13.9)	(22.4)
Income on non-recurring asset disposals	(1.0)	1.0
Restructuring expenses paid	(27.2)	(51.3)
Change in provisions	(0.4)	(1.0)
Share in net income of associates out of the recurring business	(0.1)	(0.1)
Other operating income and expenses	(53.6)	(88.8)
Income taxes	18.4	13.2
Other operating income and expenses net of income taxes, Group share	(35.2)	(75.6)

2017 other operating income and expenses

Gross "Other operating income and expenses" amount to -€53.6 million, of which -€4.3 million in the Energy Solutions & Specialties business group; +€8.4 million in the Filtration & Performance Additives business group; -€24.0 million in the Ceramic Materials business group; -€40.8 million in the High Resistance Minerals business group; and +€7.1 million in the holdings. Income taxes gains and losses on "Other operating income and expenses" amount to +€18.4 million. "Other operating income and expenses net of income taxes, Group share" thus amount to -€35.2 million, of which -€24.8 million with no cash impact and -€10.4 million in cash.

2016 other operating income and expenses

The gross "Other operating income and expenses" amount to -€88.8 million: -€19.0 million in the Energy Solutions & Specialties business group; -€17.2 million in the Filtration & Performance Additives business group; -€11.9 million in the Ceramic Materials business group; -€26.3 million in the High Resistance Minerals business group; and -€14.4 million in the holdings. Income taxes gains and losses on "Other operating income and expenses" amount to +€13.2 million. 2016 "Other operating income and expenses net of income taxes, Group share" thus amount to -€75.6 million, of which -€50.1 million with no cash impact and -€25.5 million in cash.

NOTE 11 FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments result from contracts whose execution symmetrically creates a financial asset of one party to the contract and a financial liability or an equity instrument of the other party. Financial instruments are attached to categories hereafter that represent their measurement bases.

Available-for-sale financial assets. Imerys holds investments in non-listed entities over which the Group has neither control, nor joint control, nor significant influence, nor intent to dispose of in the short term. These investments are recognized as assets at the acquisition date and are maintained at a carrying amount representative of fair value. The changes of the latter are recognized in equity except for negative changes qualifying as objective evidence of impairment which are recognized in profit or loss.

Fair value through profit or loss. Imerys holds non derivative financial assets with the intent to perform a result on disposal in the short-term. These investments are recognized as assets between the dates of purchase and disposal and the changes in fair value are recognized in other financial income and expenses (Note 12) depending upon market prices published at the closing date. This category also includes the change in fair value of non hedge derivatives (Note 24.4).

Loans and receivables. The greater part of the loans and receivables category corresponds to trade receivables resulting from revenue as well as cash, i.e. cash on hand and demand deposits and cash equivalents. The latter are highly liquid investments indexed on a monetary market rate and whose amount is known or subject to insignificant uncertainty. In the statement of cash flows, cash and cash equivalents also include the position "Bank overdrafts" presented as liabilities.

Financial liabilities at amortized cost. Loans (Note 24.2 – *Reconciliation of the net financial debt*) are initially measured at the fair value of the amount received, less transaction costs. They are subsequently measured at amortized cost with the effective interest rate method. The Group performs purchases of raw materials and energy for its own use and not for trading purposes. As a consequence, these purchases contracts are recognized as trade accounts payable and not as derivatives. Trade accounts payable and other financial liabilities are measured at amortized cost.

Hedge derivatives. Hedge derivatives (Note 24.4) are disclosed in a separate column since the exceptional character of hedge accounting excludes any relation to one of the above categories.

Analysis of financial instruments by catégories

Notes 11, 12, 21.1 and 24.1 disclosure revenue, expenses, assets and liabilities related to financial instruments by categories. The classification logic of financial instrument assets (Note 21.1) and liabilities (Note 24.1) transversally applies to their changes in profit or loss (Notes 11 and 12). For example, "Revenue" is attached to "Amortized cost" as its counterparts in "Trade receivables" or "Cash and cash equivalents" belong to that category in the assets. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column "Non IAS 39" that includes the following items:

- non IAS 39 financial assets and liabilities: short-term employee benefit assets and liabilities (IAS 19), share-based payments (IFRS 2), finance lease liabilities (IAS 17);
- non-financial assets and liabilities: intangible assets (IAS 38), property, plant and equipment (IAS 16), mining assets (IFRS 6), inventories (IAS 2), income taxes assets and liabilities (IAS 12), prepaid expenses (IAS 38), provisions (IAS 37), defined employee benefit assets and liabilities (IAS 19), grants (IAS 20).

The tables hereafter disclose the income and expenses before income taxes recognized in profit or loss and equity by categories of financial instruments. The balances of "Other financial income and expenses" are further analyzed in [Note 12](#).

As of December 31, 2017

	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow		
(€ millions)									
Operating income									
Revenue	-	-	-	4,583.6	-	-	14.8	-	4,598.4
Raw materials and consumables used	-	-	-		(1,512.8)	-	2.1	80.9	(1,429.8)
External expenses	-	-	-		(1,251.6)	-	-	-	(1,251.6)
Other operational income and expenses	-	-	-	37.0	(35.1)	-	(2.1)	35.4	35.2
Financial income (loss)									
Income from securities	-	10.2	-		-	-	-	-	10.2
Gross financial debt expense	-	-	(0.4)	-	(56.3)	-	-	-	(56.7)
Other financial income and expenses	0.6	-	(0.1)	5.8	(26.9)	-	-	(12.1)	(32.7)
Equity									
Recognition in equity	-	-	-		-	-	11.2	-	11.2
Reclassification in profit or loss	-	-	-		-	-	(16.9)	-	(16.9)
Total financial instruments	0.6	10.2	(0.5)	4,626.4	(2,882.7)	0.0	9.1	-	-
of which impairment losses in profit or loss	-	-	-	(5.1)	-	-	-	(12.1)	-
of which reversals of impairment losses in profit or loss	-	-	-	13.2	-	-	-	12.3	-

The columns "Hedge derivatives / Fair value" and "Hedge derivatives / Cash flow" of the above table are analyzed as follows:

	Fair value				Cash flow		
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges	Total	Effective portion of hedges	Ineffective portion of hedges	Total
(€ millions)							
Operating income							
Revenue	-		-	-	14.8	-	14.8
Raw materials and consumables used	-	-	-	-	2.1	-	2.1
Other operational income and expenses	-	-	-	-		(2.1)	(2.1)
Profit or loss	0.0	0.0	0.0	0.0	16.9	(2.1)	14.8
Equity							
Recognition in equity	-	-	-	-	11.2	-	11.2
Reclassification in profit or loss	-	-	-	-	(16.9)	-	(16.9)
Total financial instruments	0.0	0.0	0.0	0.0	11.2	(2.1)	9.1

As of December 31, 2016

	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow		
(€ millions)									
Operating income									
Revenue	-	-	-	4,164.0	-	-	1.2	-	4,165.2
Raw materials and consumables used	-	-	-	-	(1,264.5)	-	(7.7)	(31.0)	(1,303.2)
External expenses	-	-	-	-	(1,115.7)	-	-	-	(1,115.7)
Other operational income and expenses	-	-	-	37.5	(39.1)	-	1.3	9.6	9.3
Financial income (loss)									
Income from securities	-	12.3	-	-	-	-	-	-	12.3
Gross financial debt expense	-	-	(1.0)	-	(64.0)	-	-	-	(65.0)
Other financial income and expenses	(1.6)	-	0.5	(2.3)	4.6	-	-	(4.9)	(3.7)
Equity									
Recognition in equity	-	-	-	-	-	-	19.1	-	19.1
Reclassification in profit or loss	-	-	-	-	-	-	6.7	-	6.7
Total financial instruments	(1.6)	12.3	(0.5)	4,199.2	(2,478.7)	0.0	20.6	-	-
of which impairment losses in profit or loss	(1.5)	-	-	(11.6)	-	-	-	(11.8)	-
of which reversals of impairment losses in profit or loss	0.3	-	-	7.2	-	-	-	11.1	-

The columns "Hedge derivatives / Fair value" and "Hedge derivatives / Cash flow" of the above table are analyzed as follows:

	Fair value			Total	Cash flow		Total
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges		Effective portion of hedges	Ineffective portion of hedges	
(€ millions)							
Operating income							
Revenue	-	-	-	-	1.2	-	1.2
Raw materials and consumables used	-	-	-	-	(7.7)	-	(7.7)
Other operational income and expenses	-	-	-	-	(0.2)	1.5	1.3
Profit or loss	0.0	0.0	0.0	0.0	(6.7)	1.5	(5.2)
Equity							
Recognition in equity	-	-	-	-	19.1	-	19.1
Reclassification in profit or loss	-	-	-	-	6.7	-	6.7
Total financial instruments	0.0	0.0	0.0	0.0	19.1	1.5	20.6

NOTE 12 FINANCIAL INCOME (LOSS)

The tables hereafter disclose the financial income (loss) by categories of financial instruments. A description of the categories of financial instruments is provided in [Note 11](#).

As of December 31, 2017

	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
(€ millions)		Non derivative	Non hedge derivatives			Fair value	Cash flow		
Net financial debt expense	0.0	10.2	(0.4)	0.0	(56.3)	0.0	0.0	0.0	(46.5)
Income from securities	-	10.2	-	-	-	-	-	-	10.2
Gross financial debt expense	-	-	(0.4)	-	(56.3)	-	-	-	(56.7)
Other financial income and expenses	0.6	0.0	(0.1)	5.8	(26.9)	0.0	0.0	(12.1)	(32.7)
Net exchange rate differences	-	-	(0.1)	-	(10.8)	-	0.9	0.5	(9.5)
Expense and income on derivative instruments	-	-	-	-	-	-	(0.9)	-	(0.9)
Financial income and expenses of defined employee benefit plans	-	-	-	-	-	-	-	(8.2)	(8.2)
Unwinding of other provisions	-	-	-	-	-	-	-	(3.9)	(3.9)
Other financial income and expenses	0.6	-	-	5.8	(16.1)	-	-	(0.5)	(10.2)
Financial income (loss)	0.6	10.2	(0.5)	5.8	(83.2)	0.0	0.0	(12.1)	(79.2)

As of December 31, 2016

	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
(€ millions)		Non derivative	Non hedge derivatives			Fair value	Cash flow		
Net financial debt expense	0.0	12.3	(1.0)	0.0	(64.0)	0.0	0.0	0.0	(52.7)
Income from securities	-	12.3	-	-	-	-	-	-	12.3
Gross financial debt expense	-	-	(1.0)	-	(64.0)	-	-	-	(65.0)
Other financial income and expenses	(1.6)	0.0	0.5	(2.3)	4.6	0.0	0.0	(4.9)	(3.7)
Net exchange rate differences	-	-	0.5	-	6.0	-	1.0	(1.2)	6.3
Expense and income on derivative instruments	-	-	-	-	-	-	(1.0)	-	(1.0)
Financial income and expenses of defined employee benefit plans	-	-	-	-	-	-	-	0.6	0.6
Unwinding of other provisions	-	-	-	-	-	-	-	(3.7)	(3.7)
Other financial income and expenses	(1.6)	-	-	(2.3)	(1.4)	-	-	(0.6)	(5.9)
Financial income (loss)	(1.6)	12.3	(0.5)	(2.3)	(59.4)	0.0	0.0	(4.9)	(56.4)

NOTE 13 INCOME TAXES

Accounting policy

Income taxes are made up of two components: French and foreign taxes based upon taxable profits, including similar contributions calculated on the basis of differences between revenues and expenses, such as the French Cotisation sur la Valeur Ajoutée des Entreprises (CVAE); and withholding taxes paid by the entities under the control, joint control and significant influence of Imerys, on the dividends distributed to the Group. Income taxes are broken down into current tax and deferred tax. Current tax results in the recognition of a liability to the extent it is unpaid and of an asset where the amount already paid exceeds the amount due or if a tax loss can be carried back. Deferred tax assets and liabilities are accounted for with respect to all temporary taxable differences between the tax and consolidated values of assets and liabilities, except mainly for differences related to the initial recognition of goodwill and, in the case of taxable temporary differences between the accounting and tax values of investments, where the Group is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. A deferred tax asset is recognized with respect to taxable temporary differences, tax losses and tax credits only if it is probable that a future taxable profit shall be set against these items, or there are taxable temporary differences in the same tax entity, that come to maturity over the period these items remain recoverable. Tax rates and laws used are those that are enacted or substantively enacted at the closing date and shall be applicable over the period of reversal of the timing difference. Deferred taxes are not discounted. Deferred tax assets and liabilities are offset by tax entity, i.e. by legal entity or tax consolidation group. Current and/or deferred taxes are recognized in the same level of profit or loss as the related basis. That principle of linking the tax to its base also applies to the transactions directly recognized in equity.

Tax consolidation scope

In several countries, Imerys has set up tax consolidation system that notably enable the Group to offset potential profits and losses within the consolidated group. In 2017, tax consolidation scopes exist mainly in France, in the United States, in the United Kingdom, in Spain, in Germany and in Italy.

Income taxes paid

The amount of income taxes paid in 2017 in cash and by means of tax credits, amounts to €119.4 million (€92.6 million in 2016).

Carried forward tax losses

Deferred tax assets are recognized as carried forward tax losses when they are assessed as being recoverable and over a recovery expected time frame not exceeding five years. The measurement of the deferred tax assets recognized in this respect take into account the national legislations limiting the use of carried forward tax losses. As of December 31, 2017, these deferred tax assets amount to €16.5 million (€22.3 million as of December 31, 2016). On the other hand, tax losses and tax credits not having been recognized as deferred tax assets due to their uncertain recovery, respectively amount as of December 31, 2017 to €216.8 million (€224.0 million as of December 31, 2016) and €13.8 million (€27.2 million as of December 31, 2016), of which respectively €161.8 million and €13.8 million expire after 2022 or can be carried forward without any time limit. Deferred taxes are calculated by using effective rates over the period in question in accordance with the tax laws in force in each country.

Temporary differences controlled by the Group

No deferred tax liability is recognized with respect to temporary taxable differences between the accounting and tax values of investments where Imerys is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. The Group assesses that the related deferred tax liability unrecognized as of December 31, 2017 amounts to €16.0 million (€18.6 million as of December 31, 2016).

Income taxes recognized in profit or loss

(€ millions)	2017	2016
Payable and deferred income taxes		
Income taxes payable	(125.2)	(119.6)
Income taxes payable for the period	(120.8)	(120.9)
Income taxes payable – Prior period adjustments	(4.4)	1.3
Deferred taxes	(21.0)	(22.6)
Deferred taxes due to changes in temporary differences	(24.7)	(26.5)
Deferred taxes due to changes in income tax rates	3.7	3.9
Total	(146.2)	(142.2)
Income taxes by level of income		
Income taxes on current operating and financial income (loss)	(164.6)	(155.4)
Current operating and financial income (loss) taxes payable	(138.1)	(131.8)
Current operating and financial income (loss) deferred taxes	(26.5)	(23.6)
Income taxes on other operating income and expenses	18.4	13.2
Income taxes payable on other operating income and expenses	12.9	12.2
Deferred taxes on other operating income and expenses	5.5	1.0
Total	(146.2)	(142.2)

Income taxes recognized in equity

(€ millions)	2017	2016
Actuarial gains and (losses), excess of the actual return on assets over their normative return in profit or loss	4.9	(3.3)
Income taxes on items never reclassified	4.9	(3.3)
Cash flow hedges	2.0	(8.8)
Income taxes recognized in equity	(3.8)	(6.5)
Income taxes reclassified in profit or loss	5.8	(2.3)
Translation reserve	(13.3)	5.6
Income taxes recognized in equity	(13.3)	5.6
Income taxes reclassified in profit or loss	-	-
Other comprehensive income	(11.3)	(3.2)
Total	(6.4)	(6.5)

Tax reconciliation excluding non-recurring items

	2017	2016
Legal tax rate in France	34.4%	34.4%
National rates differences	(7.8)%	(7.1)%
Europe	(4.1)%	(3.7)%
North America	(3.1)%	(2.8)%
Asia – Oceania	(1.0)%	(1.1)%
Other countries	0.4%	0.5%
Permanent differences	1.2%	1.0%
3.0% contribution on the Imerys SA dividend	-	0.8%
Impact of tax losses	(0.8)%	0.2%
Income taxes at different rates and bases ⁽¹⁾	1.9%	1.3%
Impact of investments under the equity method	(0.4)%	(0.1)%
Others (tax credits, reassessments and tax provisions, deferred taxes adjustments in bases and rates, etc.) ⁽²⁾	0.4%	(0.9)%
Effective tax rate on current operating and financial income (loss)⁽³⁾	28.9%	29.6%

(1) Of which in 2017, 0.8% corresponding to the French Cotisation sur la Valeur Ajoutée des Entreprises (CVAE).

(2) Of which in 2017, -2.5% corresponding to the American tax reform (0.3% on the remeasurement of deferred taxes; and -2.8% on the recognition of previously unrecognized Alternative Minimum Taxation credits); and -2.7% corresponding to the refund by the French State of the Contribution de 3.0% sur les dividendes with respect to 2013 to 2016 ; and 5.6% corresponding mainly to deferred taxes.

(3) Of which in 2017, 28.9% = €164.6 million (income taxes on current operating income and financial income (loss)) / [€648.1 million (current operating income) - €79.2 million (financial income (loss))].

Tax reconciliation including non-recurring items

	2017	2016
Legal tax rate in France	34.4%	34.4%
Impact of national rate differences	(7.6)%	(6.7)%
Europe	(3.9)%	(4.1)%
North America	(2.7)%	(2.5)%
Asia – Oceania	(1.3)%	(0.7)%
Other countries	0.3%	0.6%
Permanent differences	0.9%	1.5%
3.0% contribution on the Imerys SA dividend	-	0.9%
Impact of tax losses	(0.9)%	0.6%
Income taxes at different rates and bases ⁽¹⁾	2.0%	1.4%
Impact of investments under the equity method	(0.4)%	(0.1)%
Others (tax credits, reassessments and tax provisions, deferred taxes adjustments in bases and rates, etc.) ⁽²⁾	-	0.5%
Effective tax rate on operating and financial income (loss)⁽³⁾	28.4%	32.5%

(1) Of which in 2017, 0.8% corresponding to the French Cotisation sur la Valeur Ajoutée des Entreprises (CVAE).

(2) Of which in 2017, -3.2% corresponding to the American tax reform (-0.1% on the remeasurement of deferred taxes; and -3.1% on the recognition of previously unrecognized Alternative Minimum Taxation credits); and -3.0% corresponding to the refund by the French State of the Contribution de 3.0% sur les dividendes with respect to 2013 to 2016 ; and 6.2% corresponding mainly to deferred taxes adjustments.

(3) Of which in 2017, 28.4% = €146.2 million (income taxes on current operating income and financial income (loss)) / [€594.5 million (current operating income) - €79.2 million (financial income (loss))].

Change in deferred taxes

As of December 31, 2017

(€ millions)	01/01/2017	Profit or loss	Scope, equity and others	12/31/2017
Deferred tax assets	94.3	(30.0)	21.2	85.5
Deferred tax liabilities	(72.7)	9.0	(71.0)	(134.7)
Net deferred tax position	21.6	(21.0)	(49.8)	(49.2)

As of December 31, 2016

(€ millions)	01/01/2016	Profit or loss	Scope, equity and others	12/31/2016
Deferred tax assets	104.5	(6.2)	(4.0)	94.3
Deferred tax liabilities	(52.8)	(16.4)	(3.5)	(72.7)
Net deferred tax position	51.7	(22.6)	(7.5)	21.6

Deferred tax breakdown by nature

(€ millions)	2016	Profit or loss	Scope, equity and others	2017
Deferred tax assets	281.6	(19.5)	21.7	283.8
Employee benefit liabilities	54.1	1.1	4.6	59.8
Other provisions	42.5	(5.9)	1.5	38.1
Intangible assets	28.5	(0.8)	(3.1)	24.6
Property, plant and equipment	63.7	4.6	3.2	71.5
Financial assets	(9.0)	0.2	10.5	1.7
Current assets and liabilities	41.8	(1.6)	1.5	41.7
Tax losses carried forward	22.4	(6.4)	0.5	16.5
Other	37.6	(10.7)	3.0	29.9
Deferred tax liabilities	(260.0)	(1.5)	(71.5)	(333.0)
Intangible assets	(8.5)	0.6	(57.9)	(65.8)
Property, plant and equipment	(205.4)	(6.5)	(10.0)	(221.9)
Financial assets	(13.2)	(5.3)	0.1	(18.4)
Current assets and liabilities	(1.4)	(0.1)	0.1	(1.4)
Other	(31.5)	9.8	(3.8)	(25.5)
Net deferred tax position	21.6	(21.0)	(49.8)	(49.2)

NOTE 14 NET INCOME FROM CURRENT OPERATIONS AND NET INCOME, GROUP SHARE

(€ millions)	2017	2016
Current operating income	648.1	582.1
Financial income (loss)	(79.2)	(56.4)
Income taxes on current operating income and financial income (loss)	(164.6)	(155.4)
Non-recurring settlement of the Imerys UK closed plan ⁽¹⁾	-	(7.5)
Income taxes on the non-recurring settlement of the Imerys UK closed plan ⁽¹⁾	-	1.2
Non-controlling interests	(0.9)	(1.9)
Net income from current operations, Group share	403.4	362.1
Other operating income and expenses – gross	(53.6)	(88.8)
Income taxes on other operating income and expenses	18.4	13.2
Non-recurring settlement of the Imerys UK closed plan ⁽¹⁾	-	7.5
Income taxes on the non-recurring settlement of the Imerys UK closed plan ⁽¹⁾	-	(1.2)
Net income, Group share	368.2	292.8

(1) Since the closure of the Imerys UK retirement plan on April 1, 2015, the net change in its liability is classified in Financial income (loss) (Note 23.1 – Accounting policy), including this gain on liquidation recognized in the fourth quarter of 2016 further to an offer made to its beneficiaries (Note 23.1 – Tables of changes). In the financial communication indicator “Net income from current operations, Group share”, this gain is reclassified in “Other net operating revenue and expenses, Group share” so as to stress its non-recurring and significant character.

NOTE 15 EARNINGS PER SHARE

Accounting policy

The Imerys financial statements disclose basic earnings per share and diluted earnings per share. The basic earnings per share is equal to the net income attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding over the period, i.e. excluding treasury shares (Note 22). Basic earnings per share is further broken down as net basic earnings per share from current operations and net basic earnings per share. Diluted earnings per share simulates the dilutive effect of free shares and share options (Note 8). The previously defined weighted average number of ordinary shares is thus increased by the average, between the opening and the closing of the period, of ordinary shares that would be issued if all dilutive options would be exercised at the closing date. The number of dilutive shares is calculated by difference between on the one hand, the number of shares to be issued in relation to free shares and options and

on the other hand, the number of shares that would be issued at the period average market price for an issue of the same amount. Upon calculation of the amount of this issue, each share resulting from the exercise of share options is reputed to be issued at the share option exercise price increased by the fair value of services to be rendered (Note 8), while each free share is reputed to be issued at the sole fair value of services to be rendered, its exercise price being nil. The excess of the number of shares to be issued in relation to free shares and options over the number of shares issued under market conditions is the number of dilutive shares. However the shares to be issued in relation to options are only taken into account in the diluted earnings per share calculation where the options are in the money, i.e. their exercise price increased by the fair value of services to be rendered is below the period average market price of the Imerys share.

Earnings per share

The number of potential ordinary shares taken into account in the calculation of the diluted earnings per share excludes the share options out of the money, i.e. those whose exercise price increased by the fair value of services to be rendered is superior to the period average market price of the Imerys share (€76.60 in 2017 and €62.00 in 2016). Potentially dilutive options of the plans of May 2007 (276,564 options with an exercise price of €65.61)

are thus excluded from the calculation of the diluted earnings per share as of December 31, 2017. No significant transaction has changed the number of ordinary shares and potential ordinary shares between December 31, 2017 and February 14, 2018, date of authorization of issue of the financial statements by the Board of Directors.

(€ millions)	2017	2016
Numerator		
Net income, Group share	368.2	292.8
Net income from current operations, Group share	403.4	362.1
Denominator		
Weighted average number of shares used for the calculation of the basic income per share	79,015,367	78,714,966
Impact of share option conversion	1,255,765	1,169,276
Weighted average number of shares used for the calculation of the diluted income per share	80,271,132	79,884,242
Basic income per share, Group share (in €)		
Basic net income per share	4.66	3.72
Basic net income from current operations per share	5.11	4.60
Diluted income per share, Group share (in €)		
Diluted net income per share	4.59	3.66
Diluted net income from current operations per share	5.03	4.53

■ NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Accounting policy

The assets and liabilities recognized in the consolidated statement of financial position are aggregated by natures in accordance with materiality and classified by increasing order of liquidity and payability with a distinction between non-current and current items, when these shall be recovered or settled in more or less than 12 months after the end of the period. They are only offset or incorporated

in their cost revenue or expenses in application of a standard or interpretation. Comparative information is disclosed with respect to period N-1, comparative information with respect to period N-2 being incorporated by reference ([Chapter 9, section 9.4 of the Registration Document](#)).

NOTE 16 GOODWILL

Accounting policy

Goodwill is the excess of the acquisition price of a business and of the amount of non-controlling interests over the fair value of the acquired identifiable assets and assumed liabilities. Goodwill is recognized at the date control is obtained. Transaction costs are recognized as incurred in profit or loss in other operating income and expenses ([Note 10](#)). Any excess of the identifiable net asset of the acquired business over its acquisition price (negative goodwill) is credited to the acquirer's profit or loss on the acquisition period in other operating income and expenses ([Note 10](#)). The measurement of goodwill is finalized within the 12 months following the date at which control is obtained. The goodwill of

a foreign operation is measured in the functional currency of the business and translated in accordance with the rules applicable to the translation of financial statements of foreign operations. Goodwill is not amortized. It is allocated to the Cash-Generating Units ([Note 19](#)) that benefit from the synergies resulting from the acquisition. Goodwill is initially tested for impairment before the closing date of the acquisition period and subsequently annually or more frequently if there is an indication that it may be impaired. An impairment loss on goodwill is recognized in other operating income and expenses ([Note 10](#)) and cannot be reversed.

Estimates

The values of the assets and liabilities of an acquired business are established on the basis of assumptions that qualify as estimates of the Executive Management. These assets and liabilities are measured at their acquisition-date fair values except for certain items measured in accordance with specific rules, such as income

taxes under the principles of [Note 13](#), or employee benefits under the principles of [Note 23.1](#). Upon that estimate exercise, the Executive Management may consult external experts, in particular to estimate the values of certain significant assets and liabilities or requiring complex valuation techniques.

Table of changes

The goodwill recognized upon acquisitions mainly represents development prospects of the acquired businesses within Imerys. Impairment losses on goodwill are disclosed in [Note 19](#). Where goodwill incurs an impairment loss, the latter is only maintained on the statement of financial position in case of partial impairment

loss, as disclosed in the table below. Where goodwill is fully impaired, the gross amount and impairment loss are removed from the statement of financial position and no longer appear in the table below.

(€ millions)	2017	2016
Opening carrying amount	1,674.7	1,631.3
Gross amount	1,744.5	1,702.8
Impairment losses	(69.8)	(71.5)
Incoming entities	518.3	45.7
Outgoing entities	-	(1.1)
Impairment losses	-	(0.5)
Exchange rate differences	(57.5)	(0.7)
Closing carrying amount	2,135.5	1,674.7
Gross amount	2,212.6	1,744.5
Impairment losses	(77.1)	(69.8)

The following table analyzes the rows "Acquisitions of investments in consolidated entities" of the consolidated statement of cash flows.

(€ millions)	2017	2016
Cash paid	(338.0)	(51.3)
Cost of investments acquired	(329.0)	(42.8)
Payables on acquisitions of investments	(9.0)	(8.5)
Cash from acquired entities	25.9	6.8
Total	(312.1)	(44.6)
Acquisitions of investments in consolidated entities after deduction of cash acquired	(311.9)	(44.5)
Acquisitions of investments in consolidated entities from non-controlling interests	(0.2)	(0.1)
Incoming entities of the period – Settlement in cash	(327.1)	(44.4)
Incoming entities of the period – Cash from acquired entities	25.9	6.4
Incoming entities of the period – Payables on acquisitions of investments	1.3	1.7
Incoming entities of prior periods	(12.0)	(8.3)

Purchase accounting finalized in 2017

Alteo. On December 31, 2016, Imerys acquired from the investment fund HIG Europe 100.00% of the voting rights of a business corresponding to three industrial sites of the specialty alumina business of the French group Alteo located in Germany and in France. This business is mainly addressing the refractories, abrasives and ceramics markets. The €34.3 million acquisition price was paid in cash at the date control was obtained. Intangible assets, property,

plant and equipment, employee benefit provisions, dismantling provisions, other provisions and deferred taxes were reassessed. Final goodwill amounts to €4.0 million as of December 31, 2017.

Damolin. On January 4, 2017, Imerys acquired 100.00% of the voting rights of the Danish group Damolin specialized in particular in oil and chemical absorbents, and located in Denmark, Germany

and France. The €62.2 million acquisition price was paid in cash to the seller, the Danish investment fund Erhvervsinvest, at the date control was obtained. Intangible assets, property, plant and equipment, employee benefit provisions, dismantling provisions, other provisions and deferred taxes were reassessed. Final goodwill amounts to €51.9 million as of December 31, 2017.

Others. Besides, the Group performed other minor acquisitions whose purchase accounting was finalized in 2017. These acquisitions, paid in cash for an amount of €40.9 million generate a final goodwill of €30.8 million.

The fair values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is final as of December 31, 2017 present the following amounts:

(€ millions)	Alteo	Damolin	Others	Total
Consideration transferred by the Group	34.3	62.2	40.9	137.4
Cash remitted to the seller when control was obtained	34.3	62.2	40.9	137.4
Investment of non-controlling interests	-	-	18.0	18.0
Shareholders' investment	34.3	62.2	58.9	155.4
Assets – non-current	19.8	15.5	24.2	59.5
Intangible assets	-	-	4.7	4.7
Property, plant and equipment	17.6	13.4	18.8	49.8
Other receivables	0.7	-	0.7	1.4
Deferred tax assets	1.5	2.1	-	3.6
Assets – current	38.5	17.0	11.3	66.8
Inventories	24.5	5.4	2.5	32.4
Trade receivables	8.4	7.2	2.6	18.2
Other receivables	3.9	3.9	0.6	8.4
Other financial assets	-	-	0.9	0.9
Cash and cash equivalents	1.7	0.5	4.7	6.9
Liabilities – non-current	(12.1)	(11.6)	(4.1)	(27.8)
Employee benefit liabilities	(4.9)	(0.1)	-	(5.0)
Other provisions	(4.7)	(5.4)	(0.1)	(10.2)
Loans and financial debts	-	(4.8)	(3.9)	(8.7)
Other debts	(0.1)	-	-	(0.1)
Deferred tax liabilities	(2.4)	(1.3)	(0.1)	(3.8)
Liabilities – current	(15.9)	(10.6)	(3.3)	(29.8)
Other provisions	-	(0.2)	(0.3)	(0.5)
Trade payables	(9.1)	(4.3)	(0.9)	(14.3)
Income taxes payable	-	(3.0)	(0.3)	(3.3)
Other debts	(5.8)	(2.6)	(1.5)	(9.9)
Loans and financial debts	(1.0)	(0.5)	(0.3)	(1.8)
Identifiable net asset	30.3	10.3	28.1	68.7
Goodwill	4.0	51.9	30.8	86.7
Goodwill, Group share	4.0	51.9	30.8	86.7

Provisional purchase accounting as of December 31, 2017

Kerneos. On July 18, 2017, Imerys acquired from the investment fund Astorg Partners 100.00% of the voting rights of the French group Kerneos, world leader in high performance calcium aluminate binders (€417.0 million sales in 2016). The acquisition price amounts to €206.1 million. The fair value measurement of most assets and liabilities identifiable at the date control was obtained was entrusted to independent experts. As of December 31, 2017, intangible assets and provisions for employee benefits were remeasured, while the other assets and liabilities of the business were temporarily maintained at their historical values pending the

results of purchase accounting works. The goodwill resulting from the difference between that partially remeasured net asset and the value of the investment thus amounts to a provisional value of €441.0 million as of December 31, 2017. Since its acquisition, the Kerneos group generated a contribution of €196.1 million to revenue and of €1.4 million to net income. If the acquisition had been performed as of January 1, 2017, the contribution to revenue would have amounted to €445.0 and -€3.2 million to net income, of which -€5.1 million of non-recurring expenses incurred by Kerneos in relation to its acquisition by Imerys.

Others. Besides, the Group performed other minor acquisitions in 2017. These acquisitions, paid in cash for an amount of €58.6 million generate a provisional goodwill of €34.1 million.

The values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is final as of December 31, 2017 present the following amounts:

(€ millions)	Kerneos	Others	Total
Consideration transferred by the Group	206.1	58.6	264.7
Cash remitted to the seller when control was obtained	206.1	58.6	264.7
Shareholders' investment	206.1	58.6	264.7
Assets – non-current	1,104.7	26.2	1,130.9
Intangible assets	208.4	2.0	210.4
Property, plant and equipment	275.8	22.4	298.2
Other receivables	587.3	0.2	587.5
Deferred tax assets	33.2	1.6	34.8
Assets – current	204.2	37.0	241.2
Inventories	111.3	11.6	122.9
Trade receivables	53.3	14.8	68.1
Other receivables	22.1	0.6	22.7
Other financial assets	0.2	2.1	2.3
Cash and cash equivalents	17.3	7.9	25.2
Liabilities – non-current	(1,447.3)	(8.1)	(1,455.4)
Employee benefit liabilities	(31.9)	(0.1)	(32.0)
Other provisions	(11.4)	(1.6)	(13.0)
Loans and financial debts	(1,311.7)	(5.4)	(1,317.1)
Other debts	(6.3)	-	(6.3)
Deferred tax liabilities	(86.0)	(1.0)	(87.0)
Liabilities – current	(96.5)	(30.6)	(127.1)
Other provisions	(3.3)	(0.2)	(3.5)
Trade payables	(38.5)	(13.7)	(52.2)
Income taxes payable	0.4	(1.0)	(0.6)
Other debts	(54.5)	(9.3)	(63.8)
Loans and financial debts	(0.6)	(6.4)	(7.0)
Identifiable net asset	(234.9)	24.5	(210.4)
Goodwill	441.0	34.1	475.1
Goodwill, Group share	441.0	34.1	475.1

NOTE 17 INTANGIBLE ASSETS

Accounting policy

Intangible assets controlled by Imerys are recognized as assets over their useful lives. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. The expenditures incurred by the research teams of Imerys to improve the quality and properties of products generally address specific requirements of customers and are thus immediately recognized as expenses in current operating income. They are capitalized only if they correspond to an industrial process that is new or improved, technically feasible and related to future economic benefits. In the absence of any applicable standard or interpretation, the Executive Management considers greenhouse gases emission rights as intangible assets. Imerys holds these

rights with the sole intent to justify its emissions volume and performs no trading transactions such as forward purchases or sales. The rights received free of charge are recognized for a value of zero and the rights acquired on the market are recognized at the acquisition cost. Where at the closing date the rights held are inferior to actual emissions, a provision is recognized in current operating income for the value of rights to acquire, measured at market value (net liability method). Disposals only relate to excess rights and are recognized in current operating income as assets disposals (Note 9). The amortization methods of intangible assets are an estimate of the Executive Management.

Estimates

As part of its ordinary activities, Imerys uses intangible assets whose consumption is represented by amortization. The Executive Management estimates that the best estimate of this consumption is reflected by the straight-line mode over the following useful lives:

- software: 1 to 5 years;
- trademarks, patents and licenses: 5 to 40 years ;
- industrial processes and others: maximum 10 years.

The rights held to justify the greenhouse gases emissions of the Group are not amortizable.

Emission rights

For 21 sites in Europe and one site in the United-States, Imerys is subject to authorization schemes regulating greenhouse gases emissions. In 2017, Imerys has used 88.0% of the greenhouse gas emission quotas granted to the eligible sites (86.0% in 2016). Since the actual emissions of the Group are inferior to the authorized level, no provision has been recognized as of December 31, 2017.

Table of changes

(€ millions)	Software	Trademarks, patents and licenses	Industrial processes and others	Total
Carrying amount as of January 1, 2016	20.6	29.8	54.7	105.1
Gross amount	84.3	48.1	123.6	256.0
Amortization and impairment losses	(63.7)	(18.3)	(68.9)	(150.9)
Incoming entities	-	(0.3)	3.8	3.5
Outgoing entities	-	-	(0.1)	(0.1)
Acquisitions	2.8	0.7	6.0	9.5
Cessions	(0.1)	-	(13.5)	(13.6)
Increases in amortization	(6.3)	(1.3)	(1.9)	(9.5)
Impairment losses	(0.1)	-	(0.6)	(0.7)
Reclassification and other	1.9	0.5	(15.4)	(13.0)
Exchange rate differences	0.4	0.4	(0.4)	0.4
Carrying amount as of December 31, 2016	19.2	29.8	32.6	81.6
Gross amount	78.2	48.5	100.4	227.1
Amortization and impairment losses	(59.0)	(18.7)	(67.8)	(145.5)
Incoming entities	2.3	153.0	53.1	208.4
Outgoing entities	-	-	(0.1)	(0.1)
Acquisitions	2.6	0.5	19.7	22.8
Disposals	-	(0.1)	(0.4)	(0.5)
Increases in amortization	(7.2)	(1.5)	(5.0)	(13.7)
Reclassification and other	3.7	0.8	8.0	12.5
Exchange rate differences	(1.5)	(1.7)	(2.3)	(5.5)
Carrying amount as of December 31, 2017	19.1	180.8	105.6	305.5
Gross amount	94.2	201.0	171.8	467.0
Amortization and impairment losses	(75.1)	(20.3)	(66.1)	(161.5)

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment. Items of property, plant and equipment are recognized as assets if they are controlled as a result of a title of ownership, or under a finance lease that transfers the risks and rewards incident to ownership. Items of property, plant and equipment are initially measured at acquisition or production cost. The initial cost of items under finance lease is the lower of the fair value of the asset and the present value of future minimum lease payments. The cost of property, plant and equipment incorporates the cost of borrowings that finance their construction or production where these require a substantial period of time. The cost of property, plant and equipment is decreased, where applicable, by the amount of government grants that finance their acquisition or construction. Maintenance and repair expenditures are immediately recognized as expenses in current operating income. The cost of property, plant and equipment incorporates, in particular for satellite industrial facilities constructed on the land of customers, the discounted value of restoration or dismantling obligations, where a present obligation exists (*Note 23.2*). Items of property, plant and equipment are subsequently measured at cost, decreased by accumulated depreciation and any impairment loss. The depreciation methods of property, plant and equipment are an estimate of the Executive Management.

Mining assets. In the absence of any specific applicable standard or interpretation, the Executive Management has defined the accounting recognition and measurement policies hereafter on mining assets. Prospection expenditures, i.e. the research of new knowledge on the mineral producing potential, technical feasibility and commercial viability of a geographical area, are immediately recognized as expenses in current operating income. Mineral reserves qualify as property, plant and equipment and are initially measured at acquisition cost excluding subsoil, increased by expenditures incurred to determine the tonnage of ore present in the deposit. Overburden works, i.e. works of removal of the top soil to enable access to the deposit, qualify as a component of the mineral reserve asset. Their initial measurement incorporates their production cost and the discounted value of restoration obligations resulting from the deterioration caused by their construction. Mineral reserves and overburden assets form the position "Mining assets" of the table of changes disclosed hereafter. Mining assets are subsequently measured at cost, decreased by accumulated amortization and any impairment loss. The depreciation methods of mining assets are an estimate of the Executive Management presented hereafter. Mining assets are allocated to Cash-Generating Units (*Note 19*) as the other assets of the Group and are subject to the same impairment tests.

Estimates

As part of its ordinary activities, Imerys uses property, plant and equipment whose consumption is represented by depreciation. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives, reflecting where necessary, the useful lives of the components:

- office buildings: 10 to 50 years;
- industrial buildings: 10 to 30 years;
- improvements to office and industrial buildings: 5 to 15 years;
- machinery, tooling, facilities and equipment: 5 to 20 years;
- vehicles: 2 to 5 years.

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of property, plant and equipment related to mining activity such as mineral reserves (€447.4 million as of December 31, 2017 and €483.1 million as of December 31, 2016) and overburden assets (€145.2 million as of December 31, 2017 and €102.3 million as of December 31, 2016), as well as certain industrial assets of discontinuous use. Their depreciation is thus estimated in units of production on the basis of actual extraction for mining assets or, for these industrial assets, of operational follow-up units such as production or operating hours. A mineral reserve is depreciated over a quantity equal to the geological inventory of the deposit decreased by discounts representative of the geological uncertainty inherent to resources. Overburden assets, that qualify as a component of the mineral reserve asset, are depreciated over the quantity of reserve they specifically give access to. Subsoil, i.e. the surface of land excluding mineral deposit, is not depreciated since it is not consumed by mining activity.

Property, plant and equipment leases

Items of property, plant and equipment controlled under finance lease are recognized as assets for an amount of €2.1 million as of December 31, 2017 (€2.1 million as of December 31, 2016). These are essentially freight material. As of December 31, 2017, the financial liability recognized with respect to finance leases amounts to €2.1 million (€2.1 million as of December 31, 2016), of which €0.4 million for 2018, €0.8 million from 2019 to 2022 and €0.9 million beyond. Besides, the Group has entered into operating leases contracts that convey the right of use, but not the control of items of property, plant and equipment. The corresponding items are thus not presented as assets. The lease fees are recognized in profit or loss in the position "Operating leases" (*Note 7*) and the commitments to pay future rents qualify as off balance sheet commitments (*Note 28 – Commitments given*).

Table of changes

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction	Other property, plant and equipment	Total
Carrying amount as of January 1, 2016	552.3	321.9	1,020.9	184.1	62.7	2,141.9
Gross amount	891.3	598.1	3,573.5	186.7	276.9	5,526.5
Depreciation and impairment losses	(339.0)	(276.2)	(2,552.6)	(2.6)	(214.2)	(3,384.6)
Incoming entities	12.4	14.4	18.9	0.9	2.0	48.6
Outgoing entities	(0.1)	(2.3)	(5.1)	-	(0.3)	(7.8)
Acquisitions	50.7	5.5	59.8	154.1	8.9	279.0
Disposals	-	(1.2)	(6.1)	(0.2)	8.0	0.5
Increases in depreciation	(51.8)	(15.4)	(140.2)	(0.2)	(15.9)	(223.5)
Impairment losses	(1.1)	(2.2)	(20.8)	(0.9)	(0.2)	(25.2)
Reversals of impairment losses	0.1	0.7	2.7	-	-	3.5
Reclassification and other	5.9	21.2	130.3	(159.5)	1.7	(0.4)
Exchange rate differences	17.0	8.3	21.4	7.5	1.1	55.3
Carrying amount as of December 31, 2016	585.4	350.9	1,081.8	185.8	68.0	2,271.9
Gross amount	935.2	642.5	3,640.7	188.9	282.1	5,689.4
Depreciation and impairment losses	(349.8)	(291.6)	(2,558.9)	(3.1)	(214.1)	(3,417.5)
Incoming entities	48.9	43.6	181.2	37.8	7.8	319.3
Outgoing entities	-	(1.6)	5.3	(0.9)	(9.0)	(6.2)
Acquisitions	62.2	9.8	54.9	195.1	12.4	334.4
Disposals	-	(9.9)	(3.3)	(0.7)	(1.0)	(14.9)
Increases in depreciation	(64.6)	(14.4)	(148.9)	(0.1)	(24.7)	(252.7)
Impairment losses	-	(1.8)	(14.2)	(0.8)	-	(16.8)
Reversals of impairment losses	-	-	2.7	-	0.1	2.8
Reclassification and other	6.6	38.6	124.7	(178.8)	26.7	17.8
Exchange rate differences	(45.9)	(20.6)	(80.6)	(15.6)	(4.3)	(167.0)
Carrying amount as of December 31, 2017	592.6	394.6	1,203.6	221.8	76.0	2,488.6
Gross amount	968.3	665.2	4,059.4	225.4	323.1	6,241.4
Depreciation and impairment losses	(375.6)	(270.6)	(2,855.8)	(3.6)	(247.2)	(3,752.8)

NOTE 19 IMPAIRMENT TESTS

Accounting policy

An impairment test is performed every 12 months on all Cash-Generating Units (CGUs) at the end of the period. An impairment test consists in comparing the carrying amount of these assets to their recoverable amount. The latter is the higher between the fair value less costs to sell and the value in use. Fair value corresponds to the selling price. Value in use is measured by discounting the future cash flows generated by the continuous use of assets and by their final disposal. As a consequence, a CGU's recoverable amount may not be considered as an indicator of the price at which that CGU could be disposed of. In addition to this annual test, impairment indicators may require the immediate performance of a test in case of an unfavorable trend. Furthermore, each activity manager, under the supervision of business group controllers, ensures that no individual asset within a CGU presents any impairment loss issue. An impairment loss is recognized as soon as the recoverable amount of a CGU or an individual asset becomes inferior to its carrying amount. Any increase in the recoverable amount of a CGU or an individual asset results in the reversal of the previously recognized impairment loss in the limit of the carrying amount that would have been obtained in the absence of impairment loss. Impairment losses on goodwill cannot be reversed. The definitions of CGUs and impairment indicators are judgments of the Executive Management. The duration and the amount of forecasted cash flows as well as the discount rates used in the calculation of the values in use of the CGUs are estimates of the Executive Management.

Judgments

Cash-Generating Units (CGUs). The definition of CGUs qualifies as a judgment of the Executive Management that meets, at the level of the smallest group of assets possible, the three following criteria:

- a homogeneous production process in terms of portfolio of minerals, transformation processes and applications;
- an active market presenting homogeneous macroeconomic characteristics; and
- a level of operating power in terms of continuation, restructuring or discontinuation of mining, industrial and/or commercial activity.

The validation of these three criteria for each CGU guarantees the independence of their respective cash flows. CGUs directly result from the analysis structure followed each month by the Executive Management in its business reporting. All assets within the Group including mining assets and goodwill, are allocated to the CGUs. The grouping of CGUs forms the reported segments (*Information by segments*).

Impairment loss indicators. The trigger events of an impairment test are judgments of the Executive Management. These are mainly significant changes in business, interest rates, technological level, obsolescence and level of performance of assets. The adverse evolution of one of these indices requires the immediate performance of an impairment test, either on a CGU, or on an individual asset.

Estimates

Recoverable amount. The recoverable amount of a CGU or individual asset is the higher between the fair value less costs to sell and the value in use. In practice, fair value is reliably determinable only for individual assets and then corresponds to prices of recent transactions on disposals of similar assets. The value in use qualifies as the most frequently used measurement basis for both CGUs and individual assets.

Forecasted cash flows. The forecasted cash flows used to estimate the value in use result from the 2018 budget and from the plan for 2019 to 2021. The key underlying assumption of these projections is in the first place the level of organic growth. For the terminal value, Imerys uses the Gordon and Shapiro perpetual growth model. Future cash flows correspond to current free operating cash flow (*Note 24.2 – Reconciliation of the net financial debt*) adjusted by the "Change in other items of working capital" (*Note 24.2 – Reconciliation of the net financial debt*).

Discount rate. The discount rate used to calculate the value in use is determined from the weighted average cost of capital of groups comparable to Imerys present in the industrial minerals sector. This rate, of 6.50% in 2017 (6.50% in 2016), is adjusted in accordance with the tested assets by a country-market risk premium of 0 to +230 basis points (0 to +170 basis points in 2016). The average discount rate after income taxes amounts to 7.01% in 2017 (6.78% in 2016). The calculations performed after income taxes are identical to those that would be performed with cash flows and rates before income taxes, as required by applicable standards. In the following table, the discount and perpetual growth rates used in the calculation of the value in use are weighted by the forecasted cash flows of each CGU and presented by groups of CGUs:

	2017		2016	
	Discount rate	Perpetual growth rate	Discount rate	Perpetual growth rate
Energy Solutions & Specialties (ESS)	7.15%	1.48%	6.78%	1.94%
Filtration & Performance Additives (F&PA)	7.11%	2.27%	6.70%	2.00%
Ceramic Materials (CM)	6.75%	1.78%	6.77%	1.56%
High-Resistance Minerals (HRM)	6.99%	2.00%	7.01%	2.00%
Total	7.01%	1.93%	6.78%	1.86%

Among these estimates, forecasted cash flows, discount rates and perpetual growth rates are those whose changes result in the most significant impacts on the Group financial statements. The following table discloses the impairment losses by CGU that would be recognized as a result of adverse changes from the assumptions retained in the financial statements as of December 31, 2017:

(€ millions)	Adverse changes
Forecasted cash flows	(5.0)%
Impairment loss	None
Discount rates	+1.0%
Impairment loss on the industrial tool of the Oilfield Solutions CGU (ESS)	Immaterial
Perpetual growth rates	(1.0)%
Impairment loss on the industrial tool of the Oilfield Solutions CGU (ESS)	Immaterial

Annual test of CGUs

The systematic performance of this annual test on each of the CGUs is mandatory as a consequence of the presence of goodwill in all CGUs. This test did not require the recognition of any impairment loss in 2016 and 2017. In the following table, the carrying amount and the impairment loss on goodwill recognized over the period are disclosed by groups of CGUs (ESS, F&PA, CM and HRM):

	2017		2016	
	Carrying amount	Impairment loss of the period	Carrying amount	Impairment loss of the period
(€ millions)				
Energy Solutions & Specialties (ESS)	318.5	-	313.2	-
Filtration & Performance Additives (F&PA)	839.2	-	794.4	-
Ceramic Materials (CM)	262.5	-	274.8	(0.5)
High-Resistance Minerals (HRM)	714.5	-	291.5	-
Goodwill of the CGUs	2,134.7	0.0	1,673.9	(0.5)
Holdings	0.8	-	0.8	-
Total	2,135.5	0.0	1,674.7	(0.5)

Tests of individual assets

Impairment indicators may require the immediate performance of this test in case of an unfavorable evolution, in addition to the test carried out on CGUs. The resulting impairment losses recognized in 2017 amount to €16.7 million, of which €2.2 million in the Energy Solutions & Specialties business group, €8.9 million in the Ceramic Materials business group and €5.6 million in the High Resistance Minerals business group. These impairment losses, recognized in "Other operating income and expenses" (Note 10), were related to the industrial tool of the business groups. Impairment loss reversals recognized in 2017 amount to €2.8 million in the Ceramic Materials business group. These impairment losses, net of reversals thus amount to €13.9 million recognized in "Other operating income and expenses" (Note 10). In 2016, the tests

of individual assets had required the recognition of impairment losses for an amount of €24.5 million, of which €1.8 million in the Energy Solutions & Specialties business group, €1.0 million in the Filtration & Performance Additives business group, €6.5 million in the Ceramic Materials business group and €15.2 million in the High Resistance Minerals business group. These impairment losses, recognized in "Other operating income and expenses" (Note 10), were related to the industrial tool of the business groups for €24.0 million and to goodwill for €0.5 million. Impairment loss reversals recognized in 2016 amounted to €1.6 million in the Ceramic Materials business group. These impairment losses, net of reversals thus amounted to €22.4 million recognized in "Other operating income and expenses" (Note 10).

NOTE 20 INVENTORIES

Accounting policy

Inventories are recognized as assets at the date at which the risks, rewards and control are transferred to Imerys. Upon the sale, inventories are recognized as an expense in current operating income at the same date as the related revenue. Inventories are measured at the lower of the cost of production and net realizable value. Where production is lower than normal capacity, fixed production overheads specifically exclude the share corresponding

to under-activity. Inventories presenting similar characteristics are measured in accordance with the same formula. The formulas used within the Group are the "First-In, First-Out" (FIFO) and the weighted average cost. Where the cost of production is not recoverable, it is written-down to its net realizable value in accordance with the conditions existing at the closing date.

Gross amount and write-down of inventories

(€ millions)	2017			2016		
	Gross amount	Write-down	Carrying amount	Gross amount	Write-down	Carrying amount
Raw materials	404.4	(31.0)	373.4	320.1	(29.3)	290.8
Work in progress	75.7	(1.5)	74.2	76.3	(1.3)	75.0
Finished goods	350.6	(12.9)	337.7	316.3	(21.1)	295.2
Merchandises	57.0	(2.1)	54.9	53.8	(2.3)	51.5
Total	887.7	(47.5)	840.2	766.5	(54.0)	712.5

NOTE 21 FINANCIAL ASSETS

21.1 CATEGORIES OF FINANCIAL ASSETS

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in [Note 11](#). These carrying amounts are representative of fair value, in so far as they correspond to the amounts of cash to be received.

As of December 31, 2017

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives				Total
		Non derivative	Non hedge		Fair value	Cash flow	Net investment in a foreign operation	Non IAS 39	
Non-current assets									
Other financial assets	12.0	-	-	33.6	-	-	-	6.5	52.1
Other receivables	-	-	-	28.6	-	-	-	17.7	46.3
Derivative financial assets	-	-	15.0	-	-	-	7.5	-	22.5
Current assets									
Trade receivables	-	-	-	676.1	-	-	-	-	676.1
Other receivables	-	-	-	139.8	-	-	-	162.6	302.4
Derivative financial assets	-	-	0.7	-	-	6.3	-	-	7.0
Other financial assets	-	8.8	-	-	-	-	-	-	8.8
Cash and cash equivalents	-	-	-	381.9	-	-	-	-	381.9
Total financial assets	12.0	8.8	15.7	1,260.0	0.0	6.3	7.5	-	-

As of December 31, 2016

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives				Total
		Non derivative	Non hedge		Fair value	Cash flow	Net investment in a foreign operation	Non IAS 39	
Non-current assets									
Other financial assets	8.1	-	-	24.5	-	-	-	7.4	40.0
Other receivables	-	-	-	37.4	-	-	-	3.1	40.5
Derivative financial assets	-	-	17.3	-	-	-	0.5	-	17.8
Current assets									
Trade receivables	-	-	-	608.1	-	-	-	-	608.1
Other receivables	-	-	-	113.0	-	-	-	121.4	234.4
Derivative financial assets	-	-	0.5	-	-	14.4	-	-	14.9
Other financial assets	-	9.6	-	-	-	-	-	-	9.6
Cash and cash equivalents	-	-	-	809.6	-	-	-	-	809.6
Total financial assets	8.1	9.6	17.8	1,592.6	0.0	14.4	0.5	-	-

21.2 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Accounting policy

After their initial recognition, trade receivables are measured at their amortized cost. Where the occurrence of a credit event makes the carrying amount of a trade receivable partially or fully irrecoverable, it is individually written-down to its recoverable amount by means of a write-down in accordance with the conditions existing at the closing date (*Note 21.3*). A receivable sold to a banking institution for financing purposes is only derecognized where the factoring contract also transfers to the factor the entire risks and rewards related to the receivable.

Table of changes

As of December 31, 2017, other non-current financial assets correspond to loans to joint ventures and associates for €15.1 million (€11.1 million as of December 31, 2016), to loans and deposits for €18.4 million (€13.3 million as of December 31, 2016), to assets related to employee benefits for €6.5 million (€7.4 million as of December 31, 2016) (*Note 23.1*) and to available-for-sale financial assets for €12.0 million (€8.1 million as of December 31, 2016). The greater part of other non-current receivables and related write-down corresponds to tax receivables other than income taxes in Brazil. Other current receivables also mainly correspond to tax receivables other than income taxes.

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Carrying amount as of January 1, 2016	31.6	33.5	578.1	223.6	866.8
Gross amount	42.7	68.8	611.9	224.9	948.3
Write-down	(11.1)	(35.3)	(33.8)	(1.3)	(81.5)
Changes in the scope of consolidation	(5.2)	-	7.4	4.2	6.4
Net change	16.0	1.7	24.5	3.2	45.4
Write-down	(4.6)	0.6	(2.2)	(0.6)	(6.8)
Other	1.5	0.4	0.3	(3.4)	(1.2)
Exchange rate differences	0.6	4.3	-	7.5	12.4
Carrying amount as of December 31, 2016	39.9	40.5	608.1	234.5	923.0
Gross amount	55.7	83.4	644.7	235.9	1,019.7
Write-down	(15.8)	(42.9)	(36.6)	(1.4)	(96.7)
Changes in the scope of consolidation	(5.8)	0.2	70.6	26.5	91.5
Net change	15.1	(6.5)	25.5	85.3	119.4
Write-down	1.8	1.2	7.2	(1.9)	8.3
Other	3.1	16.9	(0.9)	(24.4)	(5.3)
Exchange rate differences	(2.0)	(6.0)	(34.4)	(17.7)	(60.1)
Carrying amount as of December 31, 2017	52.1	46.3	676.1	302.3	1,076.8
Gross amount	65.1	82.4	707.2	309.7	1,164.4
Write-down	(13.0)	(36.1)	(31.1)	(7.4)	(87.6)

The table below is disclosing the characteristics of the main factoring contracts entered into by the Group as well as the amounts derecognized at the closing date.

(€ millions)	ESS	CM	
Effective date of contract in force	09/2009	09/2009	07/2013
Possible recourse of factor towards Imerys on derecognized receivables	No	No	No
Since 90 days and more	20.0	20.0	25.7
Contractual duration	Indefinite	Indefinite	Indefinite
Maximum outstanding amount all taxes included (€ millions)	21.0	21.0	125.0
Pre-identification of derecognized receivables	Yes	Yes	Yes
Transfer to the factor of all the risks and benefits, including the risks of default and late payment	Yes	Yes	Yes
Carrying amount of derecognized receivables as of December 31, 2017	4.7	5.0	42.3
Carrying amount of derecognized receivables as of December 31, 2016	4.9	7.4	41.5

21.3 MANAGEMENT OF RISKS ARISING FROM FINANCIAL ASSETS

Credit risk

Description of the risk. The credit risk is the risk that a debtor of Imerys does not reimburse his debt at the due date. This risk mainly has an impact on the category of loans and receivables.

Management of the risk. The credit risk is followed at the level of each entity. This follow up mainly bases on the analysis of past due receivables and can be extended to a more detailed solvency investigation. The Group entities may hedge the credit risk through credit insurance contracts or warranties (*Note 28 – Commitments received*). At the closing date, loans and receivables are reduced to their recoverable amount by an individual write-down. As of

December 31, 2017, the maximum exposure of Imerys to credit risk before credit insurance and warranties, i.e. the gross amount of receivables net of write-downs, amounts to €1,064.8 million (€914.9 million as of December 31, 2016). The table hereafter summarizes the total of write-downs on loans and receivables (€79.0 million as of December 31, 2017; €90.0 million as of December 31, 2016) and write-downs on available-for-sale financial assets (€8.6 million as of December 31, 2017; €6.7 million as of December 31, 2016):

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Balance as of January 1, 2016	(11.1)	(35.3)	(33.8)	(1.3)	(81.5)
Changes in the scope of consolidation	-	-	(0.8)	-	(0.8)
Increases	(5.3)	-	(9.1)	(0.7)	(15.1)
Utilizations	0.6	0.5	6.9	0.1	8.1
Other	-	-	-	0.5	0.5
Exchange rate differences	-	(8.1)	0.2	-	(7.9)
Balance as of December 31, 2016	(15.8)	(42.9)	(36.6)	(1.4)	(96.7)
Changes in the scope of consolidation	(1.8)	-	(4.0)	1.0	(4.8)
Increases	(0.1)	-	(4.5)	(2.1)	(6.7)
Utilizations	1.9	1.2	11.6	0.2	14.9
Other	2.8	-	1.1	(5.3)	(1.4)
Exchange rate differences	-	5.6	1.3	0.2	7.1
Balance as of December 31, 2017	(13.0)	(36.1)	(31.1)	(7.4)	(87.6)

Trade receivables do not bear interest and are generally due between 30 to 90 days. Some trade receivables may be past due without being impaired, for example where hedged by a credit insurance contract or a warranty.

(€ millions)	2017	2016
Past due trade receivables that are not impaired	115.5	126.7
Since less than 30 days	73.7	74.0
Since 30 to 89 days	21.8	27.0
Since 90 days and more	20.0	25.7
Undue trade receivables and past-due and impaired trade receivables	560.6	481.4
Total	676.1	608.1

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency. In the assets, the transactional currency risk has an impact mainly on trade receivables.

Management of the risk. In the assets, the transactional currency risk is managed in accordance with the same principles as the transactional currency risk related to financial liabilities (*Note 24.5 – Transactional currency risk*).

NOTE 22 EQUITY

Capital management principles

The management of capital presents three main fields: consolidated equity, share-based payments and share repurchases. The management of consolidated equity pursues the objective to maintain a stable financial structure so as to generate dividends for shareholders through a regular and steady growth of results. The share options and free shares granted to certain key employees aim at promoting their loyalty to reach this objective ([Note 8](#)). The objective of share repurchases is to foster the liquidity of transactions and regularity of quotation of the Imerys share, to make certain share-based payments and to perform the cancellations necessary to offset the dilutive impact on shareholders of exercised share options and of definitely vested free shares grants.

Consolidated equity corresponds to the capital and premiums of Imerys SA and consolidated income and reserves. There are no hybrid instruments combining the characteristics of liabilities and equity instruments. As of December 31, 2017:

- consolidated equity amounts to €2,878.2 million (€2,914.2 million as of December 31, 2016) on the basis of which the Board of Directors proposes a dividend per share of €2.075 (€1.870 in 2016);

- the 406,037 share options and 1,046,108 conditional free shares not exercised or not vested represent 1.79% of the capital of Imerys SA after dilution (2.37% of the capital after dilution as of December 31, 2016);
- Imerys SA holds, after purchase, sale, cancellation and transfer transactions of the period 632,227 Imerys shares (932,821 as of December 31, 2016).

The capital of Imerys SA is subject to several mandatory requirements of the French Code of Commerce. These requirements do not have any significant impact on the financial statements. However their compliance is subject to verifications by the Statutory Auditors. Furthermore, part of the Group's financing is ensured through liabilities instruments whose external issuers impose the compliance to ratios, some of which using the amount of consolidated equity. These ratios as well as their amounts at the closing date are disclosed in [Note 24.5 – Borrower's liquidity risk](#).

Accounting policy

The repurchase by Imerys SA of its own shares is recognized at acquisition cost as a decrease in equity. The result performed upon any subsequent disposal is directly recognized in equity.

Period activity

(number of shares)	2017			2016		
	Issued shares	Treasury shares	Outstanding shares	Issued shares	Treasury shares	Outstanding shares
Number of shares at the opening	79,567,874	(932,821)	78,635,053	79,572,491	(229,423)	79,343,068
Capital increases	436,411	-	436,411	295,383	-	295,383
Capital decreases	(400,000)	400,000	0	(300,000)	300,000	0
Transactions on treasury shares	-	(99,406)	(99,406)	-	(1,003,398)	(1,003,398)
Number of shares at the closing	79,604,285	(632,227)	78,972,058	79,567,874	(932,821)	78,635,053

On December 13, 2017, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of May 4, 2016 and May 3, 2017, and in accordance with the authorization given by the Shareholders' General Meeting of May 3, 2017, cancelled 400,000 treasury shares directly acquired on the market through an investment services provider. This shares cancellation lead to a capital decrease of a nominal amount of €800,000.

On January 5, 2018, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 13, 2017, noted that, on December 31, 2017, the share capital had been increased by a nominal amount of €872,822 as a result of the exercise between January 1, and December 31, 2017 of 436,411 share options and of the creation of the same number of new Imerys shares.

As a result of these transactions, Imerys' fully-paid up share capital as of December 31, 2017 totaled €159,208,570; it was made up of 79,604,285 shares with €2.00 par value of which 47,415,689 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. The total number of theoretical voting rights attached to existing shares was 127,019,974. Considering the 632,227 treasury shares held on December 31, 2017, the total number of net voting rights attached to outstanding shares was 126,387,747 on the same date. No directly registered shares have been pledged. The share capital did not change and the number of voting rights did not undergo any significant change between December 31, 2017 and February 14, 2018, i.e. the date at which the annual consolidated financial statements as of December 31, 2017 were closed by the Board of Directors.

NOTE 23 PROVISIONS

23.1 EMPLOYEE BENEFIT LIABILITIES

Imerys contributes, in accordance with the regulation and business benchmark of each country, to the constitution of retirement benefits for its employees. The granted benefits thus take the form, either of defined contribution plans whose future level is not guaranteed by Imerys ([Note 8](#)), or of defined benefit plans whose future level is guaranteed by Imerys through the liabilities analyzed in this note.

(€ millions)	2017	2016
Retirement plans	268.5	250.3
Medical plans	26.6	17.4
Other long-term benefits	13.7	13.5
Termination benefits	12.5	14.2
Total	321.3	295.4

Accounting policy

Defined contribution plans. Imerys contributes, in accordance with the regulation and business benchmark of each country, to the constitution of retirement benefits for its employees by paying, either on a mandatory or voluntary basis, contributions to third parties institutions such as pension funds, insurance companies or financial institutions. These plans, referred to as defined contribution plans, provide no guarantee to the beneficiaries on the level of the benefit that will be paid in the future. The contributions to these plans are recognized as “Staff expenses” ([Note 8](#)).

Defined benefit plans. On the other hand, Imerys guarantees to the beneficiaries of defined benefit plans the level of the benefit that will be paid in the future. The corresponding obligations are measured in accordance with the Projected Unit Credit Method by means of financial and demographic actuarial assumptions. These are used to measure the value of the services acquired by the beneficiaries on the basis of an estimated salary at retirement date. The recognized liabilities or assets correspond to the discounted value of the obligation, decreased by the fair value of plan assets, limited where necessary by a ceiling. The rates used to discount the obligations and calculate the normative return on assets in profit or loss are fixed by reference to the rates of bonds issued by companies rated AA (high quality) within the main indices iBoxx Corporate AA GBP and USD. Actuarial assumptions are

estimates of the Executive Management. The contributions to the funds and direct payments to beneficiaries are recognized in current operating income ([Note 8](#)) except for the contributions and payments related to restructurings that are recognized in other operating revenue and expenses ([Note 10](#)) and the contributions to under-funded closed plans with mandatory funding requirement that are recognized in financial income (loss) ([Note 12](#)). The profit or loss impact of these contributions is neutralized by liabilities reversals recognized in each of these three profit or loss levels. The other items of the change in post-employment plans are recognized in current operating income ([Note 8](#)), except for the amendments, curtailments and settlements related to a restructuring that are recognized in other operating income and expenses ([Note 10](#)) and for the unwinding of obligations and normative return on assets that are recognized in financial income (loss) ([Note 12](#)). Administrative fees are recognized in current operating income ([Note 8](#)) except for the administrative fees of under-funded closed plans with mandatory funding requirement that are recognized in financial income (loss) ([Note 12](#)). Plan amendments, curtailments and settlements are immediately recognized in profit or loss. The actuarial differences and assets limitations of post-employment plans are entirely recognized in equity, net of assets management fees, with no subsequent reclassification in profit or loss.

Defined benefit plans characteristics

As of December 31, 2017, the defined employee benefit obligation of Imerys amounts to €1,500.3 million (€1,494.8 million as of December 31, 2016). This obligation is made up of retirement indemnities, medical post-retirement benefits and other pre-retirement

benefits such as jubilee awards. The main obligations, whose amounts are disclosed as negative values in the following table, are located in the United Kingdom and United States:

	2017				2016			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
(€ millions)								
Retirement indemnities	(923.2)	(276.0)	(260.6)	(1,459.8)	(933.4)	(281.5)	(248.8)	(1,463.7)
Medical post-retirement benefits	-	(17.8)	(8.8)	(26.6)	-	(9.7)	(7.7)	(17.4)
Other pre-retirement benefits	-	-	(13.9)	(13.9)	-	-	(13.7)	(13.7)
Total	(923.2)	(293.8)	(283.3)	(1,500.3)	(933.4)	(291.2)	(270.2)	(1,494.8)

As of December 31, 2017, these obligations relate to 27,607 beneficiaries (24,980 beneficiaries as of December 31, 2016) made up of those employees who acquire rights for the services they render within the Group (active beneficiaries), of those employees who ceased to acquire rights for the services they render within

the Group as well as those former employees active outside the Group (deferred beneficiaries) and of retired former employees (retired beneficiaries). The following table discloses the main characteristics of these beneficiaries:

	2017				2016			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Headcounts								
Number of active beneficiaries	585	1,338	14,988	16,911	609	1,291	12,388	14,288
Number of deferred beneficiaries	1,679	1,451	391	3,521	1,804	1,448	378	3,630
Number of retired beneficiaries	4,102	2,287	786	7,175	4,161	2,181	720	7,062
Total	6,366	5,076	16,165	27,607	6,574	4,920	13,486	24,980
Age								
Average age of active beneficiaries	54	51	45	45	53	50	44	45
Average age of deferred beneficiaries	54	53	49	53	53	53	49	53
Average age of retired beneficiaries	75	64	74	71	75	65	74	72
Past service								
Years of past service of active members	28	19	15	16	27	19	16	17

Two plans represent 69.9% of the Group total obligation as of December 31, 2017 (71.9% as of December 31, 2016): the British Imerys UK Pension Scheme (Imerys UK) and the American Imerys USA Retirement Growth Account Plan (Imerys USA). The following table discloses their main characteristics:

	2017		2016	
	Imerys UK	Imerys USA	Imerys UK	Imerys USA
Obligation by categories of beneficiaries (€ millions)				
Active beneficiaries	(175.0)	(36.2)	(163.9)	(41.0)
Deferred beneficiaries	(188.1)	(33.5)	(181.0)	(37.4)
Retired beneficiaries	(560.0)	(56.5)	(588.5)	(62.9)
Total	(923.2)	(126.2)	(933.4)	(141.3)
Age				
Average age of active beneficiaries	54	53	53	52
Average age of deferred beneficiaries	54	55	53	54
Average age of retired beneficiaries	75	71	75	70
Eligibility				
Last hiring date	12/31/04	03/31/10	12/31/04	03/31/10
Retirement age	65	65	65	65
Description of the benefit				
Mode of payment	Annuity ⁽¹⁾	Capital ⁽²⁾	Annuity ⁽¹⁾	Capital ⁽²⁾
Increase on retail price index	Yes	No	Yes	No
Closing date for future accruals	03/31/15	12/31/14	03/31/15	12/31/14
Regulatory framework				
Minimum funding requirement by the employer	Yes ⁽³⁾	Yes ⁽³⁾	Yes ⁽³⁾	Yes ⁽³⁾
Minimum contribution requirement by the beneficiary	Yes	No	Yes	No
Governance				
Trustees representing the employer	Yes	Yes	Yes	Yes
Trustees representing the beneficiaries	Yes	No	Yes	No
Independent trustees	Yes	No	Yes	No
Trustee's responsibility				
Definition of the investing strategy	Yes	Yes	Yes	Yes
Negotiation of the refinancing of deficits with the employer	Yes	-	Yes	-
Administrative management of the benefit payment	Yes	Yes	Yes	Yes

(1) Annuity calculated on the basis of the number of years of service rendered, of the annual salary at the retirement date and of the average of the three last annual salaries.

(2) Capital with guaranteed interest rate (Cash Balance Plan).

(3) The employer is required to fund each unit of service rendered by 100.0% on the basis of a funding valuation.

Management of risks arising from employee benefits

Description of the risks. The main issue related with the financial management of employee benefits is the control of the funding ratio of obligations, i.e. the ratio between the value of plan assets and the value of obligations. The funding ratio of obligations may thus be subject to a deterioration caused by a decorrelation between the evolution (especially downwards) of the plan assets and the evolution (especially upwards) of the obligations. The value of plan assets may be lowered by a deterioration of the fair value of investments. The value of obligations may be raised on the one hand for all plans as a result of a decrease in discount rates and on the other hand for benefits paid as life annuities, either from a rise in the inflation rates used to remeasure the obligations of certain plans, or from the increase in the life expectancy of beneficiaries.

Management of the risks. The strategy to control the funding ratio of obligations consists in the first place to optimize the value of plan assets. The objective of investment policies thus aim at delivering a steady return while taking advantage of opportunities with limited or moderate risks levels. The choice of investments is specific to each plan and its determination considers the duration of the plan as well as minimum funding regulatory constraints. In the United Kingdom in particular, Imerys applies since 2011 a specific strategy of control of the funding ratio of obligations that consists in defining the investment of plan assets so as to match the obligation. This device designated as Liability Driven

Investment (LDI) aims at controlling the funding rate of the obligation through the correlation of cash inflows and outflows over the duration of the obligation. In practice, this strategy consists in structuring the portfolio of plan assets so that the cash inflows generated by the return on investments match the cash outflows generated by the payment of benefits. Within this device, the hedging policy of the risk that the obligation raises as a result of a decrease in discount rates (respectively of an increase in inflation rates) covers at least 95.0% (respectively 98.7%) of the amount of the obligation as of December 31, 2017.

Employee benefits financing

Imerys finances the greater part of employee benefits with investments unavailable to third parties in trusts or insurance contracts legally separate from the Group. These investments designated as plan assets amount to €1,197.7 million as of December 31, 2017 (€1,214.9 million as of December 31, 2016). Imerys also holds reimbursement rights, i.e. investments directly held by the Group and amounting to €6.3 million as of December 31, 2017 (€6.1 million as of December 31, 2016). The funding rate of obligations thus amounts to 79.9% as of December 31, 2017 (81.7% as of December 31, 2016). The deficit of funded plans and unfunded plans is accrued for €302.3 million as of December 31, 2017 (€273.8 million as of December 31, 2016), as disclosed in the following table:

	2017				2016			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
(€ millions)								
Obligations funded by plan assets	(923.2)	(274.6)	(133.1)	(1,330.9)	(933.4)	(279.9)	(129.9)	(1,343.2)
Obligations funded by reimbursement rights	-	-	(30.1)	(30.1)	-	-	(29.4)	(29.4)
Plan assets	900.5	214.4	76.8	1,191.7	923.3	212.6	79.0	1,214.9
Reimbursement rights	-	-	6.3	6.3	-	-	6.1	6.1
Funded plans surplus (deficit)	(22.7)	(60.2)	(80.1)	(163.0)	(10.1)	(67.3)	(74.2)	(151.6)
Unfunded obligations	-	(19.2)	(120.1)	(139.3)	-	(11.3)	(110.9)	(122.2)
Total surplus (deficit)	(22.7)	(79.4)	(200.2)	(302.3)	(10.1)	(78.6)	(185.1)	(273.8)

The following table discloses the contributions paid to the funds by profit or loss level in 2016 and 2017 as well as an estimate for 2018. Contributions are generally recognized in current operating income. They are recognized as other operating revenue and expenses where they relate to a restructuring. Contributions recognized in financial income (loss) are intended to recover the deficit of those closed plans (absence of current service) with mandatory funding

requirement. In this respect, each euro of service rendered before the plan was closed has been funded by a contribution of the same amount through current operating income. However the decrease in discount rates, the increase in inflation rates and the decrease in the fair value of investments has broken this initial balance and now requires additional contributions to restore it.

(€ millions)	2018 (estimate)	2017	2016
Contributions in current operating income	(13.8)	(8.9)	(7.8)
Contributions in other operating revenue and expenses	-	(0.9)	-
Contributions in financial income (loss) (closed plans)	(6.4)	(11.3)	(11.6)
Employer contributions	(20.2)	(21.1)	(19.4)

Plan assets are mainly invested in instruments whose market values are quoted in an active market:

	2017				2016			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Assets with a quoted price	100.0%	100.0%	75.0%	98.4%	100.0%	100.0%	59.3%	97.4%
Equity	14.4%	52.1%	8.7%	20.8%	37.0%	50.0%	7.8%	37.4%
Debt	78.2%	47.6%	7.8%	10.3%	56.7%	50.0%	5.2%	52.2%
Real estate	5.4%	-	-	4.1%	6.1%	-	-	4.6%
Monetary	2.1%	0.3%	58.5%	63.3%	0.2%	-	46.3%	3.2%
Assets without a quoted price	0.0%	0.0%	25.0%	1.6%	0.0%	0.0%	40.7%	2.6%
Equity	-	-	-	0.0%	-	-	-	0.0%
Debt	-	-	-	0.0%	-	-	-	0.0%
Real estate	-	-	-	0.0%	-	-	-	0.0%
Monetary	-	-	25.0%	1.6%	-	-	40.7%	2.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The assets held by Imerys to fund the employee benefits generate an actual interest of €71.5 million in 2017 (€179.2 million in 2016), i.e. an actual rate of return, including the effects of changes in foreign rates, of 6.3% in 2017 (16.4% in 2016), as disclosed in the table hereafter. In accordance with applicable standards, this return is only credited to the financial income (loss) to the

extent of a normative part of €32.8 million in 2017 (€40.1 million in 2016) calculated on the basis of the risk-free rate used to discount the obligations. The excess of the actual return beyond normative return is credited to equity for €38.7 million in 2017 (€139.1 million in 2016).

(€ millions)	2017				2016			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Opening assets	923.3	212.6	85.1	1,221.0	935.8	213.5	79.4	1,228.7
Changes in the scope of consolidation	-	15.6	1.8	17.4	-	(0.6)	(0.1)	(0.7)
Contributions	6.9	7.8	7.8	22.5	7.4	7.0	6.3	20.7
Payments to the beneficiaries	(40.2)	(20.1)	(8.7)	(69.0)	(49.3)	(21.8)	(4.3)	(75.4)
Reclassification	-	-	(2.3)	(2.3)	-	-	-	0.0
Exchange rate differences	(32.5)	(26.8)	(3.8)	(63.1)	(138.9)	6.6	0.8	(131.5)
Actual return on assets	43.0	25.3	3.2	71.5	168.3	7.9	3.0	179.2
Normative return (financial income (loss))	23.9	7.8	1.1	32.8	30.8	8.1	1.2	40.1
Adjustment to actual return (equity)	19.1	17.5	2.1	38.7	137.5	(0.2)	1.8	139.1
Closing assets	900.5	214.4	83.1	1,198.0	923.3	212.6	85.1	1,221.0
Actual rate of return	5.0%	13.5%	3.9%	6.3%	20.7%	3.9%	3.8%	16.4%

Estimates

The actuarial assumptions used to measure defined benefit plans are estimates of the Executive Management. The assumptions hereafter are weighted by the amounts of obligations or assets, depending upon the item to which they apply.

	2017				2016			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Discount rate	2.40%	3.41%	1.41%	2.41%	2.70%	3.90%	1.60%	2.70%
Retail price index	2.10%	-	-	2.10%	2.20%	-	-	2.20%
Salary increase	2.35%	-	2.56%	2.39%	2.20%	-	2.40%	2.20%
Medical cost trend rates	-	-	7.17%	7.17%	-	-	7.30%	7.30%
Duration (years)	15	12	12	14	14	11	11	13

Among these estimates, the discount rate results in the most significant impacts on the Group financial statements. The following table discloses the impact of a reasonably possible change in discount rates for a decrease (lower case) and an increase (higher case) around the assumption retained in the financial statements as of December 31, 2017 (actual 2017). The impact of these changes is measured on three aggregates (obligation, net interest,

current service cost) in the two monetary zones where the most significant obligations are located (United Kingdom and United States). The range of the reasonably possible change in discount rates is assessed at 50 basis points with respect to the weighted average change in discount rates in the United Kingdom and the United States over the last five periods.

(€ millions)	Lower case	Actual 2017	Higher case
United Kingdom			
Discount rate	1.9%	2.4%	2.9%
Obligation at the closing date	(998.7)	(923.2)	(853.7)
Net interest in the 2018 profit or loss ⁽¹⁾	(1.9)	(0.5)	1.4
Current service cost in the 2018 profit or loss ⁽²⁾	-	-	-
United States			
Discount rate	2.9%	3.4%	3.9%
Obligation at the closing date	(309.1)	(293.8)	(279.9)
Net interest in the 2018 profit or loss ⁽¹⁾	(2.6)	(2.6)	(2.4)
Current service cost in the 2018 profit or loss	(3.1)	(2.8)	(2.6)

(1) Unwinding of the obligation, net of the normative return on assets.

(2) Closed and frozen plan since April 1, 2015.

Tables of changes

As of December 31, 2017

(€ millions)	Obligations	Assets	Asset (liability)
Balance as of January 1, 2017	(1,494.8)	1,221.0	(273.8)
Plan assets			1.3
Reimbursement rights			6.1
Liabilities			(281.2)
Unwinding	(38.9)	-	(38.9)
Current service cost	(16.3)	-	(16.3)
Settlements	(0.7)	-	(0.7)
Actuarial gains and (losses) of other employee benefits	0.4	-	0.4
Normative return on plan assets	-	32.7	32.7
Normative return on reimbursement rights	-	0.1	0.1
Changes recognized in profit or loss			(22.7)
Excess of the actual return on assets over their normative return	-	38.7	38.7
Actuarial gains and (losses) of post-employment benefits on			
■ changes in financial assumptions	(63.6)	-	(63.6)
■ experience adjustments	5.3	-	5.3
Changes recognized in equity			(19.6)
Incoming entities	(49.4)	17.4	(32.0)
Outgoing entities	3.0	-	3.0
Routine benefit payments	78.5	(69.0)	9.5
Settlements payments	0.3	-	0.3
Employer contributions	-	21.1	21.1
Employee contributions	(1.4)	1.4	0.0
Reclassification	2.0	(2.3)	(0.3)
Exchange rate differences	75.3	(63.1)	12.2
Balance as of December 31, 2017	(1,500.3)	1,198.0	(302.3)
Plan assets			0.2
Reimbursement rights			6.3
Liabilities			(308.8)

The row "Changes recognized in profit or loss" of the above table is analyzed as follows:

(€ millions)	Asset (liability)
Current operating income	(13.6)
Net change in employee benefit liabilities	5.1
Contributions to defined employee benefit plans	(18.7)
Other operating income and expenses	(0.9)
Contributions to defined employee benefit plans	(0.9)
Financial income (loss)	(8.2)
Net change in employee benefit liabilities – Closed plans	9.2
Contributions to defined employee benefit plans – Closed plans	(11.3)
Normative return on assets of defined benefit plans	32.8
Unwinding of defined employee benefit liabilities	(38.9)
Changes recognized in profit or loss	(22.7)

As of December 31, 2016

(€ millions)	Obligations	Assets	Asset (liability)
Balance as of January 1, 2016	(1,530.0)	1,228.7	(301.3)
Plan assets			0.6
Reimbursement rights			6.2
Liabilities			(308.1)
Unwinding	(46.3)	-	(46.3)
Current service cost	(14.4)	-	(14.4)
Plan amendments	0.3	-	0.3
Curtailments	2.3	-	2.3
Settlements	(0.5)	-	(0.5)
Non-recurring settlement of the Imerys UK closed plan ⁽¹⁾	7.5	-	7.5
Actuarial gains and (losses) of other employee benefits	(0.2)	-	(0.2)
Normative return on plan assets	-	40.0	40.0
Normative return on reimbursement rights	-	0.1	0.1
Changes recognized in profit or loss			(11.2)
Excess of the actual return on assets over their normative return	-	139.1	139.1
Actuarial gains and (losses) of post-employment benefits on			
■ changes in demographic assumptions	(3.1)	-	(3.1)
■ changes in financial assumptions	(142.0)	-	(142.0)
■ experience adjustments	18.8	-	18.8
Changes recognized in equity			12.8
Incoming entities	(5.0)	(0.1)	(5.1)
Outgoing entities	1.0	(0.6)	0.4
Routine benefit payments	72.8	(64.4)	8.4
Settlements payments	11.2	(11.0)	0.2
Employer contributions	-	19.4	19.4
Employee contributions	(1.3)	1.3	0.0
Exchange rate differences	134.1	(131.5)	2.6
Balance as of December 31, 2016	(1,494.8)	1,221.0	(273.8)
Plan assets			1.3
Reimbursement rights			6.1
Liabilities			(281.2)

(1) In the second half of 2016, Imerys offered to the beneficiaries of the Imerys UK retirement plan to move from an inflation-linked benefit to a fixed benefit. The acceptance of that offer by the beneficiaries resulted in a €7.5 million settlement gain. Since the Imerys UK retirement plan is closed since April 1, 2015, this settlement gain is credited in Financial income (loss) (Note 23.1 – Accounting policy). However, in the financial communication indicator “Net income from current operations, Group share”, this gain is reclassified in “Other net operating revenue and expenses, Group share” so as to stress its non-recurring and significant character (Note 14).

The row “Changes recognized in profit or loss” of the above table is analyzed as follows:

(€ millions)	Asset (liability)
Current operating income	(11.5)
Net change in employee benefit liabilities	3.5
Contributions to defined employee benefit plans	(15.0)
Other operating income and expenses	(0.3)
Net change in employee benefit liabilities	1.1
Contributions to defined employee benefit plans	(1.4)
Financial income (loss)	0.6
Net change in employee benefit liabilities – Closed plans	18.4
Contributions to defined employee benefit plans – Closed plans	(11.6)
Normative return on assets of defined benefit plans	40.1
Unwinding of defined employee benefit liabilities	(46.3)
Changes recognized in profit or loss	(11.2)

Changes recognized in equity

	2017				2016			
	Actuarial gains and (losses)	Excess of the actual return on assets over their normative return in profit or loss	Assets limitation	Total	Actuarial gains and (losses)	Excess of the actual return on assets over their normative return in profit or loss	Assets limitation	Total
(€ millions)								
Opening balance	(581.1)	357.6	2.5	(221.0)	(473.4)	230.0	2.5	(240.9)
Changes related to obligations	(58.3)	-	-	(58.3)	(126.3)	-	-	(126.3)
Changes related to assets	-	38.7	-	38.7	-	139.1	-	139.1
Changes recognized in equity	(58.3)	38.7	0.0	(19.6)	(126.3)	139.1	0.0	12.8
Outgoing entities	0.2	-	-	0.2	-	-	-	0.0
Exchange rate differences	40.9	(25.4)	(0.2)	15.4	18.6	(11.5)	-	7.1
Closing balance	(598.3)	370.9	2.3	(225.0)	(581.1)	357.6	2.5	(221.0)

23.2 OTHER PROVISIONS

(€ millions)	2017	2016
Other non-current provisions	394.6	343.8
Other current provisions	27.1	22.6
Total	421.7	366.4

Accounting policy

A provision is recognized as soon as it becomes probable that a present obligation shall require a settlement whose amount can be measured reliably. Provisions are recognized against the profit or loss except for provisions for dismantling and some provisions for restoration whose counterpart is included in the cost of the assets whose construction has created the obligation. This treatment mainly applies to some satellite industrial facilities and mining overburden assets. The measurement of provisions corresponds to the best estimate of the amount required to settle the obligation. Provisions whose settlement is expected within 12 months after the end of the period or whose settlement may occur at any time are not discounted. Provisions whose settlement is expected after 12 months after the end of the period are discounted. This treatment applies in particular to the provisions accrued with respect to environmental obligations to remediate pollutions, to obligations to dismantle plants and to obligations to restore mine sites once extraction is complete. Changes in discounted provisions due to a revision of the amount of the obligation, of its timing of settlement or of its discount rate are recognized in profit or loss or, for provisions recognized against assets, as an adjustment of the cost of the latter. The unwinding is recognized as a debit in the other financial income and expenses ([Note 12](#)). The assessment of the probability of settlement and amount of the obligation, of the expected timing of future payments and of discount rates are estimates of the Executive Management.

Estimates

Probability of settlement and amount of the obligation. The probabilities of settlement and the amounts of the obligations are estimated by the Executive Management who generally relies on internal experts to validate the main assumptions, taking into account the expected effects, where applicable, or regulatory changes, and on external counsels for the significant litigation and claims. These relate to allegations of personal or financial injury implicating the civil liability of Imerys and the potential breach of contractual obligations or regulations on employee, property and environmental issues. The provisions recognized to cover these risks are included in the €173.1 million of provisions for legal, social and regulatory risks presented in the table of changes in [Note 23.2](#). In their risk estimate, the Executive Management is considering in particular the following items: (i) possible transfer to third parties of all or part of the relevant risks (insurance, third parties contractual guaranties); (ii) available remedies to contest the reality or the amount of all or part of the relevant risks; and (iii) specificities of national legal environments and specifically those applicable to contentious cases in the United States (mass actions, high level of defense costs, unpredictability of the verdicts issued by popular juries, media coverage of certain court decisions).

Expected timing of future payments. The following table discloses the discounted value of future cash outflows necessary to settle the obligations of the “Other provisions” position:

(€ millions)	2018 - 2022	2023 - 2032	2033 and later	Total
Products warranties	30.2	-	-	30.2
Environmental and dismantling obligations	26.6	42.2	26.3	95.1
Mine sites restoration	33.6	67.2	22.5	123.3
Legal, social and regulatory risks	173.1	-	-	173.1
Other provisions	263.5	109.4	48.8	421.7

Discount rates. These rates integrate the time value of money and monetary inflation over the timeline of future payments. For the main discounted provision (mine sites restoration), the assumptions of the major monetary zones are the following:

	2017			2016		
	Euro zone	United Kingdom	United States	Euro zone	United Kingdom	United States
Time value of money	0.8%	1.5%	3.2%	0.8%	1.6%	3.3%
Monetary inflation	1.3%	2.9%	2.1%	0.8%	1.6%	2.2%

Table of changes

(€ millions)	Products warranties	Environmental and dismantling obligations	Mine sites restoration	Legal, social and regulatory risks	Total
Balance as of January 1, 2016	27.4	63.0	120.3	112.7	323.4
Changes in the scope of consolidation	-	14.6	0.6	7.9	23.1
Increases	7.5	9.9	1.0	43.6	62.0
Utilizations	(2.2)	(4.1)	(4.3)	(14.3)	(24.9)
Non-utilized decreases	(1.8)	(0.4)	-	(20.6)	(22.8)
Unwinding expense	-	1.0	2.7	-	3.7
Reclassification and other	(0.2)	(3.5)	3.5	0.2	0.0
Exchange rate differences	-	(0.9)	(0.8)	3.6	1.9
Balance as of December 31, 2016	30.7	79.6	123.0	133.1	366.4
Changes in the scope of consolidation	0.1	(7.1)	8.6	8.6	10.2
Increases	4.1	8.1	3.6	70.9	86.7
Utilizations	(2.5)	(6.1)	(5.1)	(17.3)	(31.0)
Non-utilized decreases	(2.1)	(5.9)	-	(14.3)	(22.3)
Unwinding expense	-	0.9	2.8	0.2	3.9
Reclassification and other	0.1	29.4	0.2	(0.1)	29.6
Exchange rate differences	(0.2)	(3.8)	(9.8)	(8.0)	(21.8)
Balance as of December 31, 2017	30.2	95.1	123.3	173.1	421.7

NOTE 24 FINANCIAL LIABILITIES

24.1 CATEGORIES OF FINANCIAL LIABILITIES

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in [Note 11](#). Since they correspond to the amounts of cash to be paid, these carrying amounts are representative of fair value for all instruments except for bonds. The tables hereafter are followed by an analysis of the differences between carrying

amount and fair value. For listed bonds, fair value qualifies as a directly observable data since it corresponds to the market value at the closing date (level 1 fair value). For unlisted bonds, fair value including accrued interests results from a model using observable data, i.e. a revaluation of discounted future contractual flows (level 2 fair value).

As of December 31, 2017

	Financial liabilities at amortized cost		Non hedge derivatives	Hedge derivatives		Non IAS 39	Total
(€ millions)	Non hedge	Net investment in a foreign operation	Fair value through profit or loss	Fair value	Cash flow		
Non-current liabilities							
Loans and financial debts	1,969.9	-	(0.2)	14.9	-	1.7	1,986.3
Other debts	4.6	-	-	-	-	15.6	20.2
Derivative financial liabilities	-	2.7	(0.1)	-	0.1	-	2.7
Current liabilities							
Trade payables	510.9	-	-	-	-	-	510.9
Other debts	176.4	-	-	-	-	240.8	417.2
Derivative financial liabilities	-	-	3.5	-	2.5	-	6.0
Loans and financial debts	667.5	-	(3.0)	-	-	0.4	664.9
Bank overdrafts	2.9	-	-	-	-	-	2.9
Total financial liabilities	3,332.2	2.7	0.2	14.9	2.6	-	

The fair value of fixed rate bonds included in "Loans and financial debts" is superior to their carrying amount by €101.0 million:

Nominal amount (in millions)	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	67.0	75.4	8.4
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	25.5	26.1	0.6
EUR 167.6	11/26/2020	Listed	2.50%	2.60%	169.1	178.6	9.5
EUR 55.9	11/26/2020	Listed	2.50%	1.31%	55.9	59.5	3.6
EUR 300.0	3/31/2022	Listed	0.88%	0.96%	300.2	307.4	7.2
EUR 300.0	3/31/2028	Listed	1.88%	1.92%	302.1	316.3	14.2
EUR 500.0	12/10/2024	Listed	2.00%	2.13%	495.3	533.9	38.6
EUR 600.0	1/15/2027	Listed	1.50%	1.63%	598.9	617.8	18.9
Total as of December 31, 2017 (€ millions)					2,014.0	2,115.0	101.0

As of December 31, 2016

	Financial liabilities at amortized cost		Non hedge derivatives	Hedge derivatives			
(€ millions)	Non hedge	Net investment in a foreign operation	Fair value through profit or loss	Fair value	Cash flow	Non IAS 39	Total
Non-current liabilities							
Loans and financial debts	1,583.3	-	(0.6)	17.3	-	1.7	1,601.7
Other debts	30.1	-	-	-	-	8.4	38.5
Derivative financial liabilities	-	4.6	(0.1)	-	0.1	-	4.6
Current liabilities							
Trade payables	422.7	-	-	-	-	-	422.7
Other debts	124.6	-	-	-	-	211.9	336.5
Derivative financial liabilities	-	-	2.3	-	2.9	-	5.2
Loans and financial debts	585.8	-	(2.2)	-	-	0.4	584.0
Bank overdrafts	11.4	-	-	-	-	-	11.4
Total financial liabilities	2,757.9	4.6	(0.6)	17.3	3.0	-	

The fair value of fixed rate bonds included in "Loans and financial debts" is superior to their carrying amount by €81.9 million:

Nominal amount <i>(in millions)</i>			Interest rate		Carrying amount	Fair value	Difference	
			Maturity	Quotation				Nominal
JPY	7,000.0	9/16/2033	Unlisted	3.40%	3.47%	73.8	84.0	10.2
USD	30.0	8/6/2018	Unlisted	5.28%	5.38%	29.1	30.8	1.7
EUR	500.0	4/18/2017	Listed	5.00%	5.09%	517.6	524.9	7.3
EUR	300.0	11/26/2020	Listed	2.50%	2.60%	303.3	324.2	20.9
EUR	100.0	11/26/2020	Listed	2.50%	1.31%	99.9	108.1	8.2
EUR	300.0	3/31/2022	Listed	0.88%	0.96%	299.8	305.5	5.7
EUR	300.0	3/31/2028	Listed	1.88%	1.92%	301.8	314.5	12.7
EUR	500.0	12/10/2024	Listed	2.00%	2.13%	494.6	509.8	15.2
Total as of December 31, 2016 <i>(€ millions)</i>						2,119.9	2,201.8	81.9

24.2 CASH FLOWS RELATED TO FINANCIAL LIABILITIES

Changes in liabilities arising from financing activities

The *Consolidated statement of cash flows* analyses the change in the “Cash and cash equivalents position” through three destinations: operating activities, investing activities and financing activities. In the tables hereafter, the “Cash flow from financing activities” is disclosed in column “Cash changes”, in accordance with their source positions on the statement of financial position.

In 2017, the “Cash flow from financing activities” corresponds to a net cash outflow of -€229.8 million, of which a cash inflow of +€604.2 million with respect to loan issues (mainly made up of a +€600.0 million bond issue as part of the Euro Medium Term

Note program (EMTN) (*Note 24.5 – Borrower’s liquidity risk*), a cash outflow of -€1,136.9 million with respect to loan repayments (mainly made up of a -€500.0 million matured bond repayment), of a -€176.5 million partial repurchase of a bond issue maturing November 2020 and of a -€415.3 million of anticipated repayment on Kerneos fundings) and a net cash inflow of +€302.9 million with respect to the net change in other debts (mainly made up of a +€589.0 million net change in short term negotiable debt securities (*Note 24.5 – Borrower’s liquidity risk*) and of a -€298.8 million of anticipated repayment on Kerneos fundings).

(€ millions)	Non-cash changes							12/31/2017
	01/01/2017	Cash changes	Scope changes	Accrued interests	Fair value	Reclassification	Exchange rate differences	
Non-current assets	(17.8)	0.0	0.0	0.0	0.0	(4.7)	0.0	(22.5)
Derivative financial assets	(17.8)	-	-	-	-	(4.7)	-	(22.5)
Current assets	(24.5)	(2.6)	(0.9)	4.0	3.2	4.7	0.3	(15.8)
Derivative financial assets	(14.9)	0.2	(0.2)	-	3.2	4.7	-	(7.0)
Other financial assets	(9.6)	(2.8)	(0.7)	4.0	-	-	0.3	(8.8)
Non-current liabilities	1,606.3	(260.6)	738.3	1.2	(1.9)	(29.9)	(64.4)	1,989.0
Loans and financial debts	1,601.7	(260.6)	738.3	1.2	(1.9)	(28.0)	(64.4)	1,986.3
Derivative financial liabilities	4.6	-	-	-	-	(1.9)	-	2.7
Current liabilities	589.2	33.4	7.9	(18.0)	7.0	29.9	21.5	670.9
Hedge instruments – liabilities	5.2	(0.1)	0.1	-	(1.1)	1.9	-	6.0
Loans and financial debts	584.0	33.5	7.8	(18.0)	8.1	28.0	21.5	664.9
Total	2,153.2	(229.8)	745.3	(12.8)	8.3	0.0	(42.6)	2,621.6
Loan issues	-	604.2	-	-	-	-	-	-
Loan repayments	-	(1,136.9)	-	-	-	-	-	-
Net change in other debts	-	302.9	-	-	-	-	-	-

In 2016, the “Cash flow from financing activities” corresponded to a net cash inflow of +€195.6 million, of which a cash inflow of +€604.0 million with respect to loan issues (mainly made up of a +€600.0 million bond issue as part of the Euro Medium Term Note program (EMTN) (*Note 24.5 – Borrower’s liquidity risk*), a

cash outflow of -€4.1 million with respect to loan repayments and a cash outflow of -€404.3 million with respect to the net change in other debts (mainly made up of -€347.6 million short term negotiable debt securities issue (*Note 24.5 – Borrower’s liquidity risk*)).

(€ millions)	01/01/2016	Non-cash changes						12/31/2016
		Cash changes	Scope changes	Accrued interests	Fair value	Reclas-sification	Exchange rate differences	
Non-current assets	(15.0)	0.0	0.0	0.0	0.0	(2.8)	0.0	(17.8)
Derivative financial assets	(15.0)	-	-	-	-	(2.8)	-	(17.8)
Current assets	(24.6)	11.6	0.0	0.1	(14.9)	3.2	0.1	(24.5)
Derivative financial assets	(5.0)	2.2	-	-	(14.9)	2.8	-	(14.9)
Other financial assets	(19.6)	9.4	-	0.1	-	0.4	0.1	(9.6)
Non-current liabilities	1,501.9	535.5	32.5	1.0	4.9	(495.9)	26.4	1,606.3
Loans and financial debts	1,500.0	535.5	32.5	1.0	4.9	(498.6)	26.4	1,601.7
Derivative financial liabilities	1.9	-	-	-	-	2.7	-	4.6
Current liabilities	443.0	(351.5)	1.5	9.1	(17.7)	495.5	9.3	589.2
Hedge instruments – liabilities	19.2	(0.1)	-	-	(11.2)	(2.7)	-	5.2
Loans and financial debts	423.8	(351.4)	1.5	9.1	(6.5)	498.2	9.3	584.0
Total	1,905.3	195.6	34.0	10.2	(27.7)	0.0	35.8	2,153.2
Loan issues	-	604.0	-	-	-	-	-	-
Loan repayments	-	(4.1)	-	-	-	-	-	-
Net change in other debts	-	(404.3)	-	-	-	-	-	-

Reconciliation of the net financial debt

The net financial debt is the net position of Imerys towards the market and the financial institutions. It is used in the management of the financial resources of the Group. This indicator is used in particular in the calculation of financial ratios that Imerys has to comply with under financing agreements entered into with financial markets (*Note 24.5 – Borrower's liquidity risk*).

The net financial debt corresponds to the total of financing liabilities subscribed towards the market and the financial institutions in the form of bonds, bank credits, finance lease credits and bank overdrafts, decreased by cash, cash equivalents and other current financial assets. Although they are offset in the calculation of the net financial debt, overdrafts and excess cash are disclosed separately on the statement of financial position, either in the form of bank overdrafts, or in the form of cash, in accordance with the agreements signed between Imerys and its bank counterparties. Most of these agreements provide that the various accounts opened at the bank counterparties remain as debit or credit balances, without any offset. However, some netting agreements

exist within the Group in order to achieve, over a certain scope, a unique position towards certain bank counterparties. Such a unique position is organized by the heading entity of the netting scope, either directly through its own bank account, or indirectly through an investment made at the bank counterparty that the latter is crediting under the form of loans to the entities of the scope. Direct netting corresponds to agreements in force in Europe and the United-States, while indirect netting is applied in China.

The following table discloses the link between the net financial debt and the consolidated statement of financial position with a distinction between non-derivative and derivative financial instruments. Derivative financial instruments included in the calculation of the net financial debt correspond to financing hedge instruments assets and liabilities since they are part of the future cash outflows of this aggregate (*Note 24.5 – Borrower's liquidity risk*). The operational hedge instruments (*Note 24.4 – Derivative instruments in the financial statements*) are not included in the calculation of the net financial debt.

(€ millions)	Notes	2017	2016
Non-derivative financial liabilities		2,654.1	2,197.1
Loans and financial debts – non-current		1,986.3	1,601.7
Loans and financial debts – current		664.9	584.0
Bank overdrafts		2.9	11.4
Non-derivative financial assets		(390.7)	(819.2)
Other financial assets		(8.8)	(9.6)
Cash and cash equivalents		(381.9)	(809.6)
Hedge derivatives		(17.0)	(11.4)
Financing hedge instruments – liabilities	24.4	6.2	6.9
Financing hedge instruments – assets	24.4	(23.2)	(18.3)
Net financial debt		2,246.4	1,366.5

In 2017, the change in net financial debt corresponds to a net cash inflow of €901.3 million (a net cash outflow of €123.8 million in 2016) as disclosed in the following table.

(€ millions)	2017	2016
Opening net financial debt	(1,366.5)	(1,480.4)
Change in net financial debt	(901.3)	123.8
Impact of changes due to exchange rate fluctuations	21.4	(9.9)
Closing net financial debt	(2,246.4)	(1,366.5)

The developments hereafter analyse the change in the net financial debt in two steps: in a first step, the cash flows from recurring operating transactions (current free operating cash flow); and in a second step, the cash flows from transactions unrelated with recurring operating activity.

The current free operating cash flow is the residual cash flow resulting from recurring operating business and remaining after payment of current operating income taxes and operating capital

expenditure, receipt of the disposal proceeds of operating assets and adjustment from cash changes in operational working capital requirement. By comparison with the cash flows disclosed in the [Consolidated statement of cash flows](#) the current free operating cash flow corresponds to the recurring portion of the “Cash flow from operating activities” adjusted by the acquisitions and disposals of intangible assets and property, plant and equipment of the “Cash flow from investing activities” after income taxes.

(€ millions)	2017	2016
Current operating income	648.1	582.1
Operating amortization, depreciation and impairment losses ⁽¹⁾	265.6	225.8
Net change in operating provisions	(23.9)	7.0
Share in net income of joint ventures and associates	(6.0)	(1.7)
Dividends received from joint ventures and associates	5.8	5.6
Operating cash flow before taxes (current EBITDA)	889.6	818.8
Notional taxes on current operating income ⁽²⁾	(187.5)	(173.1)
Current net operating cash flow	702.1	645.7
Paid capital expenditures^{(3) & (4)}	(340.9)	(278.5)
Intangible assets	(22.8)	(9.5)
Property, plant and equipment	(276.3)	(230.1)
Overburden mining assets ⁽⁵⁾	(58.0)	(48.9)
Debts on acquisitions	16.2	10.0
Carrying amount of current asset disposals	8.9	13.0
Change in the operational working capital requirement	(11.7)	14.4
Inventories	(52.9)	58.5
Trade accounts receivable, advances and down payments received	(18.9)	(25.5)
Trade accounts payable, advances and down payments paid	60.1	(18.6)
Current free operating cash flow	358.4	394.6
(1) Operating amortization, depreciation and impairment losses	265.6	225.8
Net operating amortization and depreciation (Appendix 1 of the consolidated statement of cash flows)	265.5	225.6
Finance leases depreciation (Appendix 3 of the consolidated statement of cash flows)	0.1	0.2
(2) Effective tax rate on current operating income	28.9%	29.7%
(3) Paid capital expenditure	(340.9)	(278.5)
Acquisitions of intangible assets and property, plant and equipment (Consolidated statement of cash flows)	(340.7)	(278.4)
Finance lease acquisitions (Appendix 3 of the consolidated statement of cash flows)	(0.2)	(0.1)
(4) Recognized capital expenditures / asset depreciation ratio	134.5%	127.8%
The recognized capital expenditures / asset depreciation ratio equals the paid capital expenditures (except for debts on acquisitions) divided by the increases in amortization and depreciation		
Increases in asset amortization and depreciation	265.6	225.8
(5) Overburden mining assets	(58.0)	(48.9)
Overburden mining assets – capital expenditure	(58.0)	(48.9)

The table hereafter discloses the cash flows from transactions unrelated with recurring operating activity, i.e. mainly non-recurring operating transactions, scope changes, financing transactions and transactions with shareholders. These cash flows, added to those of current free operating cash flow in the previous table, provide the total change in net financial debt.

(€ millions)	2017	2016
Current free operating cash flow	358.4	394.6
Financial income (loss)	(79.2)	(56.4)
Financial impairment losses and unwinding of the discount	(1.2)	(2.5)
Income taxes on financial income (loss)	22.9	19.0
Change in income tax debt	5.0	30.1
Change in deferred taxes on current operating income	26.8	22.1
Change in other items of working capital	(21.2)	10.7
Share-based payments expense	13.4	10.5
Change in fair value of operational hedge instruments	2.1	0.9
Change in dividends receivable from available-for-sale financial assets	(0.8)	(0.2)
Current free cash flow	326.2	428.8
External growth	(1,060.1)	(84.6)
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	(1,056.9)	(78.5)
Acquisitions of investments in consolidated entities from non-controlling interests	(0.2)	(0.1)
Acquisitions of available-for-sale financial assets	(3.0)	(6.0)
Disposals	10.2	28.5
Disposals of investments in consolidated entities after deduction of the net debt disposed of	4.8	27.5
Non-recurring disposals of intangible assets and property plant and equipment	5.4	1.0
Transaction costs	(19.3)	(13.5)
Changes in estimate of the contingent remuneration of the seller	9.5	-
Cash flow from other operating income and expenses	(13.6)	(41.9)
Dividends paid to shareholders and non-controlling interests	(149.6)	(139.4)
Financing requirement	(896.7)	177.9
Transactions on equity	(0.5)	(49.8)
Net change in financial assets	(4.1)	(4.3)
Change in net financial debt	(901.3)	123.8

24.3 OTHER DEBTS

(€ millions)	2017	2016
Non-current liabilities		
Income taxes payable	0.6	0.6
Capital expenditure payables	2.6	27.4
Tax debts	0.6	0.1
Social debts	13.1	5.5
Other	3.3	4.9
Total	20.2	38.5
Current liabilities		
Capital expenditure payables	98.9	66.6
Tax debts	34.8	36.3
Social debts	203.2	172.8
Other	80.3	60.8
Total	417.2	336.5

As of December 31, 2017, current capital expenditure payables include €15.5 million related to the acquisition of the S&B group, of which €4.0 million to be paid in Imerys shares and €11.5 million to be paid in cash as performance-related contingent consideration. The measurement of the latter was subject to a rider to the acquisition contract between Imerys and the seller, signed on December 21, 2017 (*chapter 2, section 2.2.3 and chapter 8, section 8.1.2 of the 2017 Registration Document*). The €9.5 million adjustment resulting from this rider was credited to other operating revenue and expenses (*Note 10*).

24.4 DERIVATIVE INSTRUMENTS

Derivative instruments management principles

The use of derivative instruments is framed by a policy defined and operated by the Group Treasury Department and periodically presented to the Board of Directors. In accordance with this policy, derivative instruments are exclusively used to hedge risks related to operating transactions (transactional foreign exchange and energy price risks), to foreign investments (conversion of financial statements risk) and to financing (transactional currency and interest rate risks). Imerys is not taking any speculative position. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with first-rank banking institutions. Imerys proscribes to its entities to subscribe derivative instruments outside the Group. The implementation of this policy to the foreign exchange (transactional currency and conversion of financial statements), interest rate and energy price risks is developed in *Note 24.5*.

Accounting policy

Derivatives are recognized at the transaction date, i.e. at the subscription date of the hedging contract and classified as non-current and current assets and liabilities in accordance with their maturities and those of underlying transactions. Derivatives are initially measured at fair value and subsequently re-measured at the end of each period by reference to market terms. The fair value including accrued interests of derivatives results from a model using observable data, i.e. prices at the closing date provided by third parties active on financial markets (level 2 fair value). These values are adjusted by the credit risk of the counterparties and the own credit risk of Imerys. Hence where

the market value of the derivative is positive (derivative asset), its fair value integrates the probability of default of the counterparty (Credit Value Adjustment or CVA). Where the market value of the derivative is negative (derivative liability), its fair value takes into account the probability of default of Imerys (Debit Value Adjustment or DVA). These adjustments are measured from the spreads of the bonds outstanding on the secondary market, as issued by Imerys and its counterparties (level 2 fair value). The exclusive purpose of these instruments is to hedge economic risks to which the Group is exposed. However, only financial instruments that meet the criteria of hedge accounting follow the accounting treatment described hereafter. All transactions qualified as hedge accounting are thus documented by reference to the hedging strategy by an identification of the hedged risk, the hedged item, the hedging instrument, the hedging relationship and the measurement method of the hedge relationship effectiveness. The measurement of the hedge effectiveness is reviewed at the end of each period. Accounting for a hedge derivative depends upon its designation as either fair value hedge, or cash flow hedge or hedge of a net investment in a foreign operation (*Notes 11, 12 and 24.5*). Any derivative that is not eligible to hedge accounting is recognized in financial income (loss).

Fair value hedge. Where the changes in fair value of a recognized asset or liability or a firm commitment may have an impact on the profit or loss, these changes may be hedged by a fair value hedge. The hedged item and the hedging instrument are re-measured symmetrically against the profit or loss at the end of each period. The impact in profit or loss is limited to the ineffective portion of the hedge (*Note 11*).

Cash flow hedge. A cash flow hedge enables to hedge the unfavorable changes in cash flows related to a recognized asset or liability or a highly probable future transaction, where these changes may have an impact on the profit or loss. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. When the transaction is recognized, the effective portion in equity is reclassified in profit or loss at the same time the hedged item is recognized (*Note 11*). Where a derivative is de-designated, i.e. hedge accounting is interrupted, the effective portion of the hedge previously recognized in equity is amortized in operating income or financial income (loss), in accordance with the nature of the hedged item.

Hedge of a net investment in a foreign operation. The foreign exchange differences generated by the net assets held by the Group in foreign currencies may be hedged (*Note 24.5 – Conversion of financial statements risk*). At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. The effective portion in equity is reclassified in other operating income and expenses only where control on a consolidated business is lost or interest in a business under significant influence is reduced.

The ineffective portion of operational hedge instruments is recognized in current operating income. The ineffective portion of financing hedge instruments is recognized in financial income (loss). The changes in fair value of financial instruments that do not qualify for hedge accounting are immediately recognized in other financial income and expenses (*Note 11*). In the consolidated statement of cash flow, the cash flows of derivatives are disclosed in the same levels as the cash flows of the underlying transactions.

Derivative instruments in the financial statements

Assets and liabilities. The following table discloses the derivative instruments recognized in the assets and liabilities in accordance with the hedged risks: foreign exchange, interest rate, energy price and conversion of financial statements risks. The total of this table distinguishes between on the one hand, non-current and current items and on the other hand, between hedge instruments related to operations (hedge of operating foreign exchange risk and energy price risk) and financing (financing foreign exchange rate risk, interest rate risk and conversion of financial statements risk).

	2017			2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
(€ millions)						
Foreign exchange risk	3.6	5.1	(1.5)	8.1	5.2	2.9
Forward derivative instruments	3.6	4.9	(1.3)	8.1	5.2	2.9
Optional derivative instruments	-	0.2	(0.2)	-	-	0.0
Interest rate risk	15.0	0.0	15.0	17.3	0.0	17.3
Forward derivative instruments	15.0	-	15.0	17.3	-	17.3
Optional derivative instruments	-	-	0.0	-	-	0.0
Energy price risk	3.4	0.9	2.5	6.8	0.0	6.8
Forward derivative instruments	3.4	0.9	2.5	6.8	-	6.8
Optional derivative instruments	-	-	0.0	-	-	0.0
Conversion of financial statements risk	7.5	2.7	4.8	0.5	4.6	(4.1)
Forward derivative instruments	7.5	2.7	4.8	0.5	4.6	(4.1)
Optional derivative instruments	-	-	0.0	-	-	0.0
Total	29.5	8.7	20.8	32.7	9.8	22.9
Non-current	22.5	2.7	19.8	17.8	4.6	13.2
Current	7.0	6.0	1.0	14.9	5.2	9.7
Operational hedge instruments	6.3	2.5	3.8	14.4	2.9	11.5
Financing hedge instruments	23.2	6.2	17.0	18.3	6.9	11.4

As of December 31, 2017, there is no legally enforceable right to set-off the amounts recognized above and Imerys intends neither to settle on a net basis, nor to realize the asset and settle the liability simultaneously. However, in accordance with the master agreements in force, any default of Imerys or one of its

counterparties would settle their outstanding transactions on a net basis. The total of all positions that would be offset in case of default would reduce the total of assets and liabilities derivative instruments by €6.8 million as of December 31, 2017 (€4.1 million as of December 31, 2016).

Equity. As part of its policy of management of the foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments intended to hedge certain future purchases and sales in foreign currencies, a portion of its floating rate financing and part of its future energy consumption in the United States, in the United Kingdom and in France. These positions qualify as cash flow hedges. The following table discloses the amounts before

income taxes recognized in equity in this respect as well as the reclassifications in profit or loss. The detail of these reclassifications at the level of the underlying income and expenses is disclosed in [Note 11](#). These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in [Note 24.5](#).

(€ millions)	Foreign exchange rate risk	Interest rate risk	Energy price risk	Total
Balance as of January 1, 2016	(9.7)	0.0	(7.3)	(17.0)
Recognition in equity	12.4	-	6.7	19.1
Reclassification in profit or loss	(0.7)	-	7.4	6.7
Balance as of December 31, 2016	2.0	0.0	6.8	8.8
Recognition in equity	13.7	-	(2.5)	11.2
Reclassification in profit or loss	(15.1)	-	(1.8)	(16.9)
Balance as of December 31, 2017	0.6	0.0	2.5	3.1
of which reclassification to profit or loss expected within 12 months	0.6	-	2.5	3.1

24.5 MANAGEMENT OF RISKS ARISING FROM FINANCIAL LIABILITIES

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency.

Management of the risk. The transactions performed by Imerys entities are entered into, to the extent it is possible, in the functional

currency of the entity that enters into the transaction. The following table discloses the impact of a change in foreign exchange rates on the underlying items of the net financial debt, i.e. before foreign exchange rates derivatives as of December 31, 2017. This simulation consists on the one hand in a decrease (lower case) and on the other hand in an increase (higher case) around the 2017 foreign exchange rates ([Note 26](#)) (actual 2017).

(€ millions)	Lower case	Actual 2017	Higher case
Foreign currencies exchange rates	(10.0)%	-	10.0%
Net financial debt	2,264.2	2,246.4	2,228.6

Where it is not possible to enter into a transaction in the functional currency of the entity, the transactional currency risk may be hedged on an individual basis by currency forwards, currency swaps and foreign exchange options. These instruments are used as hedges

of highly probable budget flows. The corresponding hedges qualify as cash flow hedges. The following table discloses the amounts before income taxes recognized in this respect in equity within the translation reserve as well as the reclassifications in profit or loss.

(€ millions)	2017	2016
Opening balance	2.0	(9.7)
Recognition in equity	13.7	12.4
Reclassification in profit or loss	(15.1)	(0.7)
Closing balance	0.6	2.0
of which reclassification to profit or loss expected within 12 months	0.6	2.0

The following table discloses the impact of a change in foreign exchange rates on the portfolio of derivative instruments held as of December 31, 2017 with respect to highly probable future purchases and sales transactions in foreign currencies. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2017 foreign exchange

rates ([Note 26](#)) (actual 2017). The impact of these changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as cash flow hedges and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as cash flow hedges and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2017	Higher case
Foreign currencies exchange rates	(10.0)%	-	10.0%
Effective portion in equity at the closing date	5.3	0.6	(3.0)
Ineffective portion in the profit or loss of the period	(0.1)	0.7	(0.3)

Interest rate risk

Description of the risk. The interest rate risk is the risk whereby the interest flow due in relation to the financial debt is deteriorated by a rise in the market interest rates.

Management of the risk. The objective of the management of the interest rate risk consists in guaranteeing its medium-term cost. The net financial debt is known through a reporting that describes the financial debt of each entity and indicates its components and characteristics. This reporting, reviewed monthly by the Financial Department and quarterly by the Board of Directors, enables the situation to be monitored and the management policy to be adjusted as necessary. The management policy is drawn up by the Group Treasury Department and approved every year by the Financial Department and the Board of Directors. As part of this

process, the Group Treasury Department works with first-rank banking institutions and obtains financial data and pricing from information providers. The policy of Imerys is to obtain financing mainly in Euro, the most accessible financial resource and at a fixed rate. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. Given anticipated trends in interest rates in 2017, the Group fixed the interest rate for part of its future financial debt on various terms. The following table discloses the impact of a change in interest rates on the interest expense generated by the underlying items of the net financial debt, i.e. before interest rates derivatives as of December 31, 2017. This simulation consists on the one hand in a decrease (lower case) and on the other hand in an increase (higher case) around the 2017 interest rates (actual 2017).

(€ millions)	Lower case	Actual 2017	Higher case
Interest rates	(0.5)%	-	0.5%
Net financial debt expense	(45.1)	(46.5)	(47.9)

Imerys usually holds a certain number of derivative instruments intended to hedge a portion of its debt at floating rate. These instruments include interest rate swaps, options – including caps, floors, swaptions and futures. These instruments qualify as cash

flow hedges. The following table discloses the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2017	2016
Opening balance	0.0	0.0
Recognition in equity	-	-
Reclassification in profit or loss	-	-
Closing balance	0.0	0.0
of which reclassification to profit or loss expected within 12 months	-	-

Furthermore, Imerys holds as of December 31, 2017 an interest rate swap intended to hedge the exposure to changes in fair value of a loan. This instrument qualifies as fair value hedge. It hedges

the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the Group. The hedged loan and the derivative instrument present the same characteristics.

Currency	Notional amount (in millions)	Fixed rate received	Floating rate paid
JPY	7,000	2.39%	Libor Yen 6 months

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of December 31, 2017:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Debt at fixed rate	2,509.7	25.2	0.5	0.0	2,535.4
Debt at fixed rate on issue	2,509.7	25.2	52.3	-	2,587.2
Swap fixed rate into floating rate	-	-	(51.8)	-	(51.8)
Debt at floating rate	(219.8)	201.3	25.5	(296.0)	(289.0)
Debt at floating rate on issue	21.0	(0.1)	(0.5)	26.6	47.0
Net cash and marketable securities	(106.5)	(36.3)	(15.4)	(229.6)	(387.8)
Swap fixed rate into floating rate	-	-	51.8	-	51.8
Exchange rate swap	(134.3)	237.7	(10.4)	(93.0)	0.0
Net financial debt as of December 31, 2017	2,289.9	226.5	26.0	(296.0)	2,246.4

The following table provides a breakdown of interest rate hedging transactions by foreign currency as of December 31, 2017:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Exposure at floating rate before hedging	(219.8)	201.3	25.5	(296.0)	(289.0)
Fixed rate hedges	-	-	-	-	-
Swap at average rate of	-	-	-	-	-
Capped rate hedges	-	-	-	-	-
Cap at average rate of	-	-	-	-	-
Exposure at floating rate after hedging	(219.8)	201.3	25.5	(296.0)	(289.0)

The following table discloses an evolution of interest rate hedging transactions as of December 31, 2017 and after by maturity dates:

(€ millions)	2017	2018 - 2022	2023 and later
Total exposure before hedging	(289.0)	(289.0)	(289.0)
Fixed rate hedges	-	-	-
Swap at average rate of	-	-	-
Capped rate hedges	-	-	-
Cap at average rate of	-	-	-
Total exposure after hedging	(289.0)	(289.0)	(289.0)

The following table discloses the impact of a change in interest rates on the portfolio of interest rates derivative instruments held as of December 31, 2017. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2017 interest rates (actual 2017). The impact of these changes

is measured on the one hand on equity for the effective portion of the derivative instruments qualified as cash flow hedges and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as cash flow hedges and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2017	Higher case
Interest rates	(0.5)%	-	0.5%
Effective portion in equity at the closing date	-	-	-
Ineffective portion in the profit or loss of the period	0.2	0.1	-

Energy price risk

Description of the risk. The energy price risk is the risk whereby the cash flow due in relation to an energy purchase may be subject to a deterioration caused by a rise in its market price. Imerys is exposed to the price risk of the energies that enter into the production cycle of its activities, mainly natural gas, electricity and coal to a lesser extent.

Management of the risk. Confronted with the energy price risk, the geographical locations and supply sources of Imerys are diversified. The Group strives to pass on energy price increases to the selling price of its products. Furthermore, the management of the price risk of natural gas, both in Europe and the United States

is centralized, the Group Treasury Department being responsible for implementing the framework and resources needed for the application of a common management policy, which includes appropriate use of the financial instruments available in those markets. Since 2006, the Group has strengthened its research programs on alternative energy sources as well as its projects on the reduction of energy consumption under the supervision of a Group Energy Supervisor. Since 2008, energy managers are appointed throughout the Group. The energy price risk is hedged by forward and option contracts. These instruments qualify as cash flow hedges.

The following table discloses the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2017	2016
Opening balance	6.8	(7.3)
Recognition in equity	(2.5)	6.7
Reclassification in profit or loss	(1.8)	7.4
Closing balance	2.5	6.8
of which reclassification to profit or loss expected within 12 months	2.5	6.8

The following table summarizes the main positions taken as of December 31, 2017 to hedge the energy price risk.

	Net notional amounts (in MWh)	Maturities
Underlying position	6,094,130	<24 months
Management transactions	2,168,279	<24 months

The following table discloses the impact of a change in natural gas and Brent prices on the portfolio of derivative instruments held as of December 31, 2017 with respect to highly probable future purchases of natural gas and Brent prices. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2017 natural gas and Brent prices (actual 2017).

The impact of these changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as cash flow hedges and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as cash flow hedges and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2017	Higher case
Natural gas and Brent prices	(10.0)%	-	10.0%
Effective portion in equity at the closing date	(4.6)	2.5	4.6
Ineffective portion in the profit or loss of the period	-	-	-

Borrower's liquidity risk

Description of the risk. The borrower's liquidity risk is the risk whereby Imerys would not be in a position to meet the repayment obligations of its financial liabilities. The maturity on issue as of December 31, 2017 disclosed hereafter enables to assess the exposure of the Group to this risk.

(€ millions)	2018		2019 - 2023		2024 and later		Total
	Capital	Interests	Capital	Interests	Capital	Interests	
Non-derivative financial liabilities	659.6	27.0	523.5	108.6	1,451.8	55.8	2,826.3
Eurobond / EMTN	3.0	23.9	523.5	99.8	1,400.0	38.1	2,088.3
Private placements	25.0	3.1	-	8.8	51.8	17.7	106.4
Short term negotiable debt securities issues	589.0	-	-	-	-	-	589.0
Bilateral facilities	-	-	-	-	-	-	0.0
Facilities due within one year	42.6	-	-	-	-	-	42.6
Hedge derivatives	(17.0)	0.0	0.0	0.0	0.0	0.0	(17.0)
Financing hedge instruments – liabilities	6.2	-	-	-	-	-	6.2
Financing hedge instruments – assets	(23.2)	-	-	-	-	-	(23.2)
Future cash outflows with respect to gross financial debt	642.6	27.0	523.5	108.6	1,451.8	55.8	2,809.3
Non-derivative financial liabilities	2.9	0.0	0.0	0.0	0.0	0.0	2.9
Bank overdrafts	2.9	-	-	-	-	-	2.9
Non-derivative financial assets	(390.7)	0.0	0.0	0.0	0.0	0.0	(390.7)
Other current financial assets	(8.8)	-	-	-	-	-	(8.8)
Cash and cash equivalents	(381.9)	-	-	-	-	-	(381.9)
Future cash outflows with respect to net financial debt	254.8	27.0	523.5	108.6	1,451.8	55.8	2,421.5
of which items recognized as of December 31, 2017 (net financial debt)	254.8	16.3	523.5	-	1,451.8	-	2,246.4
Non-derivative financial liabilities	928.1	0.0	0.0	0.0	0.0	0.0	928.1
Trade payables	510.9	-	-	-	-	-	510.9
Other debts	417.2	-	-	-	-	-	417.2
Hedge derivatives	(3.8)	0.0	0.0	0.0	0.0	0.0	(3.8)
Operational hedge instruments – liabilities	2.5	-	-	-	-	-	2.5
Operational hedge instruments – assets	(6.3)	-	-	-	-	-	(6.3)
Future cash outflows	1,179.1	27.0	523.5	108.6	1,451.8	55.8	3,345.8

In addition, a large part of the debt at fixed rate on issue being swapped into floating rate, the maturity of the net financial debt after interest rate swap is analyzed as follows:

(€ millions)	2018	2019 - 2023	2024 and later	Total
Debt at fixed rate	612.1	523.5	1,400.0	2,535.6
Debt at fixed rate on issue	612.1	523.5	1,451.8	2,587.4
Swap fixed rate into floating rate	-	-	(51.8)	(51.8)
Debt at floating rate	(341.0)	0.0	51.8	(289.2)
Debt at floating rate on issue	46.8	-	-	46.8
Net cash and other current financial assets	(387.8)	-	-	(387.8)
Swap fixed rate into floating rate	-	-	51.8	51.8
Net financial debt	271.1	523.5	1,451.8	2,246.4

Management of the risk. For part of its financing, Imerys is required to comply with several covenants. The main restrictive terms and conditions attached to certain bilateral facilities and to part of the bond issues under private placements are as follows:

- purpose: general corporate financing requirement;
- obligations in terms of financial ratio compliance:
 - the ratio consolidated net financial debt / consolidated equity shall, in accordance with the related financing contracts, be inferior or equal to 1.50 or 1.60 at each half-year or annual closing of consolidated financial statements. As of December 31, 2017, the ratio amounts to 0.78 (0.47 as of December 31, 2016),
 - the ratio consolidated net financial debt / consolidated EBITDA of the last 12 months shall, in accordance with the related financing contracts, be inferior or equal to 3.75 at each half-year or annual closing of consolidated financial statements. As of December 31, 2017, the ratio amounts to 2.53 (1.67 as of December 31, 2016);
- absence of any lien in favor of lenders.

The failure to comply with the above obligations on one of the related financing contracts could lead to the cancellation of its available amount and, upon demand of the related creditor(s), make the amount of the corresponding financial debt immediately callable. Apart from two exceptions, the financing contracts of the Group do not provide for any cross default with each other in case of breach of a mandatory covenant applicable to one of these contracts. As of December 31, 2017, Imerys has a long-term rating of Baa2 outlook Stable by Moody's (Baa2 outlook Stable as of December 31, 2016) and a new rating BBB outlook Stable by S&P (BBB outlook Stable as of December 31, 2016).

As of June 9, 2017, Imerys has updated its new Euro Medium Term Note program (EMTN) with the Commission de Surveillance du

Secteur Financier (Luxembourg). The program amounts to €3.0 billion and enables the issue of notes considered as ordinary bonds of a maturity of one month to thirty years. As of December 31, 2017, outstanding securities total €1,975.3 million (€1,556.7 million as of December 31, 2016), of which €600.0 million with an annual yield of 1.50% issued in January 2017 and a 176.5 repurchase. Imerys also has a commercial paper program limited to €1,000.0 million (€1,000.0 million as of December 31, 2016) rated P-2 by Moody's (P-2 as of December 31, 2016). As of December 31, 2017, outstanding securities amount to €589.0 (null as of December 31, 2016). As of December 31, 2017, Imerys has access to €1,330.0 million of bilateral facilities (€1,855.0 million as of December 31, 2016) part of which secures the issued commercial paper in accordance with the financial policy of the Group.

Market liquidity risk

Description of the risk. The market liquidity risk is the risk whereby a non-confirmed financial resource (commercial paper, bank facility and accrued interests, other debt and facilities) would not be renewed.

Management of the risk. Financial resources are the main adjustment variable of the financing capacities available to Imerys. These capacities exist either as drawn financial debt or as financing commitments granted by first-rank banking institutions. Medium-term financial resources provided by the bilateral facilities may be used over very short drawing periods (from 1 to 12 months) while remaining available over longer maturities (5 years). The financial resources of the Group amount to €3,333.3 million as of December 31, 2017 (€3,943.2 million as of December 31, 2016). Imerys manages the amount of its financial resources by comparing it regularly with the amount of its utilizations in order to measure by difference the financial liquid borrowings to which the Group may have access.

The robustness of financial resources is assessed on the basis of their amounts and average maturity as analyzed hereafter:

	2017	2016
Financial resources by maturity (€ millions)		
Maturity less than one year	28.0	500.0
Maturity from one to five years ⁽¹⁾	1,853.5	2,286.5
Maturity beyond five years	1,451.8	1,156.7
Total	3,333.3	3,943.2
Financial resources by nature (€ millions)		
Bond resources	2,003.3	2,088.2
Eurobond / EMTN	1,926.5	2,003.0
Private placements	76.8	85.2
Bank resources	1,330.0	1,855.0
Bridge loan ⁽¹⁾	-	500.0
Miscellaneous bilateral facilities	1,330.0	1,355.0
Total	3,333.3	3,943.2
Average maturity of financial resources (in years)		
Bond resources	7.4	5.6
Bank resources	3.5	3.4
Total	5.8	4.5

(1) Of which in 2016, a €500.0 million syndicated loan with an initial maturity expiring on December 11, 2017, with the option for a one-year extension, cancelled on January 25, 2017.

The table below measures the available financial resources after the repayment of financing from uncommitted resources. It measures the real exposure of Imerys to an illiquidity crisis on both financial and banking markets. As of December 31, 2017, available financial

resources, after repayment of uncommitted resources, total €699.1 million (€1,768.9 million as of December 31, 2016), which gives the Group substantial room to maneuver and a guarantee of financial stability.

	2017			2016		
(€ millions)	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	2,003.3	2,003.3	0.0	2,088.2	2,088.2	0.0
Commercial papers	-	589.0	(589.0)	-	-	0.0
Committed bank facilities	1,330.0	-	1,330.0	1,855.0	-	1,855.0
Bank facilities and accrued interests	-	16.3	(16.3)	-	32.0	(32.0)
Other debts and facilities	-	25.6	(25.6)	-	54.1	(54.1)
Total	3,333.3	2,634.2	699.1	3,943.2	2,174.3	1,768.9

Conversion of financial statements risk

Description of the risk. The conversion of financial statements risk is a form of foreign exchange rate risk whereby the value in Euro of the financial statements of a foreign operation may be subject to a deterioration caused by an unfavorable change in the foreign exchange rate of the functional currency of that business.

Management of the risk. Imerys hedges part of its net investments in foreign operations through loans specifically allocated to their long term financing and by the proportion of its financial debt stated in foreign currencies. The foreign exchange differences generated by

these loans and financings qualified as hedges of net investments in foreign entities, are recognized in equity so as to neutralize, to a certain extent, the gains or losses of translation of the hedged net investments. As of December 31, 2017, the loans and exchange rate swaps hedging net investments in foreign entities are the following: USD467.3 million, CHF47.5 million, GBP8.2 million, ZAR503.6 million and SGD5.5 million (USD447.2 million, CHF47.5 million, GBP2.2 million, ZAR558.6 million and SGD5.5 million as of December 31, 2016).

The table below describes the financial debt before and after the impact of these foreign currencies swaps.

	2017			2016		
	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap
(€ millions)						
EUR	2,530.7	(134.3)	2,396.4	2,019.8	(219.6)	1,800.2
USD	25.1	237.7	262.8	57.7	313.2	370.9
JPY	51.8	(10.4)	41.4	56.9	-	56.9
Other foreign currencies	26.6	(93.0)	(66.4)	39.9	(93.6)	(53.7)
Total	2,634.2	0.0	2,634.2	2,174.3	0.0	2,174.3

As of December 31, 2017, the portion of the financial debt in each foreign currency, after swap, is as follows:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Gross financial debt	2,396.4	262.8	41.4	(66.4)	2,634.2
Net cash and marketable securities	(106.5)	(36.3)	(15.4)	(229.6)	(387.8)
Net financial debt as of December 31, 2017	2,289.9	226.5	26.0	(296.0)	2,246.4

The following table discloses the impact of a change in foreign exchange rates on the portfolio of foreign exchange swaps held as of December 31, 2017 with respect to hedges of net investments in foreign entities. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2017 foreign exchange rates (Note 26) (actual 2017). The impact of these

changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as hedges of net investments in foreign entities and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as hedges of net investments in foreign entities and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2017	Higher case
Foreign currencies exchange rates	(10.0)%	-	10.0%
Effective portion in equity at the closing date	(228.9)	(167.0)	(125.1)
Ineffective portion in the profit or loss of the period	-	-	-

■ OTHER INFORMATION

NOTE 25 MAIN CONSOLIDATED ENTITIES

Accounting policy

The entities controlled by Imerys, i.e. those over which the Group has the power to govern the financial and operating policies, are consolidated. Their assets, liabilities, income and expenses thus contribute to the various positions of the consolidated financial statements. Intra-group transactions are eliminated. An entity's losses are allocated to non-controlling interests proportionally to their interest, even if they finally present a negative balance. Changes in interest with no impact on control are recognized in equity. In the absence of sufficient detail of existing standards and interpretations, the Executive Management considers that any commitment entered into by Imerys with the intent to acquire shares from the minority interests results in the recognition of a liability measured at the fair value of the commitment against a derecognition of these interests. Any difference between the fair value of the liability and the carrying amount of the minority interests is recognized in equity. When at the closing date, it is highly probable that non-current assets or groups of directly related assets and liabilities shall be disposed of, they are designated as non-current assets or groups of assets held for sale. Their sale is considered as highly probable if, at the closing date, a plan designed to sell them at a price that is reasonable with respect to their fair value has been initiated to identify a buyer and to conclude definitively the sale within a maximum of one year. Non-current assets or groups of assets held for sale are presented in separate positions in the financial statements. They cease to be depreciated and are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets or groups of assets that are to be closed rather than sold are non-current assets that are to be abandoned and not held for sale. Where non-current assets corresponding to a disposal or held for sale or to be abandoned correspond to one or several CGUs and are to be abandoned as part of a single coordinated plan, they qualify as discontinued operations and their related flows are disclosed separately in the income statement and in the statement of cash flows.

Changes in the scope of consolidation

Energy Solutions & Specialties (ESS). The previous significant evolution of the consolidation scope of the Energy Solutions & Specialties business group corresponds to the acquisition, on October 30, 2015, of the PCC (Precipitated Calcium Carbonate) business of the Belgian Solvay group, the European leader for fine and ultra-fine PCC products.

Filtration & Performance Additives (F&PA). On January 4, 2017, the Filtration & Performance Additives business group acquired the Danish group Damolin specialized in particular in oil and chemical absorbents ([Note 16](#)). The previous material acquisition occurred when the business group took control of the bentonite, continuous casting fluxes for the steel industry, wollastonite and perlite businesses of the S&B group on February 26, 2015.

Ceramic Materials (CM). The last significant change in the scope of the Ceramic Materials business group corresponds to the disposal to the Bouyer Leroux group of the clay bricks, walls and chimney blocks business on September 30, 2013.

High Resistance Minerals (HRM). On July 18, 2017, the High Resistance Minerals business group acquired the French Kerneos group, world leader in high performance calcium aluminate binders ([Note 16](#)). On December 31, 2016, the business group had taken control of three industrial sites of the specialty alumina business of the French group Alteo located in Germany and in France and addressing the refractories, abrasives and ceramics markets ([Note 16](#)).

Scope of consolidation as of December 31, 2017

The following table discloses the main entities consolidated as of December 31, 2017. The percentages of interest are identical to the percentages of control, unless otherwise indicated. The Group holds no unconsolidated structured entity.

Countries Entities	Business groups	% of interest	Entities	Business groups	% of interest
France					
ARC Fused Alumina	HRM	100.00	Imerys Refractory Minerals International Sales	HRM	100.00
Calderys France	ESS	100.00	Imerys SA	Holding	Parent
Damolin Etrechy	F&PA	100.00	Imerys Services	Holding	100.00
Imerys Ceramics France	F&PA/CM	99.99	Imerys Tableware France	CM	100.00
Imerys Filtration France	F&PA	100.00	Imerys Talc Luzenac France	F&PA	100.00
Imerys Fused Minerals Beyreide	HRM	100.00	Imerys TC	CM	100.00
Imerys Metalcasting France	F&PA	100.00	Kerneos SA	HRM	100.00
Imerys PCC France	ESS	100.00	Mircal	Holding	100.00
Imerys Refractory Minerals Clérac	HRM	100.00	Mircal Europe	Holding	100.00
Imerys Refractory Minerals Glomel	HRM	100.00	Profimo	CM	85.00
Europe					
Austria					
Imerys Fused Minerals Villach	HRM	100.00	Imerys Talc Austria	F&PA	100.00
Belgium					
Imerys Graphite & Carbon Belgium	ESS	100.00	Imerys Minéraux Belgique	ESS/CM	100.00
Imerys Kaolin Belgium	CM	100.00	Imerys Talc Belgium	F&PA	100.00
Denmark					
Imerys Industrial Minerals Denmark	F&PA	100.00			
Finland					
Calderys Finland	ESS	100.00	Imerys Minerals OY	CM	100.00
Germany					
Calderys Deutschland	ESS	100.00	Imerys Metalcasting Germany	F&PA/HRM	100.00
Imerys Fused Minerals Laufenburg	HRM	100.00	Imerys Minerals	ESS	99.99 ⁽¹⁾
Imerys Fused Minerals Murg	HRM	100.00	Imerys Tableware Deutschland	CM	100.00
Imerys Fused Minerals Teuschenenthal	HRM	100.00	Kerneos GmbH	HRM	100.00
Imerys Fused Minerals Zschornowitz	HRM	100.00			
Greece					
Imerys Industrial Minerals Greece	F&PA	100.00			
Hungary					
Imerys Kiln Furniture Hungary	CM	100.00			
Italy					
Calderys Italia	ESS	100.00	Imerys Fused Minerals Domodossola	ESS/HRM	100.00
Elmin Bauxites	HRM	100.00	Imerys Minerali	ESS/CM	100.00
Imerys Bentonite Italy	F&PA	100.00	Imerys Talc Italy	F&PA	99.66
Luxembourg					
Imerys Minerals International Sales	F&PA/HRM	100.00			
Netherlands					
Calderys The Netherlands	ESS	100.00			
Russia					
Calderys	ESS	100.00			
Slovenia					
Imerys Fused Minerals Ruse	HRM	100.00			
Spain					
Imerys Diatomita Alicante	F&PA	100.00	Imerys Perlita Barcelona	F&PA	100.00
Sweden					
Calderys Nordic	ESS	100.00	Imerys Mineral AB	ESS/CM	100.00
Switzerland					
Imerys Graphite & Carbon Switzerland	ESS	100.00			
United Kingdom					
Imerplast UK	F&PA	100.00	Imerys PCC UK	ESS	100.00
Imerys Fused Minerals Hull	HRM	100.00	Imerys UK	Holding	100.00
Imerys Minerals Ltd	ESS/F&PA/CM/HRM/Holding	100.00	Kerneos Ltd	HRM	100.00
Ukraine					
Vatutinsky Kombinat Vognetryviv	HRM	89.34			

(1) Percentage of control: 100.00%.

Countries Entities	Business groups	% of interest	Entities	Business groups	% of interest
United States					
Advanced Minerals Corporation	F&PA	100.00	Imerys Perlite USA	F&PA	100.00
Americarb	ESS	100.00	Imerys Refractory Minerals USA	HRM	100.00
Calderys USA	ESS	100.00	Imerys Steelcasting USA	F&PA	100.00
Imerys Carbonates USA	ESS	100.00	Imerys Talc America	F&PA	100.00
Imerys Clays	CM/Holding	100.00	Imerys USA	Holding	100.00
Imerys Fused Minerals Greeneville	HRM	100.00	Kentucky Tennessee Clay Company	CM	100.00
Imerys Fused Minerals Niagara Falls	HRM	100.00	Kerneos Inc	HRM	100.00
Imerys Minerals California	F&PA	100.00	NYCO Minerals	F&PA	100.00
Imerys Minerals USA	F&PA	100.00	Pyramax Ceramics Southeast	ESS	100.00
Imerys Oilfield Minerals	ESS	100.00			
Rest of the World					
Australia					
Imerys Talc Australia	F&PA	100.00			
Bahrain					
Imerys Al Zayani Fused Minerals	HRM	70.00			
Brazil					
Imerys Do Brasil Comercio	ESS/F&PA/CM	100.00	Imerys Rio Capim Caulim	CM	100.00
Imerys Fused Minerals Salto	HRM	100.00	Micron-Ita Industria e Comercio de Minerais	ESS	100.00
Imerys Itatex Solucoes Minerais	F&PA	100.00	Pará Pigmentos SA	CM	100.00
Canada					
Imerys Canada	CM	100.00	Imerys Mica Suzorite	F&PA	100.00
Imerys Graphite & Carbon Canada	ESS	100.00	Imerys Talc Canada	F&PA	100.00
Chile					
Imerys Minerales Chile	F&PA	100.00			
China					
Calderys China	ESS	100.00	Kerneos China Aluminate Technologies	HRM	100.00
Imerys Fused Minerals Yingkou	HRM	100.00	Linjiang Imerys Diatomite	F&PA	100.00
Imerys Shanghai Investment Management	ESS/F&PA/CM/HRM/Holding	100.00	S&B Bentonite Chaoyang	F&PA	50.00
Imerys Zhejiang Zirconia	HRM	99.00	Zhengzhou Jianai Special Aluminates	HRM	90.00
India					
Calderys India Refractories	ESS	100.00	Imerys Minerals India	ESS	100.00
Imerys Ceramics India	CM	100.00	Imerys Steelcasting India	F&PA	100.00
Indonesia					
PT ECC	ESS	51.00	PT Indoporlen	ESS	70.00
Japan					
Calderys Japan	ESS	100.00	Imerys Specialities Japan	F&PA	100.00
Imerys High Resistance Minerals Japan	HRM	100.00	Niigata GCC	ESS	60.00
Imerys Minerals Japan	ESS/CM	100.00			
Malaysia					
Imerys Minerals Malaysia	ESS	100.00			
Mexico					
Imerys Diatomita Mexico	F&PA	100.00	Minera Roca Rodando	F&PA	100.00
KT Clay de Mexico	CM	100.00			
Singapore					
Imerys Asia Pacific	ESS/CM	100.00	Kerneos Asia Pacific	HRM	100.00
South Africa					
Calderys South Africa	ESS	73.95 ⁽¹⁾	Imerys Refractory Minerals South Africa	HRM	73.95 ⁽¹⁾
South Korea					
Imerys Minerals Korea	F&PA	100.00			
Thailand					
MRD ECC	CM	68.89			
Taiwan					
Calderys Taiwan	ESS	100.00			

(1) Percentage of control: 100.00%.

NOTE 26 TRANSLATION OF FOREIGN CURRENCIES

Accounting policy

The consolidated financial statements of Imerys are stated in Euro. The functional currencies of the main consolidated entities ([Note 25](#)) correspond to the local currencies. The accumulated impact of the translation of the financial statements of foreign operations is recognized in equity within the translation reserve. The assets and liabilities of foreign operations are translated at the closing rate and their income and expenses at the average rate of the period. The non-monetary assets and liabilities resulting from transactions in foreign currencies are measured at the rate of the day or the average rate of the month of the transaction. Except for derivative financial instruments, monetary assets and

liabilities resulting from transactions in foreign currencies are measured at the closing rate. The corresponding foreign exchange differences are recognized in other financial income and expenses ([Note 12](#)) except for those generated by the monetary assets and liabilities of net investments in foreign operations and by their hedges that are recognized in equity within the translation reserve ([Note 24.5 – Conversion of financial statements risk](#)). Upon disposal of a foreign operation, the accumulated impact of the financial statements translation and hedges is recognized in other operating income and expenses with the result on disposal of the business ([Note 10](#)).

Foreign exchange rates

The following table discloses the foreign exchange rates applied to the translation of the financial statements of the main entities consolidated as of December 31, 2017 ([Note 25](#)).

(€1 =)	Foreign currencies	2017		2016	
		Closing	Average	Closing	Average
Australia	AUD	1.5346	1.4732	1.4596	1.4883
Bahrain	BHD	0.4527	0.4263	0.3964	0.4175
Brazil	BRL	3.9673	3.6071	3.4354	3.8558
Canada	CAD	1.5039	1.4647	1.4188	1.4659
Chile	CLP (100)	7.3783	7.3268	7.0339	7.4878
China	CNY	7.8365	7.6225	7.3123	7.3417
Denmark	DKK	7.4449	7.4386	7.4344	7.4452
Hungary	HUF (100)	3.1033	3.0919	3.0983	3.1144
India	INR	76.6680	73.5441	71.6310	74.3699
Indonesia	IDR (100)	162.3912	151.1795	141.7343	147.2083
Japan	JPY (100)	1.3501	1.2671	1.2340	1.2020
Malaysia	MYR	4.8698	4.8533	4.7280	4.5835
Mexico	MXN	23.6612	21.3298	21.7719	20.6673
Russia	RUB	69.3920	65.9379	64.3000	74.1446
Singapore	SGD	1.6024	1.5588	1.5234	1.5275
South Africa	ZAR	14.8054	15.0492	14.4570	16.2645
South Korea	KRW (100)	12.8493	12.7693	12.7388	12.8361
Sweden	SEK	9.8438	9.6351	9.5525	9.4689
Switzerland	CHF	1.1702	1.1117	1.0739	1.0902
Taiwan	TWD	35.5340	34.3654	34.0200	35.6981
Thailand	THB	39.1210	38.2958	37.7260	39.0428
Ukraine	UAH	33.6798	30.0459	28.5428	28.2892
United Kingdom	GBP	0.8872	0.8767	0.8562	0.8195
United States	USD	1.1993	1.1297	1.0541	1.1069

Translation reserve

The following table discloses the amounts before income taxes recognized in equity within the translation reserve with respect to the translation of the financial statements of entities in the main foreign currencies.

(€ millions)	BRL	GBP	INR	SGD	TRY	USD	Other foreign currencies	Total
Balance as of January 1, 2016	(253.5)	29.7	(59.7)	116.2	(26.3)	(25.8)	(64.5)	(283.9)
Recognition in equity	92.2	(88.5)	(0.1)	5.7	(5.5)	61.6	2.5	67.9
Reclassification in profit or loss	-	0.1	-	-	-	-	0.9	1.0
Balance as of December 31, 2016	(161.3)	(58.7)	(59.8)	121.9	(31.8)	35.8	(61.1)	(215.0)
Recognition in equity	(55.7)	(18.9)	(3.4)	(24.9)	(5.6)	(100.2)	(29.7)	(238.4)
Reclassification in profit or loss	-	(0.3)	-	-	-	-	-	(0.3)
Balance as of December 31, 2017	(217.0)	(77.9)	(63.2)	97.0	(37.4)	(64.4)	(90.8)	(453.7)

NOTE 27 RELATED PARTIES

External related parties of Imerys

The related parties of Imerys are the Canadian group Power and the Belgian group Frère-CNP. These groups are the ultimate controlling parties of Imerys. Through their joint venture Parjointco, they exercise joint control on the Swiss group Pargesa that controls Imerys through a direct investment in the Belgian group GBL. In this respect, Pargesa and GBL are related parties of Imerys. Imerys is not party to any contract with its external related parties.

Key management personnel of Imerys

The managers qualifying as related parties as of December 31, 2017 are the 17 members of the Board of Directors, including the Chief Executive Officer (17 members as of December 31, 2016) and the 10 members of the Executive Committee, including the Chief Executive Officer (10 members as of December 31, 2016). On December 21, 2017, Imerys signed with Blue Crest Holding SA, holder of 6.37% of the voting rights of Imerys, a rider to the acquisition contract of the S&B group. Since Imerys and Blue Crest Holding SA have a Board Member in common, this rider qualifies as a transaction between related parties ([Notes 10 and 24.3, chapter 2, section 2.2.3 and chapter 8, section 8.1.2 of the 2017 Registration Document](#)).

Remuneration and assimilated benefits granted to these related parties are disclosed in the table hereafter:

(€ millions)	Notes	2017		2016	
		Expense	Liability	Expense	Liability
Short-term benefits	1	(7.4)	3.3	(7.4)	3.2
Long-term benefits		-	-	-	-
Directors' attendance fees	2	(0.8)	0.4	(0.9)	0.5
Post-employment benefits	3	(1.5)	11.3	(1.9)	11.5
Contributions to defined contribution plans		(0.8)	-	(1.1)	-
Termination benefits		-	-	(0.7)	-
Share-based payments	4	(4.9)	-	(3.8)	-
Total		(15.4)	15.0	(15.8)	15.2

Note 1. Short-term benefits. These amounts include the fixed part of the remuneration paid for the period as well as the variable part due for the same period, but paid over the subsequent period.

Note 2. Directors' attendance fees. These amounts correspond to the fees paid to the members of the Board of Directors.

Note 3. Post-employment benefits. These amounts mainly correspond to the post-employment defined benefit plans allowed to the main executives of the Group's French entities who meet the required conditions of eligibility. These amounts are recognized for the beneficiaries qualifying as related parties, among which some of the above mentioned executives (one in 2017, three in 2016). The maximum amount of the life annuity that can be paid to the beneficiaries of these plans as from the liquidation of their retirement rights is calculated in order to guarantee a life annuity:

- of a total gross annual amount (after recognition of pensions from mandatory and complementary retirement plans) of 60.0% of their salary of reference, this salary of reference being capped to 30 times the annual ceiling of the French Social Security as of December 31, 2017 (30 times as of December 31, 2016);
- subject to a payment ceiling of 25.0% of the above mentioned salary of reference of the last 12 calendar months preceding the withdrawal from the Group's headcount.

Note 4. Share-based payments. This amount corresponds to expenses recognized with respect to the Imerys share options and the free shares attributed to the related parties.

Post-employment benefits for Imerys employees

The post-employment benefit plans for the benefit of Imerys employees are related parties. The amount of the contributions to external funds recognized as an expense in 2017 amounts to €21.1 million (€19.4 million in 2016), of which mainly €6.9 million to Imerys UK Pension Fund Trustees Ltd., United Kingdom (€7.4 million in 2016) and €5.8 million to Comerica, United States (€5.4 million in 2016).

FCPE Imerys Actions

The FCPE Imerys Actions is managed by BNP Paribas Asset Management SAS. Its management is controlled by a Supervisory Board of 8 members, equally made up of shareholders' and Imerys representatives. As Imerys exercises together with the shareholders a joint control over the FCPE Imerys Actions, the FCPE Imerys Actions is a related party. The amounts recognized in 2017 (and 2016) for the FCPE Imerys Actions are immaterial.

NOTE 28 COMMITMENTS

In the course of its activities, Imerys is liable towards third parties for obligations, often subordinated to conditions or subsequent events, that do not (or partially) meet the recognition criteria of liabilities, but may have an impact on the future financial position.

The unrecognized portion of the obligation is designated hereafter by the term commitment. Identified in accordance with applicable accounting standards, the significant commitments, given and received, are disclosed hereafter.

Commitments given

(€ millions)	Notes	2017	2016
Operating lease	1	250.1	201.2
Site restoration	2	45.2	31.6
Commitments related to operating activities	3	236.8	325.7
Commitments related to treasury	4	63.1	57.2
Other commitments	5	30.5	29.3
Total		625.7	645.0

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts of real estate, equipment, rail cars, trucks and vehicles, in which Imerys is the lessee. The non-discounted value of these commitments amounts to €250.1 million, of which €44.1 million for 2018, €123.9 million for the period 2019 to 2022 and €82.1 million beyond.

Note 2. Site restoration. These amounts correspond to sureties and guarantees obtained from financial institutions in accordance with legal requirements, decreased by recognized provisions (Note 23.2). These sureties and guarantees are generally taken out for the benefit of government agencies to secure the financial capacity of Imerys to meet its environmental obligations.

Note 3. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by Imerys as part of purchase contracts of goods, services, energy and freight. These commitments comprise in particular two commitments of purchase of services that aim at guaranteeing the shipping logistics of the Group until 2022 (sea chartering contracts entered into with an entity under significant influence, whose main characteristics are described in Note 9 and a storage and handling contract entered into with a third party) for a total amount of €122.8 million as of December 31, 2017 (€172.9 million as of December 31, 2016). The energy supply commitments (mainly electricity and gas) amount to €51.0 million as of December 31, 2017 (€35.6 million as of December 31, 2016).

Note 4. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by Imerys from financial institutions in order to guarantee operating treasury requirements in favor of customers.

Note 5. Other commitments. This position encompasses the whole of the commitments given not mentioned above, among which the seller warranties and the price adjustment clauses given by the Group upon disposals of businesses.

Commitments received

(€ millions)	Notes	2017	2016
Operating lease	1	19.8	19.0
Commitments related to operating activities	2	45.3	64.3
Commitments related to treasury	3	0.1	0.5
Available financial resources	4	1,330.0	1,855.0
Other commitments	5	149.0	131.8
Total		1,544.2	2,070.6

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts in which Imerys is the lessor.

Note 2. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by customers in favor of Imerys as part of sales contracts of goods and services.

Note 3. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by certain suppliers from their financial institutions, in order to guarantee their operating treasury requirements in favor of Imerys.

Note 4. Available financial resources. These commitments correspond to the amount of available financial resources, after the repayment of financing from uncommitted resources. (Note 24.5 – Market liquidity risk).

Note 5. Other commitments. This position encompasses the whole of the commitments given not mentioned above, of which €63.8 million as of December 31, 2017 (€67.7 million as of December 31, 2016) with respect to seller warranties and the price adjustment clauses in favor of the Group upon acquisitions of businesses.

NOTE 29 EVENTS AFTER THE END OF THE PERIOD

Accounting policy

Events occurring between the end of the period and the authorization of issue of the financial statements by the Board of Directors result in an adjustment only if they reveal, specify or confirm situations existing at the closing date.

Events after the end of the period

The annual consolidated financial statements as of December 31, 2017 were closed by the Board of Directors at its meeting on February 14, 2018. No significant event is to be reported between the closing date and that of the Board of Directors.

NOTE 30 AUDIT FEES

Organization of the audit of Imerys subsidiaries

For numerous years, the Group has primarily asked, in an equal standing, the two Imerys Statutory Audit firms to conduct the audit of the subsidiaries throughout the world. However, for practical or historical reasons, other audit firms intervened; the quantitative details were as follows:

Periods	2017	2016
Audit fees (€ millions)	7.4	7.3
Distribution		
ERNST & YOUNG et Autres	54%	54%
Deloitte & Associés	40%	42%
Other firms	6%	4%

Fees as of December 31, 2017

The total fees paid in 2017 to the two Statutory Audit firms of the parent company Imerys, ERNST & YOUNG et Autres (EY) and Deloitte & Associés (DA), are as follows:

	2017				2016			
	EY		DA		EY		DA	
	(€M)	(%)	(€M)	(%)	(€M)	(%)	(€M)	(%)
Certification and auditing of individual and consolidated accounts	4.0	90.9%	2.9	63.0%	4.0	83.3%	3.0	65.2%
Imerys SA	0.6		0.6		0.8		0.8	
Fully integrated subsidiaries	3.4		2.3		3.2		2.2	
Services other than certification of accounts⁽¹⁾	0.4	9.1%	1.7	37.0%	0.8	16.7%	1.6	34.8%
Imerys SA	0.0		1.6		0.4		1.2	
Fully integrated subsidiaries	0.4		0.1		0.4		0.4	
Total	4.4	100.0%	4.6	100.0%	4.8	100.0%	4.6	100.0%

(1) The services provided cover the services other than certification of accounts required by the legal and regulatory texts as well as the services other than certification of accounts provided at the request of the entity. They mainly correspond to due diligence services in the amount of €0,6 million in 2017 (€1.0 million in 2016) and contractual audits in the amount of €0,8 million, various tax services provided by the network to consolidated subsidiaries, and consolidated social, environmental and societal information verification services.

6.2 STATUTORY FINANCIAL STATEMENTS

6.2.1 FINANCIAL STATEMENTS

■ INCOME STATEMENT

(€ thousands)	Notes	2017	2016
Operating revenue		55,722	31,051
Rendering of services		51,615	30,521
Other revenue and decreases in provisions		4,107	530
Operating expenses		(140,982)	(97,311)
Purchases and external services		(79,245)	(47,400)
Taxes and duties		(1,304)	(1,377)
Staff expenses		(54,848)	(43,840)
Amortization, depreciation, write-downs and provisions		(3,707)	(3,598)
Other expenses		(1,878)	(1,096)
Operating income	10	(85,260)	(66,260)
Financial income	11	411,250	134,411
Revenue from subsidiaries and affiliates		465,228	187,230
Net financial expenses		(58,052)	(52,852)
Increases and decreases in write-downs and provisions		(31,985)	3,663
Exchange rate gains and losses		36,059	(3,630)
Current income		325,990	68,151
Exceptional income (loss)	12	(3,841)	3,454
Exceptional revenue		58,597	26,318
Exceptional expenses		(62,438)	(22,864)
Income taxes	13	51,282	33,969
Net income		373,431	105,574

■ BALANCE SHEET

(€ thousands)	Notes	2017	2016
Net intangible assets		10,025	2,850
Intangible assets	14	21,708	14,754
Accumulated amortization	14	(11,683)	(11,904)
Net property, plant and equipment		7,565	844
Property, plant and equipment	14	11,046	8,896
Accumulated depreciation	14	(3,481)	(8,052)
Net investments		4,069,328	4,016,123
Investments	15	4,072,331	4,019,126
Write-downs	15	(3,003)	(3,003)
Loans related to direct investments and other subsidiaries – net value	16	2,185,207	1,152,362
Loans related to direct investments and other subsidiaries		2,185,265	1,152,433
Write-downs		(58)	(71)
Other financial investments	17	27,206	36,911
Non-current assets		6,299,331	5,209,090
Other receivables	16	67,318	30,200
Derivative financial assets		0	39
Marketable securities	18	18,707	19,939
Cash and cash equivalents		100,636	425,752
Current assets		186,661	475,930
Regularization accounts	16	45,189	11,994
Assets		6,531,181	5,697,014
Share capital		159,209	159,136
Additional paid-in capital		529,149	529,772
Reserves		959,939	959,939
Retained earnings		187,807	230,459
Net income of the period		373,431	105,574
Shareholders' equity	19	2,209,535	1,984,880
Provisions for risks and charges	20	96,722	55,311
Financial debts	21	4,109,513	3,575,917
Other debts	21	60,235	61,864
Derivative financial liabilities	21	0	0
Debts		4,169,748	3,637,781
Regularization accounts	21	55,176	19,042
Shareholders' equity and liabilities		6,531,181	5,697,014

6.2.2 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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■ ACCOUNTING PRINCIPLES AND POLICIES

Imerys SA presents its financial statements in accordance with accounting principles and policies established by the General Accounting Plan as provided by regulation no. 2014-03 of the Accounting Standard Authority of June 5, 2014 and amended by subsequent regulations. General accounting rules were applied under the principle of prudence and in accordance with the following fundamental assumptions: going concern, permanence of accounting policies from one period to the other, independence of periods, in accordance with the general rules of preparation and presentation of annual financial statements. The methodology generally used is the historical cost method for the items recognized in the books. Statutory financial statements provide comparative information with respect to period N-1. Comparative information with respect to period N-2 is incorporated by reference to the financial statements included in the registration document of period N-2 (*Chapter 9, section 9.4 of the Registration Document*).

As of January 1, 2017, Imerys SA has applied regulation no. 2015-05 of the Accounting Standard Authority of July 2, 2015 related to forward financial instruments and hedging transactions. The amendments introduced by this regulation represent a change in the accounting policy (*Note 7*). These changes concern in particular the calculation methods of the provision for foreign exchange rate risks. If these new methods had been applied as of December 31, 2016, the amount of the provision for foreign exchange rate risks would have been €27.6 million, instead of €6.4 million (*Note 20*). The first application of the regulation is limited to operations existing as of January 1, 2017 only and does not have any impact on equity at that date. Comparative information for the 2016 period has not been adjusted.

NOTE 1 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

Intangible assets

Intangible assets are measured at acquisition cost. Software is amortized over 3 years under the straight-line method.

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost or contribution value.

Depreciation methods are representative of economic depreciation; therefore, no excess tax depreciation was recognized as liabilities on the balance sheet.

Depreciation methods and useful lives are as follows:

- machinery and equipment: straight-line method, over 10 years;
- equipment and office furniture: straight-line method, over 5 and 10 years;
- office equipment: straight-line method, over 5 years;
- IT equipment: straight-line method, over 3 and 5 years.

NOTE 2 LONG-TERM INVESTMENTS

The long-term investments are measured at acquisition cost, excluding ancillary expenses. Investments and other long-term investments are measured at their value in use. The value in use is measured on the basis of the equity value at closing date of the concerned entities, their level of profitability and their activity forecasts. Where this value exceeds the carrying amount recognized on the balance sheet, the latter is not modified. On the

contrary, a write-down of the investment is recognized. Long-term investments and other financial assets in foreign currencies are not remeasured at the closing rate. Unrealized losses from the fluctuations of foreign currencies in which long-term investments are denominated are not aimed to realize. Therefore, unrealized foreign exchange losses do not qualify in themselves as sufficient criteria to justify systematically a write-down.

NOTE 3 RECEIVABLES AND DEBTS IN FOREIGN CURRENCIES

Receivables and debts in foreign currencies are translated at the closing rate.

NOTE 4 MARKETABLE SECURITIES

Their value in use is assessed at their average market price over the last month of the period for listed securities, at the last known redemption price for monetary funds (SICAVs) and at their net asset value for equity funds (FCPs). Unrealized losses result in a write-down, unrealized gains are not recognized.

NOTE 5 PROVISIONS

Provisions for risks

Provisions for risks cover identified risks. They are determined in accordance with the following method:

- provisions for operational risks mainly include litigation in progress related to current activities;
- provisions for restructuring relate to reorganization plans officially decided and initiated before the end of the period;
- provisions pertaining to changes in the value of certain equity interests are determined in accordance with the last financial information available and the evolution prospects;
- provisions pertaining to the grant of free shares are determined in accordance with their maturity, on the basis of the opening share price at the date of their allocation to the plan or, where the shares are not purchased at the closing date, at the share price at that date, in accordance with the recommendation CNC 2008-17. The calculation of the provisions pertaining to the grant of free shares incorporates an assessment of the

achievement of economic and/or financial performance objectives to which these shares are conditioned and apportioned. The increases and decreases in provisions and the expenses on employer contributions are presented as staff expenses.

Provisions for charges

They mainly include:

- provisions for the rehabilitation of the headquarters;
- provisions for supplementary pension plans and pensions for former employees;
- the retirement indemnities expense, calculated in accordance with the Projected Unit Credit Method. Imerys is applying Recommendation ANC 2013-R02 applicable to the recognition and measurement of pension commitments and similar benefits. Actuarial differences are recognized in accordance with the corridor method.

NOTE 6 FINANCIAL DEBTS

They mainly include:

- commissions and external costs incurred in connection with loan issues, that are recognized as "Expenses to be allocated over several periods" and are spread on a straight-line basis over the maturity of loans;
- bond reimbursement premiums, that are amortized on a straight-line basis over the maturity of each bond.

NOTE 7 DERIVATIVE INSTRUMENTS

Management principles

As a holding company of the Imerys Group, Imerys SA implements the risk management policy relating to the financial markets identified within the Group: foreign exchange risk, interest rate risk and energy price risk. Derivatives subscribed by Imerys SA are intended exclusively to hedge the economic risks to which the Group is exposed. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with first-rate banking institutions. Imerys prohibits its entities from subscribing derivative instruments directly outside the Group.

Accounting policy

Derivative instruments are accounted for in accordance with regulation no. 2015-05 of July 2, 2015 of the French Accounting Standard Authority.

Simple hedge. A derivative instrument qualifies as a simple hedge if it is the subject of a documentation identifying the hedged item, the nature of the hedging instrument, the nature of the hedged risk, the hedging relationship and the method used to assess its efficiency. This simple hedge qualification is only checked/tested for the swap subscribed to cover the interest rate risk of a loan in JPY. When subscribing, the nominal value of the derivative instrument is recognized in the off-balance sheet commitments (*Note 23 – Commitments on the interest rate risk*). Realized and

latent interest coupons are recognized symmetrically with the hedged item in the income statement.

Isolated open position. Any derivative instrument which does not meet the criteria of documentation of a single hedge is an isolated open position. This qualification applies in particular to derivative instruments subscribed to hedge the foreign exchange risk (swaps, forwards and options) and the energy price risk (swaps and options). When subscribing, the nominal value of the derivative instrument is recognized in the off-balance sheet commitments (*Note 23 – Commitments on foreign exchange risk / Commitments on energy price risk*). Subsequent to the subscription date, the fair value of derivative instruments is measured as follows. For the foreign exchange risk, the value of derivatives valued/recognized at closing price is aggregated with the value of the underlying assets (credits and loans in foreign currencies) in a global foreign exchange position. The latter is calculated by currencies or strongly correlated currencies. The resulting unrealized exchange rate gains and losses are recognized separately in accrual/regularization accounts: on the assets side for unrealized exchange rate losses (*Note 16*) and on the liabilities side for unrealized exchange rate gains (*Note 21*). Unrealized exchange rate losses are fully provisionned (*Note 20*). For energy price risk, the value of derivative instruments valued at the closing price is aggregated into a global commodity position calculated overall for all energy sources. Unrealized exchange rate losses are fully provisionned (*Note 20*).

Fair value

The following table presents the derivative instruments held by Imerys SA at the closing date for the interest rate risk (simple hedging) and foreign exchange and energy price risks (isolated open positions).

(€ millions)	2017				
	Derivative assets		Derivative liabilities		Net
	External	Internal	External	Internal	
Foreign exchange risk (forwards, swaps, options)	3.6	9.0	5.1	4.3	3.2
Forward derivative instruments	3.6	8.8	4.9	4.3	3.2
Optional derivative instruments	-	0.2	0.2	-	0.0
Interest rate risk (swaps)	15.0	0.0	0.0	0.0	15.0
Forward derivative instruments	15.0	-	-	-	15.0
Optional derivative instruments	-	-	-	-	0.0
Energy price risk (swaps, options)	3.4	0.6	0.9	2.8	2.5
Forward derivative instruments	3.4	0.6	0.9	2.8	2.5
Optional derivative instruments	-	-	-	-	0.0
Total	22.0	9.6	6.0	7.1	20.7

NOTE 8 TAX CONSOLIDATION

Since 1993, Imerys and some of its French subsidiaries are assessed under Article 223-A of the French Tax Code in respect of group taxation. Two entities left the tax consolidation scope in 2017: PLR SASU and ARC Fused Alumina. As of December 31, 2017, the tax consolidation scope includes the 25 entities mentioned below:

■ Ardoise et Jardin	■ Imerys Refractory Minerals Glomel
■ Ardoisières d'Angers	■ Imerys Services
■ Calderys France	■ Imerys Metalcasting France Sarl
■ Captelia	■ Imerys Tableware France
■ Imertech	■ Imerys TC
■ Imerys	■ Imerys Talc Europe SAS
■ Imerys Ceramics France	■ Imerys Talc Luzenac France
■ Imerys Filtration France	■ La Française des Tuiles et Briques
■ Imerys Fused Minerals Beyrede SAS	■ Mircal
■ Imerys PCC France	■ Mircal Brésil
■ Imerys Refractory Minerals International Sales	■ Mircal Europe
■ Imerys Minéraux France	■ Parimetal
■ Imerys Refractory Minerals Clerac	

Within the tax group headed by Imerys, relationships are governed by a convention whose principles are summarized below:

- the tax consolidated entities benefit from a situation identical to the one that they would have had in the absence of tax consolidation;
- all additional expenses are recognized at Imerys SA, that benefits in counterpart from any potential savings generated by this scheme.

NOTE 9 TRANSFER OF EXPENSES

The “transfer of expenses” positions mainly correspond to:

- transfers of expenses to balance sheet accounts (loan issuance expenses, capital increase expenses);
- the transfer from one category of expenses to another (operating expenses transferred to exceptional or financial expenses or vice versa).

■ NOTES TO THE INCOME STATEMENT

NOTE 10 OPERATING INCOME

Operating revenue amounts to €55.7 million (€31.1 million in 2016), i.e. a €24.6 million increase attributable to a lower level of re-invoicing of the services rendered by the holding to its subsidiaries. Purchases and external services amounts to €79.2 million (€47.4 million in 2016), i.e. a €31.8 million increase attributable to the sustained business growth. Staff expenses

increase by €11.0 million, mainly as a result of free shares grants. The provision for the rehabilitation of the former headquarters accrued in 2016 was reversed for €1.1 million. A provision for the rehabilitation of the current headquarters was thus accrued for €1.5 million (*Note 20*).

NOTE 11 FINANCIAL INCOME

(€ thousands)	2017	2016
Financial revenue	662,024	357,800
Revenue from subsidiaries and affiliates ⁽¹⁾	465,228	187,230
Other investment income – net ⁽¹⁾	26,191	27,941
Decreases in provisions and transfer of expenses	9,176	12,503
Exchange rate gains	161,429	130,126
Financial expenses	250,774	223,389
Financial interests and expenses on financial instruments ⁽²⁾	84,243	80,793
Increases in financial amortization and provisions	41,161	8,840
Exchange rate losses	125,370	133,756
Financial income	411,250	134,411
(1) Of which revenue related to controlled entities	478,529	207,360
(2) Of which expenses related to controlled entities	8,505	3,720

Revenue from subsidiaries and affiliates amounts to €465.2 million, i.e. an increase of €278.0 million vs. 2016. Imerys SA is managing the foreign exchange rate risk related to directly or indirectly held foreign net assets, as well as that resulting from the loans and advances granted to the subsidiaries and entities under treasury contracts, through adjustments of the proportions of its indebtedness drawn in foreign currencies. In 2017, Imerys SA recognized in this respect a net foreign exchange gain of €36.1 million (–€3.6 million in 2016). The net of increases and

decreases in financial provisions is presented in (*Note 20*). The net financial expenses included in the position “Financial interests and expenses on financial instruments”, increase by €3.3 million further to the issue in 2017 of a €600.0 million bond with a maturity in 2027 and an annual yield of 1.5%, to the reimbursement of a €500.0 million bond maturing in April 2017 (an annual yield of 5.0%), and a partial bond buy back with a maturity of 2020 for €176.5 million (annual yield of 2.5%).

NOTE 12 EXCEPTIONAL INCOME (LOSS)

(€ thousands)	2017	2016
Gains and losses on disposals of assets	252	(390)
Other exceptional revenue	24	222
Decreases in provisions and transfer of expenses	7	10,615
Increases in provisions	(4,059)	(6,973)
Other exceptional expenses	(65)	(20)
Exceptional income (loss)	(3,841)	3,454

A provision for management risks of €4.0 million and a provision for staff-related risks of €0.1 million were accrued in 2017.

NOTE 13 INCOME TAXES

(€ thousands)	2017	2016
Taxes on long-term capital gains	-	-
Income taxes	51,282	33,969
Total	51,282	33,969

Breakdown of the tax expense

(€ thousands)	Result before taxes	Taxes	Result after taxes
Current income	325,990	-	325,990
Exceptional income (loss)	(3,841)	-	(3,841)
Impact of the tax consolidation	-	51,282	51,282
Total	322,149	51,282	373,431

In accordance with the terms of the tax consolidation conventions signed by each company of the Imerys Group, the tax expense or credit recognized in the accounts of Imerys SA is made up of the tax expense of Imerys SA, calculated as if it was not part of the tax consolidation; and of the net amount of additional expenses and credits resulting from the tax consolidation. In this respect, Imerys SA recognized a credit of €51.3 million in 2017 (€34.0 million in 2016).

On a stand-alone basis, Imerys SA is recognizing a loss of €63.1 million in 2017. The stand-alone cumulated amount of the Imerys SA carried forward losses thus amounts to €1,192.0 million as of December 31, 2017 (€1,134.3 million as of December 31, 2016).

Deferred taxation

The deferred tax position corresponds to timing differences on certain items of revenue and expenses between tax rules and accounting rules. In accordance with French accounting rules, the decreases and increases in future tax expense resulting from such differences are not recognized, but are subject to the following disclosure:

(€ thousands)	2017	2016
Deferred tax assets (decrease in the future tax expense)	35,756	27,000
Deferred tax liabilities (increase in the future tax expense)	12,830	2,219

■ NOTES TO THE BALANCE SHEET

NOTE 14 CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Gross amount 12/31/2016	Acquisitions	Disposals	Gross amount 12/31/2017
Intangible assets	14,754	8,528	1,574	21,708
Property, plant and equipment	8,896	7,575	5,425	11,046
Total gross intangible assets and property, plant and equipment	23,650	16,103	6,999	32,754

As of December 31, 2017, changes in intangible assets and property, plant and equipment were attributable to the change of headquarters for an amount of € 2.2 million and to IT development projects for €6.9 million.

(€ thousands)	Amortization and depreciation 12/31/2016	Increases	Decreases	Amortization and depreciation 12/31/2017
Amortization of intangible assets	11,904	1,341	1,562	11,683
Depreciation of property, plant and equipment	8,052	486	5,057	3,481
Total amortization and depreciation of intangible assets and property, plant and equipment	19,956	1,827	6,619	15,164

NOTE 15 CHANGES IN THE VALUE OF INVESTMENTS

The gross amount of investments increases by €53.2 million in 2017 period further to the contribution of the Kerneos Holding North America shares to Imerys USA for €57.9 million, to the capital increase of Imertech for €5.0 million and to the share price adjustment of S&B Minerals Finance for €9.7 million. Investments write-downs amount to €3.0 million as of December 31, 2017.

NOTE 16 RECEIVABLES AND REGULARIZATION ACCOUNTS

(€ thousands)	Gross amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Loans and receivables related to investments	2,185,207	1,713,855	220,805	250,547
Loans and receivables related to direct investments	1,571,732	1,389,603	182,129	-
Loans and receivables related to other Group subsidiaries	613,475	324,252	38,676	250,547
Other receivables	67,318	57,381	5,402	4,535
Operating receivables	56,235	56,235	-	-
Bond issuance premium	11,083	1,146	5,402	4,535
Regularization accounts	45,189	38,974	3,672	2,543
Prepaid expenses ⁽¹⁾	796	707	89	-
Bond issuance cost	7,128	1,002	3,583	2,543
Unrealized exchange rate losses ⁽²⁾	37,265	37,265	-	-
Total	2,297,714	1,810,210	229,879	257,625

(1) Prepaid expenses mainly comprise purchases of external services.

(2) The unrealized exchange rate gains/losses derive from the closing revaluation of loans and receivables in foreign currencies.

The gross amount of loans related to investments increases by €1,032.8 million. Receivables related to investments correspond to loan contracts and intra-group credit agreements aimed at optimizing cash management. Loans write-downs amount to €0.1 million as of December 31, 2017.

NOTE 17 OTHER FINANCIAL INVESTMENTS

As of December 31, 2017, other financial investments amount to €27.2 million and mainly correspond to treasury shares held to be cancelled.

NOTE 18 MARKETABLE SECURITIES

Net values

(€ thousands)	2017	2016
SICAVs and mutual funds	81	81
Deposit certificate	-	19
Treasury shares	18,626	19,839
Total	18,707	19,939

As of December 31, 2017, the gross amount of marketable securities amounts to €18.7 million. Treasury shares include €4.2 million of Imerys SA shares allocated to the deferred payment of the acquisition of S&B shares.

Measurement of marketable securities as of December 31, 2017

Nature	Quantity	Average cost price per unit (€)	Closing price December 2017 (€)
SICAV BNP	1	57,261.81	56,951.98
SICAV SG	1	23,895.95	23,848.43
Treasury shares	261,827	71.14	78.54

NOTE 19 BREAKDOWN OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Capital	Premiums	Reserves ⁽¹⁾			Retained earnings	Income of the period	Total
			Legal	Regulated	Other			
Shareholders' equity as of 01/01/2016 before allocation of net income	159,145	530,235	15,986	273,471	670,482	27,816	340,119	2,017,254
Allocation of 2015 income	-	-	-	-	-	202,643	(340,119)	(137,476)
Movements of the 2016 period								
Cancellation of 300,000 shares of €2	(600)	(16,046)	-	-	-	-	-	(16,646)
Subscription of 295,383 shares by exercise of options	591	15,583	-	-	-	-	-	16,174
Net income as of 12/31/2016	-	-	-	-	-	-	105,574	105,574
Shareholders' equity as of 01/01/2017 before allocation of net income	159,136	529,772	15,986	273,471	670,482	230,459	105,574	1,984,880
Allocation of 2016 income	-	-	-	-	-	(42,652)	(105,574)	(148,226)
Movements of the 2017 period								
Cancellation of 400,000 shares of €2	(800)	(23,041)	-	-	-	-	-	(23,841)
Subscription of 436,411 shares by exercise of options	873	22,418	-	-	-	-	-	23,291
Net income as of 12/31/2017	-	-	-	-	-	-	373,431	373,431
Shareholders' equity as of 01/01/2018 before allocation of net income	159,209	529,149	15,986	273,471	670,482	187,807	373,431	2,209,535
Proposal for allocation of income ⁽²⁾	-	-	-	-	-	208,252	(373,431)	(165,179)
Shareholders' equity as of 01/01/2018 with proposal for allocation of income	159,209	529,149	15,986	273,471	670,482	396,059	0	2,044,356

(1) Imerys' shareholders' equity does not include revaluation differences.

(2) Proposed to the Shareholders' General Meeting on May 4, 2018.

Number of shares

	2017	2016
Number of shares outstanding at the opening	79,567,874	79,572,491
Capital increase	436,411	295,383
Capital decrease	(400,000)	(300,000)
Number of shares outstanding at the closing	79,604,285	79,567,874

For 2017, the capital movements are the following:

- On December 13, 2017, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of May 4, 2016 and May 3, 2017, and in accordance with the authorization given by the Shareholders' General Meeting of May 3, 2017, cancelled 400,000 treasury shares directly acquired on the market through an investment services provider (for further detail, see chapter 7, paragraph 7.2.4 of the Registration Document). This shares cancellation lead to a capital decrease of a nominal amount of €800,000.
- On January 5, 2018, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 13, 2017, noted that, on December 31, 2017, the share capital had been increased by a nominal amount of €872,822 as a result of the exercise between January 1, and December 31, 2017 of 436,411 share options and of the creation of the same number of new Imerys shares.

- As a result of these transactions, Imerys' fully-paid up share capital as of December 31, 2017 totaled €159,208,570; it was made up of 79,604,285 shares with €2.00 par value of which 47,415,689 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. The total number of theoretical voting rights attached to existing shares was 127,019,974. Considering the 632,227 treasury shares held on December 31, 2017 (see chapter 7, paragraph 7.2.4 of the Registration Document), the total number of net voting rights attached to outstanding shares was 126,387,747 on the same date. Taking into account the 406,037 share options and the 1,046,108 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired on December 31, 2017, the maximum potential dilution of the share capital was 1.79% as on this date (i.e. a nominal amount of €162,112,860). The share capital did not change since that date. No directly registered shares have been pledged.

Detailed information concerning share capital is available in chapter 7, paragraph 7.2.1 of the Registration Document.

Change in treasury shares

(€ thousands)	2017	2016
Gross amount of treasury shares booked as of January 1	56,679	14,290
Sales (purchases) of treasury shares	26,799	66,350
Transfer of treasury shares (free shares)	(15,277)	(7,315)
Capital decrease by cancellation of treasury shares	(23,841)	(16,646)
Gross amount of treasury shares booked as of December 31⁽¹⁾	44,360	56,679

(1) As of December 31, 2017, treasury shares are classified as marketable securities for €18.6 million and as other financial investments for €25.7 million.

NOTE 20 WRITE-DOWNS AND PROVISIONS

	Amount at the beginning of the period	Increases			Decreases ⁽¹⁾			Amount at the end of the period
(€ thousands)		Operating	Financial	Exceptional	Operating	Financial	Exceptional	
Write-downs								
Investments	3,003	-	-	-	-	-	-	3,003
Trade receivables	-	-	-	-	-	-	-	0
Loans related to investments	71	-	-	-	-	(13)	-	58
Non-consolidated investments	-	-	-	-	-	-	-	0
Bond issuance premium ⁽²⁾	1,320	-	2,280	-	-	(2,584)	-	1,016
Marketable securities	-	-	-	-	-	-	-	0
Total assets	4,394	0	2,280	0	0	(2,597)	0	4,077
Provisions								
Provisions for risks	47,099	37,489	37,265	4,058	(30,287)	(6,471)	(7)	89,146
Management risks	39,236	37,489	-	3,968	(30,287)	(25)	(7)	50,374
Provisions for exchange rate losses	6,446	-	37,265	-	-	(6,446)	-	37,265
Staff-related risks	600	-	-	90	-	-	-	690
Financial instruments	-	-	-	-	-	-	-	0
Risks on subsidiaries and investments	817	-	-	-	-	-	-	817
Provisions for charges	8,212	3,330	151	0	(4,011)	(105)	0	7,577
Rehabilitation of the Company's offices	1,120	1,496	-	-	(1,120)	-	-	1,496
Future employee benefits	7,092	1,834	151	-	(2,891)	(105)	-	6,081
Total liabilities	55,311	40,819	37,416	4,058	(34,298)	(6,576)	(7)	96,723
Grand Total	59,705	40,819	39,696	4,058	(34,298)	(9,173)	(7)	100,800

(1) Provisions decreased in accordance with used amounts for €15,808 thousand.

(2) The amortization of the bond issuance premium has been increased by the premiums on the new bonds for €6,978 thousand.

As head of a group, Imerys SA recognizes management risk, specifically related to the future grant of conditional free shares, as well as environmental provisions. In 2017, a provision for risks was accrued for an amount of €37.4 million in view of future conditional grants, partly with respect to 192,658 shares held at the closing date, and partly with respect to shares to be acquired. The provision for risks accrued in 2016 for an amount

of €30.2 million is fully reversed in 2017 further to the grant over the period of 195,763 treasury shares and new plans granted in 2017. As part of the relocation project of the headquarters, the provision for the rehabilitation of the rented offices is fully reversed for an amount of €1.1 million. A provision for the rehabilitation of the new headquarters was accrued for €1.5 million.

Future employee benefits

The defined benefit plans correspond to retirement benefits in accordance with the collective labor agreement of the metalworking industry on the one hand, and to supplementary retirement plans, including the French managers' plan on the other hand. The provision for future employee benefits is calculated in accordance with the following assumptions:

	Retirement	Other long-term employee benefits
Discount rates	0.7%	0.6%
Expected rates of return on plan assets	0.6%	-
Expected rates of salary increases	2.5%	2.5%
Annual turnover rates:		
■ Executives and non-executives until 30 years	20.0%	20.0%
■ Executives and non-executives between 30 and 40 years	15.0%	15.0%
■ Executives and non-executives between 40 and 50 years	10.0%	10.0%
■ Executives and non-executives between 50 and 55 years	5.0%	5.0%
■ Executives and non-executives after 55 years	-	-

Change in the discounted value of obligations

	2017			2016		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Opening obligations	(20,976)	(880)	(21,856)	(20,158)	(767)	(20,925)
Interest cost	(116)	(8)	(124)	(230)	(12)	(242)
Current service cost	(1,235)	(70)	(1,305)	355	(66)	289
Benefit payments	4,962	57	5,019	499	20	519
Curtailments and settlements	-	-	0	-	-	0
Actuarial gains and (losses)	(1,506)	189	(1,317)	(1,442)	(55)	(1,497)
Closing obligations⁽¹⁾	(18,871)	(712)	(19,583)	(20,976)	(880)	(21,856)
Funded by plan assets	(17,553)	-	(17,553)	(19,580)	-	(19,580)
Unfunded	(1,318)	(712)	(2,030)	(1,396)	(880)	(2,276)

(1) Of which retirement obligations to the benefit of the Chief Executive Officer : €6,478 thousand in 2017, against €5,609 thousand in 2016.

Change in fair value of plan assets

	2017			2016		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Opening assets	9,540	0	9,540	9,098	0	9,098
Expected return on assets	75	-	75	116	-	116
Benefit payments	(4,726)	-	(4,726)	(423)	-	(423)
Employer contributions	2,480	-	2,480	-	-	0
Actuarial gains and (losses)	(42)	-	(42)	749	-	749
Closing assets	7,327	0	7,327	9,540	0	9,540

Assets / liabilities in the balance sheet

(€ thousands)	2017			2016		
	Retirement	Other	Total	Retirement	Other	Total
Funded obligations	(17,553)	-	(17,553)	(19,580)	-	(19,580)
Fair value of assets	7,327	-	7,327	9,540	-	9,540
Funded status	(10,226)	0	(10,226)	(10,040)	0	(10,040)
Unfunded obligations	(1,318)	(712)	(2,030)	(1,396)	(880)	(2,276)
Unrecognized past service cost	971	-	971	1,124	-	1,124
Net unrecognized actuarial differences	5,205	-	5,205	4,101	-	4,101
Assets (provisions) in the balance sheet	(5,368)	(712)	(6,080)	(6,211)	(880)	(7,091)
Provisions for retirement	-	-	0	-	-	0
Provisions for future employee benefits	(5,368)	(712)	(6,080)	(6,211)	(880)	(7,091)

Change in assets (provisions) in the balance sheet

(€ thousands)	2017			2016		
	Retirement	Other	Total	Retirement	Other	Total
Opening assets (provisions)	(6,211)	(880)	(7,091)	(5,067)	(767)	(5,834)
Current service cost after curtailments/settlements	(1,873)	111	(1,762)	(1,220)	(133)	(1,353)
Contributions	2,716	57	2,773	76	20	96
Closing assets (provisions)	(5,368)	(712)	(6,080)	(6,211)	(880)	(7,091)

NOTE 21 DEBTS AND REGULARIZATION ACCOUNTS

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Financial debts	4,109,513	2,134,165	523,500	1,451,848
Other debts ⁽¹⁾	60,235	60,235	-	-
Deferred revenue	0	-	-	-
Unrealized exchange rate gains	55,176	55,176	-	-
Total	4,224,924	2,249,576	523,500	1,451,848

(1) Including additional price on S&B shares acquisition of €15.5 million subsequent to the payment of €4.0 million over the 2017 period and an adjustment on initial price of €9.5 million.

The various bank overdrafts do not provide any grants or guarantees to the benefit of the lending banks. The financial debts by foreign currency share out as follows:

(€ thousands)	Amount
EUR	3,469,402
USD	314,679
GBP	86,011
JPY	48,035
Other foreign currencies	191,386
Total	4,109,513

The analysis of the financial debts by nature and maturity is the following:

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Bonds	2,003,344	27,996	523,500	1,451,848
Commercial papers	589,000	589,000	-	-
Bank loans	0	-	-	-
Subsidiary loans	8,500	8,500	-	-
Group financial current accounts	1,492,663	1,492,663	-	-
Bank overdrafts and accrued interests	16,006	16,006	-	-
Total	4,109,513	2,134,165	523,500	1,451,848

Debts with a maturity less than one year are backed up by draw-downs on confirmed, non-utilized and available bilateral credit lines if necessary. The amount of confirmed and available bilateral credit lines as of December 31, 2017 is disclosed in [Note 23](#).

NOTE 22 ACCRUED RECEIVABLES AND PAYABLES

(€ thousands)	Accrued receivables	Accrued payables
Operating	-	6,068
Financial	735 ⁽¹⁾	1,020
Total	735	7,088

(1) Accrued receivables mainly comprise accrued interests on financial instruments.

■ OTHER INFORMATION

NOTE 23 OFF BALANCE SHEET COMMITMENTS

Endorsements, sureties, guarantees

As of December 31, 2017, the amount of bilateral multi-currencies credit lines confirmed, non-utilized and available for the benefit of Imerys with a maturity from 2018 to 2022 is €1,330.0 million.

Commitments given

(€ thousands)	For the benefit of				Total
	Subsidiaries	Equity interests	Other controlled entities	Other	
Avals, sureties, guarantees	-	96,408	169,647	50,938	316,993

Commitments received

(€ thousands)	Received from				Total
	Subsidiaries	Equity interests	Other controlled entities	Other	
Avals, sureties, guarantees	-	-	-	41,800	41,800

Commitments on the foreign exchange rate risk

As of December 31, 2017, the net commitments on forward purchases and sales against euros are broken down as follows by foreign currencies:

	(foreign currency thousands)		(€ thousands)	
	Forward purchases	Forward sales	Forward purchases	Forward sales
AUD	29,782	-	19,407	-
BRL	38,263	-	9,644	-
CAD	15,871	2,455	10,553	1,632
CHF	-	66,884	-	57,156
CLP	2,346,207	-	3,180	-
CNY	4,762	254,695	608	32,501
CZK	-	4,877	0	190
DKK	-	462,491	-	62,121
GBP	101,537	26,118	114,443	29,437
INR	-	530,154	-	6,915
JPY	1,555,762	167,657	11,523	1,242
MXN	1,031,359	210,618	43,589	8,901
MYR	23,353	-	4,795	-
NZD	963	-	571	-
PLN	3,162	-	757	-
SGD	193,451	5,490	120,726	3,426
THB	-	378,580	-	9,677
TRY	8,879	12,516	1,953	2,753
USD	178,122	486,254	148,522	405,448
ZAR	171,445	900,271	11,580	60,807
Total			501,851	682,206

These transactions were entered into to hedge the foreign exchange rate risk generated by intra-group borrowings and investments in foreign currencies. They also include the net positions between internal and external derivatives on transactions carried out in relation with the Group's management policy of foreign exchange rate risk.

Commitments on the interest rate risk

As part of the management of the interest rate risk, Imerys SA is holding, as of December 31, 2017, an interest rate swaps with a nominal of JPY7,000.0 million.

Commitments on the energy price risk

The following table summarizes the positions taken as of December 31, 2017 to hedge the energy price risk:

	Net notional amounts in MWh	Maturities
Underlying position	6,094,130	<24 months
Management transactions	2,168,279	<24 months

NOTE 24 ELEMENTS RECOGNIZED UNDER MORE THAN ONE BALANCE SHEET ITEM (NET VALUE)

(€ thousands)	Total	Of which controlled entities ⁽¹⁾
Investments	4,069,328	4,064,108
Loans related to direct investments and other subsidiaries	2,185,207	2,184,390
Other financial investments	27,206	-
Operating receivables	56,234	20,143
Financial debts	4,109,513	1,500,153
Other debts	60,235	17,988

(1) The controlled entities are those that can be consolidated by full integration into the same group.

NOTE 25 MAIN SHAREHOLDERS

	Number of shares	% of interest	% of voting rights ⁽¹⁾
Belgian Securities BV ⁽²⁾	42,851,473	53.83%	67.47%
Blue Crest Holding SA	4,116,981	5.17%	6.37%
Group employees	604,757	0.76%	0.84%
Self-holding	632,227	0.80%	0.50%
Public	31,398,847	39.44%	24.82%
Total as of December 31, 2017	79,604,285	100.00%	100.00%

(1) Total theoretical voting rights: 127,019,974.

(2) A 100% subsidiary of the company Groupe Bruxelles Lambert.

The consolidated financial statements of Imerys are included in the scope of consolidation of the Belgian group GBL.

NOTE 26 2017 AVERAGE HEADCOUNT

	Non-executives	Executives	Total
Full-time	13	182	195
Part-time	1	3	4
Total employees of the entity	14	185	199

NOTE 27 COMPENSATION OF DIRECTORS AND EXECUTIVE MANAGERS

(€ thousands)	2017	2016
Board of Directors ⁽¹⁾	825	931
Executive Management	1,818	1,688
Total	2,643	2,619

(1) Directors' attendance fees.

The global amount of retirement obligations contracted for the benefit of members of the Board of Directors and of the Executive Management is presented in [Note 20](#).

NOTE 28 EVENTS AFTER THE END OF THE PERIOD

The annual statutory financial statements as of December 31, 2017 were closed by the Board of Directors at its meeting on February 14, 2018.

NOTE 29 ALLOCATION OF EARNINGS

Proposed allocation of earnings pursuant to the provisions of article L. 232-7 of the French Code of Commerce⁽¹⁾.

(€)	
Income for the period	373,430,724.39
Increase in legal reserve in order to reach 10% of the share capital	-
Retained earnings	187,806,848.87
Distributable income	561,237,573.26
Dividend of €2.075 to each of the 79,604,285 shares existing as of January 1, 2018	(165,178,891.38)
Retained earnings	396,058,681.89

(1) Which will be proposed to the Shareholders' General Meeting on May 4, 2018.

NOTE 30 TABLE OF SUBSIDIARIES AND EQUITY INTERESTS

<i>Local units (thousands)</i>						
Country	SIREN Number	Capital	Shareholders' equity other than share capital	Number of shares held by Imerys	Type of securities	
Subsidiaries (at least 50% of equity held by Imerys)						
Imerys TC	France	449 354 224	161,228	279,591	80,613,850 shares of €2	
Mircal	France	333 160 620	1,034,982	368,543	68,998,786 shares of €15	
Imerys USA	United States	-	594,700	602,823	1,000 shares of USD1	
Imerys Services	France	320 750 730	371	646	24,700 shares of €15	
Mircal Europe	France	444 384 234	56,365	592,309	56,365,195 shares of €1	
S&B Minerals Finance	Luxembourg	-	121,505	259,634	12,150,505,599 shares of €0.01	
Imertech	France	509 434 296	5,037	(29)	503,700 shares of €10	
Imerys (SHANGHAI) Investment Management Company Limited	China	-	14,404	48,258	1 share of CNY14,404,000	

<i>(€ thousands)</i>									
	% of interest held by Imerys	Gross amount of securities held	Net amount of securities held	Loans and advances granted by Imerys and not repaid	Borrowings taken up by Imerys and not repaid	Sureties, avals given by Imerys	Dividends collected by Imerys in 2017	2017 sales	2017 net income or loss
Subsidiaries (at least 50% of equity held by Imerys)									
Imerys TC	100.00	758,369	758,369	120,000	4,801	-	236,103	275,665	62,741
Mircal	100.00	1,304,557	1,304,557	710,124	-	-	125,578	-	70,273
Imerys USA	100.00	721,734	721,734	15,540	244,343	95,889	-	-	(3,759)
Imerys Services	100.00	1,043	1,043	-	1,676	-	-	20,784	94
Mircal Europe	100.00	565,483	565,483	273,490	-	-	53,547	-	65,417
S&B Minerals Finance	100.00	711,319	711,319	451,761	8,025	-	50,000	-	853
Imertech	100.00	5,037	5,037	-	5,000	-	-	-	(4)
Imerys (SHANGHAI) Investment Management Company Limited	100.00	1,359	1,359	-	-	-	-	34,738	6,541
Equity interests									
10 to 50% of equity held by Imerys	-	-	-	-	-	-	-	-	-
Miscellaneous equity interests									
Non-significant French entities ⁽¹⁾	-	3,431	428	817	528	519	-	-	-
Total		4,072,332	4,069,329	1,571,732	264,373	96,408	465,228	331,187	202,156

(1) Including Parnasse 32 and Parnasse 33 created in 2017, 100.00% of which are held by Imerys SA.



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7.1 INFORMATION ABOUT IMERYS

■ CORPORATE NAME

Imerys.

■ REGISTERED OFFICE

43 quai de Grenelle, 75015 Paris (France).

Phone number: +33 (0) 1 49 55 63 00.

■ DATE OF REGISTRATION AND DURATION

Imerys was incorporated on April 22, 1880.

The Company's term was extended by decision of the Shareholders' General Meeting of May 3, 2017 until May 3, 2116 (article 5 of the by-laws).

■ REGISTRATION

The Company is registered with the Commercial Register of Paris under number 562 008 151. Its N.A.F code (code of main activity) is 7010Z.

■ LEGAL STATUS AND LAW OF INCORPORATION

Imerys is a French Limited Liability Company (*Société Anonyme*) with Board of Directors (*Conseil d'Administration*) governed by French law.

■ HISTORIC AND KEY DATES

The Group has its origins in mining and metallurgy. When created the Company's core business was the extraction and processing of non-ferrous metals. Numerous acquisitions led to the Group's reorganization with the withdrawal from non-ferrous metallurgy to industrial minerals activities.

In the early 1970s, federated under the name Imetal, the Group acquired the French company Huguenot Fenal, an event which marked its entry into the clay roof tiles market. It then purchased Copperweld Corporation (United States), a company specialized in steel production and metals processing.

In 1985, the first significant investment in refractory minerals and ceramics was made with the acquisition of Damrec (France). The Group then structured its business around three sectors: Building Materials, Industrial Minerals and Metals Processing. This reorganization is part of the Group's future withdrawal from non-ferrous metallurgy activities.

From 1990 onwards, the Group placed significant emphasis on the development of industrial minerals⁽¹⁾. It acquired major positions in the kaolin sector (Dry Branch Kaolin Company, United States), calcium carbonate (Georgia Marble, United States), refractory minerals (C-E Minerals, United States), monolithic refractories (Plibrico, Luxembourg), ball clays (Ceratera, France), ceramic bodies (KPCL, France), graphite (Stratmin Graphite, Canada and Timcal, Switzerland) and technical ceramics markets (Imerys Kiln Furniture, France). Through its subsidiary Timcal (North America,

Europe, Asia), acquired in 1994, Imerys has become the world leader in technical applications of high performance graphite.

In 1999, with the acquisition of English China Clays plc (ECC, United Kingdom), one of the foremost specialists in industrial minerals, the Group became a global leader⁽²⁾ in white pigments. The Group continued to increase its kaolin resources by acquiring Rio Capim Caulim S.A. (Brazil) and pursued its industrial base expansion in refractory minerals with Transtech and Napco (United States) and Rhino Minerals (South Africa). Through the acquisition of ECC and the related divestment of Copperweld (United States) and ECC's specialty chemicals business (Calgon, United States), the Group focused on industrial minerals processing. To reflect this development, Imetal changed its name to Imerys.

Since then, Imerys has been pursuing its development by continuously expanding its product line, extending its geographic network into high growth areas and entering new markets.

From 2000 to 2002, new minerals were added to the Group's portfolio: halloysite (New Zealand China Clays, New Zealand) and clays and feldspar (K-T Clay, United States and Mexico). The Group increased its carbonates resources in South America (Quimbarra, Brazil), in Asia (Honaik, Malaysia) and in France (AGS-BMP's carbonates activity). The takeover of the world's leading producer of corundum (fused alumina and bauxite), Treibacher Schleifmittel (Austria), is followed by more acquisitions in this sector in the Czech Republic, Germany, Brazil and China. The Group increased its Asian market presence for applications that mainly serve the sanitaryware industry with the acquisition of MRD-ECC (Thailand), a local kaolin producer.

Early 2005, the acquisition of Lafarge Réfractaires Monolithiques enabled Imerys to become the European leader in monolithic refractories. The merger of these activities with Plibrico, acquired a few years earlier, led to the creation of a new entity, Calderys. In July, Imerys acquired World Minerals (United States), world leader in filtration and performance minerals, bringing in new minerals: diatomite and perlite. The year ended with the acquisition of Denain Anzin Minerals adding feldspar, mica, quartz and kaolin deposits in Europe.

From 2006 to 2008, the Group continued to grow: calcined clays with specialists AGS (France) and Vatutinsky (Ukraine), extensive reserves of high quality white marble in Malaysia, China and Vietnam as well as Europe, and feldspar mines in India (Jumbo Mining), the United States (The Feldspar Corporation) and Turkey. The acquisition of ACE, the Indian leader in monolithic refractories, gave Calderys a new dimension, reinforced by B&B (South Africa) and Svenska Silika Verken AB (Sweden). Imerys added fused zircon, a mineral for the refractory, technical ceramics and automotive markets to its portfolio, becoming the world leader with the successive acquisitions of UCM Group Plc (United Kingdom) and Astron China. Perlite activities were bolstered in South America with the acquisition of Perfiltra in Argentina. The acquisitions of Kings Mountain Minerals, Inc. (North Carolina, United States) and Suzorite Mining, Inc. (Quebec, Canada) added high quality mica to the Group's mineral portfolio.

(1) Industrial minerals: non-metallic and non-combustible rocks or minerals, mined and transformed for industrial purposes.

(2) Throughout the Registration Document, information on market positions corresponds to evaluations made by Imerys on the basis of its market knowledge, or is derived from trade publications such as Roskill and Industrial Minerals, or from reports drawn up by Kline & Company, Inc.

In 2010, the commissioning of a new plant increased andalusite production capacity in China. The acquisition of Pará Pigmentos S.A. increased the Group's kaolin resources in Brazil.

In 2011, Imerys acquired the Luzenac Group and became the world leader in talc processing. A production unit was inaugurated in Andersonville (Georgia, United States) to provide ceramic proppant, used to keep fractures open in non-conventional oil and gas exploration. Through the joint venture "The Quartz Corp SAS" created with the Norwegian group Norsk Mineral AS, the Group can serve the increasing demand of high purity quartz in semiconductor and photovoltaic markets. In Malaysia, the production capacity of the calcium carbonate plant was extended and in Japan, the Miyagi plant, rebuilt after the Tsunami, also increased its production capacity to meet higher demand from its main customer.

In 2012, the Group enhanced product offering in Brazil for the paint, polymer and rubber markets with the acquisition of Itatex and refractory activities with a refractory bauxite deposit from the Vale Group.

In 2013, several acquisitions are made throughout the Group's businesses: PyraMax Ceramics LLC (United States), an industrial complex for manufacturing ceramic proppants, Goonvean kaolin activities (United Kingdom), Ceraminas (Thailand) a local feldspar producing company. To support growing demand from mobile energy segments, the Group doubled the capacity of the Willebroek carbon black plant (Belgium). The construction of the lime production plant in Deresopolis (Brazil) was completed and the plant went into production. Arefcon B.V (Netherlands), Indoporlen (Indonesia) and Tokai (Japan) were integrated in the Group's Monolithic Refractories division. The sale of Imerys Structure (brick walls and partitions, and flues) to Bouyer Leroux group (France) is finalized.

In 2014, the acquisition of Termorak strengthened the Group's position in the design and installation of refractory materials for the petrochemical and thermal industries. The Group expanded its geographical footprint in natural calcium carbonate with the integration of Kinta Powdertec Sdn Bhd (Malaysia). An applied R&D center opened in Japan to support the Graphite and Carbone's major local customers. The fused alumina production plant in Bahrain, whose construction was initiated in 2012, went into production. This joint-venture with Al Zayani Investments group, Imerys' first industrial base in the Middle East, enabled the Group to enlarge its business activities in this region. At the same time the Group disposed of four calcium carbonate paper plants in Europe and the United States as well as a production plant in Tunisia, and closed down the Ardoisières d'Angers site (France).

In 2015, Imerys acquired the S&B Group, world leader in steel casting fluxes, wollastonite, perlite-based solutions and European leader in bentonite. The Group also completed the acquisition of the activity of precipitated Calcium Carbonate (Austria, France,

Germany and United Kingdom) of the Solvay Group, the European leader in fine and ultra thin PCC, used as a functional additive in specialty applications (polymers, paints, hygiene, health and beauty), as well as the Matisco Development Group (France), a company specialized in the manufacture of metal profiles.

In 2016, Imerys took a further step in its development strategy with the signing of an agreement for the acquisition of the Kerneos Group, the world leader in calcium aluminate-based high-performance binders. The Group has also acquired a specialty alumina business from the Alteo group (France, Germany), and enhanced its geographic positioning by acquiring the SPAR industrial production unit (United States), a producer of monolithic refractories in North America on one hand, and on the other hand, by enlarging its service offer with the acquisition of Fagersta Eldfasta (Sweden).

The operations conducted in 2017 are detailed in [chapter 1, paragraph 1.4.2 and chapter 2 paragraph 2.1.1 of the Registration Document](#).

■ CORPORATE PURPOSE (ARTICLE 3 OF THE BY-LAWS)

Imerys is the parent company of an industrial and commercial group, which is the world leader in mineral-based specialty solutions for industry.

Under the terms of article 3 of the by-laws, "The Company's purpose, in France and abroad, is:

- the research, acquisition, farm-out, sale and operation of any mines and quarries, of any kind whatsoever;
- the processing and transformation of, and trading in any minerals, metals, organic or non-organic materials and mineral substances, as well as their by-products and alloys;
- the manufacturing of any finished products in which minerals, metals, organic or non-organic materials and mineral substances are used;
- the purchase, obtaining, operation, concession and sale, in whole or in part, on a temporary or permanent basis, of any patents, certificates or licenses pertaining to the above-mentioned purposes;
- the creation, sale, concession of any buildings and plants, of any means of transportation and energy sources;
- the participation in any country, in any mining, quarrying, commercial, industrial and maritime operations aimed at favoring or developing the Company's own industries and businesses, through the creation of new companies, alliances, holding companies or otherwise; and, generally, any mining, quarrying, commercial, industrial, maritime, real estate, personal property and financial operations relating directly or indirectly, in whole or in part, to any of the above-specified purposes or any other similar or related purposes."

■ FINANCIAL YEAR (ARTICLE 28 OF THE BY-LAWS)

The financial year is 12 months. It begins on January 1 and ends on December 31 of each year.

■ BOARD OF DIRECTORS (ARTICLES 12 AND 13 OF THE BY-LAWS)

The Company is managed by a Board of Directors comprised of at least three members and no more than eighteen members, except for any dispensation provided by law.

Directors are appointed or renewed by the Ordinary General Meeting of the Shareholders, which may remove them at any time. The term of office of the Directors is three years. The term of office of a Director shall expire at the close of the Ordinary General Meeting of the Shareholders that rules on the financial statements for the previous financial year and which is held in the year during which the term of office expires. No person aged seventy (70) or over may be appointed a Director. If one of the Directors reaches said age, he or she shall be deemed to have automatically resigned on the date of the first General Meeting of the Shareholders after his or her 70th birthday.

The Board of Directors shall also comprise one Director representing employees who is designated by the European Works Council. When the number of Directors appointed by the Shareholders' General Meeting is higher than 12, second Director representing employees shall be designated by the France Group Committee.

✓ For more details regarding the composition, powers and functioning of the Board of Directors, please [see chapter 3, section 3.1 of the Registration Document](#).

Moreover, it will be proposed to the Shareholders' General Meeting of May 4, 2018 to amend the provisions of the Company's bylaws relating to, on one hand, the age limit for holding the office of Director and, on the other hand, the functioning of the Board of Directors in order to offer the latter the possibility of appointing censors (for more information, [see chapter 8, paragraph 8.1.10 and section 8.4 of chapter 8 of the Registration Document](#)).

■ SHAREHOLDERS' GENERAL MEETINGS (ARTICLES 21 AND 22 OF THE BY-LAWS)

Convening

Shareholders' General Meetings are convened under the terms and conditions provided by current legal provisions and are held either at the registered office or in any other place specified in the notice of meeting.

Conditions for admission

Any shareholder has the right to take part in Shareholders' General Meetings – whether in person, *via* a proxy or by correspondence – simply by providing proof of identity and share ownership by means of, either a nominative registration, or by transmission of a certificate of holding proving the registration of bearer shares. Registration or deposit formalities must be completed no later than two business days prior to the meeting. Any shareholder may also, by decision of the Board of Directors as notified in the notice of meeting, take part in General Meetings and vote by data transmission and/or any other means of telecommunication, under the conditions provided by current legal provisions.

Conditions for the exercise of voting rights

All documents specified by articles R. 225-81 and R. 225-83 of the French Code of Commerce, including a postal or proxy voting form, are sent to shareholders on request. This form can only be validly taken into account if it is completed in accordance with current legislation and returned to the registered office or to the address given on the notice of meeting. Moreover, any shareholder may, by decision of the Board of Directors as notified in the notice of meeting, obtain and return the voting form by post or proxy, by data transmission or any other means of telecommunication, under the terms and conditions provided by current legal provisions.

Double voting rights

Shares registered in the name of the same shareholder for at least two years benefit from a double voting right. This right is authorized by law and provided by article 22 of the by-laws, and is intended to reward the Company's shareholders for their loyalty. The double voting right is also granted to new free shares granted to shareholders under a capital increase operation, on the basis of the old shares which benefited from this right. The double voting right ceases *ipso jure* when a registered share is converted to a bearer share or is transferred, except in cases of collateral assignment or transfer as life interest or by inheritance or family bequest. Finally, the double voting right may be cancelled by decision of an Extraordinary Shareholders' General Meeting with prior authorization of the Special General Meeting of the holders of this right.

Restriction of voting rights

None.

■ ALLOCATION OF PROFITS (ARTICLE 30 OF THE BY-LAWS)

Income for each financial year is determined in accordance with the legal and regulatory provisions in force, as follows:

- at least 5% of net earnings for the financial year, less any prior losses, where applicable, are withheld to make up the legal reserve. This withholding ceases to be obligatory when the reserve reaches 10% of the share capital;
- earnings for the financial year, less any prior losses and increased by any earnings carried over, subject to deduction of any retained earnings carried forward by the Shareholders' General Meeting or assigned by it to one or more reserves, are allocated among shares, without distinction;
- the Shareholders' General Meeting may grant to each shareholder, for all or part of the dividend being distributed, or for advances on dividends, an option between payment of the dividend in cash or in shares.

■ IDENTIFIABLE BEARER SHARES (ARTICLE 9 OF THE BY-LAWS)

The Company is authorized, under the terms and conditions provided by current legal provisions, to ask Euroclear France for the information needed to identify the owners of bearer shares that grant, whether immediately or at a later date, voting rights in its Shareholders' Meetings, as well as the quantity of shares or other securities held by each of them and, as the case may be, any restrictions that may apply to these securities.

■ DISCLOSURE OF THRESHOLD CROSSINGS

Imerys' by-laws do not contain any clause imposing disclosure requirements in the case of holdings that cross certain thresholds, other than those set down by law.

Any shareholder, whether acting alone or with others, whose holding rises above or passes below one of the holding thresholds for the

Company's capital and/or voting rights provided by the legislation in force must comply with the provisions of articles L. 233-7 *et seq.* of the French Code of Commerce and, more specifically, notify the Company (or, as the case may be, any person that the Company may have been designated for that purpose) and the Autorité des marchés financiers (AMF), within four trading days of their holding crossing the threshold in question, in line with article 223-14 of the AMF's General Regulations. In the event of failure to comply with this obligation, the provisions of article L. 233-14 of the French Code of Commerce shall apply.

■ PUBLICLY ACCESSIBLE DOCUMENTS

The by-laws, minutes of Shareholders' General Meetings, statutory and consolidated financial statements, Statutory Auditors' Reports and all documents made available to the shareholders may be read at the Company's registered office or on the Company's website (www.imerys.com – Media Center – regulated information & publications section).

7.2 INFORMATION ABOUT THE SHARE CAPITAL

7.2.1 SHARE CAPITAL AMOUNT

On December 13, 2017, as part of the share buy-back programs authorized by the Shareholders' General Meetings of May 4, 2016 and May 3, 2017, and according to the authorization granted by the Shareholders' General Meeting of May 3, 2017, the Board of Directors cancelled 400,000 treasury shares acquired on the market through an investment services provider (for more details, please [see paragraph 7.2.4 of the present chapter](#)). This cancellation of shares led to a share capital decrease of the Company by a nominal amount of €800,000.

On January 5, 2018, the Chairman and Chief Executive Officer, under the powers conferred to him by the Board of Directors on December 13, 2017, acknowledged that, on December 31, 2017, the share capital had been increased by a nominal amount of €872,822 as a result of the exercise between January 1 and December 31, 2017 of 436,411 stock options and consequently the creation of an equivalent number of new Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as of December 31, 2017 totaled €159,208,570; it was made up of 79,604,285 shares with a €2 par value among which 47,415,689 benefited from double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 127,019,974. Considering the 632,227 treasury shares held by the Company as on December 31, 2017 ([see paragraph 7.2.4 of this chapter](#)), the total number of net voting rights attached to existing shares was 126,387,747 at that date.

Taking into account the 406,037 stock options and 1,046,108 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired at December 31, 2017, the maximum potential dilution of the Company's share capital was 1.79% as on this date (*i.e.* a nominal amount of €162,112,860). The share capital has not changed since that date.

No directly registered shares have been pledged by the Company.

7.2.2 CHANGES IN SHARE CAPITAL OVER THE PAST FIVE YEARS

Changes in the number of shares and in the Company's share capital over the past five years are as follows:

Year	Operation	Nominal amount of change in capital (€)	Issue premium (€)	Number of shares created	Per value of shares (€)	Successive amounts of the Company's capital (€)	Number of shares that make up capital
2013	Cancellation of shares	(87,448)	(1,963,193)	(43,724)	2	150,649,644	75,324,822
	Exercise of stock options	1,826,884	38,078,652	913,442	2	152,476,528	76,238,264*
2014	Cancellation of shares	(1,836,630)	(54,236,971)	(918,315)	2	150,639,898	75,319,949
	Exercise of stock options	1,131,284	26,244,140	565,642	2	151,771,182	75,885,591*
2015	Exercise of stock options	626,748	15,747,996	313,374	2	152,397,930	76,198,965
	Share capital increase in compensation of a contribution in kind	7,456,616	206,943,483	3,728,308	2	159,854,546	79,927,273
	Cancellation of shares	(2,000,000)	(60,381,827)	(1,000,000)	2	157,854,546	78,927,273
	Exercise of stock options	1,290,436	34,552,929	645,218	2	159,144,982	79,572,491*
2016	Cancellation of shares	(600,000)	(16,046,322)	(300,000)	2	158,544,982	79,272,491
	Exercise of stock options	590,766	15,582,577	295,383	2	159,135,748	79,567,874*
2017	Cancellation of shares	(800,000)	(23,841,188)	(400,000)	2	158,335,748	79,167,874
	Exercise of stock options	872,822	22,418,675	436,411	2	159,208,570	79,604,285*

* As at December 31.

7.2.3 FINANCIAL AUTHORIZATIONS

In accordance with the new provisions of articles L. 225-37 and L. 225-37-2 of the French Code of Commerce introduced by the Ordinance of July 12, 2017, the authorizations and delegations of authority granted to the Board of Directors by the Shareholders' General Meeting, in force on the date of this Registration Document and presented in the table below, form an integral part of the Corporate Governance Report, appearing in [chapter 2, section 2.2 of the Registration Document](#).

■ SUMMARY OF THE FINANCIAL AUTHORIZATIONS AND DELEGATIONS OF AUTHORITY IN FORCE

Type of authorizations	Expiry and duration of the authorization	Maximum nominal authorized amount	Use in 2017
Issue of shares and debt securities			
Issue of shares or debt securities giving access to the share capital with preemptive subscription rights ⁽¹⁾ (Shareholders' General Meeting of May 3, 2017, 13 th resolution)	July 2, 2019 (26 months)	Capital: €75 million Debt securities: €1 billion	None
Issue of shares or debt securities giving access to the share capital without preemptive subscription rights, and, as the case maybe, a priority period granted by the Board of Directors ⁽²⁾ (Shareholders' General Meeting of May 3, 2017, 14 th resolution)	July 2, 2019 (26 months)	Capital: €15 million Debt securities: €1 billion	None
Issue of shares or securities giving access to the share capital, by private investments with cancellation of preemptive subscription rights in favor of qualified investors or a limited circle of investors ⁽³⁾ (Shareholders' General Meeting of May 3, 2017, 15 th resolution)	July 2, 2019 (26 months)	10% of the capital on the issue day, the issued amount being charged to the ceiling of the 14 th resolution of the Shareholders' General Meeting of May 3, 2017	None
Authorization to increase the number of shares in the event of excess demand of shares to be issued with or without preemptive subscription rights ⁽⁴⁾ (Shareholders' General Meeting of May 3, 2017, 16 th resolution)	July 2, 2019 (26 months)	10% of the initial issue, the issued amount being charged to the ceiling of the 13 th , 14 th and 15 th resolutions of the Shareholders' General Meeting of May 3, 2017	None
Authorization to set the issue price of shares or securities giving access to the share capital in the event of cancellation of preemptive subscription rights ⁽⁵⁾ (Shareholders' General Meeting of May 3, 2017, 17 th resolution)	July 2, 2019 (26 months)	10% of the capital per year, the issued amount being charged to the ceiling of the 14 th and 15 th resolutions of the Shareholders' General Meeting of May 3, 2017	None
Issue of shares or securities giving access to the share capital in compensation for contributions in kind made of shares or securities giving access to the share capital ⁽⁶⁾ (Shareholders' General Meeting of May 3, 2017, 18 th resolution)	July 2, 2019 (26 months)	10% of the capital per year, the issued amount being charged to the ceiling of the 14 th resolution of the Shareholders' General Meeting of May 3, 2017	None
Increase of share capital by capitalization of reserves, earnings and issue or share premiums ⁽⁷⁾ (Shareholders' General Meeting of May 3, 2017, 19 th resolution)	July 2, 2019 (26 months)	€75 million, the issued amount being charged to the ceiling of the 13 th resolution of the Shareholders' General Meeting of May 3, 2017	None
Overall ceilings of the share capital increases with or without preemptive subscription right (Shareholders' General Meeting of May 3, 2017, 20 th resolution)	July 2, 2019 (26 months)	Capital: €75 million Debt securities: €1 billion	None

(1) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-91 et seq. of the French Code of Commerce.

(2) In accordance with the provisions of articles L. 225-129 et seq., L. 225-135 et seq., L. 225-136 and L. 228-91 et seq. of the French Code of Commerce.

(3) In accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. of the French Code of Commerce and L. 411-2 of the French Monetary and Financial Code.

(4) In accordance with the provisions of article L. 225-135-1 of the French Code of Commerce.

(5) In accordance with the provisions of articles L. 225-129-2 and L. 225-136-1°, paragraph 2 of the French Code of Commerce.

(6) In accordance with the provisions of articles L. 225-147 and L. 228-91 et seq. of the French Code of Commerce.

(7) In accordance with the provisions of articles L. 225-129, L. 225-129-2 et seq. and L. 225-130 of the French Code of Commerce.

7 INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

INFORMATION ABOUT THE SHARE CAPITAL

Type of authorizations	Expiry and duration of the authorization	Maximum nominal authorized amount	Use in 2017
Share buyback and cancellation of shares			
Purchase by the Company of treasury shares ⁽⁸⁾ (Shareholders' General Meeting of May 3, 2017, 12 th resolution)	November 2, 2018 (18 months)	10% of the existing shares as of January 1, 2017	1,019,372 acquired shares
Share capital decrease by cancellation of treasury shares (Shareholders' General Meeting of May 3, 2017, 22 nd resolution)	May 2, 2019 (24 months)	10% of the capital per 24-month period	400,000 cancelled shares
Issues in favor of employees and corporate officers			
Issue of shares or securities giving access to the share capital reserved for Group employees that joined a company or Group savings plan ⁽⁹⁾ (Shareholders' General Meeting of May 3, 2017, 21 st resolution)	July 2, 2019 (26 months)	€1.6 million	None
Grant of Imerys stock options to employees and corporate officers, or certain categories of them ⁽¹⁰⁾ (Shareholders' General Meeting of May 3, 2017, 23 rd resolution)	July 2, 2020 (38 months)	Common ceiling: 3% of the share capital on the day of the Board's decision to grant share subscription and/or acquisition options or free shares or to issue share subscription and/or acquisition Sub-ceiling of grant of stock options and conditional free shares to executive officers: 0.5% of share capital on the day of the Board's decision to grant	None ⁽¹¹⁾
Grant of Imerys conditional free shares to employees and corporate officers, or certain categories of them ⁽¹²⁾ (Shareholders' General Meeting of May 3, 2017, 24 th resolution)	July 2, 2020 (36 months due to the fact that the authorization came into force on July 3, 2017)		293,400 conditional free shares were allotted in 2017 under the previous authorization granted by the Shareholders' General Meeting of May 4, 2016 i.e. 0.37% of the capital ⁽¹³⁾

(8) In accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and 241-1 to 241-6 of the AMF's General Regulations.

(9) In accordance with the provisions of articles L. 225-129 et seq. and L. 225-138 of the French Code of Commerce and L. 3332-1 et seq. of the French Labor Code.

(10) In accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce.

(11) For more details regarding stock options grants, see chapter 3, [section 3.4 of the Registration Document](#).

(12) In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.

(13) For more details regarding allotments of conditional free shares, see chapter 3, [section 3.5 of the Registration Document](#).

The table below sets out the financial authorizations of which the renewal will be proposed to the Shareholders' General Meeting of May 4, 2018.

✓ For more details, *see chapter 8, paragraphs 8.1.8 and 8.1.9 and section 8.4 of the Registration Document.*

■ SUMMARY OF THE FINANCIAL AUTHORIZATIONS FOR WHICH THE RENEWAL WILL BE PROPOSED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 4, 2018

Type of authorizations	Expiry and duration of the authorization	Maximum nominal authorized amount
Share buyback and cancellation of shares		
Purchase by the Company of treasury shares ⁽¹⁾ (Shareholders' General Meeting of May 4, 2018, 13 th resolution)	November 3, 2019 (18 months)	5% of the existing shares as of January 1, 2018 (i.e. 3,980,214 shares)
Issues in favor of employees and corporate officers		
Grant of Imerys conditional free shares to employees and corporate officers, or certain categories of them ⁽²⁾ (Shareholders' General Meeting of May 4, 2018, 14 th resolution)	July 2, 2020 (26 months due to the alignment of the duration of this authorization with the one relating to the authorization to grant stock options or share purchase options approved by the Shareholders' General Meeting of May 3, 2017)	Common ceiling with the authorization to grant stock option given by the Shareholders' General Meeting of May 3, 2017 (23 rd resolution): 3% of the share capital on the day of the Board's decision to grant share subscription and/or acquisition options or free shares or to issue share subscription and/or acquisition Sub-ceiling of grant of stock options and conditional free shares to executive officers: 0.5% of share capital on the day of the Board's decision to grant

(1) *In accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and 241-1 to 241-6 of the AMF's General Regulations.*

(2) *In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.*

■ OTHER SECURITIES

As the decision to issue ordinary bonds is within the competence of the Board of Directors in accordance with article L. 228-40 of the French Code of Commerce, the Board of Directors delegated on May 3, 2017 full powers to the Chairman and Chief Executive Officer for the purposes of carrying out such issues and deciding their conditions, within the period of one year and an initial limit of a maximum annual nominal amount of €1.5 billion and a maximum nominal amount per operation of €350 million.

Pursuant to the specific authorization given by the Board of Directors on December 15, 2016, the Company completed on January 10, 2017 under the Euro Medium Term Notes program (EMTN), a bond issue for the amount of €600 million with a 10-year maturity and a 1.50% annual coupon corresponding to a spread of mid- swap +92 bps (*see the press release dated January 10, 2017*).

7.2.4 SHARE BUYBACK PROGRAMS

■ LEGAL FRAMEWORK OF SHARE BUYBACK PROGRAMS IMPLEMENTED IN 2017

The Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2017 renewed in favor of the Board of Directors and for a period of 18 months, *i.e.* until November 2, 2018, the authorization previously granted by the Ordinary and Extraordinary Shareholders' General Meeting held on May 4, 2016 for the Company to buy back its own shares, in accordance with articles L. 225-209 *et seq.* of the French Code of Commerce, within the limit of 10% of the shares existing and outstanding as of January 1, 2017, *i.e.* 7,956,787 and within the limit of a global investment amount of €716 million. This Shareholders' General Meeting also decided that the number of shares likely to be held, directly or indirectly, at all times, shall not exceed 10% of the shares making up the share capital. Lastly, the maximum acquisition price was set at €90 per share.

In accordance with provisions of article L. 225-209 paragraph 3 of the French Code of Commerce, the Board of Directors delegated to the Chairman and Chief Executive Officer on May 3, 2017 all powers for the purposes of purchasing the Company's shares, under the conditions and within the limits set by the Shareholders' General Meeting.

■ OPERATIONS CARRIED OUT IN 2017⁽¹⁾

In accordance with article L. 225-211 of the French Code of Commerce, the following operations were carried out with respect to the Company's share buyback programs in force in 2017.

Transactions completed between January 1 and May 2, 2017 within the framework of the share buyback program approved by the Shareholders' General Meeting of May 4, 2016

Under the liquidity contract that complies with the AMAFI Code of conduct approved by the Autorité des marchés financiers on March 21, 2011, concluded by the Company with Rothschild & Cie Banque on February 16, 2017:

- 307,479 shares were acquired on the market at an average weighted price of €77.76; and
- 307,479 shares were sold on the market at an average weighted price of €77.87.

Transactions completed between May 3 and December 31, 2017 within the framework of the current share buyback program approved by the Shareholders' General Meeting of May 3, 2017

Further to the renewal on June 1, 2017 of the share purchase mandate entered into by the Company on June 1, 2016 with an investment services provider (ISP), in accordance with the provisions of European regulation (EU) 2273/2003, articles 241-1 *et seq.* and 631-5 *et seq.* of AMF's General Regulations and AMF's position on the implementation of the share buyback framework, 350,000 shares were acquired on the market at an average weighted price of €76.57.

Among these shares, 192,658 were allocated for the purposes of conditional free share grants to certain employees and corporate officers and 157,342 shares were allocated for the purposes of subsequent cancellation. Moreover, 5,888 that were initially allocated for the purposes of conditional free share grants to certain employees and corporate officers, were re-allocated for the purposes of subsequent cancellation in 2017.

Finally, under the liquidity contract mentioned above 695,563 shares were acquired and sold at a respective average weighted price of €76.88 and €76.99.

It being stipulated that the conclusion of the share purchase mandates and the liquidity contract was released on the Company's website on June 1, 2016, February 16, 2017 and June 2, 2017.

Number of treasury shares held as at December 31, 2017

Taking into account:

- the remaining number of treasury shares as on January 1, 2017, *i.e.* 932,821;
- the number of shares acquired on the market in 2017 through the share purchase mandate concluded by the Company with an investment services provider *i.e.* 350,000;
- the delivery in 2017 of 54,831 shares as payment of the second share performance amount for the S&B group acquisition and the delivery of 195,763 vested shares to the beneficiaries of conditional Free Share Plans (for further details, [see chapter 3, paragraph 3.5.1 of the Registration Document](#)); and
- the cancellation of 400,000 treasury shares decided by the Board of Directors of December 13, 2017,

632,227 treasury shares with a par value of €2 and acquired on the market at an average price of €70.17 were self-held by the Company on December 31, 2017, representing 0.79% of share capital at that date.

It is noted that:

- all transactions conducted in 2017 by the Company with respect to its share buyback programs were made on a spot basis without any open purchasing or selling position being taken;
- the Company does not use derivatives with respect to its share buyback programs;
- the bank fees relating to the buyback transactions made directly on the market by the Company in 2017 amounted to €13,399. The French tax on financial transactions ("TTF") amounted to €80,398.

(1) All prices and amounts are given excluding fees and commissions.

RENEWAL OF THE SHARE BUYBACK PROGRAM

As the authorization granted by the Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2017 expires on November 2, 2018, its renewal in favor of the Board of Directors, will be proposed at the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2018 for a further period of 18 months, i.e. until November 3, 2019 (see chapter 8, paragraph 8.1.8 and section 8.4 of the Registration Document).

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of the AMF's General Regulations, will be available on the Company's website (www.imerys.com – Media Center section – Regulated Information) and sent to the AMF. A copy of this description can also be obtained by simple request from the Company's head office.

7.2.5 EMPLOYEE SHAREHOLDING

As at December 31, 2017, 0.76% of the share capital and 0.84% of the voting rights in the Company were held, either directly or through the Imerys Actions mutual fund, by Group employees under the Group Savings Plan.

7.3 SHAREHOLDING

7.3.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS OVER THE PAST THREE YEARS

The changes in the share capital and voting rights structure over the past three years are as follows:

	As of December 31, 2015				As of December 31, 2016				As of December 31, 2017			
	Number of shares held	% of share capital	Voting rights attached ⁽¹⁾	% of voting rights ⁽²⁾	Number of shares held	% of share capital	Voting rights attached ⁽¹⁾	% of voting rights ⁽²⁾	Number of shares held	% of share capital	Voting rights attached ⁽¹⁾	% of voting rights ⁽²⁾
Belgian Securities BV	42,851,473	53.85	85,602,946	69.70	42,851,473	53.86	85,602,946	69.67	42,851,473	53.83	85,702,946	67.47
Blue Crest Holding SA	4,052,784	5.09	4,052,784	3.30	4,122,150	5.18	4,122,150	3.35	4,116,981	5.17	8,089,765	6.37
Group employees	146,238	0.18	292,158	0.24	390,457	0.49	686,619	0.56	604,757	0.76	1,068,091	0.84
Treasury shares	229,423	0.29	229,423 ⁽³⁾	0.19	932,821	1.17	932,821 ⁽³⁾	0.76	632,227	0.79	632,227 ⁽³⁾	0.50
Public	32,292,573	40.59	32,634,727	26.57	31,270,973	39.30	31,530,689	25.66	31,398,847	39.44	31,526,945	24.82
Total	79,572,491	100	122,812,038	100	79,567,874	100	122,875,225	100	79,604,285	100	127,019,974	100

(1) In compliance with article 22 of the by-laws, nominal shares registered for at least two years carry a double voting rights.

(2) The percentages are calculated on the basis of the theoretical voting rights existing as of December 31 of each year.

(3) These are theoretical voting rights, as treasury shares do not benefit from voting rights at the Shareholders' General Meetings.

7.3.2 CROSSING OF THRESHOLDS

On March 3, 2017, Blue Crest Holding SA declared to AMF for regularization that it exceeded on February 26, 2017 the 5% threshold in the Company's voting rights and held 4,102,150 shares representing 6,630,458 voting rights, i.e. 5.15% of capital and 5.28% of voting rights in Imerys as of that date (AMF decision and information No. 217C0590 dated March 3, 2017).

No other threshold crossing was brought to the attention of the Company during the 2017 financial year and up to the date of the Registration Document.

To the best of Imerys' knowledge, no shareholder other than those mentioned in paragraph 7.3.1 of this chapter directly or indirectly holds more than 5% of the share capital and voting rights of the Company as of the date of the Registration Document.

7.3.3 CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENT

■ CONTROL OF THE COMPANY

Due to the number of voting rights held by Belgian Securities BV which is directly controlled by Groupe Bruxelles Lambert and indirectly by Pargesa Holding SA (for further details, *see the organizational chart in paragraph 7.3.5 of this chapter*), the Pargesa-GBL concert has controlling rights over the Company. Nevertheless, the Company considers that there is no risk that such control be exercised abusively. The Company and its Board of Directors have always been extremely attentive to the respect of all shareholders' interests and have always striven to comply with the best Corporate Governance rules and practices in this field, as evidenced, in particular, by the number of independent members of the Board of Directors and its Audit Committee, Appointment Committee and Compensation Committee (for further information on the composition of the Board of Directors and its Committees, *see chapter 3, paragraph 3.1.2 of the Registration Document*).

■ SHAREHOLDERS' AGREEMENT

On November 5, 2014, Groupe Bruxelles Lambert, Belgian Securities B.V., Blue Crest Holding S.A. and S&B Minerals S.A entered into a shareholders' agreement with respect to their direct or indirect shareholding in the Company. This agreement, governed by Luxembourg law, came into force on February 26, 2015 for a renewable period of seven years and provides for the following:

- a lock-up agreement to hold for three years⁽¹⁾ the 3,728,308 shares created as compensation for the contribution of shares by S&B Minerals S.A. for the benefit of Imerys, held since February 26, 2015 by Blue Crest Holding SA (as well as the Imerys shares that the latter would receive in consideration of the performance amount by virtue of the share purchase agreement concluded on November 5, 2014);
- a joint tag-along right granted for three years to Blue Crest Holding SA by Groupe Bruxelles Lambert, in the event of a

transfer of Imerys shares by Groupe Bruxelles Lambert to a third party with the effect of reducing Groupe Bruxelles Lambert's interest to less than 40% of Imerys' capital;

- a pre-emptive right for the benefit of Groupe Bruxelles Lambert, with Blue Crest Holding SA having pledged, after the expiry of its holding commitment, to grant Groupe Bruxelles Lambert a pre-emptive right on any Imerys shares that Blue Crest Holding SA may wish to sell;
- a right of representation for Blue Crest Holding SA on the Board of Directors and on the Strategic Committee, for as long as Blue Crest Holding SA holds at least 3% of Imerys shares;

This shareholders' agreement also provides for its early termination if any of the following events occur:

- in the event that Blue Crest Holding SA comes to directly or indirectly hold a number of Imerys shares that is less than 50% of the 3,728,308 shares newly created as compensation for the contribution of shares implemented on February 26, 2015;
- in the event that the agreement is terminated by Groupe Bruxelles Lambert, which it would be authorized to do if Blue Crest Holding SA's current shareholders were to no longer control Blue Crest Holding SA or no longer directly or indirectly hold 100% of Blue Crest Holding SA's capital;
- if Groupe Bruxelles Lambert's direct or indirect interest was to fall below 40% of Imerys' capital.

It is specified that this shareholders' agreement does not form a concert as defined in article L. 233-10 of the French Code of Commerce. It was disclosed to the AMF and the Company on March 5, 2015 (AMF decision and information No. 215C0360 dated March 27, 2015 available on the AMF website: www.amf-france.org).

As of the date of this Registration Document, the Company has not been informed of any other agreement between the Company's shareholders, nor of any agreement that, if implemented, could lead to a change of control.

7.3.4 IDENTIFICATION OF BEARER SHAREHOLDERS

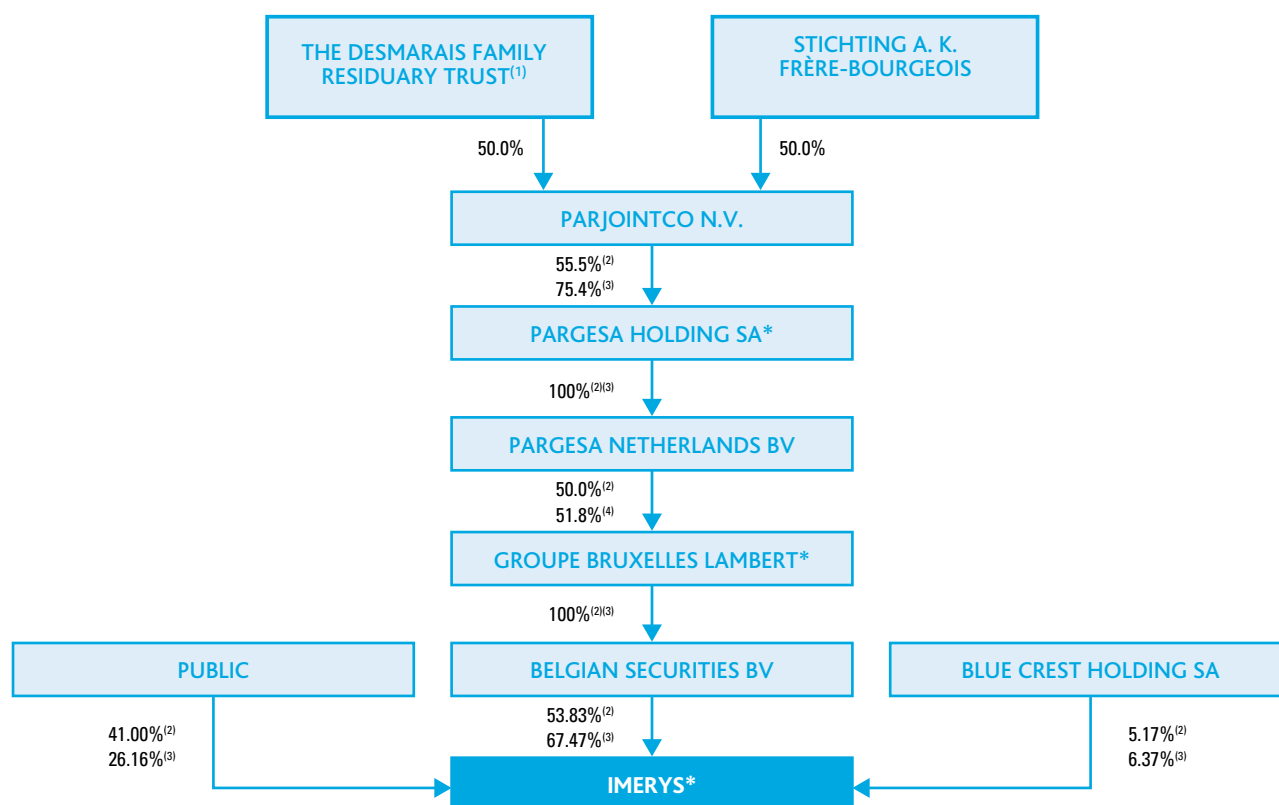
Imerys asked Euroclear France to conduct a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 30,000 shares. Except for the controlling shareholder (Belgian Securities BV), this survey identified

3,392 bearer shareholders with over 200 shares that together represented 38.3% of share capital as of December 31, 2017 (of which 352 institutional investors holding 35.67% of share capital).

(1) This three-year term having expired on February 26, 2018.

7.3.5 GROUP SHAREHOLDING STRUCTURE

The organizational chart showing the relationships between Imerys shareholders as regards share capital and voting rights as of December 31, 2017 may be presented as follows:



* Listed company.

(1) i.e. Jacqueline Desmarais (†), Paul Desmarais Jr. and André Desmarais.

(2) Participation of share capital.

(3) Participation of voting rights.

(4) Given the suspended voting rights of treasury shares.

Parjointco is a company governed by Dutch law, with registered offices located at Veerkade 5, 3016 DE-Rotterdam (Netherlands). It is held equally and jointly controlled by both The Desmarais Family Residuary Trust held by the Desmarais family (Canada) and by Stichting A.K. Frère Bourgeois controlled by Albert Frère (Belgium).

Pargesa Holding SA is a company governed by Swiss law with registered offices located at 11, Grand-Rue, CH-1204 Geneva (Switzerland). Pargesa Netherlands BV is a company governed by Dutch law, with registered offices located at Herengracht 483, 1017 BT Amsterdam (Netherlands).

Groupe Bruxelles Lambert (GBL) is a company governed by Belgian law, with registered offices located at Avenue Marnix 24, 1000 Brussels (Belgium). Belgian Securities BV is a company governed by Dutch law, with registered offices located at Herengracht 555, 1017 BW Amsterdam (Netherlands).

The direct tie-up of Imerys to the Pargesa-GBL group results from the merger of Parfinance with the Company, completed on June 30, 1998. Parfinance was then the Company's controlling shareholder, and had already been so for several years.

Blue Crest Holding SA is a company governed by Luxembourg law with registered offices located at 19, rue Eugène Ruppert, L-2453 Luxembourg (Luxembourg). It is held and controlled by the Kyriacopoulos family (Greece).

7.4 ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

In accordance with the new provisions of articles L. 225-37 and L. 225-37-2 of the French Code of Commerce introduced by the Ordinance of July 12, 2017, the elements which could have an impact in the event of a takeover bid for the securities of the Company presented below, form an integral part of the Corporate Governance Report, appearing in [chapter 2, section 2.2 of the Registration Document](#). It being stipulated that no specific mechanism has been set up by the Company.

Structure of the share capital – direct or indirect investments in the share capital – Shareholders' agreements

Information regarding the company's shareholding (structure of the share capital, thresholds crossings and control of the Company) appear in [section 7.3 of this chapter](#).

Restrictions to the exercise of voting rights and to the transfer of shares or agreements known by the Company

[See paragraph 7.3.3 of this chapter](#).

Holders of securities granting specific control rights

The Company's by-laws specify that shares registered in the name of the same shareholder for at least two years carry double voting rights ([see section 7.1 of this chapter](#)).

Control mechanisms under employee shareholding schemes

None.

Agreements between shareholders known by the Company that could lead to restrictions of share transfers and exercise of voting rights

[See paragraph 7.3.3 of this chapter](#).

Specific rules governing the appointment or replacement of Directors and amendments of the Company's by-laws

None.

Powers of the Board of Directors including issues of shares or share buybacks

The terms and conditions for the buyback of the Company's shares are set out in [paragraphs 7.2.3 and 7.2.4 of this chapter](#).

It is noted that, when renewing the financial authorizations that were expiring, the Ordinary and Extraordinary Shareholders' General Meeting held on May 3, 2017 excluded the possibility for the Board of Directors to make share buybacks or to use the delegations of authority granted to it, during periods of public offer on the Company's shares.

Agreements that may be amended or terminated in the event of a change of control of the Company

Among the Company's main financing agreements ([see note 24.5 to the consolidated financial statements](#)) some of them contain a clause which provides for their early reimbursement, under certain conditions and on the Company's initiative, in the event of a change of control.

Joint venture agreements entered into by the Company's subsidiaries generally provide for an exit clause in the event of a change of control of the said subsidiaries.

Agreements providing indemnities to be paid to members of the Board of Directors or employees if they resign or are dismissed without genuine and serious cause or if their employment ends because of a takeover bid

Terms and conditions payment of the indemnity that may be owed to Executive Corporate Officers in the event their duties end are detailed in [chapter 3, paragraph 3.3.2 of the Registration Document](#).

7.5 IMERYS STOCK EXCHANGE INFORMATION

Imerys shares are listed on Euronext Paris and are eligible for the deferred settlement system ("Système à Règlement Différé" – SRD) (ISIN code FR 0000120859-Mnemo NK). Imerys is part of the CAC MD (mid 60) index within the SBF 120 which represents the 120 largest stocks listed on Euronext Paris (in terms of market capitalization, free float and trading volumes), as well as of the CAC Basic Materials index. Imerys shares are also part of the "Dow Jones Euro Stoxx", the benchmark index for the euro zone. Within the SBF 120 and the Dow Jones Euro Stoxx 600,

Imerys shares have been listed, since November 2, 2009, under the general mining sector ("1775 General Mining Activities" according to ICB classification) and they also belong to more than 60 international indexes.

The Group remains attentive to the ratings of non-financial rating agencies ([see chapter 5, section 5.2 of the Registration Document](#)).

No securities of any Imerys subsidiary are listed on a stock exchange.

INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

IMERYS STOCK EXCHANGE INFORMATION

7.5.1 HIGHEST AND LOWEST MARKET PRICES BETWEEN 2013 AND 2017

Year	Highest market price* (€)	Lowest market price* (€)	Final market closing price of the year* (€)
2013	64.00	45.31	63.21
2014	68.10	50.45	61.01
2015	73.93	56.85	64.42
2016	72.24	50.38	72.07
2017	81.54	71.40	78.54

* Market prices observed during trading (sources: Bloomberg and Euronext).

7.5.2 TRADING SINCE JANUARY 2016

	Total monthly trading volume				Average daily trading		
	Highest price* (€)	Lowest price* (€)	Number of shares	Capital (€M)	Number of shares	Capital (€M)	Number of trades
2016							
January	63.24	55.30	1,818,197	105.60	90,910	5.28	1,351
February	58.00	50.38	2,417,562	131.52	115,122	6.26	1,764
March	61.80	55.61	1,948,675	114.56	92,794	5.46	1,596
April	64.95	59.26	1,869,899	116.98	89,043	5.57	1,503
May	65.00	59.99	1,545,870	96.37	70,267	4.38	1,137
June	65.00	54.86	1,867,363	112.54	84,880	5.12	1,341
July	64.29	55.12	1,288,995	75.97	61,381	3.62	1,056
August	64.91	61.86	980,698	62.20	42,639	2.70	773
September	65.55	61.91	1,007,150	64.17	45,780	2.92	793
October	68.75	56.75	1,546,424	100.94	73,639	4.81	1,402
November	68.00	61.72	1,417,830	91.69	64,447	4.17	1,278
December	72.24	64.88	1,609,548	112.99	76,645	5.38	1,395
Total 2016			19,318,211	1,185.53			
2017							
January	77.30	71.40	1,720,370	127.03	78,199	5.77	1,420
February	78.66	72.66	1,887,300	142.43	94,365	7.12	1,776
March	80.11	73.65	2,201,228	167.03	95,706	7.26	1,635
April	81.54	76.70	1,697,489	134.30	94,305	7.46	1,835
May	79.43	75.43	2,015,028	156.19	91,592	7.10	1,712
June	79.44	75.46	2,337,091	181.38	106,231	8.24	1,551
July	81.48	72.52	2,257,272	174.71	107,489	8.32	2,036
August	74.62	71.75	1,629,444	119.79	70,845	5.21	1,492
September	78.10	73.15	1,713,352	129.65	81,588	6.17	1,455
October	79.63	75.47	1,587,711	122.07	72,169	5.55	1,413
November	80.96	74.54	1,587,674	123.37	72,167	5.61	1,433
December	79.81	75.60	1,251,465	97.54	65,867	5.13	1,177
Total 2017			21,885,424	1,675.51			

* Market prices observed during trading (sources: Bloomberg and Euronext).

7.6 DIVIDENDS

Imerys' policy with regard to the distribution of dividends is based on the net income from current operations recorded for the considered financial year. Imerys historical payout ratio is approximately 37% of such income.

In accordance with the provisions of article 243 bis of the French General Tax Code, the dividends distributed with respect to the last three financial years were as follows:

	2016	2015	2014
Net income per share	€4.60	€4.31	€4.15
Net dividend per share	€1.87	€1.75	€1.65
Gross dividend per share	€1.87	€1.75	€1.65
Number of shares entitled to dividend	79,265,238	78,557,578	80,298,521
Total net distribution	€148.2 million	€137.5 million	€132.5 million

Imerys does not usually make interim distributions. Dividends are paid once a year following the Shareholders' General Meeting called upon to approve the management and financial statements for the financial year just ended.

The right to claim dividends lapses five years from the date of payment. Unclaimed amounts are deposited with the French State in the first 20 days of January of the year following the expiry of the limitation period.

7.7 RELATIONS WITH SHAREHOLDERS

Imerys pays special attention to its shareholders by keeping them up to date with its activities, strategy, capital expenditure, results and prospects. This objective is reflected in the various communication tools that involve shareholders in the Group's life:

- the website www.imerys.com enable to monitor in real time the news of the Group's activities and share prices, with a specific section dedicated to individual shareholders which provides access to the "Individual Shareholder's Guide";
- a Letter to Shareholders published several times a year, presenting the Group's news, results and outlook;
- an Annual Report;
- a Registration Document including the Annual Financial Report, plus a Half-year Financial Report;
- a Sustainable Development Report;
- a dedicated phone line and e-mail address.

All these documents are published in English and French and are sent to each registered shareholder and to the bearer shareholders who wish to receive them regularly.

The financial community and individual shareholders are also informed on the Company's business through financial announcements published in the press (paper and web format) whenever results are published and when annual Shareholders' General Meeting is convened.

Imerys, through the intermediary of CACEIS Corporate Trust which is in charge of its registry services, provides shareholders who opt to register their shares in their own name with an online service for consulting their securities account through the secure Internet site www.nomi.olisnet.com. This site gives shareholders access in particular to the prices and characteristics of the securities in their portfolio, their latest security transactions and the availability of their stocks and the attached voting rights. It also contains all documentation concerning the annual Shareholders' General Meeting and enables them to vote on line.

Imerys keeps up ongoing, open and transparent relations with the whole financial, institutional and socially responsible community through individual meetings, sector conferences and conference calls. More than 400 meetings organized throughout 2017 enabled the Executive Management and the Investor Relations team to dialog with financial analysts, institutional investors and international fund managers in the United States, France and United Kingdom as well as in Belgium, Germany, Italy and Switzerland. The number of road shows in second rank financial places has notably increased in 2017 in countries such as Finland, Ireland and Luxembourg to develop and diversify Imerys' shareholder base.

Financial Communication is part of the Group Finance Function:

- Telephone: +33 (0) 1 49 55 64 01
- Fax: +33 (0) 1 49 55 63 16
- e-mail address: finance@imerys.com

Registry services for Imerys shares are provided by the following bank:

- CACEIS Corporate Trust

14, rue Rouget-de-Lisle

92862 Issy-les-Moulineaux Cedex 9 (France)

- Telephone: +33 (0) 1 57 78 34 44
- Fax: +33 (0) 1 49 08 05 80
- e-mail address: ct-contact@caceis.com

CACEIS Corporate Trust is more specifically at the service of registered shareholders for the management of their Imerys shares.

7.8 PARENT COMPANY/SUBSIDIARIES ORGANIZATION

As of December 31, 2017, the Group was made up of 371 companies in 59 countries (the main consolidated entities of the Group are listed in [note 25 to the consolidated financial statements](#)). The Group operational structure is based on four business groups details of which are set out in [chapter 1, paragraph 1.2.6 of the Registration Document](#).

Imerys is the Group's holding company. In that respect it does not directly carry out any industrial or commercial activity. The Company's assets are mainly comprised of the investments it directly holds in some Group subsidiaries. For further information about the subsidiaries held directly by the Company, [see note 35 to the statutory financial statements](#).

Imerys as well as some of its local holding companies (Belgium, Brazil, China, Singapore, United Kingdom and United States) provide all its subsidiaries with general assistance and expertise in particular in the following areas:

- Accounting & Financial Control;
- Audit;
- Communication;
- Environment, Health & Safety;
- Human Resources;
- Information Technology;
- Innovation, Research & Development;
- Insurance;

- Intellectual Property;
- Legal;
- Purchasing;
- Strategy;
- Tax;
- Treasury.

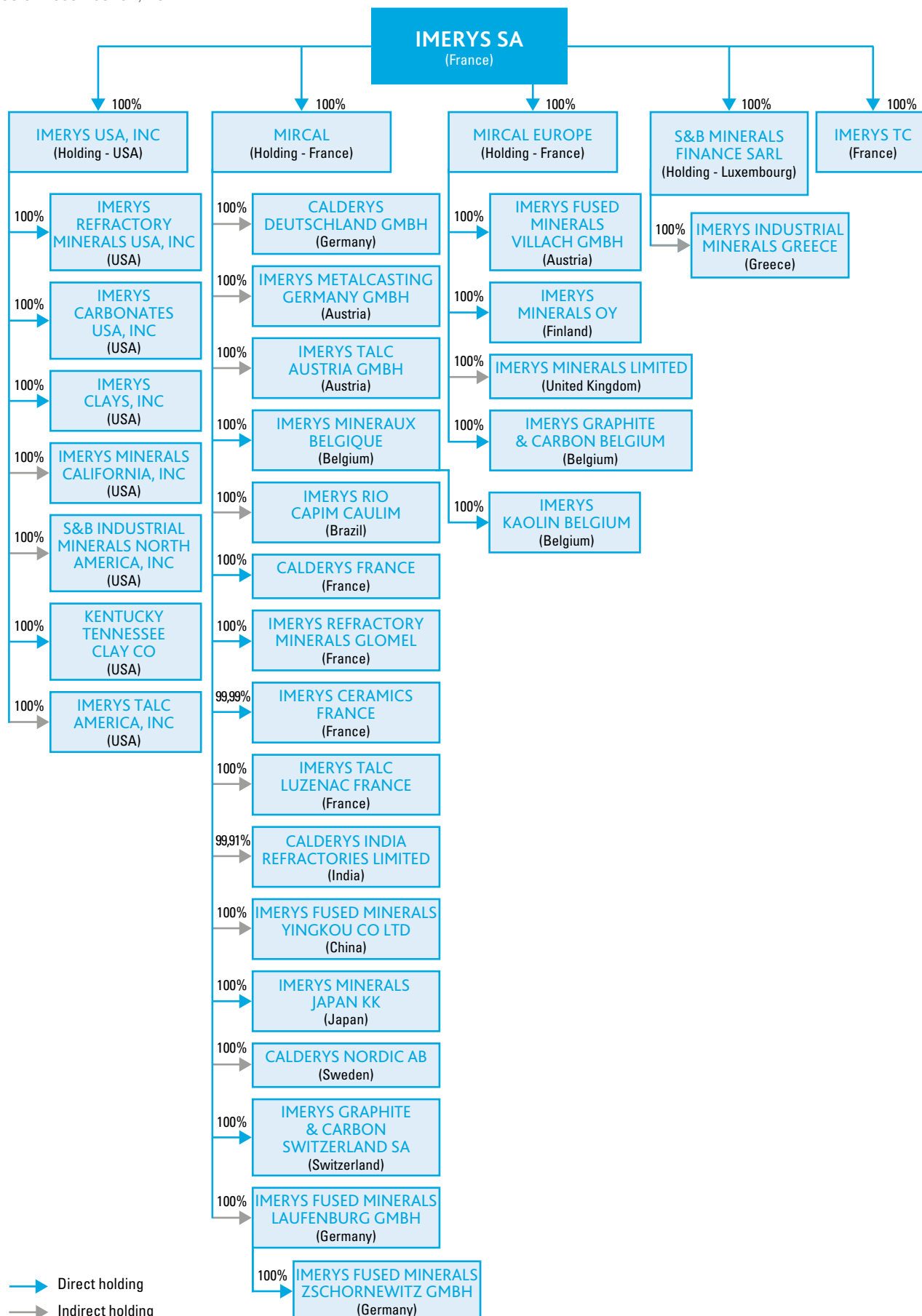
These services include, notably: assistance and advice in response to case-by-case requests from its subsidiaries, as well as more general studies and analyses or even recommendations or proposed actions as preventive measures.

Compensation for these services is determined on the basis of the related costs incurred by Imerys and its local holding companies. These costs are allocated among the subsidiaries that benefit from the services, either in proportion to their revenues compared to the total revenues of the activity they belong to or in proportion to the number of their employees. In addition, external costs incurred specifically on behalf of a subsidiary and the costs of employees seconded to a subsidiary are allocated separately to that subsidiary. The Company invoiced a net total amount of €47.3 million in 2017 for services provided to its subsidiaries. Imerys is also the parent company of the tax consolidation group for the Group's French companies with more than 95% of their share capital being held by Imerys ([see note 8 to the statutory financial statements](#)).

7 INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

PARENT COMPANY/SUBSIDIARIES ORGANIZATION

The simplified organization chart presented below shows the main operating entities of the Group whose turnover exceeded €50.0 million as of December 31, 2017.



8

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 4, 2018

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8.1 PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

The resolutions that the Board of Directors drew up at its meeting of March 8, 2018 and submit for your approval, fall within the scope of the ordinary part of the Shareholders' General Meeting for resolutions 1 to 13 and 16 and within the scope of the extraordinary part of the Shareholders' General Meeting for resolutions 14 and 15.

Pursuant to the new provisions of articles L. 225-37, L. 225-37-2 and L. 225-100 of the Code of Commerce, introduced by the Ordinance of July 12, 2017, [paragraphs 8.1.3 and 8.1.4 and section 8.4 of the present chapter](#) are an integral part of the Corporate Governance report referred to in [chapter 2, section 2.2 of the Registration Document](#).

8.1.1 FINANCIAL YEAR 2017 – ANNUAL FINANCIAL STATEMENTS AND ALLOCATION OF EARNINGS

(Three resolutions falling within the scope of the Ordinary Shareholders' General Meeting)

We first submit for your approval the Company's financial statements **(first resolution)** and the Group's consolidated financial statements **(second resolution)** for the 2017 financial year.

The presentation of these financial statements and the description of the financial situation, business and results of the Group and the Company for the financial year just ended, as well as the various items of information required by current legal and regulatory provisions, appear in [chapters 2 and 6 of the Registration Document](#).

You are then called upon to decide on the allocation of the Company's 2017 earnings **(third resolution)**. The Company's net income in 2017 totaled €373,430,724 to which the retained earnings appearing in the balance sheet of €187,806,849 be added in order to give a total distributable amount of €561,237,573. The Board of Directors proposes the payment of a dividend of €2.075 per share, *i.e.* a 11% increase compared with the dividend paid in 2017 with respect to the previous financial year.

It is specified that the total amount of dividend paid out would be adjusted according to the number of shares to be issued following the exercise of stock options as from January 1, 2018 and which would be entitled to the 2017 dividend as of the date of payment of that dividend. Consequently, the amount allocated to retained earnings would be determined on the basis of the total amount of the dividend actually paid. Finally, if the Company were to hold treasury shares on the date of payment of the dividend, the sums corresponding to the dividends that would be not paid out as a result would be allocated to retained earnings.

The dividend would be payable as from May 15, 2018.

Pursuant to the provisions of Article 243 bis of the French General Tax Code, the totality of the proposed dividend for the 2017 financial year will be eligible for the 40% tax allowance for individuals resident in France for tax purposes, as provided for in Article 158-3-2 ° of the General Tax Code, provided that the taxpayer has exercised the option for the taxation of dividends according to the scale of income tax provided for in Article 200 A 2. of said Code.

Dividends paid out with respect to the previous three financial years were as follows:

Financial year ending	12/31/2016	12/31/2015	12/31/2014
Net dividend per share	€1.87	€1.75	€1.65
Number of shares entitled to dividend	79,265,238	78,557,578	80,298,521
Total net distribution	€148.2 M	€137.5 M	€132.5 M

8.1.2 REGULATED AGREEMENTS AND COMMITMENTS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

Pursuant to the provisions of article L. 225-40 of the French Code of Commerce, you are asked to consider the Statutory Auditors' special report relating to the regulated agreements and commitments governed by the provisions of articles L. 225-38 *et seq.* of said Code **(fourth resolution)**, as reproduced in [chapter 2, paragraph 2.3.3 of the Registration Document](#).

Agreement with related party

At its meeting of December 13, 2017, the Board of Directors examined the terms of an amendment to the contract for the acquisition of the S&B group, entered into on November 5, 2014 by the Company and the companies S&B Minerals S.A.,

S&B Minerals Finance GP S.à r.l., S&B Minerals Holdings S.à r.l. and Blue Crest Holding S.A., concerning the revision of the practical terms for calculating the acquisition price provided for in said contract. Considering that this amendment would enable the Company to avoid any uncertainty and the cost of using third-party experts to determine the methodological calculation details to be applied and to rapidly reach an amicable, and balanced settlement between the parties, the Board authorised the signing of this amendment, which took place on December 22, 2017. As Ulysses Kyriacopoulos, a Director of your Company, also holds the office of Director at Blue Crest Holding S.A., you are asked, in accordance with the provisions of article L. 225-40 of the Code of Commerce relating to the procedure for regulated agreements, to approve the amendment thus entered into.

In 2017, no new agreement or commitment subject to the provisions of articles L. 225-38 *et seq.* of the Code of commerce was entered into, and the regulated agreements and commitments approved in previous years continued under the same conditions.

Commitments made in favor of Gilles Michel

At its meeting of March 8, 2018, the Board of Directors, in accordance with legal provisions, reexamined all the other regulated agreements and commitments authorized and entered into by the Company in previous years in favor of Gilles Michel and that continued in 2017 (supplementary pension plans, possible severance indemnity and social guarantee for Company managers).

Given the intention indicated by Gilles Michel to claim retirement benefits following the expiry of his term of office as Chief Executive Officer (for more information, *see chapter 3, section 3.2 and paragraph 8.1.5 of the present chapter*), the Board of Directors considered that the commitments relating to the severance indemnity and social guarantee for Company managers will become irrelevant, Gilles Michel remaining eligible to the supplementary pension plans described in *chapter 3, paragraph 3.3.2 of the Registration Document*.

All these agreements and commitments are detailed in the Statutory Auditors' special report that appears in *chapter 2, paragraph 2.3.3 and chapter 3, paragraph 3.3.2 of the Registration Document*.

8.1.3 PRINCIPLES AND CRITERIA OF DETERMINATION OF COMPENSATION ITEMS OF THE EXECUTIVE CORPORATE OFFICERS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

Pursuant to the provisions of article L. 225-37-2 of the French Code of Commerce, you are asked to approve the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of any kind that may be granted to Executive Corporate Officers (**fifth resolution**). For 2018, these components include those approved in 2017, which are presented in detail in *chapter 3, paragraph 3.3.2 and sections 3.5 and 3.6 of the Registration Document*, together with the following additional items that the Board of Directors decided to submit for your approval at its meeting of March 8, 2018, consisting of:

- a **multi-annual variable compensation** subject to the achievement of quantitative and/or qualitative criteria;

- an **extraordinary compensation** and a **signing bonus** if the circumstances warrant it;
- an **annual impatriation bonus**, equal to 30% of the fixed and variable compensation paid in respect of each financial year. Its payment shall give rise to a monthly down payment and an adjustment of its final amount upon the payment of the relevant annual variable compensation.

The payment of these variable and extraordinary components shall be subject to the approval of the Shareholders' General Meeting ("ex-post vote").

Moreover, the Board of Directors, upon the recommendations of the Compensation Committee, may agree with any Executive Corporate Officers On a non-competition obligation, with the payment of a severance indemnity, if any.

**8.1.4 COMPENSATION PAID OR GRANTED TO THE CHAIRMAN
AND CHIEF EXECUTIVE OFFICER IN 2017***(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)*

Pursuant to the new provisions of article L. 225-100 of the Code of Commerce, you are asked to rule, this year for the first time, on the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or granted with respect to the year ending December 31, 2017 to Gilles Michel in his capacity as Chairman & Chief Executive Officer **(sixth resolution)**.

The items presented hereafter, in accordance with the provisions of article L. 225-37-3, are an integral part of the Corporate Governance report, referred to in [chapter 2, section 2 of the Registration Document](#) (to find out more information about executive corporate officer compensation policy and components, see [chapter 3, paragraph 3.3.2 and sections 3.5 and 3.6 of the Registration Document](#)). It is specified that the payment of variable compensation components owed to Gilles Michel with respect to 2017 is subject to your approval.

Compensation items due or awarded for the year ended	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€800,000	Gross fixed compensation decided by the Board of Directors on February 15, 2017, unchanged since 2010.
Annual variable compensation	€996,864 to be paid in 2018 with respect to 2017	<p>At its meeting of March 8, 2018, the Board of Directors appraised, on the recommendations of the Compensation Committee, Gilles Michel's achievement of the quantitative and qualitative criteria that he had been set for 2017 in order to determine the amount of his variable compensation with respect to that year. The quantitative criteria for 2017 related to the achievement of goals for the Group's net income from current operations, free operating cash flow and return on capital employed of 50%, 30% and 20% respectively. These are identical to the 2016 goals. The qualitative criteria concerned, in particular, implementation of the Group's strategy, its organic and external growth, and its internal transformation programs. The confidential nature of these criteria prevents their full publication. For 2017, the Board set down a specific goal relating to workplace safety that is common to all the Group's top managers and accounts for 3% of the overall achievement of quantitative criteria.</p> <p>Consequently, Gilles Michel's variable compensation for 2017 amounts to €996,864, corresponding to a percentage of 124.61% of his fixed compensation with respect to 2017. This amount results from the fulfillment of 96.9% of the quantitative criteria and 100% of the qualitative criteria, which reflects the quality of achievement of the specific goals that were set for Gilles Michel, given the removal of 3% with respect to the specific goal on workplace safety.</p> <p>This amount will be paid to him in 2018 subject to the approval of the General Meeting of May 4, 2018.</p> <p>For more details, see chapter 3, paragraph 3.3.2 of the Registration Document.</p>
Multi-annual variable compensation	NA	No multi-annual variable compensation was paid to the Chairman and Chief Executive Officer.
Extraordinary compensation	NA	No extraordinary compensation was paid to the Chairman and Chief Executive Officer.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 4, 2018

PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

Compensation items due or awarded for the year ended	Amounts or accounting valuation submitted to the vote	Presentation
Stock options, performance shares and any other element of long-term compensation	Stock options: NA	No stock options were granted to the Chairman and Chief Executive Officer in 2017.
	Performance shares Accounting valuation = €1,854,786	<p>At its meeting of May 3, 2017, the Board of Directors decided upon the recommendation of the Compensation Committee, to grant 35,000 performance shares to Gilles Michel, Chairman and Chief Executive Officer. This grant made pursuant to the Ordinary and Extraordinary Shareholders' General Meeting authorization of the same day (17th resolution) represents 0.04% of the Company's share capital.</p> <p>These performance shares were conditioned by and proportionate to the achievement of the same quantitative criteria as those provided for under the 2017 general performance share plan intended for the Group's main executives: growth of the Group's net current operating income per share and the Group's ROCE during the 2017-2019 period.</p> <p>Each of these quantitative criteria is given identical weight (50%). The grant of 35,000 performance shares to Gilles Michel comes under a valuation limit for performance shares that may be granted to the Chairman and CEO according to IFRS2 standards, which was set at one year of his gross annual compensation (fixed part + maximum variable part).</p> <p>For more details, see chapter 3, section 3.5 of the Registration Document</p>
Attendance fees	NA	No attendance fees are allotted to the Chairman and Chief Executive Officer.
Valuation of any benefits	€18,354 (accounting valuation)	The benefits allocated to the Chairman and Chief Executive Officer comprise a company car with driver and the contributions to the social guarantee for company managers (GSC).
Indemnity due to end of duties	€0	<p>A severance indemnity would be owed to Gilles Michel, Chairman and Chief Executive Officer, in the event of forced departure linked to a change of control, a change of strategy or a major disagreement over them; no indemnity would be owed in the event of Gilles Michel's voluntary departure or if he had the possibility of benefiting from his pension rights at short notice after he reaches the age of 63.</p> <p>The amount of the severance indemnity would be calculated on the basis of a maximum of two years' compensation (fixed + variable). Its payment would be subject and proportional to a performance condition appraised on the basis of the arithmetic average of the percentages of achievement of the sole economic and financial goals of the last three financial years, as set down by the Board of Directors for the determination of the variable compensation of the Chairman and Chief Executive Officer with respect to each of those financial years.</p> <p>For more details, see chapter 2, paragraph 2.3.3 and chapter 3, paragraph 3.3.2 of the Registration Document.</p>
Indemnity under a non-competition clause	NA	There is no indemnity under a non-competition clause.

Compensation items due or awarded for the year ended	Amounts or accounting valuation submitted to the vote	Presentation
Supplementary pension plans	€0	<p>Since April 28, 2011 The Chairman and Chief Executive Officer has been among the potential beneficiaries of the collective supplementary pension plan with defined benefits for the principal managers of Imerys who meet the restrictive and objective eligibility criteria. The maximum amount of the life annuity that may be paid to the beneficiaries of the plan as from the liquidation of their pension rights is calculated in order to guarantee them:</p> <ul style="list-style-type: none"> ■ a total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan described below) of 60% of their reference salary (average of the last two years of the beneficiary's fixed plus variable compensation); said salary is limited to 30 times the annual French social security ceiling (PASS); ■ subject to a pay-in ceiling equal to 25% of said reference salary. <p>The seniority requirement for benefiting from the collective supplementary pension plan with defined benefits (eighth years in the Group, of which four as an Executive Committee member) is appraised on January 1 of each year in the Group.</p> <p>Furthermore, the Company has set up a defined contribution supplementary pension plan for the benefit of some of Imerys' top managers, including the Chairman and Chief Executive Officer. Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of 8 PASS, are made jointly by the employee (for 3%) and the Company (for 5%).</p> <p>For more details, see chapter 2, paragraph 2.3.3 and chapter 3, paragraph 3.3.2 of the Registration Document.</p>

8.1.5 COMPOSITION OF THE BOARD OF DIRECTORS

(Four resolutions falling within the scope of the Ordinary Shareholders' General Meeting)

The terms of office of Giovanna Kampouri Monnas, Katherine Taaffe Richard and Marie-Françoise Walbaum and those of Xavier Le Clef, Gilles Michel and Ulysses Kyriacopoulos will expire at the end of this Meeting.

After examination and upon recommendations of the Appointments Committee, the Board of Directors at its meeting of March 8, 2018:

- decided to propose to the Shareholders' General Meeting of May 4, 2018 to:
 - renew the term of office of Gilles Michel, Ulysses Kyriacopoulos and Marie-Françoise Walbaum (seventh to ninth resolutions), and
 - appoint for the same three-year period, Conrad Keijzer as a new Director (tenth resolution),

for a three-year period, i.e. until the close of the Shareholders' General Meeting that will be called in 2021 to rule on the management and financial statements for the 2020 financial year; and

- in the context of continuing the tightening in its composition, acknowledged that Giovanna Kampouri Monnas, Katherine Taaffe Richard, and Xavier Le Clef did not request the renewal of their expiring term of office and that Arnaud Vial has advised that he will leave the Board of Directors on 4th May 2018.

Moreover, following the wish expressed by Gilles Michel to devote for personal reasons more time to his close family, the Board of Directors, upon recommendations of the Appointments Committee, decided that, as from May 4, 2018:

- the role of Chairman of the Board and Chief Executive Officer will be separated;
- Gilles Michel will be re-elected as Chairman of the Board, subject to the renewal of his term of office as Director by the Shareholders' General Meeting;
- Conrad Keijzer, appointed as deputy Chief Executive Officer on March 8, 2018, will be designated as Chief Executive Officer of the Group.

Last, at the same meeting, the Board advised that it will decide at its meeting on May 4, 2018 to coopt a new independent female member who is currently being selected and propose that Mr. Laurent Raets continues to participate in Board meetings no longer as a Director but as an observer ("censeur"), in an advisory capacity subject to the approval by the Shareholders' General Meeting of the fifteenth resolution relating to the amendment of the by-laws.

Professional information regarding Gilles Michel, Ulysses Kyriacopoulos and Marie-Françoise Walbaum is included in [chapter 3, paragraph 3.1.3 of the Registration Document](#).

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 4, 2018

PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

Information concerning Conrad Keijzer is provided below.

Professional information concerning Conrad Keijzer (49, Dutch national)

Conrad Keijzer obtained a Master degree in Technical Management Science and industrial engineering from Twente University of Technology, Netherlands in 1993. He joined Akzo Nobel in 1994 as Market Development Manager for Industrial Chemicals. Since then, he has held a variety of management positions within Performance Coatings and Specialty Chemicals. These include being appointed Global Director for Automotive Plastic Coatings and serving as Managing Director for both the Packaging Coatings and Industrial Coatings businesses.

Mr. Conrad Keijzer served as a Member of the Management Board at Akzo Nobel NV until 2017 and was responsible for Performance Coatings. He has been Deputy Chief Executive Officer of Imerys since March 8, 2018.

In accordance with the principles used by the Company to determine the independent status of its Directors, and after examining their personal situation, the Board of Directors, upon proposal of the Appointments Committee, recognized the independent status of Marie-Françoise Walbaum and Independent status was not awarded to Gilles Michel, Ulysses Kyriacopoulos and Conrad Keijzer (for more details, [see chapter 3, paragraph 3.1.2 of the Registration Document](#)).

Following the Shareholders' General Meeting of May 4, 2018 and subject to its approval of the above proposals, the Board of Directors will be made up as follows:

Year of end of term of office	Name	Independent member
2019	Odile Desforges	Yes
	Ian Gallienne	No
	New female Director*	Yes
2020	Aldo Cardoso	Yes
	Paul Desmarais III	No
	Marion Guillou	Yes
	Colin Hall	No
	Martina Merz	Yes
	Eliane Augelet-Petit, Directors representing employees	N/A
	Eric d'Ortona, Directors representing employees	N/A
2021	Conrad Keijzer	No
	Ulysses Kyriacopoulos	No
	Gilles Michel	No
	Marie-Françoise Walbaum	Yes

* Cooptation by the Board of Directors on May 4, 2018 of a new female director who is currently being selected as of the date of the Registration Document.

8.1.6 RATIFICATION OF THE TRANSFER OF THE REGISTERED OFFICE

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

Because of the lack of space in the former premises to meet the needs arising from growth in the Group's size and headcount, the geographic dispersal of its teams and the run-down state of the premises, in particular, the Board of Directors decided to transfer the Company's registered office, previously located 154 rue de

l'Université, Paris 7 to 43 quai de Grenelle, Paris 15. This transfer was effective as of November 20, 2017.

Consequently, in accordance with statutory provisions, you are asked to kindly ratify this transfer of the Company's registered office **(eleventh resolution)**.

8.1.7 ATTENDANCE FEES

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

We remind you that the maximum amount of attendance fees that may be allotted with respect to one year to the members of the Board of Directors has been totaling €1,000,000 since 2014. On the occasion of its self-assessment at its meeting of February 14, 2018 the Board of Directors decided that the allotment scale for attendance fees would be reviewed at its meeting on May 4, 2018 and could be later amended, as the case may be. Consequently

and in order to give to the Board of Directors the widest flexibility, in particular to take into account the separation of the Chairman of the Board and Chief Executive Officer roles, it is proposed to raise the annual maximum amount of attendance fees to €1,200,000 **(twelfth resolution)**. This new allotment would apply to attendance fees that would be due as from January 1, 2018 (for more details, [see chapter 3, paragraph 3.3.1 of the Registration Document](#)).

8.1.8 SHARE BUYBACK PROGRAM

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

The authorization to buy back the Company's shares on the market, given to the Board of Directors for an 18-month period by the Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2017 will expire on November 2, 2018; it is therefore proposed that you renew it now in accordance with the provisions of articles L. 225-209 *et seq.* of the French Code of Commerce and articles 241-1 to 241-6 of the AMF's General Regulations ("AMF") **(thirteenth resolution)**.

✓ For further information about the Company's implementation of its share buyback programs in 2017, *see chapter 7, paragraph 7.2.4 of the Registration Document*.

This authorization is intended to enable the Board of Directors to purchase a maximum number of Company shares representing 5% of the outstanding shares at January 1, 2018 (*i.e.* 3,980,214 shares) mainly for the purpose of:

- their subsequent cancellation by reducing the Company's capital;
- covering the stock purchase option plans and/or free share grant plans, as well as any grant of shares under shareholding plans set up by the Company (or assimilated plans), or with respect to profit-sharing and/or any other forms of grant, award or transfer of shares to current employees, former employees and/or corporate officers of the Company and/or any related companies pursuant to articles L. 225-180 and L. 233-16 of the French Code of Commerce, within the frame of the regulations in force or *ad hoc* plans set up by the Company;

- awarding or exchanging shares purchased on the occasion, in particular, of rights exercises or issues of securities giving the right by redemption, conversion, swap, warrant or in any other manner to the grant of shares;
- ensuring the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a Code of Conduct recognized by the AMF; and
- more generally, operating for any other purpose that is or may come to be authorized by law, and/or implementing any market practice that may come to be authorized by AMF.

The number of shares that may be held, whether directly or indirectly and at any time whatsoever, shall not exceed 5% of the shares making up the capital. Finally, the maximum purchase price would be €95 per share, representing a maximum total investment of €378 million.

Acquisitions will be carried out by any means, including the transfer of blocks and the use of derivatives except during periods of public offers for the Company's securities.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (www.imerys.com – Media Center – Regulated Information section) prior to the Shareholders' General Meeting of May 4, 2018. A copy of this description can also be obtained on request from the Company's head office.

8.1.9 AUTHORIZATION TO ALLOT COMPANY'S FREE SHARES IN FAVOR OF EMPLOYEES AND/OR CORPORATE OFFICERS OF THE GROUP

(one resolution falling within the scope of the Extraordinary Shareholders' General Meeting)

In accordance with the provisions of the French Finance law for 2018 and the French Social Security Financing law for 2018, promulgated on December 30, 2017, the methods of taxation of free shares granted by French companies to their employees and/or corporate officers have been simplified and reduced: employer contribution rate reduced to 20%, creation of a lump-sum levy on the gain on the sale of shares acquired and new purchase gain tax system.

In order to benefit from this new legislative framework while continuing the Group's policy for retaining high-potential managers as described in *chapter 3, section 3.5 of the Registration Document*, it is proposed that you grant the Board of Directors a new authorization for the allotment of free shares to the Group's

employees and/or corporate officers **(fourteenth resolution)**. It would then replace the authorization previously approved by the Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2017. The allotment conditions and mechanisms provided by this new authorization would be identical to the authorization currently in force, *i.e.*:

- in accordance with the Company grant policy, acquisition of free shares, in particular by executive corporate officers, shall be necessarily subject to the achievement of one or more performance criteria determined by the Board of Directors;
- the maximum number of conditional free shares that could be awarded to executive corporate officers pursuant to this authorization shall not be greater than 0.5% of the Company's capital on the day of the Board's granting decision;

- the total number of shares that may be the subject or free grants could not exceed an overall ceiling of 3% of the Company's capital on the day of the Board's granting decision;
- the sub-ceilings of 0.5% and 3% shall be common to those set up for grants of stock subscription or stock purchase options, specified in the twenty-third resolution approved by the Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2017;
- the minimum vesting period as well as the minimum holding period for that shares would be determined by the Board of Directors in accordance with the regulations in force on the day of their grant;
- last, with a view to homogenization between specific authorizations granted to the Board of Directors in favor of employees and/or corporate officers of the Group, this authorization shall be granted for a period of 26 months, *i.e.* until July 2, 2020 and shall replace the previous one which shall thus be rendered null and void for the unused part.

8.1.10 AMENDMENTS OF THE COMPANY'S BY-LAWS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

Under the Company's current by-laws, "no one may hold the office of Director after reaching the age of 70". In order to have more flexibility in the composition of the Board of Directors, it is proposed that the Company's by-laws be amended so that, on one hand, they strictly reflect French regulations with respect to the age limit for holding an office of Director and, on the other hand, increase the maximum age for being appointed Chairman or Vice-Chairman of the Board to 80.

Furthermore, we propose adding to the Company's current by-laws the possibility for the Board of Directors to appoint one or more observers to assist the Board in carrying out its missions and to participate to its debates. Upon decision of the Board, they could be part of one of the Specialised Committees formed within the Board and could receive a compensation, the amount of which would be taken from the annual envelope of attendance fees put to the Meeting's vote under the twelfth resolution.

Subject to your approval, we therefore propose, under the **fifteenth resolution**, to amend the Company's by-laws as follows:

- The seventh paragraph of **article 12**, "Composition of the Board of Directors", would henceforth be worded as follows:
"In accordance with legal provisions, the number of Directors over the age of seventy (70) may not be greater than one-third of all Directors in office. In the event that this limit should be exceeded, the oldest Director shall automatically be deemed to have resigned."
- The second paragraph of **article 14**, "Organisation of the Board of Directors", would henceforth be worded as follows:
"No one may be appointed Chairman or Vice-Chairman if he or she is more than eighty (80) years old."

- The fifth paragraph of **article 14**, "Organisation of the Board of Directors", would henceforth be worded as follows:

"For however long they are assigned, the positions of Chairman and of any Vice-Chairmen of the Board of Directors shall ipso jure end following the General Meeting called to rule on the financial statements for the year in which he, she or they reached the age of eighty (80)."

- A new paragraph would be added at the end of **article 14**, "Organisation of the Board of Directors," and would be worded as follows:

"The Board of Directors may appoint one or more observer(s), who may or may not be shareholders and who may not exceed two (2) in number. Any observer is appointed for a renewable period of three (3) years; he/she may be dismissed at any time by the Board of Directors. Any observer reaching the age of eighty (80) is automatically deemed to have resigned."

The observers attend(s) the meetings of the Board of Directors and take(s) part in debates on an advisory basis. The Board of Directors may also appoint them as members of Specialized Committees.

The Board of Directors sets down the arrangements for the compensation of the observer(s), to be taken from the amount of attendance fees granted by the Shareholders' General Meeting."

The remainder of articles 12 and 14 would remain unchanged.

8.1.11 POWERS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

The **sixteenth resolution**, and the **last one**, confers, as usual, all necessary powers to complete legal formalities arising from the Shareholders' General Meeting.

8.2 STATUTORY AUDITORS' REPORT

ERNST & YOUNG et Autres

1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1

S.A.S. with variable capital

Statutory Auditors

Member of the compagnie régionale de Versailles

Deloitte & Associés

185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

S.A. with a share capital of €1,723,040

Statutory Auditors

Member of the compagnie régionale de Versailles

**STATUTORY AUDITORS' REPORT ON THE FREE ALLOCATION
OF EXISTING SHARES OR SHARES TO BE ISSUED**

Combined General Meeting of May 4, 2018

Fourteenth resolution

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed free allocation of existing shares or shares to be issued, reserved for employees and corporate officers of your Company and, where applicable, of the companies and Economic Interest Groupings affiliated with it under the conditions set out in Article L. 225-197-2 of the French Commercial Code (*Code de commerce*), or certain categories of them, an transaction upon which you are called to vote.

The number of existing shares or shares to be issued which may be granted pursuant to this authorization may represent no more than 3% of the share capital of the Company at the date of the allocation decision by the Board of Directors; furthermore, the number of existing shares or shares to be issued which may be granted to corporate officers pursuant to this authorization may not give entitlement to subscribe or purchase a total number of shares greater than 0.5% of the share capital at the date of the allocation decision by the Board of Directors. These caps are common to this resolution and to the 23rd resolution approved by the Combined General Meeting of May 3, 2017.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of twenty-six months as of the date of the present Meeting of Shareholders, to allocate, for free, existing shares or shares to be issued.

It is the responsibility of the Board of Directors to prepare a report on the proposed transaction. Our role is to report on any matters relating to the information regarding the proposed transaction.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations. We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed free allocation of shares.

Paris-La Défense and Neuilly-sur-Seine, March 19, 2018

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres

Sébastien HUET

Deloitte & Associés

Frédéric GOURD

8.3 AGENDA

ORDINARY PART

1. Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2017;
2. Approval of the Group's consolidated financial statements for the financial year ended on December 31, 2017;
3. Allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2017;
4. Statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce and approval, pursuant to article L. 225-38 of the French Code of Commerce, of a new regulated agreement;
5. Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that may be allotted to Executive Corporate Officers;
6. Approval of the fixed, variable and extraordinary components of the total compensation and benefits of any kind of Mr. Gilles Michel, Chairman & Chief Executive Officer, paid or granted with respect to the financial year ending December 31, 2017;
7. Renewal of the term of office as Director of Mr. Gilles Michel;
8. Renewal of the term of office as Director of Mr. Ulysses Kyriacopoulos;
9. Renewal of the term of office as Director of Mrs. Marie-Françoise Walbaum;
10. Appointment of Mr. Conrad Keijzer as a new Director;
11. Ratification of the transfer of the registered office;
12. Determination of the global amount of the attendance fees;
13. Repurchase by the Company of its own shares.

EXTRAORDINARY PART

14. Authorization to make allotments of free Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them;
15. Amendments of the Company's by-laws;
16. Powers.

8.4 DRAFT RESOLUTIONS

ORDINARY PART

■ FIRST RESOLUTION

Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2017

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report and the Auditors' Report relating to the Company's financial statements for the financial year ended on December 31, 2017 approves, as presented, such financial statements, as well as the transactions evidenced by such financial statements and summarized in such reports.

■ THIRD RESOLUTION

Allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2017

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report:

• acknowledges that the Company's profit for the past financial year is:	€373,430,724.39
• increased by the retained earnings amounting to:	€187,806,848.87
• representing a total distributable amount of:	€561,237,573.26
• resolves to pay in respect of financial 2017 a dividend of €2.075 to each of the 79,604,285 shares that make up the share capital as on December 31, 2017, which represents a distribution of:	€(165,178,891.375)
• and allocates the remaining amount to retained earnings which now amount to:	€396,058,681.885

The Shareholders' General Meeting decides that the total amount of the dividend paid out shall be adjusted according to the exercise as from January 1, 2018 of subscription options for shares entitled to the dividend with respect to financial year 2017 as on the payment date of that dividend. The amount allocated to retained earnings shall be determined on the basis of the total amount of dividend effectively paid out. Moreover, if the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that would not have been paid out as a result would be allocated to retained earnings.

■ SECOND RESOLUTION

Approval of the Group's consolidated financial statements for the financial year ended on December 31, 2017

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report and the Auditors' Report relating to the Group's consolidated financial statements for the financial year ended on December 31, 2017 approves, as presented, such financial statements as well as the transactions evidenced by such financial statements and summarized in such reports.

The Shareholders' General Meeting decides that the dividend will be paid as from May 15, 2018.

In accordance with article 243 *bis* of the French General Tax Code, the proposed dividend is eligible for the 40% allowance provided for by article 158-3-2° of the French General Tax Code, from which private individuals domiciled in France for tax purposes may benefit, provided that the taxpayer has exercised the option for the taxation of dividends according to the scale of income tax, provided for in Article 200 A 2. of said Code.

The Shareholders' General Meeting acknowledges that the sums paid out as dividends with respect to the previous three financial years were as follows:

Financial year ending	12/31/2016	12/31/2015	12/31/2014
Net dividend per share	€1.87	€1.75	€1.65
Number of shares that received the dividend	79,265,238	78,557,578	80,298,521
Total net distribution	€148.2 M	€137.5 M	€132.5 M

■ FOURTH RESOLUTION

Statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce and approval, pursuant to article L. 225-38 of the French Code of Commerce, of a new regulated agreement

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report and the Statutory Auditors' special report drawn up pursuant to the provisions of article L. 225-40 of the Code of Commerce, and ruling on that report, approves, in accordance with the provisions of article L. 225-38 of the said code, the new regulated agreement concluded by the Company during the financial year ended on December 31, 2017. The Shareholders' General Meeting acknowledges that all the other regulated agreements or commitments concluded and approved during previous years continued without modification.

■ FIFTH RESOLUTION

Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that may be allotted to Executive Corporate Officers

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Corporate Governance report provided for in article L. 225-37 of the Code of Commerce, approves, in accordance with the provisions of article L. 225-37-2 of the said code, the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds presented in the above-mentioned report that may be allotted to any Executive Corporate Officer of the Company.

■ SIXTH RESOLUTION

Approval of the fixed, variable and extraordinary components of the total compensation and benefits of any kind of Mr. Gilles Michel, Chairman & Chief Executive Officer, paid or granted with respect to the financial year ending December 31, 2017

The Shareholders' Meeting, ruling in the quorum and majority conditions required for ordinary general meetings, having considered the report provided for by article L. 225-37 of the Code of Commerce, approves, pursuant to the provisions of articles L. 225-37-2 and L. 225-100 of the Code of Commerce, the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or granted with respect to the financial year ending December 31, 2017 to Mr. Gilles Michel, in his capacity as Chairman & Chief Executive Officer, as given in the presentation of the resolutions by the Board of Directors appearing in chapter 8 of the 2017 Registration Document of the Company and forming an integral part of the Corporate Governance report provided for in article L. 225-37 of the Code of Commerce.

■ SEVENTH RESOLUTION

Renewal of the term of office as Director of Mr. Gilles Michel

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mr. Gilles Michel's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2021 to rule on the management and financial statements for financial year 2020.

■ EIGHTH RESOLUTION

Renewal of the term of office as Director of Mr. Ulysses Kyriacopoulos

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mr. Ulysses Kyriacopoulos's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2021 to rule on the management and financial statements for financial year 2020.

■ NINTH RESOLUTION

Renewal of the term of office as Director of Mrs. Marie-Françoise Walbaum

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mrs. Marie-Françoise Walbaum's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2021 to rule on the management and financial statements for financial year 2020.

■ TENTH RESOLUTION

Appointment of Mr. Conrad Keijzer as a new Director

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, resolves to appoint as a new Director Mr. Conrad Keijzer for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2021 to rule on the management and financial statements for financial year 2020.

■ ELEVENTH RESOLUTION

Ratification of the transfer of the registered office

The Shareholders' General Meeting ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, in accordance with article 4 of the Company's by-laws, ratifies the decision made by the Board of Directors at its meeting on July 26, 2017 to transfer the Company's registered office and notes that said article now states "the registered office is located 43 quai de Grenelle, Paris 15, France."

■ TWELFTH RESOLUTION

Determination of the global amount of the attendance fees

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, resolves to set the maximum overall amount of attendance fees that may be paid every year as from January 1, 2018 to the Directors at €1,200,000 (one million two hundred thousand euros).

■ THIRTEENTH RESOLUTION

Repurchase by the Company of its own shares

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report pursuant to the provisions of articles L. 225-209 *et seq.* of the French Code of Commerce and articles 241-1 to 241-6 of the General Regulations of Autorité des marchés financiers (AMF):

- 1) authorizes the Board of Directors, with the possibility of sub-delegating under the conditions provided by law, to make purchases of the Company's own shares for:
 - the subsequent cancellation of the shares acquired by reducing the Company's capital,
 - covering the stock purchase option plans and/or free share award plans, as well as any grant of shares under shareholding plans set up by the Company (or assimilated plans), or with respect to profit-sharing and/or any other forms of grant, award or transfer of shares to current employees, former employees and/or corporate officers of the Company and/or any related companies pursuant to articles L. 225-180 and L. 233-16 of the French Code of Commerce, under the legal frameworks in force or any ad hoc plans set up by the Company;
 - awarding or exchanging shares purchased on the occasion, in particular, of rights exercises or issues of securities giving the right by redemption, conversion, swap, warrant or in any other manner to the grant of shares,
 - ensuring the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a Code of Conduct recognized by the AMF, and

- more generally, operating for any other purpose that is or may come to be authorized by law, and/or implementing any market practice that may come to be authorized by AMF.

The acquisition, sale, transfer or exchange of the shares may be carried out at any time, except during any periods of public offer for the Company's securities, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks of shares and the use or exercise of any financial instrument or derivative;

- 2) sets the following limits for the use of the present authorization by the Board of Directors:
 - the maximum number of shares that may be purchased shall not exceed 5% of the total number of shares issued and outstanding as of January 1, 2018, that is 3,980,214 shares,
 - the number of shares that the Company may hold, whether directly or indirectly and at any time whatsoever, shall not exceed 5% of the shares that make up the Company's capital,
 - the maximum purchase price of the shares shall not be greater than €95,
 - consequently, the maximum amount that the Company is liable to use for such repurchases shall not be greater than €378 million;
- 3) resolves that, in the event that the par value of the stock is modified, the capital is increased by the capitalization of reserves or free shares are granted, or in the event of a stock split or consolidation, the above-stated maximum amount devoted to these buybacks and the maximum number of shares to be repurchased will be adjusted accordingly by a multiplier equal to the ratio between the number of shares that made up the capital before the operation and the resulting number after the operation;
- 4) sets at eighteen months from the date of this General Meeting the term of this authorization, which renders null and void, for the unused part, any previous authorizations granted to the Board of Directors with regard to the Company's repurchase of its shares;
- 5) grants full powers to the Board of Directors, with the authority to delegate such powers under the conditions provided by law, to implement this authorization and, in particular, to sign any stock purchase, sale, exchange or transfer agreements, file any statements with Autorité des marchés financiers or any other agency, proceed with the adjustments set forth above, complete any formalities and, generally, do what is necessary.

EXTRAORDINARY PART

■ FOURTEENTH RESOLUTION

Authorization to make allotments of free Company's shares to employees or corporate officers of the Company and its subsidiaries, or certain categories of them

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary shareholders' general meetings, having considered the Board of Directors' report and the Auditors' special report, pursuant to the provisions of articles L. 225-197-1 *et seq.* of the French Code of Commerce:

- 1) authorizes the Board of Directors to make, as it judges appropriate, in one or more times, free allotments of existing shares or shares to be issued in the Company to the employees and corporate officers of the Company and, as the case may be, companies and groups that are affiliated to it in the conditions provided in article L. 225-197-2 of the French Code of Commerce, or certain categories of them;
- 2) resolves that the shares, whether in existence or to be issued, that may be granted pursuant to this authorization shall not represent more than 3% of the Company's capital on the date of the Board's decision to grant the shares, it being specified that this ceiling is common to the present resolution and the twenty-third resolution approved by the Shareholders' General Meeting of May 3, 2017 and that it is set without taking into account the number of shares to be issued, as the case may be, to maintain, in accordance with the law and applicable contractual stipulations, the rights of the bearers of securities or rights giving access to capital;
- 3) resolves that any shares, whether existing or to be issued, that may be granted pursuant to the present authorization to executive corporate officers shall not represent more than 0.5% of the Company's capital on the day of the Board's decision to grant the shares, it being specified that this sub-ceiling is common to both the present resolution and the twenty-third resolution approved by the Shareholders' General Meeting of May 3, 2017;
- 4) resolves that the granting of free shares may, except for grants under employee shareholder operations implemented by the Company, be subject to the fulfilment of one or more performance criteria determined by the Board of Directors on the day of granting, and shall be, whatever the case, for any grants made to executive corporate officers;
- 5) resolves that the shares shall be definitively granted to their beneficiaries at the end of the vesting period set by the Board of Directors, while such period may not be less than that provided by the regulations in force on the grant date;
- 6) resolves that the minimum period for which the beneficiaries must hold the shares shall be that set by the Board of Directors, while such period may not be less than that provided by the regulations in force on the grant date;
- 7) notes that, in the event of granting free shares to be issued, this decision constitutes, in favor of the beneficiaries, a waiver ipso jure by the shareholders of any right to the new shares freely granted and the portion of the reserves, profits or premiums that will be incorporated into capital if new shares are issued;
- 8) states that the existing shares that may be granted pursuant to the present resolution must be acquired by the Company, either under article L. 225-208 of the French Code of Commerce, or, as the case may be, under the share buyback program authorized by the thirteenth resolution put to the present Meeting with regard to article L. 225-209 of the French Code of Commerce or any share buyback program implemented before or after the passing of the present resolution;
- 9) delegates full powers to the Board of Directors, with the option of subdelegating in the conditions provided by law, to implement the present authorization, in particular in order to:
 - determine the categories of the beneficiaries of the allotments and the terms and conditions and, as the case may be, the criteria for granting the shares,
 - set the vesting and holding periods for the shares in accordance with the minimum periods provided for by the applicable law,
 - set and define the issue conditions for the shares that may be issued under this authorization,
 - adjust, as the case may be, during the acquisition period, the number of shares pertaining to any operations on the Company's share capital in order to protect the rights of the beneficiaries,
 - acknowledge, as the case maybe, the capital increase or capital increases that may be carried out pursuant to this authorization, modify the by-laws accordingly, and carry out or have carried out any acts and formalities in order to make such capital increases definitive,
 - and, in general, do whatever is necessary;
- 10) sets at 26 months the term of validity of the present authorization, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

■ FIFTEENTH RESOLUTION

Amendments of the Company's by-laws

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary shareholders' general meetings, having considered the Board of Directors' report:

- 1) resolves to modify the statutory provisions relating to the age limit to serve as a Director of the Company and to amend accordingly:
 - the 7th paragraph of article 12 of the by-laws "composition of the Board of Directors" which is henceforth worded as follows:

"In accordance with legal provisions, the number of Directors over the age of seventy may not be greater than one-third of all Directors in office. In the event that this limit should be exceeded, the oldest Director shall automatically be deemed to have resigned."
 - the 2nd paragraph of article 14 of the by-laws "organisation of the Board of Directors" which is henceforth worded as follows:

"No person aged eighty (80) or over may be appointed Chairman or Vice-Chairman".
 - the 5th paragraph of article 14 of the by-laws "organisation of the Board of Directors" which is henceforth worded as follows:

"Regardless of the period for which they are assigned, the offices of the Chairman and those of the Vice-Chairman or Vice-Chairmen of the Board of Directors shall end ipso jure following the Shareholders' General Meeting called to rule on the financial statements for the financial year during he, she or they reach the age of eighty (80)".

- 2) approves the possibility for the Board of Directors to appoint censors and therefore decides to add a new paragraph to article 14 of the by-laws "organisation of the Board of Directors" which is henceforth worded as follows:

"The Board of Directors may appoint one or more observer(s), who may or may not be shareholders and who may not exceed two (2) in number. Any observer is appointed for a renewable period of three (3) years; he/she may be dismissed at any time by the Board of Directors. Any observer reaching the age of eighty (80) is automatically deemed to have resigned."

The observer(s) attend(s) the meetings of the Board of Directors and take(s) part in debates on an advisory basis. The Board of Directors may also appoint them as members of Specialized Committees."

The Board of Directors sets down the arrangements for the compensation of the observer(s), to be taken from the amount of attendance fees granted by the Shareholders' General Meeting."

The remainder of articles 12 and 14 would remain unchanged.

■ SIXTEENTH RESOLUTION

Powers

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary shareholders' general meetings, fully empowers the bearer of a duplicate or an extract of the minutes of the present Meeting to carry out any formalities with respect to registration or publication.



9

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9.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Gilles Michel, Chairman and Chief Executive Officer

9.2 CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I certify that, after taking every reasonable measure for that purpose, the information contained in the present Registration Document is, to the best of my knowledge, accurate and does not contain any omission that could make it misleading.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and profit and loss of the Company and all undertakings included in the consolidation, and that the Board of Directors' Management's discussion and analysis appearing on pages 38 to 49 presents a fair picture of the development and performance of the business and financial position of the Company and all undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter of completion from the Statutory Auditors in which they state that they have checked the information on the financial position and the financial statements given in this Registration Document and that they have read the Document in its entirety.

Paris, March 20, 2018

Gilles Michel

Chairman and Chief Executive Officer

9.3 AUDITORS

■ STATUTORY AUDITORS

Deloitte & Associés

represented by Frédéric Gourd
185, avenue Charles-de-Gaulle 92524 Neuilly-sur-Seine Cedex
– France

first appointed by the Extraordinary and
Ordinary Shareholders' General Meeting of May 5, 2003
and ultimately renewed by the Extraordinary and Ordinary
Shareholders' General Meeting of May 4, 2016

Ernst & Young et Autres

represented by Sébastien Huet
1/2, place des Saisons 92400 Courbevoie –
Paris-La Défense 1 – France

first appointed at the Extraordinary
and Ordinary Shareholders' General Meeting of April 29, 2010
in replacement of Ernst & Young Audit and renewed
by the Extraordinary and Ordinary Shareholders'
General Meeting of May 4, 2016

Deloitte & Associés and Ernst & Young et Autres are members of the Auditors' Regional Company of Versailles.

■ ALTERNATE AUDITORS

BEAS

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex – France
part of the Deloitte network

first appointed at the Extraordinary
and Ordinary Shareholders' General Meeting of May 5, 2003
and ultimately renewed by the Extraordinary and Ordinary
Shareholders' General Meeting of May 4, 2016

Auditex

1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1 – France
part of the Ernst & Young network

first appointed at the Extraordinary
and Ordinary Shareholders' General Meeting of April 29, 2010
in replacement of Mr. Jean-Marc Montserrat and renewed
by the Extraordinary and Ordinary Shareholders'
General Meeting of May 4, 2016

9.4 INFORMATION INCLUDED IN THE REGISTRATION DOCUMENT BY REFERENCE

Pursuant to article 28 of EC Regulation 809/2004 of April 29, 2004, the following information is included in the present Registration Document by Registration:

- with respect to the financial year ending on December 31, 2016, the consolidated financial statements, annual financial statements, the related Auditors' Reports, the Auditors' special report on regulated agreements and the Board of Directors' management report appearing respectively on pages 152 to 226, 227 to 244, 45 to 48, 49 to 50, and 34 to 44 of the 2016 Registration Document filed with Autorité des marchés financiers (French Securities Regulator) on March 21, 2017 under number D.17-0190;

- with respect to the financial year ending on December 31, 2015, the consolidated financial statements, annual financial statements, the related Auditors' Reports, the Auditors' special report on regulated agreements and the Board of Directors' management report appearing respectively on pages 146 to 220, 221 to 240, 49 to 50, 51 to 52, and 38 to 48 of the 2015 Registration Document filed with Autorité des marchés financiers (French Securities Regulator) on March 17, 2016 under number D.16-0153.

Any other information that is not included in the present Document is either of no relevance to investors or mentioned in another part of the Registration Document.

9.5 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Olivier Pirotte, Group Chief Financial Officer

9.6 CROSS-REFERENCE TABLE

In order to facilitate the reading of this Registration Document, the subject index can be used to identify the main information required by the Autorité des marchés financiers (the French Securities Regulator) with respect to its regulations and instructions.

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