REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

2018

IMERYS

TRANSFORM TO PERFORM

Summary

2018

Registration Document

including the Annual Financial Report

The world's leading provider in mineral-based specialties for industry, Imerys delivers high value-added, functional solutions to a great number of industries, ranging from process manufacturing to consumer goods. The Group draws on its understanding of applications, technological knowledge and expertise in materials science to deliver solutions by beneficiating its mineral resources, synthetic minerals and formulations. Imerys contributes essential properties to customers' products and their performance, including heat resistance, hardness, conductivity, opacity, durability, purity, lightness, filtration, adsorption and water repellency. Imerys meets ambitious targets to develop responsibly, focusing on people, the environment and corporate governance.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Registration Document was filed with the French financial markets authority (Autorité des marchés financiers, AMF) on March 20, 2019, in accordance with article 212-13 of the AMF's General Regulations. It may only be used in connection with a financial transaction if it is accompanied by a memorandum approved by the AMF. This document has been drawn up by the issuer and is binding upon its signatories. It contains all the information required in an Annual Financial Report.

1 PRESENTATION OF THE GROUP

1.1 KEY FIGURES

€4.6bn
REVENUE

17,769
EMPLOYEES

12.2%
OPERATING MARGIN

€562M
CURRENT OPERATING INCOME

€4.0bn
MARKET CAPITALIZATION

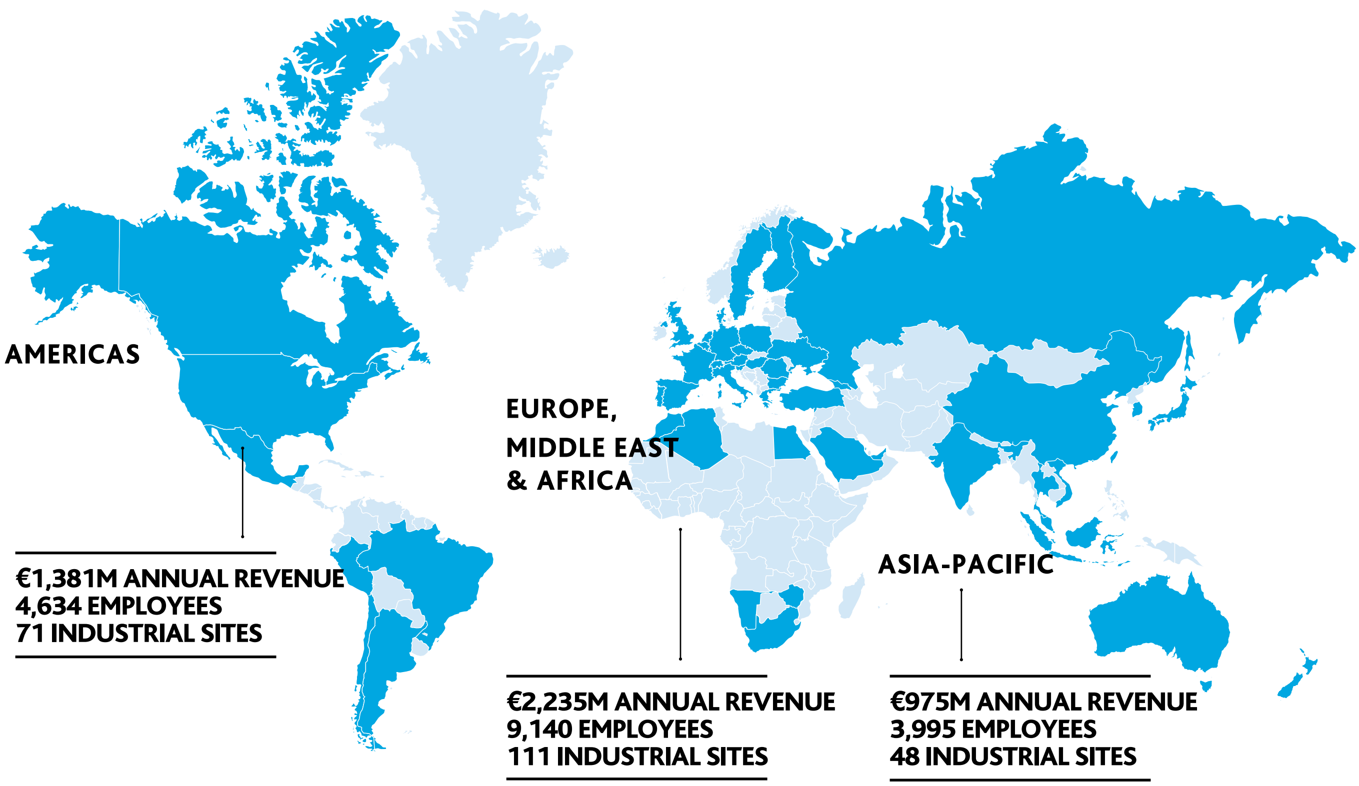
#1 or #2
IN MOST OF OUR MARKETS

50
COUNTRIES

230
INDUSTRIAL SITES

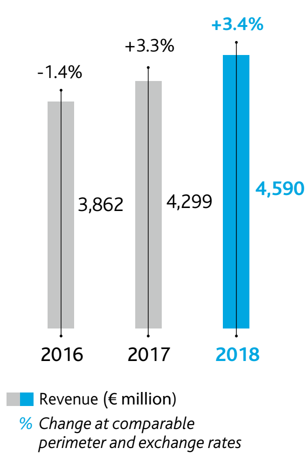
1.1.1 GLOBAL FOOTPRINT

MAP OF THE GROUP'S FOOTPRINT IN EACH GEOGRAPHICAL REGION (INDUSTRIAL SITES, HEADCOUNT AND REVENUE)

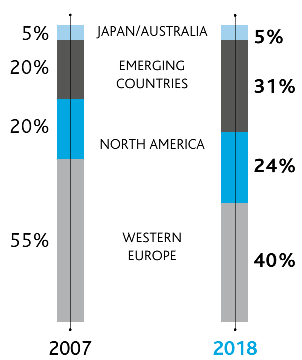


The key figures presented below for 2016 and 2017 have been restated following the disposal of the Roofing division in October 2018, unless otherwise indicated.

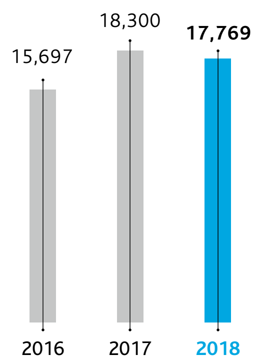
REVENUE



REVENUE BREAKDOWN



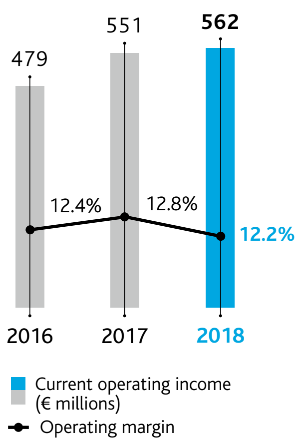
NUMBER OF EMPLOYEES



1.1.2 PROFITABILITY, CASH FLOW AND FINANCIAL STRUCTURE

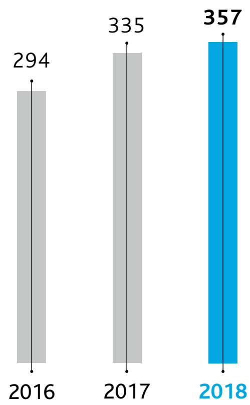
▪ INCOME AND PROFITABILITY

CURRENT OPERATING INCOME AND OPERATING MARGIN [(1)]



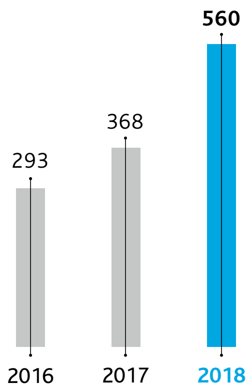
NET INCOME FROM CURRENT OPERATIONS

(€ millions)



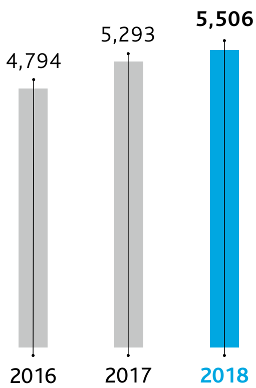
NET INCOME, GROUP SHARE

(€ millions)



CAPITAL EMPLOYED

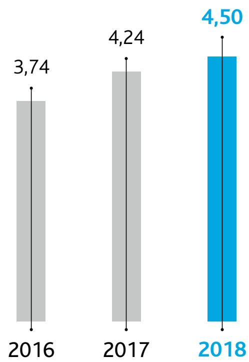
(€ millions)



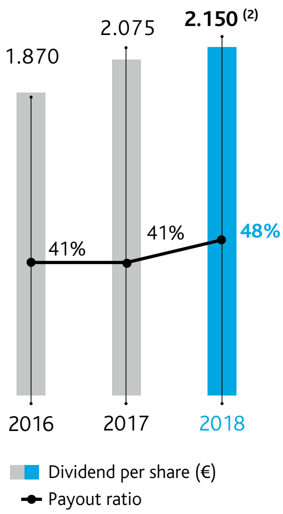
▪ PER SHARE DATA

NET INCOME PER SHARE

(€)



DIVIDEND PER SHARE [(2)]



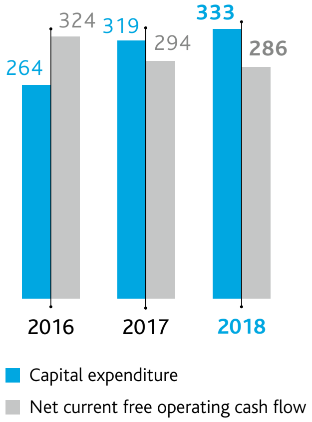
(1) *Operating income as presented in the Group's financial statements, including other income and operating expenses and excluding income from discontinued activities, amounted to €401 million in 2016, €499 million in 2017 and €(89) million in 2018.*

(2) *Proposed by the Board of Directors for approval by the Shareholders' General Meeting on May 10, 2019.*

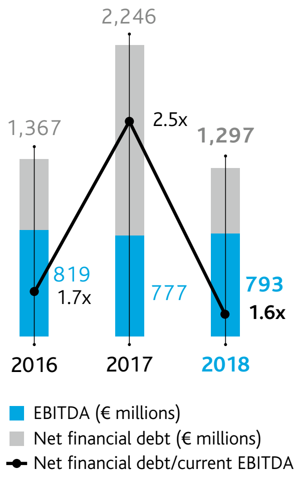
BALANCE SHEET AND CASH FLOW

NET CURRENT FREE OPERATING CASH FLOW AND CAPITAL EXPENDITURE (1)

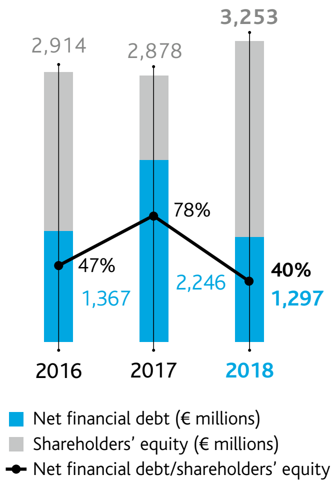
(€ millions)



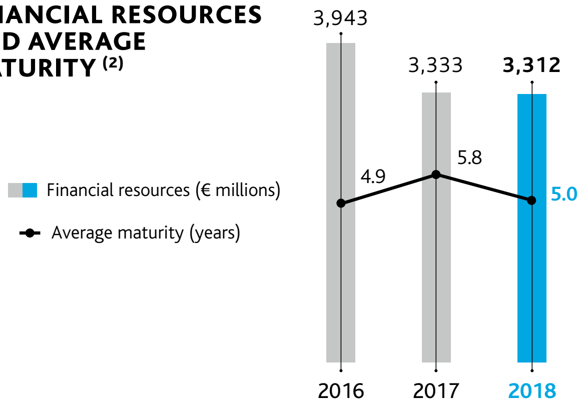
NET FINANCIAL DEBT AND CURRENT EBITDA



NET FINANCIAL DEBT AND SHAREHOLDERS' EQUITY



FINANCIAL RESOURCES AND AVERAGE MATURITY (2)



Moody's

Moody's rating: Baa2, stable outlook

S&P Global

S&P rating: BBB, stable outlook

√ For further details on the Group's consolidated financial statements for 2018, *see chapter 6 of the Registration Document*.

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

(2) *Financial resources are made up of confirmed bank credit lines and Imerys S.A. bond issues.*

1.1.3 NON-FINANCIAL DATA

SUSTAINABLE DEVELOPMENT GOALS

62

local community relations projects in 2018

Contribution to **9** of the United Nations Sustainable Development Goals

- Good health and well-being (SDG 3)
- Quality education (SDG 4)
- Gender equality (SDG 5)
- Clean water and sanitation (SDG 6)
- Decent work and economic growth (SDG 8)
- Responsible consumption and production (SDG 12)
- Climate action (SDG 13)
- Life on land (SDG 15)
- Peace, justice and strong institutions (SDG 16)

CLIMATE CHANGE

CO_2 EMISSIONS RELATIVE TO REVENUES

(tons of CO_2 equivalent/€ millions)

741.8 Down 6% (1) since 2014

ENERGY CONSUMPTION RELATIVE TO REVENUE

(MJ/€ millions)

8.50 Down 5% (1) since 2014

ENVIRONMENTAL STEWARDSHIP

42%

of non-hazardous industrial waste recycled in 2018 (4)

44%

of Imerys' sites ISO 14001 or EMAS (5) certified in 2018

HUMAN RESOURCES AND OCCUPATIONAL HEALTH & SAFETY

1.36

lost-time accidents per million hours worked in 2018 (2)

75%

Employee Engagement survey Loyalty Score (3)

PRODUCT MANAGEMENT

14

new product Life Cycle Assessments

√ For further details on non-financial data, *see chapter 5 of the Registration Document*.

(1) *At comparable scope.*
(2) *Lost Time Accident (LTA) rate: (number of lost time accidents x 1,000,000)/number of hours worked.*
(3) *Loyalty score is the sum of trust, empowerment and development survey responses in Imerys' first global employee engagement survey conducted in April 2017.*
(4) *Non-hazardous industrial waste represented 97.8% of total industrial waste of the Group. They are primarily made of overburden and unused mineral solids.*
(5) Eco-Management and Audit Scheme.

1.2 GROUP PROFILE

The world's leading provider in mineral-based specialties for industry, Imerys delivers high value-added, functional solutions to a great number of industries, ranging from process manufacturing to consumer goods. The Group draws on its understanding of applications, technological knowledge and expertise in materials science to deliver solutions by beneficiating its mineral resources, synthetic minerals and formulations.

Imerys contributes essential properties to customers' products and their performance, including heat resistance, hardness, conductivity, opacity, durability, purity, lightness, filtration, adsorption and water repellency.

Imerys meets ambitious targets to develop responsibly, focusing on people, the environment, business conduct and corporate governance.

1.2.1 SPECIALTY SOLUTIONS

Imerys delivers value-added solutions that are formulated to meet the technical specifications of each customer. As such, our sales prices are generally negotiated on an annual basis with customers based on the functions and services provided to users.

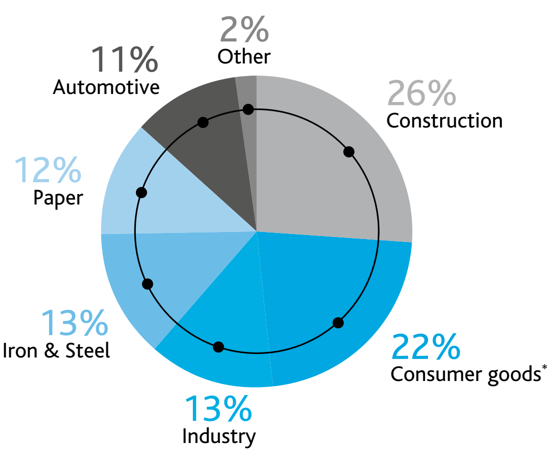
Our solutions contribute to the performance of a multitude of products. They can be split into three categories:

- **Functional additives:** added to the mineral formulation of customers' products, but account for only a minor share of the finished product manufacturing cost (*e.g.* talc improves the rigidity of polymers used in the automotive industry, calcium carbonate makes plastic films breathable for use in food packaging, and calcium aluminates are used in self-leveling, rapid-set cement floor screeds).
- **Mineral components:** essential constituents in the formulation of customers' products (*e.g.* zirconia oxygen sensors in combustion engine management systems and fused alumina in industrial abrasives).
- **Process enablers:** used in customers' manufacturing processes, but not present in the end product (*e.g.* diatomaceous earth is used to filter liquid foodstuffs and extract proteins from blood plasma by fractionation).

1.2.2 APPLICATIONS AND MARKETS

1.2.2.1 A DIVERSE SPECTRUM OF MARKETS

Imerys serves many industries such as construction materials, mobile energy, steelmaking, agri-food, automotive and cosmetics.



* *Including food & beverages and health & cosmetics.*

Source: Imerys estimates based on 2018 revenue.

Within these industries, Imerys' mineral specialties have a very large number of applications in two main areas:

- Performance Minerals:
  - Additives for paints and coatings
  - Components for technical ceramics (porcelain insulators) and conventional ceramics (floor and wall tiles, sanitaryware and tableware)
  - Additives for plastics and polymers, especially in the automotive industry
  - Fillers and coatings for printing and writing paper, as well as board and packaging
  - Filtration agents for liquid foodstuffs and blood plasma
  - Specialty graphites for mobile energy and precision industries (lithium-ion batteries for electric vehicles, brake pads, *etc.*)
- High Temperature Materials and Solutions:
  - Refractory minerals and solutions for high-temperature industrial processes (refractory linings and insulation materials to protect furnaces and boilers)
  - Bentonite for foundry molds
  - Corundum powders for abrasives (industrial cutting discs and grinding discs)
  - High-performance binders for floor screeds in the construction industry

The following table shows the various applications and the end markets in which they are used.

		Main applications									
		Performance Minerals						High Temperature Materials & Solutions			
		Paper & Board	Paints & Coatings	Polymers & Rubber	Ceramics	Filtration & Life Sciences	Renewable Energy	Refractory Industry	Abrasives	Foundry	Building & Civil Engineering
End markets	Construction										
	Consumer										
	Industry										
	Iron & Steel										
	Paper										
	Automotive										

1.2.2.2 APPLICATIONS IN LINE WITH MARKET TRENDS

Imerys offers solutions that anticipate needs in fast changing markets with the emergence of:

- new lifestyles (urbanization, population aging, health and well-being, mobility, recycling, *etc.*);
- new economic models (the collaborative economy, the sharing economy, automated manufacturing, *etc.*);
- technological progress (Internet of Things, renewable energy, 3D printing, *etc.*); and
- changing expectations from stakeholders (sustainable development, transparency, ethical conduct, *etc.*).

POPULATION GROWTH
10bn people in 2050

Challenges and opportunities

- Extended life expectancy
- Development of biotechnological solutions
- Sustainable agriculture

URBANIZATION
70% of the world's population living in cities in 2030

Challenges and opportunities

- Densification of major cities
- More complex flows and networks
- New construction techniques
- Solutions for more sustainable and effective renovation

CLIMATE CHANGE
40% reduction in greenhouse gases by 2040

Challenges and opportunities

- Reduction in the use of fossil fuels and production processes that use less energy
- Fight against climate change
- Development of renewable energy
- Lighter vehicles

FASTER TECHNOLOGICAL CHANGE
35bn smart devices in 2030

Challenges and opportunities

- Vehicle electrification and greater demand for mobile energy
- Development of e-commerce and move away from paper

GLOBALIZATION AND MARKETS OF THE FUTURE
BRIC countries will account for over 30% of the world's GDP in 2030

Challenges and opportunities

- Growing weight of emerging economies, especially in Asia (China and India)

RAREFACTION OF RESOURCES and ENVIRONMENTAL STEWARDSHIP
65% of biodiversity in danger

Challenges and opportunities

- Reduction in the environmental footprint
- Solutions to improve plastics and waste recycling
- More eco-friendly personal care and cosmetics products
- Efficient packaging solutions

1.3 OVERALL ORGANIZATIONAL STRUCTURE

1.3.1 GROUP STRUCTURE

Following an in-depth strategic review, Imerys has recently changed its management organization to be more market-focused and further leverage its successful repositioning as a specialty minerals company.

The new organization, which came into effect on December 1, 2018 and will provide the basis for the Group's segment reporting from 2019 onwards, is organized around two segments, grouping five newly created business areas which have been built around our core markets:

- The **Performance Minerals** segment brings together three geographic business areas: Europe Middle East Africa (EMEA), Americas and Asia-Pacific (APAC) serving the plastics, paints & coatings, filtration, ceramics, renewable energy and paper & board markets. Performance Minerals includes the former Performance Additives, Filtration, Carbonates, Ceramics, Kaolin and Graphite & Carbons divisions as well as the Bentonite & Perlite Intermediate business unit (part of the former Metallurgy division).
- The **High Temperature Materials & Solutions** segment regroups two business areas: High Temperature Solutions and Refractory Abrasives & Construction serving the refractory, foundry, metal flow, abrasives and building chemistry markets. High Temperature Materials & Solutions includes the Monolithic Refractories, Aluminates, Fused Minerals divisions as well as the Metalcasting & Absorbents and Steel Casting Fluxes business units (part of the former Metallurgy division).

This simplified organization with fewer management layers brings the Group closer to its customers and allows it to meet their needs in a more effective way. The General Managers of the five newly created business areas report directly to the Chief Executive Officer. Support functions (Finance, IT, HR, Communications and Legal) are led at Group level and operate as business partners for the different business areas meanwhile Innovation and Operations report to the business areas.

Segments	**Performance Minerals**			**High Temperature Materials & Solutions**	
Business areas	**Performance Minerals, Europe, Middle East, Africa**	**Performance Minerals, Americas**	**Performance Minerals, Asia-Pacific**	**High Temperature Solutions**	**Refractory, Abrasives & Construction**
Core markets	▪ Plastics ▪ Paints & Coatings ▪ Filtration ▪ Ceramics ▪ Renewable Energy ▪ Paper & Board			▪ Refractory Solutions ▪ Foundry ▪ Metal Flow	▪ Refractory Materials ▪ Abrasives ▪ Building Chemistry
Revenue 2018 *(€ billions)*	1.1	1.1	0.5	0.7	1.2
Previously	Kaolin, Performance Additives, Carbonates, Ceramics, Filtration, Bentonite & Perlite Intermediate, Graphite & Carbon			Monolithics Refractories, Steel Casting Fluxes,Metalcasting & Absorbents	Aluminates, Fused Minerals, Bauxite
Centralized services	Finance, IT, HR, Communication and Legal				
Services within the business areas	Innovation and Operations				

√ For further details on 2018 earnings, *please see the Comments by Business Group in chapter 2, paragraph 2.1.3, and Information by Segment in the Consolidated Financial Statements in chapter 6 of the Registration Document*.

1.3.2 GOVERNANCE

Imerys is a French Public Liability *(Société Anonyme)* with a Board of Directors *(Conseil d'Administration)*, a Chairman of the Board and a Chief Executive Officer.

A new separated governance structure

After having served as Deputy Chief Executive Officer since March 2018, Conrad Keijzer was appointed to the role of Chief Executive Officer on May 4, 2018 to replace Gilles Michel, who continues in his capacity as Chairman of the Board of Directors.

The new governance structure separating the office of Chairman from the office of Chief Executive Officer was deemed to better suit the changes within the Group. It will help guarantee both the effective working of the Group's governance bodies and a seamless transition in the Executive Management team, while also promoting a complementarity of skills and experiences. In addition to the reduction in the number of members sitting on the Board of Directors in 2018, this new governance structure has further helped to boost the agility of the Board and the efficiency of its work.

1.3.2.1 CHIEF EXECUTIVE OFFICER AND THE EXECUTIVE COMMITTEE

The Group is managed by Conrad Keijzer, Chief Executive Officer (CEO), assisted by the Executive Committee.

▪ EXECUTIVE COMMITTEE

The Executive Committee is made up of the Chief Executive Officer and the support managers and operating managers of the five newly created business areas. Its main role is to implement the strategic priorities set by the Board of Directors and ensure the value creation targets are achieved. The Executive Committee is collectively responsible for the overall performance of Imerys and for defending the Group's interests.

Structure of the new Executive Committee

On November 26, 2018, a new Executive Committee was appointed to better suit the Group's simplified organization around two segments and five business areas. This simplification resulted in the removal of one management level (Executive Vice President) and the corresponding departure of some members of the Executive Committee.

The Executive Commitee currently includes:

Frédérique Berthier-Raymond Group General Counsel *Member of the Group since 2008 and the Executive Committee since 2018*	**Philippe Bourg** Senior Vice President Refractory Abrasives & Construction *Member of the Group since 1996 and the Executive Committee since 2018*	**Jean-François Claver** Chief Industrial Officer *Member of the Group since 2015 and the Executive Committee since 2016*
Michel Cornelissen Senior Vice President High Temperature Solutions *Member of the Group since 1991 and the Executive Committee since 2018*	**Guillaume Delacroix** Senior Vice President Performance Minerals EMEA *Member of the Group since 2004 and the Executive Committee since 2018*	**Cyril Giraud** Senior Vice President Performance Minerals APAC *Member of the Group since 1998 and the Executive Committee since 2018*
Olivier Hautin Chief Strategy Officer *Member of the Group since 1995 and the Executive Committee since 2008*	**Conrad Keijzer** Chief Executive Officer *Member of the Group and the Executive Committee since 2018*	**Vincent Lecerf** Chief Human Resources Officer *Member of the Group and the Executive Committee since 2017*
Thierry Materne Chief Innovation Officer *Member of the Group and the Executive Committee since 2016*	**Jim Murberger** Senior Vice President Performance Minerals Americas *Member of the Group since 1996 and the Executive Committee since 2018*	**Olivier Pirotte** Chief Financial Officer *Member of the Group and the Executive Committee since 2015*

4 nationalities

10 meetings in 2018

98% attendance

REGULAR DIALOGUE BETWEEN THE EXECUTIVE MANAGEMENT, THE EXECUTIVE COMMITEE AND THE BOARD OF DIRECTORS

The regular dialogue between the executive management, the Executive Commitee, the business areas and the Board of Directors plays a decisive role in defining and implementing the Group's strategy. The effective outcomes achieved through these high-level interactions and discussions are encouraged by:

- the presence of Conrad Keijzer on both the Executive Committee and the Board of Directors;
- regular presentations of the Group's business areas and key projects given by members of the Executive Committee to the Board of Directors and its committees;
- members of the Board having unrestricted access to all useful and necessary information to help them carry out their duties.

A COMPENSATION POLICY IN LINE WITH THE GROUP'S OBJECTIVES

Imerys' compensation policy gives its senior managers and most employees a stake in the long-term and short-term performance of the Group and its value creation.

The compensation awarded to members of the Executive Committee is aligned with the objectives of the Group and made up of a fixed component and a variable component based on financial and non-financial performance criteria (collective measure for safety performance and individual measures depending on their personal objectives related to their position within the Group) as follows:

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

*√ *For further details on the frequency rate, see chapter 5, paragraph 5.5.1 of the Registration Document.*

√ For further details on the CEO, the Executive Committee and the compensation paid to corporate officers, *see chapter 3, sections 3.2 and 3.3 of the Registration Document*.

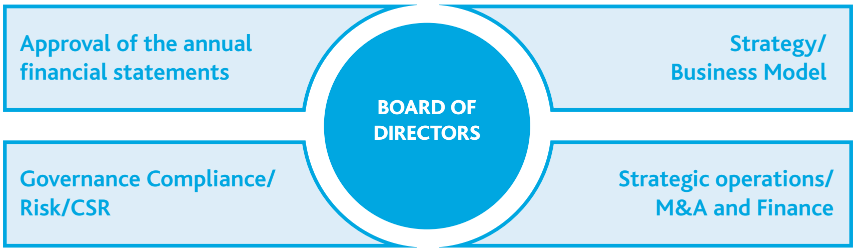
√ For further details on the duties and work of the Board of the Board of Directors, *see chapter 3, section 3.1 of the Registration Document*.

1.3.2.2 BOARD OF DIRECTORS

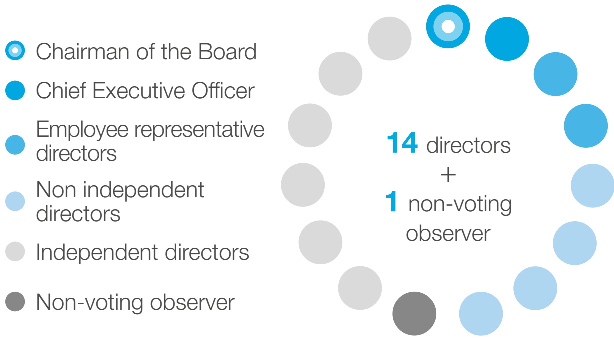
Imerys' Board of Directors has been headed by Gilles Michel, former Chairman & Chief Executive Officer, and Chairman of the Board only since May 4, 2018.

Duties of the Board of Directors

With support from its committees, the Board of Directors exercises permanent control over the management of the Group and approves its strategic priorities, as well as the main focuses of its corporate social responsibility strategy. The Board also approves all significant operations affecting the Group's future and ensures its governance structure is fit for purpose.



Structure of the Board of Directors



A diverse and balanced international body

The Board of Directors is made up of [(1)]:

- **14** members, including **2** directors representing employees;
- **5** female directors (*i.e.* 41.7%, excluding employee representative directors);
- **6** independent directors (*i.e.* 50%, excluding employee representative directors);
- **7** nationalities.

On May 4, 2018, the Board also appointed a non-voting observer to assist in the performance of its duties and to participate, in an advisory capacity, in its deliberations.

(1) Subject to the terms of office of Odile Desforges, Ian Gallienne and Lucile Ribot being renewed at the Shareholders' General Meeting on May 10, 2019.

Experienced and diligent directors

The composition of the Board of Directors allows the Group to take advantage of the diverse spectrum of capabilities and professional experiences accumulated by its members from across a variety of industries and countries.

Average time spent on the Board	Meetings in 2018	Attendance
4.6 years	7	95.91%
Average age of directors		
57 years old		

√ For further details on the stucture, duties and operating procedures of the Board of Directors, *see chapter 3, section 3.1 of the Registration Document*.

Committees of the Board of Directors

The specialized committees report to the Board of Directors, assisting in an advisory capacity. They give opinions and make recommendations on which the Board bases its decisions.

Strategic Committee

Defines the priorities, oversees the implementation and monitors the Group's strategy

Chairman	Independent members	Meetings in 2018	Attendance
Ian Gallienne	38%	7	94.64%

Audit Committee

Oversees management, guarantees the quality of accounnting and financial data and verifies the effectiveness of internal control and risk management system

Chairman	Independent members	Meetings in 2018	Attendance
Aldo Cardoso	50%	7	100%

Compensation Committee

Considers and makes recommendations about the components of compensation for executive corporate officers, taking into account the targets set, risks and regulatory requirements

Chairman	Independent members	Meetings in 2018	Attendance
Paul Desmarais III	60%	5	96.66%

Appointments Committee

Selects the best skills for the Board of Directors and the Executive Management and ensures the implementation of succession plans

Chairman	Independent members	Meetings in 2018	Attendance
Paul Desmarais III	60%	6	96.66%

√ For further details on the structure, duties and operating procedures of the committees of the Board of Directors, *see chapter 3, section 3.1 of the Registration Document*.

1.3.3 CORPORATE SOCIAL RESPONSIBILITY

Imerys respects the world in which it operates. The Group is committed to playing a role in society, meeting its obligations to the countries and communities in which it does business, and implementing responsible environment stewardship practices in an effort to promote sustainable development.

The Group's Corporate Social Responsibility (CSR) management identifies and seeks to achieve targets to support its growth strategy in ways that meet the CSR challenges and expectations of key stakeholders.

Imerys adheres to major international framework agreements, such as the United Nations Global Compact (UN GC), the United Nations Sustainable Development Goals (SDG), the United Nations Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) guidelines for multinational enterprises, and the International Labour Organization (ILO) Fundamental Conventions. Imerys has also undertaken commitments alongside other major French groups by signing the French Business Climate Pledge to combat climate change and act4nature to protect biodiversity.

The Group CSR Steering Committee approves and sets the targets for the CSR program, as well as manages and monitors the implementation of the related action plans.

The Steering Committee is chaired by the Chief Executive Officer and includes six members from the Executive Committee (Group General Counsel, Chief Human Resources Officer, Chief Industrial Officer, Chief Innovation Officer and two Senior Vice Presidents), as well as three senior managers from the Group's other central and operational departments.

The Board of Directors reviews the performance and progress made by the Group against its CSR program every year.

In 2018, Imerys launched a new CSR program named "SustainAgility". It was developed to factor in contributions from a wide range of stakeholders from both within the Group and beyond, including panels of experts, professional bodies, internal risk and compliance managers, local forums and customers. The annual targets strive for continuous improvement in three main areas:

Empowering our people	Making sure employees stay healthy and safe, nurturing talent, promoting diversity and inclusion, fostering social dialogue and safeguarding human rights
Caring for our planet	Protecting the environment, promoting non-energetic resources efficiency, respecting biodiversity and acting on climate change
Building for the future	Behaving ethically, operating fairly, ensuring a responsible supply chain, engaging with communities and promoting sustainable products and technologies

The program is built around six pillars:

Safety & Health	Human Capital	Environmental Stewardship	Climate Change	Business Conduct	Product Management
Occupational Safety Management	Human Rights and Labour Practices	Environmental Management	Climate Change Strategy	Corporate Governance	Product Sustainability
Occupational Health Management	Talent and Skills Management	Non-Energetic Resources Efficiency	Climate Solutions	Fair Operating Practice & Responsible Supply-Chain	Sustainable Technologies
	Social Dialogue	Biodiversity and Land Rehabilitation		Community Engagement	
	Diversity & Inclusion				

√ For further details on CSR, *see chapter 5 of the Registration Document*.

1.4 ECONOMIC MODEL

1.4.1 VALUE CREATION MODEL

Imerys seeks to further strengthen its position as the world's leading supplier of specialty minerals, with best-in-class operations, delivering commercial excellence and market-driven innovation.

Bolstered by a new organization structured around its core markets, mining resources, high quality industrial assets, unrivaled technological and industrial processes, innovative solutions and leading positions in most of its markets, Imerys has many strengths to guarantee sustained value creation for its key stakeholders.

RESOURCES

PEOPLE AND ORGANIZATION

- 17,769 employees in 50 countries
- 76% of employees have benefited from at least one training course

ENVIRONMENT

- 3,134,387.677 MWh of electricity consumed, 41.514% gas
- 119 mines and over 30 minerals
- Member of act4nature, partnership with UMS 2006 *Patrimoine Naturel* for biodiversity

PEOPLE AND SOCIETY

- Signatory of the UN Global Compact since 2017
- Alignment of CSR strategy with the UN SDGs

FINANCE

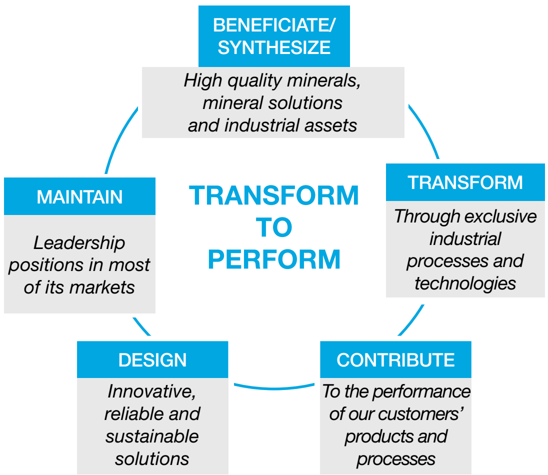
- Equity: €3.3bn
- Paid capital expenditure: €333M
- Current free operating cash flow: €286M

INDUSTRY

- 230 industrial sites across 50 countries
- I-Cube industrial improvement program across 175 sites

INNOVATION

- 2,300 patents
- R&D project partnerships with Penn State University and MIT (USA)



IMPACT AND RESULTS

PEOPLE AND ORGANIZATION

- 1.36 workplace Lost-Time Accident frequency rate
- 75% participation rate in "Your Voice"

ENVIRONMENT

- 742 tons equivalent CO_2/€revenue: down 6% since 2014
- 42% of non-hazardous industrial waste recycled

PEOPLE AND SOCIETY

- Annual Communication on Progress (CoP) since 2017
- 57 local community relations projects
- Contribution to 9 UN SDGs

FINANCE

- Net income from current operations: €356.6M (up 6.5%)
- Investment grade rating: BBB (S&P), Baa2 (Moody's)

INDUSTRY

- Applications that contribute key properties to our customers' products
- Market leader

R&D AND INNOVATION

- 100+ new products
- Sustainable, eco-friendly solutions

* *All data are for 2018.*

A NEW ORGANIZATION STRUCTURED AROUND CORE MARKETS

The Group's new organization, in which business areas are built around core markets and positioned closer to customers, will enable Imerys to achieve its full organic growth potential and further improve its competitive position to create value over the long term.

In a competitive environment, this organization with fewer layers of management will bring Imerys closer to its customers to more effectively meet their needs, and is expected to result in savings.

As a result of the new structure, a new Executive Committee was appointed at end-2018 and an implementation plan is currently being rolled out.

Alignment with market needs	The Group has been reorganized around its markets, rather than its products, to better understand and meet customer needs.
Collaboration	The new organization makes it easier to share ideas and best practices relevant to each business area.
Efficiency	Grouping operations by business area avoids duplicate positions and encourages revenue synergies.
Focus on core skills	The aim is to become experts in each market and segment of our customers.

HIGH QUALITY MINERALS AND INDUSTRIAL ASSETS

Imerys possesses an extensive range of mineral resources, which effectively secures a large proportion of its supply and production costs, as well as highly effective industrial assets using a wide variety of exclusive industrial technologies and processes.

Imerys operates over 100 mineral deposits throughout the world and continues to replace and develop its mineral reserves and resources to ensure it constantly holds an average of 20 years of reserves. The Group mines and processes more than 30 different minerals.

The minerals extracted from mines owned by Imerys or purchased from a third party are systematically processed or synthesized by the Group into mineral solutions using an array of exclusive industrial processes and technologies designed to develop the properties required for their end-use applications and meet the specifications of its industrial customers.

√ For further details on minerals, *see chapter 1, section 1.6 of the Registration Document*.

EXCLUSIVE INDUSTRIAL PROCESSES AND TECHNOLOGIES

The Group has particular expertise in the following transformation processes in order to produce key properties for our customers' products and production 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.*

The mineral solutions marketed by Imerys account for a relatively insignificant portion of its customers' production costs, but they add key properties to their products – such as purity, crystal structure, size and distribution of particles, shape and specific surface area – or industrial processes by making it possible to reduce energy consumption or accelerate production processes.

The solutions are sold as powders, grains, granules, blends, pastes or aqueous dispersions. Depending on the product, production cycles range from a few days to several weeks.

In 2014, the Group's permanent quest for excellence in its products, production resources, people and safety led to the introduction of a program designed to continuously improve its industrial processes and performance entitled Imerys Industrial Improvement (I-Cube). By defining common indicators, as well as developing and sharing best practices, Imerys aims to optimize industrial production (through improved energy efficiency, management of resources and waste/discharges, safety, *etc.*), and empower employees. In 2018, the program was rolled out to 39 additional Group sites, bringing the total to 175.

INNOVATIVE, RELIABLE AND SUSTAINABLE MARKET-FOCUSED SOLUTIONS

The Group's innovation strategy builds on its ability to combine minerals with applications to provide customers with significant improvements in the characteristics of their products, especially in terms of effectiveness and energy efficiency, while also limiting discharges and environmental impact. This expertise is a valuable asset to help Imerys maintain its leadership position and respond effectively to the future major technological challenges facing manufacturing companies.

New products are the result of a continuous flow of innovations driven by upgrading the existing range, as well as designing disruptive innovations that develop completely new concepts.

In 2018, Imerys launched over 100 new products. Over recent years, Imerys has stepped up its focus on innovation to better respond to market needs. Other powerful growth drivers include the technical skills of its teams and the Group's presence across a number of markets.

Imerys protects its innovations with an active intellectual property policy: 2,300 patents and over 85 industrial models and applications were registered at end-2018. 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. Furthermore, to protect its extensive product range, the Group owned around 4,000 trademarks at December 31, 2018, including the Imerys brand, which is registered in 100 countries.

New products introduced recently include:

Market	Applications
Electric vehicles	Increased performance of lithium-ion batteries for electric vehicles Lower CO_2 emissions
Health & Beauty	Natural mineral solution for cosmetics Environmental protection
Industrial equipment	Ultra-fine alumina for high-performance abrasives Improved resistance of abrasives
Recycling	Compatibilization of used plastics Recycling
Industry	Additives for cryogenic insulation to store liquefied gas Energy efficiency
Automotive	Stiffness of plastics used in cars Lighter vehicles
Refractories for high-temperature industries	High-purity andalusite Thermo-mechanical stability
Foundry	Bentonite-based binder Improved molding precision and yield

LEADER IN MOST OF ITS MARKETS

Imerys enjoys market-leading positions, attributable not only to its ability to innovate, but also its broad geographic footprint and the diversity of industries it serves. Such strengths also help to reduce the Group's exposure to economic cycles.

The Group is the leading company in most of its markets:

- Minerals for breathable polymer films;
- Alumino-silicate monolithic refractories;
- Graphite for alkaline batteries;
- Calcium aluminates for building chemistry;
- 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.*

1.4.2 DEVELOPMENT STRATEGY

Imerys' strategy is designed to deliver steady income growth for the Group to create long-term value. It is built on development investments and targeted acquisitions, as well as a business portfolio centered around specialty minerals.

■ DEVELOPMENT INVESTMENTS

In 2018, the Group continued to implement its investment program in R&D, industrial capacity, mining resources and geographic expansion, maintaining a high level of investment and development.

Below are a few examples of recent developments:

Markets	Project description	Country
Automotive	Talc production capacities for polymers	US, France
Mobile energy	Carbon black production capacity New synthetic graphite production unit	Belgium, Switzerland
Healthcare	Diatomite production capacity for blood plasma fractionation	US
Paper	New Fiberlean® plants: new micro-fibrillated cellulose-based technology	US, India
Agri-food and hygiene	Carbonates production capacity for plastic films	China
Cosmetics	Expanded perlite production capacity	Spain

√ For further details, *see chapter 2, section 2.1 of the Registration Document*.

■ TARGETED ACQUISITIONS AND A BUSINESS PORTFOLIO CENTERED AROUND SPECIALTY MINERALS

The various acquisitions completed over recent years have enabled Imerys to become the world's leading supplier of mineral solutions to industry. They have helped to broaden the Group's business portfolio and provide access to new technology platforms, geographic regions, minerals and products.

Imerys also manages its business portfolio to build a coherent industrial Group centered around specialty minerals which may include, from time to time, divestitures of different sizes. As a result, the Group completed in 2018 the sale of its last activity producing construction materials, its Roofing division, for an enterprise value of €1 billion, *i.e.* 9 times 2017 EBITDA.

In 2017, this division, which mainly served the construction market in France, reported €300 million in revenue, €113 million in EBITDA and €96 million in current operating income. The division employed around 1,000 people across 14 plants throughout France.

This transaction has helped Imerys to improve its growth profile through greater exposure to high-growth markets and regions while also strengthening the structure of its balance sheet generating a net cash flow of €823 million and a net capital gain of €740 million.

The table below shows the recent acquisitions and divestments having an impact on the scope of consolidation of the Group in 2018.

Name	Operations	Date of closing	Full-year revenue	Business	Country
Damolin	Acquisition	Jan. 1 2017	≈ €50 M	Absorbents for industrial use	Denmark
Alteo	Acquisition	Jan. 1 2017	≈ €50 M	Specialty aluminates for abrasives	France
NG Johnson	Acquisition	Feb. 1 2017	≈ €10 M	Installation of refractory monolithics	UK
Nippon Power Graphite	Acquisition	Feb. 1 2017	ns	Graphite anodes for Lithium-ion batteries	Japan
Set Linings	Acquisition	Mar. 31 2017	≈ €5 M	Installation of refractory monolithics	Germany
Kerneos	Acquisition	Jul. 18 2017	≈ €400 M	Aluminates based performance binders	France
Zhejiang	Acquisition	Aug. 1 2017	≈ €30 M	Zirconia derivatives for specialty applications	China
Regain Polymers	Acquisition	Sep. 6 2017	≈ €30 M	Plastic recycling	UK
Micron-ita	Acquisition	Nov. 25 2017	≈ €10 M	Ground calcium carbonates for polymers	Brazil
Vimal Microns	Acquisition	Jan. 31 2018	≈ €10 M	Ground calcium carbonates for polymers	India
Imerys Toiture	Disposal	Oct. 11 2018	≈ €300 M	Clay roof tiles	France

√ For further details on highlights from 2018, *see chapter 2, paragraph 2.1.1 of the Registration Document*. For further details on the history of the Group, *see chapter 7, section 7.1 of the Registration Document*.

1.4.3 RISK FACTORS

Imerys carries out its business in the global economy, and as such, in a constantly changing economic and political climate. The challenges posed by significant global shifts in population, energy, technology and the environment, as well as the globalization of markets, further multiply the risks but also new opportunities for Imerys.

To create value in the short, medium and long term, Imerys must anticipate the risks likely to impact its growth and stakeholders, and take advantage of the opportunities that arise from major global challenges.

In order to anticipate, steer and improve risk management, Imerys has put in place a closely controlled system that guarantees the effective circulation of information, as well as the transparency and traceability of decisions, while conserving the principles of subsidiarity and decentralization that are essential to the optimal management of Group operations.

RISK MANAGEMENT

Position	Duties
Audit Committee of the Board of Directors	▪ Annual review of Group main risks ▪ Review and monitoring of the effectiveness of the Group risk management system
Executive Committee	▪ Definition of Group risk management priorities ▪ Periodical review of Group risks
Operational departments	▪ Ongoing identification and assessment of risks ▪ Implementation of actions required to manage risks
Support departments	▪ Risk management expertise for their respective areas
Risk Committee	▪ Development of consolidated view of Group key risks
Group Risk Manager	▪ Development of risk management methodology ▪ Monitoring of the effective implementation of action plans

MAIN RISKS IDENTIFIED

The main risks identified are given a rating in accordance with a range of assessment criteria that take into account the potential impact of each risk and the extent to which they are controlled.

Strategic risks	Operating risks	Legal risks	Financial market risks
▪ Digital and internal efficiency transformation ▪ External growth operations ▪ Volatility and erosion of end markets ▪ Country ▪ Innovation	▪ Health & Safety ▪ Environment & Climate change ▪ Cybersecurity & IT system failure ▪ Property damage ▪ Talent & Skills ▪ Mineral reserves and resources	▪ Litigation ▪ Compliance with and/or changes in laws and regulations	▪ Foreign exchange ▪ Interest rate

√ For further details on Risk Factors, *see chapter 4 of the Registration Document*.

1.5 BUSINESS GROUPS

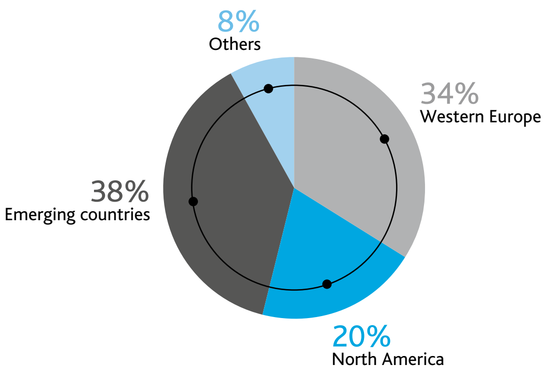
Detailed information about Imerys' business groups is set out below in accordance with the segmentation in force at the end of the 2018 reporting period, *i.e.* used by the Executive Management to make decisions about resources to be allocated to the segments and assess their performance. The segmentation will change from 2019 onwards.

1.5.1 ENERGY SOLUTIONS & SPECIALTIES

The Energy Solutions & Specialties business group includes the Carbonates, Monolithic Refractories (Calderys), Graphite & Carbon and Oilfield Solutions divisions. The Group has decided to dispose of this fourth business. The divisions of this business group serve a variety of end-markets, including paper, steelmaking, construction, consumer goods and energy. In 2018:

- Revenue totaled €1,295 million, accounting for 28% of total Group revenue
- Current operating income reached €123 million, representing a 9.5% margin
- 71 industrial sites across 26 countries.

Revenue by region



√ For further details on the highlights from 2018 in this business group, *see chapter 2, paragraph 2.1.3 of the Registration Document*.

Divisions	Products	Industries served	Main applications	Market positions[1]
CARBONATES	Ground Calcium Carbonate (GCC) Precipitated Calcium Carbonate (PCC)	Agriculture Food Automotive Board & Packaging Construction Environment Industrial equipment Paper Consumer goods Personal care, Health & Beauty 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 shapes 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 & Transportation 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[2]	**Ceramic proppants** **Mineral-based solutions:** Bentonite Calcium carbonate Diatomite Graphite Metakaolin Mica Perlite	Unconventional oil and gas extraction	Well stimulation Oilfield drilling muds	

(1) Imerys estimates.

(2) Divestment planned in 2019.

CARBONATES

The Carbonates division produces ground calcium carbonate (GCC), from chalk, limestone or marble, and synthetic minerals such as precipitated calcium carbonate (PCC) or calcium citrate to serve the paper and packaging industries, as well as high-performance mineral applications, such as adhesives, sealants, polymers and rubber as well as health, beauty and personal care products and construction materials.

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, 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 & board industry. Calcium citrate undergoes a very similar production process and is primarily used in the food & beverage industry.

Applications

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

Their main applications are as follows:

- Adhesives, caulks & sealants: calcium carbonates improve rheological properties and reduce volatile compound content
- Rubbers: calcium carbonates facilitate processing and contribute permeability, chemical resistance, barrier properties, whiteness and mechanical properties
- Personal care, health & beauty: calcium carbonates are used in a broad range of personal care products, such as toothpaste
- Food & beverage: calcium carbonates and calcium citrate provide a source of calcium in food and act as pH stabilizers in beverages
- Paints & coatings: calcium carbonates are used as extenders to improve paint quality, particularly in terms of opacity, matting, crack and corrosion resistance
- Plastics, films & polymer packaging: calcium carbonates contribute increasingly technical properties, including opacity, mechanical strength and thermal conductivity
- Paper & board packaging: calcium carbonates are added as fillers to paper pulp or as coating products in combination with pigments, binders and chemical additives

Industrial facilities

The Carbonates division operates 45 industrial sites – 23 of which are ISO 9001 certified – across 18 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	11	16	18	0

Main competitors

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

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 products and services are used to build and repair refractory linings subject to high temperatures and intensely demanding operating conditions. Monolithic refractories account for 45% of the total refractories market in the world's developed economies due to their intrinsic advantages, such as ease and speed of installation, grout-free assembly and adaptability to even the most complex furnace shapes.

Products and services

The Monolithic Refractories division offers products that are formulated with natural and/or synthetic mineral raw materials, including chamotte, andalusite, mullite, bauxite, tabular or fused alumina (alumino-silicate monolithics or “acid monolithics”), spinels, magnesia 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. The division also offers a range of prefabricated solutions that adapt to customer requirements and reduce installation time. As a result, it has the capability to take care of every stage in refractory product installation, from design to on-site implementation.

Applications

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 plants, incinerators, biomass boilers, and the cement and petrochemicals industries.

The division 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 shapes, insulating products, anchoring systems and other accessories.

Industrial facilities

The Monolithic Refractories division operates 18 industrial sites – 16 of which are ISO 9001 certified – across 15 countries.

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

Main competitors

RHI Magnesita (Austria and Brazil), Refratechnik (Germany), Krosaki Harima (Japan), Vesuvius (UK), Harbison Walker and Allied Mineral Products (US) and a number of regional and local competitors.

■ GRAPHITE & CARBON

The Graphite & Carbon division is the world's leading producer of high-performance technical applications for graphite and carbon black. With a strong global presence spanning North America, Europe, Asia, and Africa, the division produces and markets a wide variety of synthetic graphite powders and conductive carbon blacks. It benefits from high-quality natural graphite reserves in Canada, 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 specific surface area) 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, produced in Switzerland using a complex process that involves baking petroleum coke at a very high temperature
- Conductive carbon black, sold in powder or granule form
- natural graphite flakes, produced at North America's largest graphite mine in Lac-des-Îles (Quebec Province, Canada)
- Silicon carbide, a by-product of graphite production

Applications

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

- Mobile energy: the variety of its functional additives establishes the division as the world's leading supplier of carbons and graphites for 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 an active component in battery anodes.
- Additives for polymers: the division serves the growing market for conductive polymers with its range of highly conductive carbon black and synthetic graphite products. Applications include conductive coatings, resins and plastics (used in electronic enclosures or for safety-related applications in the automotive and energy supply industries).
- Engineering products: by combining natural and synthetic graphites, the division offers tailor-made products capable of meeting the precise physical and chemical specifications demanded by different 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: a significant outlet in volume terms for the Graphite & Carbon division, used particularly in bricks, monolithics, carbon additives and metal coatings.

Industrial facilities

The Graphite & Carbon division operates six industrial sites – five of which are ISO 9001 certified – across five countries.

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

Main competitors

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

▪ OILFIELD SOLUTIONS

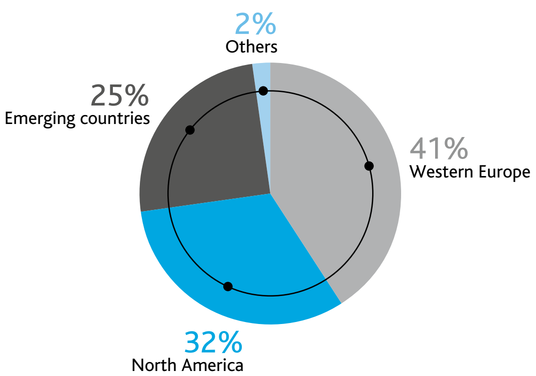
The Group made the decision to dispose of the Oilfield Solutions division, with its two industrial facilities in Georgia (US) processing ceramic proppants and mineral drilling additives, which are used for shale oil and gas extraction in North America.

1.5.2 FILTRATION & PERFORMANCE ADDITIVES

The Filtration & Performance Additives business group comprises the Performance Additives, Filtration and Metallurgy divisions. It primarily serves the end-markets of consumer goods, automotive and construction. In 2018:

- Revenue totaled €1,298 million, accounting for 28% of total Group revenue
- Current operating income reached €240 million, representing a 18.5% margin
- 77 industrial sites across 23 countries.

Revenue by region



√ For further details on the highlights from 2018 in this business group, *see chapter 2, paragraph 2.1.3 of the Registration Document*.

Divisions	Products	Industries served	Main applications	Market positions[1]
PERFORMANCE ADDITIVES	Mica Talc Wollastonite Plastic 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
FILTRATION	Diatomite Perlite & Expanded perlite Structured alumino-silicate	Agriculture Food Beverages Construction Pharmaceuticals & Chemicals	**Purification process enablers by solid-liquid separation for:** Food Biodiesel Beverages (Wine, Beer, Juice) Water Sweeteners Edible oils Blood plasma Industrial chemicals Pharmaceuticals **Functional additives for:** Polymer packaging Personal care & Cosmetics Cryogenic insulation Paints	**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 solutions produced by the Performance Additives division are essential components in a broad range of applications, including agri-food, the automotive and construction industries as well as intermediate goods, such as paint, rubber, catalysts, paper, pharmaceuticals, personal care and health & beauty.

Products

The Performance Additives division offers many functional additives primarily derived from mica, talc and wollastonite. Particle chemical composition, shape and distribution vary from one solution to another, contributing additional properties in the finished products, 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 main applications are as follows:

- Rubbers: talc has many applications in the rubber industry (seals, hoses, membranes, cables, tires, *etc.*) to improve chemical resistance, barrier effects, whiteness and mechanical properties.
- Ceramics: the division also offers different 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 manufacturing decorative tile and sanitaryware.
- Personal care, health & beauty: added to body powders, talc brings a silky softness to make-up and makes soaps softer and smoother, while also reducing formulation costs. Talc also acts as glidant and lubricant for tablets 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. It also offers an alternative to 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 increasingly being used in the automotive industry because they also help to reduce 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 used day to day in construction, landscaping, drilling muds and personal care.

Industrial facilities

The Performance Additives division operates 21 industrial sites – 18 of which are ISO 9001 certified – across 11 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	7	11	3	0

Main competitors

Nordkalk (Finland), Wolkem (India), IMI Fabi (Italy), LKAB (Sweden), Elementis (UK) and American Talc, RT Vanderbilt, GIM and Minerals Technologies (US).

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, large specific surface area and a high level of porosity. They are sought after for many applications, but particularly as filtration substrates and functional additives.

Applications

The main applications are as follows:

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

- Construction materials: used as functional additives, perlite and expanded perlite products boost the efficiency of heat and cryogenic insulation and soundproofing products, and are also used in construction materials, surface coatings and roofing.
- In other niche applications, diatomite is used as a functional additive in paint, plastic film, agriculture, polishes and rubber. Perlite and expanded perlite may be used in applications such as horticulture, mechanical insecticides 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 28 industrial sites – 18 of which are ISO 9001 certified – across 11 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	7	18	3	1

Main competitors

Kuraray group (Europe), Showa (Japan), US Silica and Grefco Mineral Technologies Inc. (US).

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 casting fluxes of steel. Flux solutions are designed according to the operational parameters, steel grade and quality requirements specific to each customer to provide optimum performance.
- Bentonite, an alumino-silicate sedimentary clay with unique properties, such as swelling, absorption, viscosity and thixotropy, is processed in the Group's plants and marketed in various tailor-made solutions for a wide variety of applications such as sand molding systems, drilling muds, iron ore pelletizing, civil engineering and pet litter.
- Moler: a sedimentary rock formed from a natural combination of diatoms and clays. Very lightweight and with high absorption properties, moler is used as an absorbent for hydrocarbons and chemicals, a soil conditioner, and in animal nutrition.
- Perlite, a low-density mineral with a large specific surface area when expanded at high temperatures, is used in a variety of applications including construction, agriculture and horticulture.
- Bauxite is 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 aluminate cements, iron, mineral fibers and abrasives.

Applications

The main applications are as follows:

- Engineered steel casting fluxes used for continuous casting and bottom pouring of steel and play an essential role in process reliability, as well as the quality of the initial casting and finished steel product.
- Bentonite-based binders: for sand molds used in the foundry industry.
- Other applications include construction, ceiling insulation, iron ore pellets, agricultural and horticultural enhancers and pet litter absorbents.

Industrial facilities

The Metallurgy division operates 28 industrial sites – all of which are ISO 9001 certified – across 12 countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	17	7	2	2

Main competitors

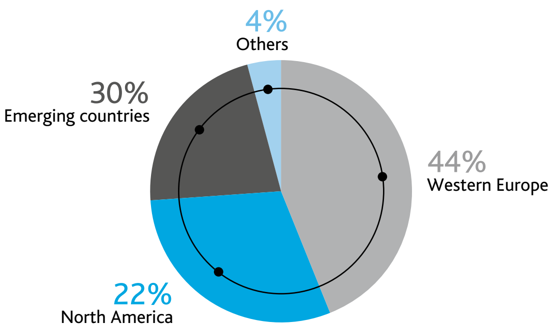
Clariant and Intocast (Germany), Ashapura (India), Prosimet (Italy), Showa (Japan), Iperlit (Turkey), Vesuvius (UK), Bentonite Performance Minerals, Grefco Mineral Technologies Inc., Minerals Technologies and Shinagawa Advanced Materials America (US) and other producers in Africa, China and Turkey.

1.5.3 CERAMIC MATERIALS

The Ceramic Materials business group is made up of the Kaolin and Ceramics divisions. Its products are used mainly in the new-build construction, building renovation, papermaking and ceramics industries. In 2018:

- Revenue totaled €854 million, accounting for 19% of total Group revenue.
- Current operating income reached €103 million representing an 12.0% margin.
- 47 industrial sites across 20 countries.

Revenue by region



√ For further details on the highlights from 2018 in this business group, *see chapter 2, paragraph 2.1.3 of the Registration Document.*

Divisions	Products	Industries served	Main applications	Market positions[1]
KAOLIN	Kaolin	Cables Construction Packaging Paper Decorative & industrial coatings	**Functional additives and process enablers for:** Cables & Insulating ducts Adhesives & Sealants Graphic arts papers Specialty papers Packaging Paints & Coatings Plastics & Rubber	**World #1** in kaolin for paper
CERAMICS	Ball clay Chamotte Engobes for tiles Feldspar Halloysite Kaolin Mica Ceramic bodies and glazes Pegmatite Quartz Kiln furniture & components Talc	Electronic & Electrical equipment Automotive Construction Electro-metallurgy Energy Semiconductors Tableware	**Mineral components for:** Aggregates & thermal insulation Landscaping Thermal applications Waterproofing & containment barriers Floor & wall tiles Technical ceramics Cement Kiln construction Fiberglass reinforcement Porcelain electrical insulators Sanitaryware Automotive catalyst media Roof tiles Tableware Flat & container glasses	**World #1** in raw materials and ceramic bodies for sanitaryware, 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.

KAOLIN

The Kaolin division designs and markets innovative solutions for a number of industries using high-quality kaolin from its extensive reserves in Australia, Brazil, the US and the UK.

Products

The extracted kaolin is purified and refined to achieve the specifications required for its final application. The desired properties include whiteness, opacity, shine, particle shape and distribution, viscosity, mechanical properties, surface quality and suitability for print. As the world's largest producer of kaolin, the division obtains raw materials from its own deposits. Each site has its own unique geological characteristics, and the extensive high-quality reserves allow the division to design tailor-made solutions to meet 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, barrier effect properties, whiteness and 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 for sanitaryware and tableware, and acts as a functional additive in glazed tiles. A source of alumina, kaolin is also widely used in the production of glass fiber.
- Sealants & adhesives: kaolin contributes protection and rheological 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: more sophisticated applications are being developed to meet 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. They can also facilitate the manufacturing process of plastic products. Applications include PVC sheets, cables and flooring, polyolefin tubing, profiles and films, as well as prefabricated thermoplastic polymer components.

Industrial facilities

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

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	4	2	-	-

Main competitors

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

CERAMICS

The Ceramics division is a global supplier of ceramic minerals and prepared bodies for the sanitaryware, tableware and decorative tile industries. The division also offers a wide range of solutions for technical ceramics and glassmaking (mainly 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 supplies the ceramic industry throughout the world with a broad range of mineral specialties made from ball clay, feldspar, kaolin, halloysite, talc, mica, pegmatite and quartz. It also markets comprehensive mineral solutions in a range of different forms according to specific customer requirements, including granules, slurries, tableware and sanitaryware bodies, engobe pre-blends, steatite and cordierite bodies, alumina bodies, micronized alumina and glaze formulations. The division also markets kiln furniture in cordierite, alumina body, mullite and silicon carbide. 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 bodies, frits[(1)], glazes and engobes for floor and wall tiles.
  - Sanitaryware: the division is the world's leading supplier of minerals for sanitaryware manufacturing. The range includes solutions for traditional vitreous china sanitaryware, 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's leading supplier of raw materials for premium tableware, including the halloysite used "in fine" porcelain, and is the leading European supplier of 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, a particularly demanding industry in terms of technical performance.
  - Kiln furniture: leading supplier of kiln furniture for tableware, sanitaryware, technical ceramics and tile production. The division manufactures and markets superstructures and flexible, lightweight components for use in kiln cars.

The division also serves other markets, such as landscaping, construction, electrometallurgy, glass and fiberglass reinforcement. Furthermore, Imerys supplies additives for boilers and conventional power plants.

Industrial facilities

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

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

Main competitors

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

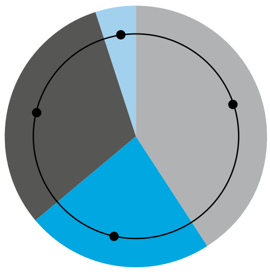
(1) Frits: fluxes used as the main – usually glass-based – component of most ceramic glazes.

1.5.4 HIGH RESISTANCE MINERALS

The High Resistance Minerals business group is composed of the Fused Minerals and Aluminates divisions. Its main customers operate in the steel, industrial equipment, automotive and construction markets. In 2018:

- Revenue totaled €1,237 million, accounting for 26% of total Group revenue.
- Current operating income reached €152 million, representing a 12.3% margin.
- 35 industrial sites across 12 countries.

Revenue by region



√ For further details on the highlights from 2018 in this business group, *see chapter 2, paragraph 2.1.3 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 Fused silica 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
ALUMINATES	**Calcium aluminate-based binders** Andalusite Ball clay Chamotte Metakaolin Mullite	Construction technologies Civil Engineering Refractories Steelmaking Aerospace Aluminum Automotive Cement Glass	**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 infrastructure **Process enablers for:** Calcium aluminate-based fluxes Foundry Investment casting **Mineral components for:** Coatings (bricks and concretes), Refractory insulators and binders	**World #1** in high-performance calcium aluminate-based binders for construction **World #1** in high-performance calcium aluminate-based binders for refractories **World #1** in alumino-silicate minerals for refractories

(1) Imerys estimates.

FUSED MINERALS

The Fused Minerals division is the world's leading supplier of specialty products, manufacturing fused alumina, tabular alumina and fused zirconia for the abrasives, refractories, technical ceramics, steelmaking heating equipment, automotive, industrial equipment and construction markets.

Products

Minerals such as bauxite, alumina and zircon sand are sourced from 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 due to their great 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.
- Electrically fused silica is a quartz sand that has been fused to form glass. Its low volumetric expansion and high purity make fused silica a very versatile material for refractory and investment casting applications.
- Fused zirconia is sold in grains and precisely calibrated powders (less than 1 µm). It is widely used in the automotive industry (for brake pads) and to manufacture 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, paints and cosmetics.

Applications

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

- Abrasives: their wear resistance and thermal properties mean 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 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 due to their crystal structure and mechanical strength. These products typically address high value-added 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: its electrical and thermal properties mean 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 15 industrial facilities – all of which are ISO 9001 certified – across 10 countries.

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

Main competitors

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

ALUMINATES

Resulting from the merger of the Refractory Minerals division and Kerneos, the Aluminates division is the world's leading producer of high-performance calcium aluminate-based binders used mainly in the refractory, building chemistry, civil engineering, mining and wastewater markets. The division also enjoys a unique position in the production of minerals for silico-aluminous refractory solutions used in high-temperature, acidic or neutral environments. The extensive range makes it possible to offer products with different functional properties to meet manufacturers' need to continuously improve performance.

Products

Specialized in calcium aluminate technology, the Aluminates division offers innovative, high quality, high-performance binders that contribute key properties such as controlled fluidity, rapid setting, self-leveling, waterproofing as well as wear, abrasion and heat resistance to the solutions manufactured by its customers. Its products include:

- Calcium aluminate binders with controlled characteristics (reactivity, chemistry, color, *etc.*) specifically tailored to complex formulation requirements for building and construction chemistry 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 pipelines and structures.
- High-technology binders and aggregates specially designed for refractory concretes.
- Calcium aluminate-based fluxes designed for use in the secondary metallurgy industry to improve steel quality, boost productivity and reduce costs, which helps protect the environment.

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

- Andalusite: an alumino-silicate mineral found in metamorphic rock. In refractory applications, andalusite contributes volume stability, high thermal shock and chemical resistance.
- Clays and metakaolins: used either as binders to manufacture refractory bricks, or as additives to improve rheological performance.
- Chamotte: a calcined clay that is inert at the firing stage and acts as an armature to prevent any distortion in the production of sanitaryware pieces and refractories.
- Molochite™: an aluminum silicate produced using china clay that provides an excellent level of thermal shock resistance.
- Sintered mullite: produced by calcining clays at a very high temperature to increase their refractory properties. This market-leading product is sold under the Mulcoa® trademark.

Applications

The main applications are as follows:

- building chemistry (ready-to-use industrial mortars) and civil engineering (wastewater infrastructure, high-stress areas, mines and underground construction projects);
- refractory and insulation linings (to protect equipment in high-temperature industries, such as steel, aluminum, cement, glass, incineration and petrochemicals), used in the acidic and neutral refractory materials (bricks and monolithic linings);
- investment casting, kiln furniture and sanitaryware (used to manufacture fine fire clay sanitaryware with complex shapes).

Industrial facilities

The Aluminates division operates 20 industrial sites – 18 of which are ISO 9001 certified – across seven countries.

Number of facilities	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	8	2	3	7

Main competitors

Kaolin AD (Bulgaria), Calucem (Croatia), Cluz (Czech Republic), Andalucita (Peru), Gorka (Poland), Molins (Spain), Andalusite Resources (South Africa), Almatis and Minco (US), as well as various producers in China and a number of local competitors in all regions.

1.6 MINERAL RESERVES AND RESOURCES

In accordance with company 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 (specifically, the Pan-European Mineral Reserves and Resources Reporting Committee, PERC, Code).

1.6.1 MINERAL REPORTING PRINCIPLES

▪ MINERAL ASSET REPORTING

Imerys reports mineral reserves and resources in full compliances with the PERC Reporting Standard (2013)[(1)], a European standard for mineral asset reporting. It is a member of the CRIRSCO[(2)] family of codes, made up of similar codes, such as the JORC (Australia) and CIM Guidelines (Canada).

Mineral Reserves correspond to the portions of a deposit that are demonstrably economic to extract given the prevailing or reasonably forecast economic climate at the time of estimation. 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. Mineral Resources include deposits or portions of deposits for which extraction has yet to be demonstrated as economically profitable, but it is reasonable to expect 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 classified in ascending order of geological confidence as Inferred, Indicated or Measured.

The Group's production operations consume its mineral reserves. Imerys continuously undertakes initiatives to compensate the consumption of these reserves in order to maintain the equivalent of around 20 years' worth of production. On existing sites, this involves the exploration and detailed modeling of already identified mineral resources to confirm the potential for exploitation based on quality, quantity, mining parameters and associated costs. Where exploratory work leads to a positive conclusion, Imerys seeks to obtain the necessary exploitation rights (outright ownership, long-term lease, concession or drilling contract), permits and official authorizations. If these elements can be obtained, the resources are converted into reserves. Group mineral reserves can also be replaced or increased through acquisitions from third parties or acquisitions of companies as part of the Group's external growth operations.

▪ MINERAL ASSET AUDITS

To ensure consistent reporting across all Group entities and full compliance with all 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 who are completely independent from the sites they audit. Each audit is conducted by two people from this team using assessment matrices. Audit results are published in a report setting out any comments and improvement requirements, the implementation of which is then specifically monitored. These audits are therefore an opportunity to share best practices and drive continuous improvement in mineral resource management and exploitation. The results of mineral reserves and resources reporting are assessed by the Audit Committee.

▪ RISKS AND UNCERTAINTIES

Mineral reserves and resources are estimates of the size and quality of deposits based on the technical, regulatory and economic parameters available at a given point in time. Due to unpredictable changes in these parameters and the natural uncertainty associated with such assessments, estimates of Group mineral reserves and resources presented in the following table may vary over time. Over the course of geological exploration and assessment, mineral reserves and resources may change significantly, either positively or negatively. At this point in time, Imerys has no knowledge of any environmental, legal, political or other factors that may adversely affect the estimates presented in these tables in any material way.

√ For further details, *see chapter 4, paragraph 4.1.1 of the Registration Document*.

(1) The PERC Reporting Standard is a pan-European standard for reporting exploration results, mineral resources and reserves 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. Once extracted, clays are selected, processed and blended to achieve the desired 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 that contributes excellent optical properties to finished products.

Diatomite is a sedimentary mineral composed of the silicon-rich skeletons of diatoms – unicellular algae present in marine and lake environments. It is known for 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 temperature (700-1,200°C) to which it is subjected during the calcination process transforms kaolin into a whiter and more inert mineral. 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 blend 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 a large specific surface area at low density.

Refractory minerals are valued for their 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, wollastonite and zeolite. Imerys also produces the high-quality quartz minerals required to produce silicon and ferro-silicon, both of which are used in special steel alloys. Imerys produces a range of high-quality synthetic graphites and talcs as well as the highest quality of fused magnesia, carbon black and zirconia.

The Group also sources and processes certain raw materials from external suppliers to create its specialty products. These materials include bauxite, alumina and zirconia, which 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 “Reporting of Industrial Minerals, Dimension Stone and Aggregates” section of the PERC Reporting Standard, Imerys has grouped mineral category estimates together in order to protect commercially sensitive information.

Reserve estimates are not included in resources. Volumes are expressed in thousands of metric tons of minerals marketable in dry form. The corresponding estimates at December 31, 2017 are presented for the purpose of comparison. Changes in estimates of reserves and resources between December 31, 2017 and December 31, 2018 correspond to resources used in 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.

Mining assets totaled €503.6 million at December 31, 2018 (€592.6 million at December 31, 2017). In accordance with accounting rules, the mineral reserve and resource assets are recognized at historical cost. They are initially measured at acquisition cost, and subsequently at historical cost minus any accumulated depreciation and impairment. Depreciation is estimated on the basis of actual extraction.

MINERAL RESERVES ESTIMATES (AT. DEC. 31, 2018 *VS.* DEC. 31, 2017)

Product	Region	Proven	Probable	Total	Proven	Probable	Total
		2018 *(kt)*			2017 *(kt)*		
Ball clays	Europe	10,094	419	10,513	10,100	673	10,773
	Americas	3,292	541	3,833	3,506	671	4,177
	Asia-Pacific	610	0	610	610	0	610
	Africa & Middle East	444	0	444	270	0	270
	Total	**14,440**	**960**	**15,400**	**14,486**	**1,344**	**15,830**
Bentonite	Europe	7,708	1,148	8,856	8,110	237	8,347
	Americas	0	395	395	31	232	263
	Africa & Middle East	107	0	107	90	0	90
	Total	**7,815**	**1,543**	**9,358**	**8,231**	**469**	**8,700**
Carbonates	Europe	0	25,880	25,880	0	28,030	28,030
	Americas	61,970	100,256	162,226	56,082	118,945	175,027
	Asia-Pacific	0	34,190	34,190	0	32,536	32,536
	Africa & Middle East	0	4,651	4,651	0	5,107	5,107
	Total	**61,970**	**164,977**	**226,947**	**56,082**	**184,618**	**240,700**
Feldspar	Europe	9,168	3,467	12,635	11,237	3,485	14,722
	Africa & Middle East	3,492	0	3,492	2,647	843	3,490
	Total	**12,660**	**3,467**	**16,127**	**13,884**	**4,328**	**18,212**
Kaolin	Europe	4,318	3,748	8,066	1,879	16,093	17,972
	Americas	33,865	42,434	76,299	34,639	44,987	79,626
	Asia-Pacific	175	1,191	1,366	104	1,233	1,337
	Total	**38,358**	**47,373**	**85,731**	**36,622**	**62,313**	**98,935**
Minerals for Refractories*	Europe	548	6,245	6,793	625	2,087	2,712
	Americas	3,577	1,289	4,866	3,402	3,141	6,543
	Asia-Pacific	225	1,026	1,251	424	884	1,308
	Total	**4,350**	**8,560**	**12,910**	**4,451**	**6,112**	**10,563**
Perlite & Diatomite	Europe	4,416	19,453	23,869	4,482	21,223	25,705
	Americas	29,013	14,661	43,674	29,147	15,017	44,164
	Africa & Middle East	0	1,030	1,030	0	976	976
	Total	**33,429**	**35,144**	**68,573**	**33,629**	**37,216**	**70,845**
Roof tile raw materials	Europe	0	0	0	37,654	14,714	52,368
	Total	**0**	**0**	**0**	**37,654**	**14,714**	**52,368**
Talc	Europe	1,875	13,929	15,804	6,945	2,402	9,347
	Americas	15,032	4,581	19,613	14,896	4,384	19,280
	Asia-Pacific	2,486	456	2,942	2,565	456	3,021
	Total	**19,393**	**18,966**	**38,359**	**24,406**	**7,242**	**31,648**
Other minerals	Europe	1,777	300	2,077	1,095	300	1,395
	Americas	2,678	1,669	4,347	2,784	1,748	4,532
	Africa & Middle East	77	65	142	410	538	948
	Total	**4,532**	**2,034**	**6,566**	**4,289**	**2,586**	**6,875**

* *In addition to the normal activities of production, additional changes occurred due to the divestiture of the Roofing division and a Carbonate site in Brazil, the acquisition of a bauxite site in Europe, as well significant reassessments of Reserves at sites in the Americas (Carbonate) and Europe (Kaolin and Talc).*

▪ MINERAL RESOURCES ESTIMATES (AT DEC. 31, 2018 *VS.* DEC. 31, 2017)

		Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
Product	**Region**	**2018** *(kt)*				**2017** *(kt)*			
Ball clays	Europe	7,199	1,778	2,003	10,980	7,332	833	1,438	9,603
	Americas	6,087	9,678	14,511	30,276	5,961	9,678	15,061	30,700
	Asia-Pacific	61	740	0	801	61	0	0	61
	Africa & Middle East	0	150	0	150	0	594	0	594
	Total	**13,347**	**12,346**	**16,514**	**42,207**	**13,354**	**11,105**	**16,499**	**40,958**
Bentonite	Europe	47,584	22,752	1,652	71,988	49,155	23,396	1,652	74,203
	Americas	378	2,045	2,849	5,272	523	2,045	2,849	5,417
	Africa & Middle East	1,839	12	295	2,146	6,205	16	279	6,500
	Total	**49,801**	**24,809**	**4,796**	**79,406**	**55,883**	**25,457**	**4,780**	**86,120**
Carbonates	Europe	0	9,128	24,477	33,605	0	3,364	19,115	22,479
	Americas	10,664	80,300	87,144	178,108	12,845	156,490	118,945	288,280
	Asia-Pacific	0	0	512	512	0	0	460	460
	Total	**10,664**	**89,428**	**112,133**	**212,225**	**12,845**	**159,854**	**138,520**	**311,219**
Feldspar	Europe	2,570	1,038	7,107	10,715	4,771	2,275	6,167	13,213
	Americas	1,849	5,500	12,700	20,049	1,849	5,500	12,700	20,049
	Africa & Middle East	928	4,002	667	5,597	928	14,201	11,100	26,229
	Total	**5,347**	**10,540**	**20,474**	**36,361**	**7,548**	**21,976**	**29,967**	**59,491**
Kaolin	Europe	1,764	2,470	15,215	19,449	336	4,002	6,382	10,720
	Americas	21,078	58,590	54,709	134,377	23,629	58,744	52,102	134,475
	Asia-Pacific	280	5,676	430	6,386	393	5,679	387	6,459
	Total	**23,122**	**66,736**	**70,354**	**160,212**	**24,358**	**68,425**	**58,871**	**151,654**
Minerals for Refractories*	Europe	402	5,053	2,901	8,356	3,074	3,017	0	6,091
	Americas	7,666	7,547	137	15,350	4,458	9,708	137	14,303
	Asia-Pacific	0	0	0	0	0	432	258	690
	Africa & Middle East	836	400	1,810	3,046	836	739	1,902	3,477
	Total	**8,904**	**13,000**	**4,848**	**26,752**	**8,368**	**13,896**	**2,297**	**24,561**
Perlite & Diatomite	Europe	972	24,329	57,564	82,865	972	23,089	57,564	81,625
	Americas	22,053	30,647	111,839	164,539	21,622	30,663	111,913	164,198
	Asia-Pacific	79	1	0	80	79	1	0	80
	Africa & Middle East	0	1,389	7,594	8,983	60	1,467	7,684	9,211
	Total	**23,104**	**56,366**	**176,997**	**256,467**	**22,733**	**55,220**	**177,161**	**255,114**
Roof tile raw materials	Europe	0	0	0	0	37,574	635	6,804	45,013
	Total	**0**	**0**	**0**	**0**	**37,574**	**635**	**6,804**	**45,013**
Talc	Europe	102	1,152	7,749	9,003	9,079	8,720	4,013	21,812
	Americas	0	0	3,440	3,440	0	0	3,471	3,471
	Asia-Pacific	2,480	1,235	4,135	7,850	2,480	1,235	4,168	7,883
	Total	**2,582**	**2,387**	**15,324**	**20,293**	**11,559**	**9,955**	**11,652**	**33,166**
Other minerals	Europe	1,687	1,315	90	3,092	1,687	1,015	90	2,792
	Americas	6,270	25,673	66,478	98,421	6,270	25,673	66,478	98,421
	Africa & Middle East	836	599	956	2,391	529	240	285	1,054
	Total	**8,793**	**27,587**	**67,524**	**103,904**	**8,486**	**26,928**	**66,853**	**102,267**

* *In addition to the normal activities of exploration, resource development and transfers of resources to reserves, in 2018 the divestiture of the Roofing division and a Carbonate site in Brazil as well as significant reassessment of sites in Americas (Carbonates) and Europe (Talc, Kaolin and Feldspar) were completed.*

2 REPORTS ON THE FISCAL YEAR 2018

2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

At its meeting of February 13, 2019, 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 2018 HIGHLIGHTS

In 2018, Imerys improved its performance with an increase of 6.8% revenue and 2.0% current [(1)] operating income compared with 2017. The Group generated a solid level of net current free operating cash flow [(2)], which amounted to €286 million in 2018.

The net income from current operations rose 6.5% compared with 2017, in line with the objective to increase 2018 net income from current operations by close to 7% year on year.

Consolidated results *(€ millions)*	**2018**	**2017**	**Change**
Revenue	4,590.0	4,299.0	+6.8%
Current operating income [(1)]	562.1	551.2	+2.0%
Current operating margin	12.2%	12.8%	-0.6 pt
Net income from current operations, Group share	356.8	335.1	+6.5%
Net income, Group share	559.6	368.2	+52.0%
Net current free operating cash flow	285.8	293.8	-2.7%
Net financial debt	1,297.4	2,246.4	-42.2%
Net income from current operations, Group share, per share [(2)]	4.50	4.24	+6.2%
Proposed dividend, per share [(2)(3)]	2.150	2.075	+3.6%

(1) Operating income as presented in the Group's financial statements, including other income and operating expenses and excluding income from discontinued activities, amounted to income of €499.1 million in 2017 and an expense of -€89.4 million in 2018.

(2) In 2018, the weighted average number of outstanding shares reached 79,238,417 in 2018 compared with 79,015,367 in 2017.

(3) Proposal made by the Board of Directors and submitted for approval at the Shareholders' General Meeting held on May 10, 2019.

Business portfolio management to improve the growth profile of Imerys

In 2018, Imerys continued to reshape its business portfolio to reposition itself as a specialty minerals company and to improve its growth profile:

- Imerys has successfully integrated Kerneos, the world's leading provider in high-performance calcium aluminate binders for the growing building chemicals market, consolidated since July 2017. In 2018, the Group generated synergies in line with its plan;
- on October 11, Imerys completed the disposal of its Roofing division, which represented the last remaining building materials business in its portfolio. Although highly profitable, this French business had limited growth prospects. This transaction significantly strengthened the Group's balance sheet, generating a cash flow of €823 million, and a net capital gain of €740 million.

Decisive actions to address adverse market changes in some operations

The Group has also made the following strategic decisions:

- withdrawal from ceramic proppants in the United States, due to a fundamental technological shift in the market. Imerys decided to exit this business to limit its negative impact on current operating income to €5 million in 2018. The impairment and restructuring costs recognized at December 31, 2018 amounted to €148.4 million;
- implementing a "care and maintenance regime" for natural graphite assets in Namibia and refocusing of the Graphite & Carbon division. As a result, the negative contribution of these activities to current operating income represented €7 million in 2018 and the impairment and restructuring costs recognized at December 31, 2018 amounted to €77.9 million.

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

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

New organization by market to further leverage our successful repositioning as a specialty minerals company

On December 1, 2018, the Group put in place a new structure, with less layers of management, that is simpler and more customer focused, organized around two segments and grouping five newly created business areas, to focus on Imerys' core markets. The General Managers of the five business areas will report directly to the Chief Executive Officer:

- the **Performance Minerals** segment brings together three geographic business areas: Europe Middle East Africa (EMEA), Americas and Asia Pacific (APAC), each serving plastics, paints & coatings, filtration, ceramics, renewable energy and paper & board markets;
- the **High Temperature Materials & Solutions** segment regroups two business areas: High Temperature Solutions, and Refractory Abrasives & Construction serving refractory, foundry, metal flow, abrasives and building chemistry markets.

This new organization, with business areas built around core markets, will enable the Group to achieve its full organic growth potential and to further improve its competitive position for sustained value creation.

To mirror this new structure, a new Executive Committee has been appointed.

DIVIDEND

At the Shareholders' General Meeting of May 10, 2019, the Board of Directors will propose a dividend of €2.150 per share, up 3.6% compared with the dividend paid in 2018, representing a total estimated payout of €171 million equal to 48% of net income from current operations, Group's share. This proposal reflects the Board's confidence in the Group's fundamentals and development prospects. The dividend is expected to be paid out from May 22, 2019.

POST-CLOSING EVENT

Imerys North American talc subsidiaries take major step for the permanent resolution of historic talc-related liabilities in the United-States

Certain subsidiaries of the Group, which operate its talc business in North America, are among the defendants in the actions brought before several U.S. federal and state courts by multiple plaintiffs. In these matters, the plaintiffs assert claims based on the alleged hazards related to the use of talc in certain products. Most of this litigation relates to sales made prior to Imerys's 2011 acquisition of its Talc business.

After evaluating a range of possible options, the three talc subsidiaries of Imerys – Imerys Talc America, Imerys Talc Vermont, and Imerys Talc Canada – representing the whole North American talc business of the Group are voluntarily seeking the protection of Chapter 11, a special legal process under U.S. law. This process allows these subsidiaries to safeguard their long-term business interests while working towards a permanent resolution of their historic talc-related liabilities. The Chapter 11 filing will not adversely affect the business operations, employees or customers of the Group, which will continue to operate as usual and honor all its obligations to stakeholders.

While taking this action, the Group continues to believe that the U.S. talc-related litigation is without merit, as the safety of talc has been confirmed by dozens of peer-reviewed studies and multiple regulatory and scientific bodies. The filing subsidiaries' decision was prompted by the actual and projected increase of defense and settlement costs over the next few years. Such increase follows heightened media coverage of U.S. cosmetic talc-related lawsuits and the growing reluctance by the filing entities' insurers and third-party contractual indemnitors to provide coverage against these increases without new and lengthy litigation by the filing subsidiaries to secure their rights.

The process initiated by the filing subsidiaries immediately suspends all outstanding U.S. talc litigation against the filing entities and avoids the overwhelming projected defense costs associated with the specific nature of the U.S judicial system's handling of product liability claims. This process will enable the filing subsidiaries to resolve current and future claims related to past sales of talc in the U.S. through a plan of reorganization to be negotiated with representatives of existing and future claimants in the coming months.

Although significant, the impact of today's decision of the North American talc subsidiaries and the anticipated terms of their plan of reorganization is not expected to materially affect Imerys's overall financial situation, profitability, and cash generative business profile. For the year ended December 31, 2018, these subsidiaries, which will as from today no longer be included within the scope of consolidation of the Group, recorded €143 million in revenue, €25 million in EBITDA and €16 million in current operating income which represented approximately 3% of the same Group's consolidated figures. The estimated net financial impact of the overall process initiated today amounts to €250 million has been provisioned in the Group's full-year 2018 consolidated financial statements, in addition to €17 million of costs incurred during the year.

The North American talc filing subsidiaries' announcement is available at: www.ITArestructuring.com.

2.1.2 DETAILED COMMENTARY ON THE GROUP'S RESULTS

SALES

Unaudited quarterly data *(€ millions)*	**2018 Revenue**	**2017 Revenue**	**Change**	**Organic growth**[(1)]	**Volumes**	**Price-mix**
First quarter	1,129.6	1,034.1	+9.2%	+4.7%	+1.5%	+3.2%
Second quarter	1,180.9	1,030.5	+14.6%	+6.0%	+1.7%	+4.3%
Third quarter	1,153.9	1,102.7	+4.6%	+3.1%	-0.9%	+4.0%
Fourth quarter	1,125.6	1,131.5	-0.5%	+0.3%	-2.9%	+3.3%
Year	**4,590.0**	**4,299.0**	**+6.8%**	**+3.4%**	**-0.2%**	**+3.7%**

(1) Organic growth: growth at comparable perimeter and exchange rates, or "like-for-like".

Revenue in 2018 totalled €4,590.0 million, up +6.8% compared with 2017. This increase reflects organic growth of 3.4%, driven in particular by a positive price-mix effect in all business groups (3.7%), in a context of rising inflation of input costs. In addition to a high basis of comparison, volumes were impacted by a slowdown in industrial markets (abrasives, foundry, paints & coatings, and plastics) in the second half of the year, particularly in the fourth quarter.

Revenue was also boosted by a positive perimeter effect of €290.4 million (6.8%), which included in particular €250.0 million from Kerneos (acquired in July 2017), as well as significantly negative exchange rate effect representing €147.1 million (3.4%).

REVENUE BY GEOGRAPHIC DESTINATION

Revenue by geographical area *(€ millions)*	**2018 Revenue**	**Change (current basis) 2018 vs. 2017**	**% of 2018 revenue**	**% of 2017 revenue**
Western Europe	1,807.8	+7.7%	40%	39%
of which France	250.7	+10.7%	5%	5%
United States/Canada	1,118.5	+0.4%	24%	26%
Emerging countries	1,432.9	+11.2%	31%	30%
Japan/Australia	230.8	+6.4%	5%	5%

CURRENT OPERATING INCOME

Unaudited quarterly data *(€ millions)*	**2018**	**2017**	**Change**
First quarter	129.6	122.8	+5.6%
Operating margin	*11.5%*	*11.9%*	*- 0.4 pt*
Second quarter	154.2	140.7	+9.6%
Operating margin	*13.1%*	*13.6%*	*- 0.5 pt*
Third quarter	140.9	145.4	-3.1%
Operating margin	*12.2%*	*13.2%*	*-1.0 pt*
Fourth quarter	137.5	142.4	-3.4%
Operating margin	*12.2%*	*12.6%*	*-0.4 pt*
Year	**562.1**	**551.2**	**+2.0%**
Operating margin	*12.2%*	*12.8%*	*-0.6 pt*

Current operating income totaled €562.1 million in 2018, up 2.0% compared with 2017 at 12.2% **operating margin**. This performance benefitted from a positive price-mix effect of €146.4 million, largely offsetting the increase in variable costs (€111.8 million, due mainly to raw materials and energy).

The contribution of recent acquisitions rose to €32.5 million, driven by Kerneos in particular, more than compensating the negative impact of lower sales volumes (€5.4 million) and unfavorable exchange rates (€21.9 million), particularly in the first half of the year.

The €45 million increase in fixed costs and overheads over the full year (up 2.7%) was contained in the fourth quarter (down 0.5%) as a result of the decisions made to withdraw from the ceramic proppants business and mothball the natural graphite operations in Namibia.

NET INCOME FROM CURRENT OPERATIONS

Net income from current operations, Group share increased 6.5% to €356.8 million (€335.1 million in 2017).

It includes an improvement in financial result from -€78.4 million in 2017 to -€60.2 million in 2018, thanks to Imerys' optimization of financial costs (1.8% average interest rate) and asset liability management. The current income tax expense of €145.2 million (€136.9 million in 2017) corresponds to an effective tax rate of 28.9%, which remained stable compared with 2017.

Net income from current operations, Group share, per share grew up 6.2% to €4.50.

NET INCOME

Net income, Group share, increased +52.0% to reach €559.6 million in 2018 (€368.2 million in 2017). It takes into account:

- the net income from discontinued activities related to the disposal of the Roofing activity, for €€788 million, of which €740 million of capital gain, net of disposal costs;
- other income and operating expenses, net of taxes, for -€585.2 million, which include impairments, restructuring costs and other exceptional items, related to:
  - Imerys North American talc subsidiaries for -€267.3 million,
  - ceramic proppants for -€148.4 million,
  - graphite & Carbon for -€77.9 million,
  - acquisition costs and provisions for rehabilitation and various restructuring costs for -€91.6 million.

2

CASH FLOW

(in € millions)	2018	2017
Current EBITDA	**793.2**	**777.0**
Change in operating working capital requirement (WCR)	(25.3)	(13.1)
Paid capital expenditure	(333.0)	(319.4)
Other	13.5	8.9
Current free operating cash flow	**448.4**	**453.4**
Notional tax	(162.6)	(159.6)
Net current free operating cash flow	**285.8**	**293.8**
Financial expense (net of tax)	(31.8)	(57.0)
Other working capital requirement	38.8	35.5
Net current free cash flow	**292.8**	**272.3**

Imerys generated a solid level of current free operating cash flow which amounted to €448.4 million before tax, representing a cash conversion of 57% of Group current EBITDA. **Net current free operating cash flow** totaled €285.8 million in 2018, mainly as a results of the following items:

- a €793.2 million contribution from **current EBITDA** in 2018, an increase of 2.1% compared with 2017 (up €16 million);
- a €333.0 million in **paid capital expenditure** (representing 7.3% of revenue and 126% of amortization and depreciation expense, in line with last year) to support the Group development in its key end markets;
- a €25.3 million decrease in the operating **working capital requirement** in 2018 (representing 23.9% of revenue), compared with a €13.1 million drop in 2017, in a rising inflationary environment.

FINANCIAL STRUCTURE

(€ millions)	2018	2017
Net debt at December 31	1,297.4	2,246.4
Average net debt for the year	2,102.0	1,873.2
Shareholders' equity	3,253.5	2,878.2
Current EBITDA	793.2	777.0
Net debt/shareholders' equity	39.9%	78.1%
Net debt/current EBITDA*	1.6 x	2.5 x

* *Published current EBITDA.*

Net financial debt amounted to €1,297.4 million as of December 31, 2018, representing a €949.0 million decrease compared with December 31, 2017. As a result, the ratio between net financial debt and current EBITDA fell to 1.6 x at December 31, 2018 (from 2.5x at December 31, 2017). This is mainly due to the disposal of the Roofing division, which generated net proceeds of €823 million. It also takes into account a solid cash flow generation for the year and €167.8 million paid in dividend.

The Group's robust financial structure is rated Baa2 by Moody's and BBB by Standard & Poor's, with a stable outlook for both rating agencies.

At December 31, 2018, Imerys' bond financing amounted to €1,982 million with an average maturity of 6.5 years. The Group also had €1,330 million in bilateral credit lines. As a result, the Group's **financial resources** totaled €3,312 million with an average maturity of 5,0 years.

2.1.3 COMMENTS BY BUSINESS GROUP

ENERGY SOLUTIONS & SPECIALTIES

(28% of consolidated revenue in 2018)

Unaudited quarterly data *(€ millions)*	**2018**	**2017**	**Change**	**Organic**
1st quarter revenue	319.7	321.6	-0.6%	+4.9%
2nd quarter revenue	327.9	332.0	-12%	+2.6%
3rd quarter revenue	327.7	338,7	-3.2%	-1.2%
4th quarter revenue	319.7	334.3	-4.4%	-4.1%
Annual revenue	**1,295.0**	**1,326.6**	**-2.4%**	**+0.5%**
Current operating income	**123.2**	**141.1**	**-12.7%**	**+1.5%**
Operating margin	*9.5%*	*10.6%*	*-1.1 pt*	-

Revenue

Revenue generated by the **Energy Solutions & Specialties** business group totaled €1,295.0 million in 2018, down 2.4% on published data. This change includes a significant €49.1 million negative exchange rate effect (3.7%) and a net positive perimeter effect of €11.0 million (0.8%). This takes into account external growth operations completed in the Carbonates division (acquisition of Micronita in Brazil, in November 2017 and Vimal Microns in India, in February 2018, as well as disposal in August 2018 of a lime and limestone production business in Brazil, which generated €9 million of revenue in 2017) and in the Monolithic Refractories division (acquisition of Set Linings at end March 2017).

On a like-for-like basis, annual revenue of the business group was flat due to the softness seen in the industrial markets like foundry, petrochemicals, boilers and incinerators, which weighted on the **Monolithic Refractories** division in the fourth quarter. In China, the Group faced a slowdown in the lithium-ion battery market affecting its **Graphite & Carbon** division. The **Carbonates** division continued its development in a context of falling demand in the US construction market. In the fourth quarter, revenue decreased -4.1% on a like-for-like basis compared with the prior year.

Current operating income

Current operating income for the business group came to €123.2 million in 2018, resulting in an operating margin of 9.5%, partly due to the unfavorable exchange rate effect. However, the decision to withdraw from the ceramic proppants business (**Oilfield Services** division) and mothball underperforming natural graphite operations in Namibia, helped to improve the operating margin in the second half of 2018 to 10.2% compared with 8.8% in the first half.

FILTRATION & PERFORMANCE ADDITIVES

(28% of consolidated revenue in 2018)

Unaudited quarterly data *(€ millions)*	**2018**	**2017**	**Change**	**Organic**
1st quarter revenue	322.6	312.4	+3.3%	+5.8%
2nd quarter revenue	333.9	317.0	+5.3%	+5.3%
3rd quarter revenue	325.2	302.2	+7.6%	+3.7%
4th quarter revenue	316.5	305.5	+3.6%	+0.4%
Annual revenue	**1,298.1**	**1,237.0**	**+4.9%**	**+3.8%**
Current operating income	**240.1**	**254.2**	**-5.6%**	**+1.7%**
Operating margin	*18.5%*	*20.6%*	*-2.1 pt*	-

Revenue

Revenue for the **Filtration & Performance Additives** business group totaled €1,298.1 million in 2018, representing a year-on-year increase of 4.9%. It includes a €53.2 million positive perimeter effect (4.3%) in particular as a result of the acquisition of Regain Polymers (September 2017) and a €39.3 million negative exchange rate effect (3.2%).

On a like-for-like basis. the business group's annual revenue grew 3.8% in 2018, supported by sustained demand in its markets, despite a slowdown in the second half of the year. The **Metallurgy** division benefitted from still supportive iron & steel markets meanwhile foundry demand in Europe was a bit slower.

The **Filtration** division has continued its expansion into new segments like cosmetics and agriculture, in a context of high basis of comparison. The **Performance Additives** division continued to face a lack of visibility in the automotive market in Europe and in North America, and limited demand in the paints & coatings markets in Europe, and one of its plants suspended temporarily deliveries for production issues[(1)].

Current operating income

The business group's **current operating income** totaled €240.1 million, with an operating margin falling to 18.5% (from 20.6% in 2017), due to a less favorable business mix in the second half.

▪ CERAMIC MATERIALS

(18% of consolidated revenue in 2018)

Unaudited quarterly data *(€ millions)*	**2018**	**2017**	**Change**	**Organic**
1st quarter revenue	208.7	231.7	-9.9%	-0.7%
2nd quarter revenue	214.6	224.4	-4.4%	+3.7%
3rd quarter revenue	214.5	215.4	-0.4%	+3.4%
4th quarter revenue	216.3	211.9	+2.1%	+4.0%
Annual revenue	**854.1**	**883.4**	**-3.3%**	**+2.6%**
Current operating income	**102.9**	**115.8**	**-11.2%**	**-2.6%**
Operating margin	*12.0%*	*13.1%*	*-1.1 pt*	-

Revenue

Revenue for the **Ceramic Materials** business group totaled €854.1 million in 2018. The 3.3% year-on-year drop factors in a significant €42.8 million negative exchange rate effect (4.8%), in particular due to the Brazilian real.

On a like-for-like basis. annual revenue was up 2.6% in 2018, with a good momentum in the fourth quarter. The **Ceramics** division maintained a positive trend, supported by strong construction markets in emerging countries.

Current operating income

The business group's **current operating income** totaled €102.9 million in 2018, resulting in an operating margin of 12.0%, due to the impact of weak paper markets in the **Kaolin** division.

▪ HIGH RESISTANCE MINERALS

(26% of consolidated revenue in 2018)

Unaudited quarterly data *(€ millions)*	**2018**	**2017**	**Change**	**Organic**
1st quarter revenue	304.2	184.2	+65.1%	+10.3%
2nd quarter revenue	329.8	171.5	+92.3%	+22.6%
3rd quarter revenue	309.4	263.1	+17.6%	+12.3%
4th quarter revenue	293.7	296.2	-0.8%	+0.6%
Annual revenue	**1 237.0**	**915.0**	**+35.2%**	**+10.1%**
Current operating income	**152.5**	**111.5**	**+36.8%**	**+9.9%**
Operating margin	*12.3%*	*12.2%*	*+0.1 pt*	-

(1) Wollastonite plant in Willsboro, United States, with total yearly revenue of €40 million, mainly serving industrial applications such as paint and plastics.

Revenue

Revenue for the **High Resistance Minerals** business group totaled €1,237.0 million in 2018. The 35.2% year-on-year increase in revenue factors in a significant €254.8 million positive perimeter effect (27.9%) relating to the integration of Kerneos, and to a lesser extent to Zhejiang in China in the Fused Minerals division. The negative exchange rate impact was substantial at €24.9 million (2.7%).

On a like-for-like basis, annual revenue increased 10.1% in 2018, boosted by a significant price mix to offset a strong increase in raw materials. In the fourth quarter, the **Fused Minerals** division faced a slowdown in industrial markets and a particularly high basis of comparison. In the **Aluminates** division, which includes Kerneos, the positive momentum in North America and Asia was slightly mitigated in Europe (Germany in particular).

Current operating income

The business group's **current operating income** rose 36.8% (9.9% like-for-like) to €152.5 million in 2018, as a result of the synergies from the integration of Kerneos and a firm price-mix effect offsetting a high inflation in raw materials.

2.1.4 2019 OUTLOOK

Imerys is entering 2019 with:

- a simpler, more market-focused, customer-centric and efficient organization;
- the positive impact of actions taken on our operations impacted by adverse market changes starting to show;
- a reshaped portfolio focused on specialty minerals;
- a stronger balance sheet.

In a context that has remained challenging since the beginning of 2019 and a high basis of comparison, the Group will continue to sustain its performance by giving priority to cost reduction and cash flow generation.

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.

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 EARNINGS OF IMERYS SA IN 2018

▪ INCOME STATEMENT

In 2018, Imerys S.A., the parent company of the Imerys Group, recorded a loss from operations of €86.4 million (€85.3 million in 2017). Operating income amounted to €73.5 million compared with €55.7 million in the prior year due to multiplying the services provided by the holding company to its subsidiaries. Purchases and external services reached €90.9 million *versus* €79.2 million in 2017 driven by constant growth-related costs. Payroll costs fell by €2.9 million, mainly as a result of the lower cost of free share grants to certain employees within the Group offset by the recognition of costs incurred as part of the restructuring plan agreed and implemented before the end of the 2018 financial year.

Investment income equaled €198.7 million, down €266.6 million on 2017, in particular due to a drop in the amount of dividends received from subsidiaries. Imerys S.A. adjusts the proportion of its debt drawn in foreign currencies to manage the foreign exchange risk related to changes in directly or indirectly held foreign net assets, as well as that resulting from loans and advances granted to subsidiaries and entities under cash pooling agreements. In 2018, Imerys S.A. recognized in this respect a net foreign exchange loss of €13.5 million (compared with a €36.1 million gain in 2017). Net financial expenses included in "Financial interest and expenses on financial instruments" fell following the reimbursement of a bond issue for USD30.0 million that matured on August 6, 2018. Increases and decreases in financial provisions are presented in *Note 20 of the Statutory Financial Statements*.

Exceptional losses of €38.3 million were recorded in 2018 (€3.8 million in 2017). Reversals of provisions were recorded for management risks for €1.2 million and staff-related risks for €0.6 million. A further provision of €1.2 million for management risks was added in 2018.

In accordance with the terms of the tax consolidation agreements signed by each Imerys Group company in France, the tax expense or savings recognized in the accounts of Imerys S.A. is made up of the tax expense of Imerys S.A., calculated on a stand-alone basis, and the net amount of additional expenses and savings resulting from tax consolidation. In this respect, Imerys S.A. recognized savings of €26.2 million in 2018 (€51.3 million in 2017).

Net income amounted to €72.9 million in 2018 (€373.4 million in 2017).

At the Shareholders' General Meeting to be held on May 10, 2019, the Board of Directors will propose a dividend payment of €2.15 per share, up 3.6% compared with 2017. It would be paid from May 22, 2019 and corresponds to an estimated total distribution of €171 million, *i.e.* 48% of consolidated net income from current operations, Group share (proposed appropriation of profit: *see Note 29 to the Statutory Financial Statements, as well as chapter 8, paragraph 8.1.1 and section 8.4 of the Registration Document)*.

▪ FINANCIAL DEBT

(€ thousands)	Gross	Maturity in less than 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years
Financial debt	4,111,370	1,695,942	526,482	1,888,946
Other debts	83,919	83,919	-	-
Deferred income	0	-	-	-
Unrealized exchange rate gains	31,684	31,684	-	-
Total	**4,226,973**	**1,811,545**	**526,482**	**1,888,946**

▪ LIST OF EQUITY INVESTMENTS AND MARKETABLE SECURITIES

Subsidiaries and equity interests at December 31, 2018: *see Note 30 of the Statutory Financial Statements.* Marketable securities at December 31, 2018: *see Note 18 of the Statutory Financial Statements*.

▪ SHARE CAPITAL AND DIVIDEND DISTRIBUTIONS OVER THE PAST THREE YEARS

Share capital at December 31, 2018: *see Notes 19 and 25 of the Statutory Financial Statements, as well as chapter 7, paragraph 7.3.1 of the Registration Document*.

Dividend distribution policy: *see chapter 7, section 7.6 of the Registration Document*.

Dividends paid over the past three years:

	2018	2017	2016
	With respect to the 2017 financial year	**With respect to the 2016 financial year**	**With respect to the 2015 financial year**
Gross dividend per share	€2.075	€1.87	€1.75
Net dividend per share	€2.075	€1.87	€1.75
Total net payout	**€164.6M**	**€148.2M**	**€137.5M**

▪ CAPITAL, OTHER SECURITIES, INCOME AND OTHER KEY INDICATORS OF THE COMPANY OVER THE PAST FIVE YEARS

Type of indicators *(in €)*	2018	2017	2016	2015	2014
I – Capital and other securities at the end of the year					
Share capital	158,971,388	159,208,570	159,135,748	159,144,982	151,771,182
Number of ordinary shares at the end of the year	79,485,694	79,604,285	79,567,874	79,572,491	75,885,591
Par value	€2	€2	€2	€2	€2
Number of preferred shares (without voting rights)	-	-	-	-	-
Maximum number of potential ordinary shares by exercising options	286,113	406,037	865,621	1,459,672	2,484,569
II – Transactions and profit for the period					
Revenue before tax	68,604,506	51,615,496	30,520,557	30,377,768	37,564,102
Income before tax, employee profit-sharing and amortization, depreciation and provisions	27,432,416	357,813,578	67,450,733	267,801,548	10,864,457
Income tax	26,225,775	51,281,606	33,968,800	46,644,138	44,446,604
Employee profit-sharing payable for the year	-	-	-	-	-
Income after tax, employee profit-sharing and amortization, depreciation and provisions	72,901,777	373,430,724	105,574,030	340,118,961	31,197,197
Distributed income (excluding withholding tax)	164,574,788	148,225,995	137,475,762	132,492,560	122,431,557
III – Earnings per share[(1)]					
Income after tax and employee profit-sharing and before amortization, depreciation and provisions	0.68	5.14	1.27	3.95	0.73
Income after tax, employee profit-sharing and amortization, depreciation and provisions	0.92	4.69	1.33	4.27	0.41
Net dividend per share	2.15[(2)]	2.075	1.87	1.75	1.65
IV – Employees					
Average number of employees over the year	218.00	199.00	168.00	166.00	157.00
Payroll for the year	26,598,361	22,332,788	19,057,948	16,867,259	15,926,339
Social security contributions for the year	10,757,042	11,623,061	8,771,366	9,356,639	9,075,639

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

(2) Subject to approval by the Shareholders' General Meeting of May 10, 2019.

▪ SUBSEQUENT EVENTS

The annual statutory financial statements at December 31, 2018 were approved by the Board of Directors at its meeting on February 13, 2019.

SUPPLIER AND CUSTOMER PAYMENT TERMS

Pursuant to article L. 441-6-1 and D. 441-4 of the French Commercial Code (*Code de commerce*), the following table presents the number and amount excluding VAT of invoices received and issued, past due and unpaid at the end of the reporting period:

	Article D 441-4-I-1°: Received and unpaid invoices past due at December 31						Article D 441-4-I-2°: Issued and unpaid invoices past due at December 31					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
(A) Breakdown of payments past due												
Number of invoices	5					595						296
Total amount of invoices excl. VAT *(€ thousands)*	9	721	128	37	(142)	744		(1,107)	(454)	498	1,765	702
Percentage of total purchases excl. VAT in 2018 *(%)*	0.01	0.88	0.16	0.04	(0.17)	0.91						
Percentage of revenue excl. VAT in 2018 *(%)*								(1.61)	(0.66)	0.73	2.57	1.02
(B) Invoices excluded from (A) related to disputed or unrecognized payables and receivables												
Number of invoices excluded												
Total amount of invoices excluded												
(C) Standard payment terms used (contractual or statutory terms – article L. 441-6 or article L. 433-1 of the French Commercial Code)												
Standard payment terms used to calculate late payments	Contractual terms: as indicated on the invoice						Contractual terms: 30 days					
	Statutory terms: 30 days						Statutory terms: 30 days					

In accordance to applicable legal provisions, the following information **is included in the present Management Report**:

Required information	Chapter	Page
Business of the Company		
Key financial and non-financial performance indicators (article L. 225-100-1 of the French Commercial Code)	Chapter 1	4-9
Main risks and uncertainties (article L. 225-100-1 of the French Commercial Code)	Chapters 1; 4	21; 120-127
Financial risks of climate change and measures taken by the Company (article L. 225-100-1 of the French Commercial Code)	Chapters 4; 5	122-123; 158-161
Internal control and risk management procedures put in place by the Company to collate and process financial and accounting data (article L. 225-100-1 of the French Commercial Code)	Chapters 4; 6	133-134
Purpose, hedging policy and exposure of the Company to price, credit, liquidity and cash risks; use of financial instruments (article L. 225-100-1 of the French Commercial Code)	Chapter 4	126; 246-253
Research and development (article L. 232-1 of the French Commercial Code)	Chapter 1	20
Investments and material takeovers made (article L. 233-6 of the French Commercial Code)	Chapters 1; 6	20; 254
Main subsidiaries and equity interests (article L. 233-6 of the French Commercial Code)	Chapters 6; 7	254-256; 279; 298
Corporate governance		
Board of Directors' Corporate Governance Report (articles L. 225-37 *et seq.* of the French Commercial Code)	Chapters 2; 3	54; 69-117
Shareholding and capital		
Employee shareholding at December 31 (article L. 225-102 of the French Commercial Code)	Chapter 7	291
Trading in the Company's own shares (article L. 225-211 of the French Commercial Code)	Chapter 7	290-291
Trading of Company shares by corporate officers (article 223-26 of the AMF's General Regulations and article L. 621-18-2 of the French Monetary and Financial Code)	Chapter 3	118
Social, environmental and societal information		
Declaration of non-financial performance (articles L. 225-102-1 and R. 225-105 of the French Commercial Code)	Chapter 5	176
Duty of care (article L. 225-102-4 of the French Commercial Code)	Chapter 5	177

2.2 CORPORATE GOVERNANCE REPORT

In accordance with the provisions of article L. 225-37 of the French Commercial Code, on February 13, 2019, the Board of Directors prepared its Corporate Governance Report, including the core elements detailed in the provisions of articles L. 225-37 *et seq.* of the French Commercial Code and set out in the following cross-reference table:

2.3 STATUTORY AUDITORS' REPORTS

2.3.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

French public limited company with a share capital of €1,723,040
572 028 041 RCS Nanterre
Statutory Auditors
Member of the compagnie régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex

French simplified joint-stock company with variable capital
438 476 913 RCS Nanterre
Statutory Auditors
Member of the compagnie régionale de Versailles

For the year ended Monday, December 31, 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Imerys Shareholders' Meeting,

▪ OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Imerys for the year ended December 31, 2018.

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, 2018 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, 2018 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 consolidated 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 the provision related to Talc litigations in the US – Notes 23.2 and 30

Risk identified

As described in Notes 23.2 and 30 to the consolidated financial statements, certain subsidiaries of the Group, which operate its Talc business in North America, are among the defendants in the claims based on the alleged hazards related to the use of talc in certain products. Most of this litigation relates to sales made prior to Imerys' 2011 acquisition of its Talc business. Over the fourth quarter 2018, these entities faced a growing increase in the number and intensity of claims.

As a result, the Group and these subsidiaries have requested their respective external legal advisors, assisted by independent consultants, to analyze possible strategic options to mitigate their exposure to this situation and related risks. At December 31, 2018, an additional provision of around €250.0 million was recorded in the consolidated financial statements, corresponding to Management's most reasonable estimate of the amounts necessary to settle such historical liabilities and the possible future outlook for the entities and the Group.

In February 2019, the North American subsidiaries exposed in such litigation sought protection under Chapter 11 of the US Bankruptcy Act. As part of these specific proceedings, the Group legally remains the owner of the entities. However, the analysis of their placement under the legal control of the court of the State of Delaware (United States) mandated to negotiate a reorganization plan resulted in their removal from the Group's consolidation scope as from February 13, 2019, since the Group had effectively lost the control that it had previously exercised over them *(Note 30 – Subsequent events)*.

The decision to recognize a provision involves certain assumptions to be made by Management with respect to the outcome of the litigation and its resolution under Chapter 11 and the estimate of the amounts to be provided in this respect.

Based on the magnitude of the potential financial impact of the litigation and its resolution as part of the proceedings initiated by the Management of the North American entities and supported by the Group, and in accordance with the decisions of their respective governing bodies, we consider the valuation of the provision related to Talc litigations in the US to be a key audit matter.

Response as part of our audit

- We have assessed the reasonableness of the provision recorded with respect to:
  - internal analyses prepared by local management of the exposed entities, including the acceleration of events in 2018 justifying the recognition of such provisions;
  - reports on the litigation and assessment of current and future claims of the relevant entities and their possible resolution under Chapter 11, prepared by external legal advisors, assisted by independent consultants, for the attention of the Group's management;
  - extracts of the minutes of different meetings of the Company's Board of Directors and Audit Committee, transcribing the discussions relating to this situation.
- We obtained confirmation from external legal advisors representing the Group in the Chapter 11 proceedings to assess the reasonableness of the provision recognized in the Group's consolidated financial statements with regard to estimates of exposure determined by external advisors.
- We have also assessed the disclosures in the notes to the consolidated financial statements related to these litigations.

Impairment of assets – Note 19

Risk identified

The carrying value of non-current assets on the balance sheet amounts to €4,908.3 million as of December 31, 2018 and includes goodwill for an amount of €2,143.3 million. Such goodwill is allocated to thirteen Cash-Generating Units (CGU).

An impairment test is carried out every twelve months at the end of the period in all 13 CGUs. During the year, Management reviews any indicators of impairment for CGUs or non-current individual assets. As soon as facts indicating that a CGU or an individual non-current asset may be impaired, Management performs an impairment test at an interim date.

An impairment test consists in comparing the carrying value of the CGUs tested, including the goodwill which is allocated to them, or an individual non-current asset in the scope of IAS 36 with its recoverable amount, corresponding to the highest amount between its value in use, estimated based on discounted future cash flows and its fair value less cost to sell.

We consider impairment of assets 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;
- the amount of impairment losses recognized on individual non-current assets in compliance with IAS 36 as of December 31, 2018 is material.

Response 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 the CGUs and the individual non-current assets within the CGUs showing an impairment loss.

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 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 analysis 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 mining sites restoration and dismantling – Note 23.2

Risk identified

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

Provisions have been recognized on the balance sheet for this purpose, for an amount of €242.5 million as of December 31, 2018 (€137.3 million for mining sites restoration and €105.2 million for dismantling).

The calculation of these provisions requires Management to make assumptions to estimate the useful life of the mining sites and industrial sites as well as to determine the costs related 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 determine the main assumptions, by taking into account the expected impacts, where applicable, of regulatory changes.

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

Response as part of our audit

We 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 or dismantling programs.

Accounting for the acquisition of Kerneos Group – Note 16

Risk identified

On July 17, 2017, Imerys acquired 100% of Kerneos.

This transaction resulted in the recognition of a goodwill of €463 million after recognition of the acquired assets and liabilities assumed of the target. The purchase price allocation was finalized within twelve 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 exercised a certain number of judgments and estimates that lead to the identification and valuation of assets acquired and liabilities assumed.

Response as part of our audit

Our procedures primarily consisted in:

- familiarizing ourselves with the process implemented by Management to recognize this transaction;
- analyzing the acquisition agreements;
- analyzing the work carried out by Management as part of the purchase price allocation;
- 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 purchase price to assets and liabilities.

SPECIFIC VERIFICATIONS

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

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

We attest that the consolidated non-financial performance statement provided for in Article L. 225-102-1 of the French Commercial Code is included in the disclosures relating to the Group presented in the management report, it being specified that, in accordance with Article L. 823-10 of the Code, we have not verified the fairness of the information contained in this declaration or its consistency with the consolidated financial statements that must be verified in a report by an independent third party.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Imerys by the Shareholders' Meeting of May 5, 2003 for DELOITTE & ASSOCIÉS and April 29, 2009 for ERNST & YOUNG et Autres.

As of December 31, 2018, DELOITTE & ASSOCIÉS was in its 16th year of uninterrupted engagement and ERNST & YOUNG et Autres in its 9th year.

Previously, ERNST & YOUNG Audit has been the Statutory Auditor of Imerys since 1986.

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 *(Code de déontologie)*. 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, March 19, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Frédéric GOURD	Sébastien HUET

2.3.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

French public limited company with a share capital of €1,723,040
572 028 041 RCS Nanterre
Statutory Auditors
Member of the compagnie régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex

French simplified joint-stock company with variable capital
438 476 913 RCS Nanterre
Statutory Auditors
Member of the compagnie régionale de Versailles

For the year ended Monday, December 31, 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Imerys Shareholders' Meeting,

▪ 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, 2018.

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, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

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)*.

▪ 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

Risk identified

Equity interests, appearing on the balance sheet as of December 31, 2018 for a net amount of €4,520 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.

Our response

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.

SPECIFIC VERIFICATIONS

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.

We attest that the Board of Directors' report on corporate governance contains the information required by Article D.441-4 of the French Commercial Code *(Code de commerce)*.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information presented in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these 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 management report, 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 May 5, 2003 for Deloitte & Associés and April 29, 2009 for ERNST & YOUNG et Autres.

As of December 31, 2018, Deloitte & Associés was in its 16th year of uninterrupted engagement and ERNST & YOUNG et Autres in its 9th 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 TH 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 objectives are 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 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 (Code de déontologie) 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, March 19, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Frédéric GOURD	Sébastien HUET

2.3.3 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2018

To the Shareholders of Imerys,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. 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.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

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 SHAREHOLDERS' MEETING

AGREEMENTS AND COMMITMENTS AUTHORIZED AND CONCLUDED DURING THE YEAR

In accordance with Article L. 225-40 of the French Commercial Code, we have been notified of the following agreements and commitments concluded during the year that were previously authorized by your Board of Directors.

With Mr. Gilles Michel, Chairman and Chief Executive Officer of the Company until May 4, 2018, and Chairman of the Board of Directors from May 4, 2018

Nature and purpose

On May 4, 2018, your Board of Directors assigned Mr. Gilles Michel to assist Mr. Conrad Keijzer to ensure a smooth transition within the Group's Executive Management.

Terms and conditions

In consideration for this assignment, Mr. Gilles Michel will receive an exceptional compensation totaling €150,000, the initially agreed amount. This final amount was determined, according to the assessed level of achievement for this assignment, by your Board of Directors on February 13, 2019 using qualitative criteria defined by independent consultants and upon recommendation of the Compensation Committee. Payment will subject to the approval of the Shareholders' Meeting

Reasons justifying why the Company benefits from this agreement

Your Board justified this agreement by the fact that it ensures a smooth transition between Messrs. Gilles Michel and Conrad Keijzer within the Group's Executive Management.

With Mr. Conrad Keijzer, Deputy Chief Executive Officer of the Company from March 8 to May 4, 2018, and Chief Executive Officer from May 4, 2018

On March 8, 2018, upon the recommendation of the Compensation Committee, your Board of Directors authorized the following agreements and benefits granted to Mr. Conrad Keijzer, under his terms of office as Deputy Chief Executive Officer and Chief Executive Officer of the Company.

Pursuant to French law, we hereby inform you that the Board's prior authorization did not include the reasons justifying that the commitments and benefits granted to Mr. Conrad Keijzer, as stipulated in Article L. 225-38 of the French Commercial Code, are in the Company's interest.

1. Commitment relating to the severance compensation for the terms of office of Deputy Chief Executive Officer and Chief Executive Officer

Your Board of Directors may grant Mr. Conrad Keijzer severance compensation, in the event of forced departure resulting from a change in control or strategy or a major disagreement on such changes.

No compensation shall be paid in the event of Mr. Conrad Keijzer's voluntary departure, if he could claim his pension in the near future or in the event of gross or willful misconduct on his part.

The maximum amount of compensation would be calculated on two years of compensation (fixed and variable) for a term of office of more than two years. The payment of this compensation would be subject and proportional to a performance condition assessed using the mathematical average percentage of fulfilment of quantitative criteria over the last three fiscal years, as determined to calculate variable compensation for each fiscal year, as follows:

- should the average percentage (calculated over the last 3 fiscal years) of fulfilment of these objectives be less than 40%, no compensation would be payable;
- should the percentage exceed 80%, the maximum compensation would be payable.

It should be noted that Mr. Conrad Keijzer must observe a 2-year non-compete clause applicable as from the cessation of his duties as Chief Executive Officer, with no consideration other than the aforementioned severance compensation.

2. Commitment relating to the defined-contribution supplementary pension plan

Your Board of Directors granted Mr. Conrad Keijzer rights to the defined-contribution pension plan, set up as from October 1, 2009 for certain Imerys Group executives.

This plan, which is managed by an external insurance company, provides for a contribution of 8% of the eligible beneficiaries' compensation, capped at 8 PASS (8 times the amount of the Social Security Annual Limit), paid into jointly by the beneficiary for 3%, and 5% by your Company. Beneficiaries may make optional voluntary contributions to this plan.

Your Company paid contributions to this plan amounting to €12,979.

3. Unemployment insurance plan for corporate officers

Your Board of Directors granted Mr. Conrad Keijzer, as an in-kind benefit, rights to the unemployment insurance plan for corporate officers, subscribed to by your Company.

This plan involves voluntary insurance subscribed to by your Company for corporate officers, enabling them to receive compensation in proportion to their previous income in the event of an involuntary loss of employment. The plan is subscribed with Association GSC, the insurance broker and managed by Groupama. The Group is currently subscribed to the 70 contract over a period of 12 months.

For fiscal year 2018, the projected amount of contributions payable by your Company into this plan is €10,651.

▪ AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in prior years

On March 8, 2018, your Board of Directors had, in accordance with the legal rules, reviewed all the regulated agreements and commitments, authorized and concluded by your Company in previous years and which had continuing effect in 2017 undertaken for Mr. Gilles Michel, as detailed below. Following the wish of Mr. Gilles Michel to claim his pension following the cessation of his duties as Chief Executive Officer at the end of the Shareholders' Meeting of May 4, 2018, your Board of Directors had noted that the commitments relating to the severance compensation for the term of office and the unemployment insurance plan for corporate officers would be no longer justified on such date, Mr. Gilles Michel still being eligible until May 4, 2018 for the defined-contribution and defined-benefit supplementary pension plans, the rights to which have not yet been asserted as of the date of this report.

a) with continuing effect during the year

In accordance with Article R. 225-30 of the French Commercial Code, we have been notified that the following agreements and commitments, already approved by the Shareholders' Meeting in prior years, had continuing effect during the year.

With Mr. Gilles Michel, Chairman and Chief Executive Officer of the Company until May 4, 2018, and Chairman of the Board of Directors from May 4, 2018

Group defined-contribution pension plan

Mr. Gilles Michel benefited from a group defined-contribution pension plan, whose features are presented in the first part of this report.

For fiscal year 2018, the contributions paid by your Company under this plan amounted to €5,474.

Unemployment insurance plan for corporate officers

In his capacity as corporate officer, Mr. Gilles Michel benefited from the unemployment insurance plan for corporate officers subscribed to by your Company.

For fiscal year 2018, the contributions payable by your Company under this plan amounted to €2,224.

With Blue Crest Holding, shareholder of your Company

Person concerned

Ulysses Kyriacopoulos (common director).

Nature, purpose and terms and conditions

Second amendment of December 22, 2017 to the share purchase agreement dated November 5, 2014, concluded 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 commitments undertaken by the Company regarding the revision of the practical methods of calculating the earn-out as stipulated in the purchase agreement that set the final amount at €11.5 million were no longer justified following the full payment of the earn-out by your Company in February 2018.

b) with no continuing effect during the year

In addition, we have been notified that the following agreements and commitments, already approved by the Shareholders' Meeting in prior years, had no continuing effect during the year.

With Mr. Gilles Michel, Chairman and Chief Executive Officer of the Company until May 4, 2018, and Chairman of the Board of Directors from May 4, 2018

Group defined-benefit pension plan

This plan, which is managed by an external insurance company, provides the payment of a life annuity for the principal managers of the group, including the former Chairman and Chief Executive Officer, who fulfill restrictive and objective eligibility criteria (at least eight years of seniority in the group, assessed annually on January 1, including four years as a member of the Executive Committee).

The maximum amount of the life annuity 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 aforementioned defined-contribution pension plan) 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 Limit;
- subject to a maximum payment of 25% of said reference salary.

This plan also provides for the possibility of the payment of a surviving spouse's benefit corresponding to the life annuity prorated based on the duration of the couple's marriage. On March 8, 2018, the Board of Directors noted that Mr. Gilles Michel already fulfilled the requisite seniority condition and that, as a result, the entitlement to the life annuity was already vested. Considering the reference salary adopted, the total amount of commitments for Mr. Gilles Michel under the group defined-benefit pension plan was €11.45 million.

On the date of this report, since procedures at the relevant departments are ongoing, Mr. Gilles Michel was still unable to claim his defined-benefit pension and your Company was unable to settle its obligations in this respect.

Severance compensation

Severance compensation would be payable in the event of forced departure resulting from a change in control or strategy or a major disagreement on such changes, except in the event of Mr. Gilles Michel's voluntary departure or if he can claim his pension in the near future, once he has turned 63.

Paris-La Défense, March 19, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Frédéric GOURD	Sébastien HUET

3 CORPORATE GOVERNANCE

Imerys is a French Public Limited Company *(Société Anonyme)* with a Board of Directors *(Conseil d'Administration)*.

Separation of the office of Chairman of the Board of Directors from the office of Chief Executive Officer

On May 4, 2018, the office of Chairman of the Board of Directors and the office of Chief Executive Officer were separated. The positions are now held by:

- **Gilles Michel,** Chairman of the Board of Directors, previously Chairman and Chief Executive Officer; and
- **Conrad Keijzer,** Chief Executive Officer, previously Deputy Chief Executive Officer.

The new governance structure makes it possible to:

- guarantee the effective working of the Group's governance bodies;
- continue to benefit from the strategic vision provided by Gilles Michel, as well as his operational knowledge of the Group acquired over the eight years he served as Chairman and Chief Executive Officer, and enable Conrad Keijzer to fully concentrate on stepping up the Group's growth and pursuing its industrial improvement and transformation programs *(see chapter 1, section 1.4 of the Registration Document)*;
- further develop the efficiency and agility of the Board after it was restructured in 2018 and the number of its members reduced; and
- continue to apply corporate governance best practices, taking into account the presence of controlling shareholders.

In the most recent self-assessment of the Board of Directors', the directors highlighted their very high satisfaction with such new structure and confirmed its high adequacy with current situation of the Company and structure of the Board.

New Board of Directors

In 2018, the Board of Directors was restructured and the number of members reduced (from 17 to 14 – *see paragraph 3.1.2 of the present chapter*). The more streamlined structure and the directors' diverse profiles – both in terms of skills and nationality – have strengthened the balance of power in the Company's governance.

The AFEP-MEDEF Code – as corporate governance framework

The Company complies with French regulations in corporate governance as well as the recommendations provided in the AFEP-MEDEF corporate governance code, which are available on the Company's website (the **"AFEP-MEDEF Code"**). Imerys complies with all the recommendations made by the AFEP-MEDEF Code, except for those outlined below:

AFEP-MEDEF Code recommendation	Reason for not implementing the recommendation
Paragraph 8.5.6 – Independent status criteria *"Not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date when this twelve-year limit is reached"*	The Board of Directors has decided to maintain the independent status of Aldo Cardoso, whose term of office as director exceeds 12 years, as it considers that: ▪ the duration of his term of office does not affect his critical judgment with respect to the Group's Executive Management and his skills and deep understanding of the Group were vitally important throughout last year's handover from Gilles Michel to Conrad Keijzer and more generally to prepare and implement the Group's transformation plan; ▪ he is renowned for his expertise and authority in finance, control and corporate governance, skills recognized by both authorities and market industry bodies.
Paragraph 17.1 – Membership of the Compensation Committee *"It is recommended that the chairman of the Compensation Committee should be independent and that one of its members should be an employee director."*	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: ▪ no representative or individual connected with the controlling shareholders holds the responsibilities of an executive corporate officer in the Group; ▪ the Compensation Committee is made up of six members, including three independent directors and an employee representative director.

The information covered in the present chapter forms an integral part of the Corporate Governance Report prepared by the Board of Directors and included in a separate section of its Management Report, in accordance with article L. 225-37 paragraph 6 of the French Commercial Code *(Code de commerce)*. The Corporate Governance Report, the cross-reference table for which is available in *section 2.2 of chapter 2 of the Registration Document*, was carefully considered by the Appointments and Compensation committees at their meetings held on February 12, 2019, and was reviewed and approved by the Board of Directors at its meeting held on February 13, 2019.

3.1 BOARD OF DIRECTORS

The structure, operating procedures and role of the Board of Directors are defined in laws, the Company's by-laws and the Internal Charter of the Board of Directors.

3.1.1 POWERS

The general role of the Board of Directors includes:

- protecting the Company's corporate interests and assets;
- determining the strategic focus for the Company's operations and overseeing its fulfillment;
- choosing the Company's corporate governance structure, appointing its executive corporate officers and setting their compensation;
- exercising permanent control over the way in which Executive Management manages the Company;
- ensuring the quality of the information provided to shareholders and markets.

In order to perform its role, the Board of Directors:

- carries out the checks and controls it deems appropriate throughout the year. It may obtain any documents it considers useful to fulfill its duties;
- is informed by Executive Management of its annual operating objectives for the year ahead and, periodically, its long-term strategic projects;
- receives regular reports from Executive Management on the state of Company affairs, prepared in the way requested by the Board of Directors. The report includes the Group's quarterly and half-yearly financial statements;
- is provided by Executive Management with the Company's annual financial statements, the Group's consolidated financial statements and its annual report within the first three months following the end of the financial year. The Board reviews and checks the documents before approving the financial statements and the terms of its Management Report, which will be presented to the annual Shareholders' General Meeting.

Furthermore, prior to their implementation by Executive Management and within the limits of the general powers granted to it by law, the Board examines and approves the following:

- the strategic orientations of the Company and Group and any operations likely to significantly influence such orientations. It also periodically revises the long-term strategic plan (multi-year plan) drawn up or revised 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 asset (and any financially comparable transaction, including contributions or exchanges) for more than €75 million per transaction, or the equivalent amount in any other currency,
  - the material commercial or industrial agreements that bind the long-term future of the Company or the Group,
  - any financing operation for amounts likely to substantially modify the Group's financial structure;
- where necessary, the allocation of managerial tasks between the various Deputy Chief Executive Officers, as proposed by the Chief Executive Officer;
- more generally, any commitment made by the Company or the Group that constitutes a related party agreement, in accordance with law.

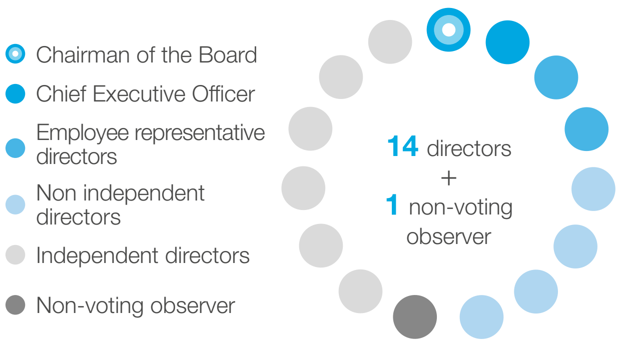
Finally, the Board of Directors grants any specific delegations of its powers to Executive Management, where necessary and within the limits and conditions set by law, to:

- grant on behalf of the Company any third-party guarantee (such as sureties and endorsements) or collateral on its assets, within a maximum principal amount determined each year;
- make, 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 increases;
- issue ordinary bonds in one or several transactions.

Reporting to the Board of Directors, the specialized committees play an advisory role, submitting opinions and recommendations that help the Board make its decisions. The duties and activities of each Board committee in 2018 are detailed in *paragraph 3.1.4 of the present chapter*.

3.1.2 STRUCTURE

At the date of this Registration Document, the Board of Directors is composed of:



With:

- 14 members, including 2 directors representing employees;
- 41.67% women (5 of the 12 directors, excluding employee representative directors);
- 7 nationalities;
- 6 independent directors;
- an average age of 57 years old (non-voting observer excluded);
- an average time spent on the Board of 4.6 years.

Furthermore, on May 4, 2018, the Board appointed a non-voting observer to support it in fulfilling its duties and take part in its discussions in an advisory capacity. Further details on the role of the non-voting observer are provided in *paragraph 3.1.4 of the present chapter*.

The Board of Directors is structured to enable the Group to leverage the varied international professional experience of its members and involve the representatives of Imerys' controlling shareholders in the definition and implementation of the Group's strategy.

Each director is appointed for a term of three years. In principle, one third of members are re-appointed each year.

▪ EMPLOYEE REPRESENTATIVE DIRECTORS AND THE WORKS COUNCIL

Since October 6, 2014, the Board of Directors has included two employee representative directors, each appointed by the Group's French Works Council and European Works Council, respectively. They are offered specific training to enable them to perform their duties, paid for by the Company and provided by either external organizations or the Imerys Learning Center.

In accordance with laws and at its meeting of October 31, 2017, the Board of Directors decided employee representative directors must spend a minimum of 20 hours and a maximum of 35 hours in training over the course of their term of office (excluding any language training). The Board also decided to set aside 15 hours of their legally prescribed working hours to prepare for each Board meeting.

The Works Council is represented on the Board of Directors by one person who attends all Board meetings, as a non-voting observer.

MEMBERS OF THE BOARD AT THE DATE OF THE REGISTRATION DOCUMENT

	Personal details				Experience	Position on the board				
	Age[1]	Gender	Nationality	Number of shares	Number of directorships in listed companies	Independent	Date first appointed	Expiration of term of office	Number of years of the Board[2]	Involvement in the board committees
Executive corporate officers and directors										
Gilles Michel (Chairman of the Board of Directors)	63	M	FR	123,620	4	N[3]	11/03/2010	AGM in 2021	8.4	Member of the Strategic Committee
Conrad Keijzer (Chief Executive Officer)	50	M	NL	TBC	1	N[4]	05/04/2018	AGM in 2021	0.10	-[5]
Directors										
Paul Desmarais III (Vice-Chairman)	36	M	CAN	600	5	N[6]	04/29/2014	AGM in 2020	4.9	Chairman of the Appointments and Compensation committees, member of the Strategic Committee
Aldo Cardoso	63	M	FR	1,680	4	Y	05/03/2005	AGM in 2020	13.10	Chairman of the Audit Committee, member of the Strategic Committee
Ian Gallienne	48	M	FR	600	5	N[4]	04/29/2010	AGM in 2019	8.10	Chairman of the Strategic Committee, member of the Appointments and Compensation committees
Odile Desforges	69	F	FR	600	5	Y	05/04/2016	AGM in 2019	2.10	Member of the Strategic Committee
Marion Guillou	64	F	FR	600	3	Y	09/01/2012	AGM in 2020	6.6	Member of the Appointments and Compensation committees
Colin Hall	48	M	US	600	5	N[6]	12/15/2015	AGM in 2020	3.3	Member of the Strategic and Audit committees
Ulysses Kyriacopoulos	66	M	GRE	600	3	N[7]	04/30/2015	AGM in 2021	3.10	Member of the Strategic Committee
Martina Merz	56	F	GER	1,150	6	Y	05/03/2017	AGM in 2020	1.10	Member of the Strategic, Appointments and Compensation committees
Lucile Ribot	52	F	FR	400	2	Y	05/04/2018	AGM in 2019	0.10	Member of the Audit Committee
Marie-Françoise Walbaum	69	F	FR	600	4	Y	04/25/2013	AGM in 2021	5.10	Member of the Appointments Compensation and Audit committees
Employee representative directors										
Éliane Augelet-Petit	61	F	FR	5	1	N/A	10/06/2014	2020	4.5	Member of the Compensation Committee
Enrico d'Ortona	55	M	FR	N/A	1	N/A	10/06/2014	2020	4.5	-
Non-voting observer										
Laurent Raets	39	M	FR	600	2	N/A	05/04/2018	2021	0.10[8]	-

(1) At the date of the Registration Document.
(2) At the date of the Registration Document.
(3) Former Chief Executive Officer of the Company.
(4) Chief Executive Officer of the Company.
(5) Conrad Keijzer is not a member of the Strategic Committee. However, as Chief Executive Officer, he does have the right to attend all meetings.
(6) Director representing a controlling shareholder in the Company.
(7) Director with a business relationship with the Company.
(8) As non-voting observer only, Laurent Raets was previously a director of the Company since July 29, 2015.

CHANGES TO THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2018

In addition to restructuring and reducing the number of members on the Board, all the changes that took place in 2018, details of which are set out below, enabled the Company to further gain in efficiency and agility. Details regarding the separation of the offices of the Chairman of the Board of Directors and the Chief Executive Officer that was implemented in 2018 are further set forth in the *opening paragraph of the present chapter.*

Situation at the date of this Registration Document. The following changes came into effect on May 4, 2018.

	Departure	Appointment	Re-appointment
Board of Directors	Expiration of the term of office of: ▪ Giovanna Kampouri Monnas ▪ Katherine Taaffe Richard ▪ Xavier Le Clef Resignation of: ▪ Arnaud Vial ▪ Laurent Raets	▪ Conrad Keijzer ▪ Cooptation of Lucile Ribot (to replace Arnaud Vial) ▪ Laurent Raets (as a non-voting observer)	Renewal of the term of office of: ▪ Gilles Michel as a director and the Chairman of the Board ▪ Marie-Françoise Walbaum ▪ Ulysses Kyriacopoulos
Strategic Committee	▪ Giovanna Kampouri Monnas ▪ Xavier Le Clef ▪ Arnaud Vial	▪ Gilles Michel ▪ Colin Hall ▪ Martina Merz	N/A
Appointments Committee	N/A	N/A	N/A
Compensation Committee	N/A	N/A	N/A
Audit Committee	N/A	▪ Lucile Ribot	N/A

CHANGES TO THE BOARD OF DIRECTORS AND ITS COMMITTEES PLANNED FOR 2019

The re-appointment of all directors whose term of office expires in 2019, which includes Odile Desforges, Ian Gallienne and Lucile Ribot, will be submitted for approval at the next the Shareholders' General Meeting *(see chapter 8, section 8.4 of the Registration Document)*.

INDEPENDENCE

At the date this Registration Document was filed, six of the 12 directors qualified as independent. This ratio is well above that of one third recommended by the AFEP-MEDEF Code for companies with controlling shareholders.

The definition of Independence adopted by the Board of Directors at its meeting held on May 3, 2005 and maintained every year since states: *"the absence of a relationship of any kind with Imerys, the Group or its management that may interfere with a director's freedom of judgment"*.

At its meeting held on February 13, 2019 and in line with the recommendations made by the Appointments Committee, the Board of Directors:

- reviewed the Independence criteria (as set out in the following table) and restated that the criteria neither preclude independent if any are not met, nor necessarily permit such status. A member's independent status should be assessed according to its own individual situation or the Company's situation, with respect to its shareholding or any other reason;
- assessed each individual situation, including the business relationships that may exist with any companies of the Group, and the qualification of Independence for each director, especially those whose terms of office will be submitted for renewal at the next Shareholders' General Meeting.

  Following this exercise, 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:

  - no business relationship existed between the directors representing the Company's controlling shareholders other than the capital ties between them and the Company;
  - capital ties exist between Mr. Ulysses Kyriacopoulos and the Company following the acquisition of S&B group by Imerys, as well as certain business relationships relating to the fulfillment of actions or commitments made after the acquisition was completed. Indeed, at end-February 2019, the Kyriacopoulos family held 5.24 % of Imerys' share capital through Blue Crest Holding S.A. and has entered into a shareholders' agreement with the GBL group[1];
  - no other director had any business relationship with the Group that was likely to affect their independence or create a conflict of interest. As part of the taking-up of a new corporate office by Mrs Martina Merz in another group (ThyssenKrupp) Imerys had commercial relationships with, the Board of Directors decided that, given the size of the group, commercial relationships with related turnover inferior to €15,000,000 did not affect *per se* the independent status of such director nor create a conflict of interest.

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

Based on these observations and in line with the recommendations of the Appointments Committee, the Board agreed the following, being specified that in the table below: √ indicates the Independence criteria have been met and x indicates the Independence criteria have not been met, as concluded by the Board of Directors and in line with the recommendation of the Appointments Committee.

Criteria(1)	Gilles Michel	Paul Desmarais III	Aldo Cardoso	Odile Desforges	Ian Gallienne	Marion Guillou	Colin Hall	Conrad Keijzer	Ulysses Kyriacopoulos	Marina Merz	Lucile Ribot	Marie-Françoise Walbaum	Eliane Augelet-Petit	Enrico d'Ortona
Criteria 1: Employee/corporate officer in the past five years	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A
Criteria 2: Simultaneous directorships	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A
Criteria 3: Material business relationships	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A
Criteria 4: Family ties	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A
Criteria 5: Statutory Auditors	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A
Criteria 6: Term of office of over 12 years	√	√	x	√	√	√	√	√	√	√	√	√	N/A	N/A
Criteria 7: Non-executive corporate officer	x	√	√	√	√	√	√	x	√	√	√	√	N/A	N/A
Criteria 8: Significant shareholder	√	x	√	√	x	√	x	√	x	√	√	√	N/A	N/A
Independence conclusion (Y/N)	**N**	**N**	**Y**(2)	**Y**	**N**	**Y**	**N**	**N**	**N**	**Y**	**Y**	**Y**	**N/A**	**N/A**

(1) *Criteria 1: be, or have been during the past five 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 parent company (Pargesa-GBL) or a company consolidated by that parent company.*

Criteria 2: be an executive corporate officer of a company in which the Company holds, directly or indirectly, a directorship or in which an employee is designated as a director or an executive corporate officer of the Company (whether at present or in the past five years) holds a directorship.

Criteria 3: be a customer, supplier, investment banker or commercial banker that is material to the Company or the Group, or for which the Company or its Group represents a significant share of business.

Criteria 4: have any close family ties with a corporate officer of the Company or any other Group company.

Criteria 5: have been a Statutory Auditor of the Company in the past five years.

Criteria 6: have been a director of the Company for more than 12 years.

Criteria 7: receive any variable compensation in cash or shares or any performance-based compensation from the Company or the Group.

Criteria 8: directors representing the Company's major shareholders may qualify as independent provided that these shareholders do not take part in the control of the Company. However, if shareholders pass the threshold of 10% of capital or voting rights, the Board, on the basis of a report produced by the Appointments Committee, systemically examines if independent status can be retained taking into account the Company's shareholding and any potential conflicts of interest.

(2) *As previously mentioned, the Board agreed with the recommendation of the Appointments Committee that although Aldo Cardoso has held a directorship with the Company for over 12 years, his critical judgment with respect to the Group's Executive Management was not impaired and reexpressed that his expertise and authority in finance, control and corporate governance was recognized by both market regulators and financial analysts.*

▪ DIVERSITY

The Board of Directors and its Appointments Committee regularly assess the structure of the Board or its committees, in particular during the process to renew directors offices and the annual self-assessment. They also identify appropriate orientation to ensure the most balanced structure by striving to involve directors with complementary profiles in terms of nationality, gender, age and experience

Pursuant to article L.225-37-4 of French Commercial Code, the table below presents, inter alia, the diversity policy that was applied to the Board of Directors, setting out the criteria and objectives achieved by the Board and their implementation as well as results in 2018.

	Objectives	Implementation measures and results
Board of Directors	Gender-balanced structure	**Female directors (employee representative directors excluded):** ▪ Steady increase • 2013 = 21.4% • 2015 = 26.66% • 2016 = 37.5% • 2017 = 40 % ▪ 2018 = 41.67% female directors, *i.e.* 5 out of 12
	Well-balanced structure in terms of nationality, expertise and experience	**Directors of different nationalities:** ▪ Steady increase • 2013 = 3 nationalities • 2015 = 4 nationalities • 2016 = 5 nationalities ▪ 2018 = 7 nationalities, including Dutch Chief Executive Officer **Expertise/Experience:** • Finance/accounting • Operations/marketing/industry/management • Human resources • Sciences • International • Stable presence in Board of listed entities and international groups ▪ 2018 = appointment of Lucile Ribot, with significant expertise in finance, accounting and as director in different listed entities
	Presence of employee representative directors	Since 2014 = 2 employee representative directors
	Independent directors – Minimum 1/3	2018 = 6 directors out of 12, *i.e.* 50%
	Age of directors – Maximum 1/3 > 70 years old	2018 = from 36 to 69 years, and average age of 57 years old
Executive Committee	Gender-balanced structure	2018 = Appointment of Frédérique Berthier-Raymond, Group General Counsel
10% of high level positions	Promotion of diversity and inclusion	▪ Since 2017, Group-wide implementation of an ambitious plan to promote diversity, primarly in respect of gender and nationality. For example in 2018: • Nearly 700 employees of the Group in France and around the world attended training courses and workshops on diversity and inclusion and unconscious bias • Imerys Leadership Behaviors and the Code of Conduct and Ethics, as updated in 2018, promote diversity and inclusion, which are key values of the Group and its stakeholders • New Diversity & Inclusion category established in Sustainable Development Challenge ▪ 40% of newly recruited senior managers (2017/2018) were women (vs. 6% in 2016/2017) ▪ Over 116 senior managers position, 20 women (*i.e.* 17%)

See also paragraph 5.5.2.4 of chapter 5 of the Registration Document.

▪ OTHER INFORMATION

Expertise and experience of members of the Board of Directors

Directors are selected on the strength of their expertise and experience, among other criteria. The members of the Audit Committee are chosen in particular for their financial expertise. The Appointments Committee and the Board of Directors closely focus on assessing these criteria.

The careers and offices held by directors *(see their respective biographies on the following pages)* reflect to their individual expertise and experience in different areas such as finance, industry, services, research & innovation, M&A and management, which contribute to the quality of the Board's work and correctly balanced structure.

Family ties between 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

Pursuant to the recommendations of the AFEP-MEDEF Code, the Internal Charter of the Board of Directors specifies that:

- "directors shall inform the Chairman and the Vice-Chairman of the Board of any situation likely to create or potentially create a conflict of interest. They shall inform the Chairman and the Vice-Chairman of any Group transactions in which they hold, directly or indirectly, an interest and of which they have knowledge, before they are completed. They shall abstain from voting in any Board deliberation and even in the discussion prior to the vote where that situation arises; the minutes of the meeting mention this abstention. The Shareholders' General Meeting is informed of any such transaction in accordance with the law;
- directors may not use their position or office to obtain for themselves or for a third party any kind of advantage, monetary or otherwise;
- directors may not personally take on any responsibilities in any company or business in direct or indirect competition with those of the Imerys Group without informing the Chairman and the Vice-Chairman beforehand."

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 affairs and/or other duties other than those mentioned in *paragraph 3.1.2* above concerning Ulysses Kyriacopoulos.

However, the following directors of the Company (along with Laurent Raets as a non-voting observer) also have executive responsibilities in entities of the group run by the Company's controlling shareholders: Paul Desmarais III, Ian Gallienne and Colin Hall *(see their respective biographies on the following pages)*.

No director has been selected as a result of any arrangement or agreement entered into with the main shareholders, customers, suppliers or other parties, with the exception of the Shareholders' Agreement concluded on November 5, 2014 between Blue Crest Holding S.A., GBL and Belgian Securities *(see chapter 7, paragraph 7.3.3 of the Registration Document)*.

Service contracts between the Company and its directors

On May 4, 2018, the Board of Directors entrusted Gilles Michel with the specific responsability to support Conrad Keijzer so as to ensure a seamless transition within the Executive Management. As a result, Gilles Michel will receive, subject to approval of the payment at the next Shareholders' General Meeting, exceptional compensation of €150,000. This compensation constitutes a related party agreement in accordance with article L. 225-46 of the French Commercial Code. As such, it has been reported to the Company's Statutory Auditors.

To the best of the Company's knowledge, no service contracts have been agreed between the directors and the Company or any of its subsidiaries providing for any kind of benefit.

Convictions for fraud

To the best of the Company's knowledge, no member of the Board of Directors has been convicted of fraud in the past five years.

Bankruptcy, receivership or liquidation f companies in which a director has held an executive position in the past five years

To the best of the Company's knowledge, no member of the Board of Directors has held an executive position in a company that has filed for bankruptcy or been placed in receivership or liquidation in the past five years.

Official public incrimination and/or sanction against a director by statutory or regulatory authorities

To the best of the Company's knowledge, no member of the Board of Directors has been subject to an official public incrimination and/or sanction in the past five years.

Requirement for directors to hold shares in the Company and trading policy

The Internal Charter of the Board of Directors requires each director to purchase 600 shares in the year following their appointment. They must hold these shares until the expiration of their term of office. For further details on corporate officers' transactions in Company shares, *see section 3.5 of the present chapter*.

3.1.3 PROFILE, EXPERIENCE AND EXPERTISE OF DIRECTORS

The following information was provided to the Company by each of the directors in office at December 31, 2018.

Complementary information about each director, including age, nationality, date they were first appointed, expiration of term of office, the number of shares held and membership of committees, can be found in *paragraph 3.1.2 of the present chapter*.

Gilles Michel

Chairman of the Board of Directors

Born on January 10, 1956

Work address:
Imerys
43, quai de Grenelle
75015 Paris (France)

Biography

After graduating from École Polytechnique (1974), École Nationale de la Statistique et de l'Administration Économique (ENSAE) and Institut d'Études Politiques (IEP) of Paris, Gilles Michel started his career at the World Bank, Washington, D.C. He moved to the Saint-Gobain group in 1986 where he held various managerial positions aver a 16-year period, notably in the US, before being appointed Head of Ceramics & Plastics in 2000. In 2001, he joined PSA Peugeot-Citroën group as Platforms, Techniques & Purchasing Manager and was later promoted to Citroën Brand Manager and appointed to the Management Board of Peugeot S.A.

On December 1, 2008, Gilles Michel became Chief Executive Officer of the Strategic Investment Fund, set up to acquire stakes in fast-growing, competitive French companies and boost the French economy.

Gilles Michel joined Imerys in September 2010 and was appointed director and Deputy Chief Executive Officer on November 3, 2010. From April 28, 2011 to May 4, 2018, he served as Chairman and Chief Executive Officer of Imerys. On May 4, 2018, he became Chairman of the Board of Directors and a member of the Strategic Committee.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Chairman of the Board of Directors	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director	• Valeo*
Offices and positions held outside France	
• Director	• Solvay (Belgium)* • Charles Telfair Institute, IBL Ltd (Mauritius)*

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	
• Chief Executive Officer	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

* *Listed company.*

Conrad Keijzer
Chief Executive Officer

Born on August 15, 1968

Work address:
Imerys
43, quai de Grenelle
75015 Paris (France)

Biography

Conrad Keijzer started his career at Akzo Nobel in 1994 as Market Development Manager in Industrial Chemicals. He went on to hold a variety of managerial positions in the Performance Coatings and Specialty Chemicals branch, including Global Director for Automotive Plastic Coatings and Managing Director for both the Packaging Coatings and Industrial Coatings businesses.

Conrad Keijzer served as a member of the Management Committee at Akzo Nobel N.V. in his capacity as Performance Coatings Director until 2017.

He graduated in 1993 from Twente University of Technology, Netherlands, with a Master's in Technical Management Science and industrial engineering. In 2007, he successfully completed the Advanced Management Program at Harvard Business School, and in 2011, he passed the New Board Program at Nyenrode University, Netherlands.

On March 8, 2018, Conrad Keijzer was appointed Deputy Chief Executive Officer of Imerys until May 4, 2018 when he became Chief Executive Officer of Imerys.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Chief Executive Officer	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	
• Deputy Chief Executive Officer	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Member of the Executive Committee	• Akzo Nobel*

* *Listed company.*

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

Paul Desmarais III was appointed Vice-President of Power Corporation and Power Financial Corporation in January 2017. He also serves as Chairman of the Board and Head of Sagard Holdings, Executive Chairman of the Board and co-founder of Portag3 Ventures, and Chairman of the Board and co-founder of Diagram. Within the investment portfolio of Portag3 and Sagard Holdings, he serves as Chairman of the Board of Wealthsimple and Peak Achievement Athletics, and director of Koho, Integrate AI and IntegraMed. In addition, he holds directorships at Great-West, London Life, Canada-Vie, Groupe Investors, Mackenzie, Pargesa, Groupe Bruxelles Lambert and Imerys.

Before joining Power as Vice-President in May 2014, he held the position of Deputy Vice-President, Risk Management at Great-West Lifeco since 2012. He previously worked in supply chain management and corporate strategy at Imerys, France. Paul Desmarais III started his career in 2004 at Goldman Sachs in the US, within the Investment Banking and Strategic Investors groups, as well as in the Special Situations Group.

In 2000, he earned the Gold Duke of Edinburgh Award. Paul Desmarais III is founder and honorary president of the Young Canadians in Finance, a non-profit organization that provides young people working in the financial sector with an exclusive network that enables them to take leading roles in business and finance. He was also co-president of the expedition organized by True Patriot Love to reach the Magnetic North Pole in 2014. Furthermore, he sits on the Board of Directors of Next Canada, an organization that helps Canada's most talented young entrepreneurs to boost their careers and become the country's most innovative business leaders. Paul Desmarais III also chaired the Kenojuak Cultural Center and Print Shop campaign.

He obtained a baccalaureate (Economics and Social Science) with distinction from Harvard College and also has a Master's in Business Management from INSEAD, France.

In 2017, Paul Desmarais III was ranked in Canada's Top 40 Under 40.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Vice-Chairman of the Board of Directors	• Imerys*
Offices and positions held outside France	• None

	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Vice-Chairman	• Power Corporation of Canada* • Power Financial Corporation (Holding company – Canada)
• Director	• Groupe Bruxelles Lambert* (Belgium) • Great-West Lifeco Inc.* (Canada) • Investors Group Inc. (Canada) • Mackenzie Inc. (Canada) • Sagard Capital Partners GP, Inc. (US) • Sagar Capital Partners Management Corp. (US) • Sagard Holdings ULC (Canada) • The Great-West Life Assurance Company (Canada) • London Insurance Group Inc. (Canada) • London Life Insurance Company (Canada) • Canada Life Financial Corporation (Canada) • The Canada Life Assurance Company (Canada)

* *Listed company.*

	• The Canada Life Insurance Company of Canada (Canada) • Great-West Life Assurance Company • Personal Capital Corporation • Portag3 Ventures GP Inc. • Portage3 Ventures GP II Inc. • PFC Ventures Inc. • Peak Achievement Athletics Inc. • IntegraMed America, Inc. • IntegraMed Fertility Holding, LLC • IntegraMed Fertility Management Initiative Plan, LLC • IntegraMed Holding Corp. • Wealthsimple Inc. (Canada) • Wealthsimple Financial Corp. (Canada) • Pargesa Holding S.A.* (Switzerland) • Integrate.ai Inc. • Diagram Corporation • Diagram Ventures GP Inc. • Koho Financial Inc.

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Director	• Great-West Life & Annuity Financial Inc. (US) • Great-West Financial Inc. (Canada) • Great-West Financial (Nova Scotia) Co. (Canada) • Putnam Investments, LLC (US)

* *Listed company.*

3

Aldo Cardoso
Director

Born on March 7, 1956

Work address:
Imerys
43, quai de Grenelle
75015 Paris (France)

Biography
Aldo Cardoso graduated from École Supérieure de Commerce of Paris and holds a Master's in Law. He started his career in 1979 at Arthur Andersen, where he became a partner in 1989. Appointed Vice-President of Auditing and Consulting Europe in 1996, he served as Chairman of Andersen France from 1998 to 2002, then Chairman of the Supervisory Board of Andersen Worldwide from 2000 to 2002, before becoming Chairman of the Management Board from 2002 to 2003. In that capacity, Aldo Cardoso managed the winding down of Andersen's activities worldwide. He has held directorships at Rhodia, Accor, Gecina, Mobistar, Orange, Axa Investment Managers, Penauille Polyservices and GE Corporate Finance Bank.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Chairman of the Board of Directors	• Bureau Veritas*
• Director	• Engie* • Worldline*
Offices and positions held outside France	
• Director	• DWS (Germany)

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director	• Accor* • Penauille Polyservices • Orange* • Gecina* • GE Corporate Finance Bank • PlaNet Finance • Rhodia*
• Non-voting observer	• AXA Investment Managers
Offices and positions held outside France	
• Director	• Mobistar (Belgium)*

* *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 Research Analyst at the French Transport Research Institute (Institut de Recherche des Transports). She joined the Renault group (France) in 1981 as a planning officer in the automotive planning department before being promoted to product engineer in 1984. In 1986, she joined the purchasing department and was appointed Body Hardware Purchasing Manager of GIE Renault Volvo Car Purchasing in 1992 then for Renault in 1994. In March 1999, she became Deputy Chief Executive Officer of the Renault VI-Mack group until she was appointed Chair of the AB Volvo group's 3P Business Unit in January 2001. In March 2003, Odile Desforges became Senior Vice-President, Purchasing at Renault and Chair & Chief Executive Officer of the Renault Nissan Purchasing Organization. She also joined Renault's Management Committee at that time. On March 1, 2009, Odile Desforges was appointed a Member of the Executive Committee and Vice-President, Engineering and Quality for the Renault group, an office that she held until July 1, 2012 when she retired.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director and Chair of the Audit & Risk Committee	• Safran*
• Director and Member of the Audit Committee	• Faurecia* • Dassault Systèmes*
Offices and positions held outside France	
• Director and Member of the Audit, Appointments and Compensation Committees	• Johnson Matthey plc* (UK)

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director and Member of the Appointments and Compensation Committee	• Sequana*
• Director	• GIE REGIENOV (France)
Offices and positions held outside France	
• Director	• Renault España SA (Spain)
• Manager	• Renault Nissan Technical Business Center "RNTBCI" (India) • Renault Nissan BV (Netherlands)

* *Listed company.*

Ian Gallienne

Director

Born on January 23, 1971

Work address:
Groupe Bruxelles Lambert
24, Avenue Marnix
1000 Bruxelles (Belgium)

Biography

After completing an MBA at INSEAD, France, Ian Gallienne started his career in Spain in 1992 by co-founding his own company. From 1995 to 1997, he was a Member of the Management Team at a consulting firm specialized in turning around struggling businesses in France. From 1998 to 2005, he served as Manager of Rhône Capital LLC, a private equity fund based in New York and London. In 2005, he set up his own private equity fund, Ergon Capital, in Brussels where he worked as Managing Director until 2012. On January 1, 2012, Ian Gallienne was appointed Managing Director of Groupe Bruxelles Lambert.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director	• Pernod Ricard* • Société Civile du Château Cheval Blanc
Offices and positions held outside France	
• Managing Director	• Groupe Bruxelles Lambert* (Belgium)
• Director	• Compagnie Nationale du Portefeuille (Belgium) • Frère Bourgeois (Belgium) • SGS* (Switzerland)
• Member of the Supervisory Board	• Adidas AG* (Germany)

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director	• Erbe SA • Ergon Capital SA • Lafarge*
Offices and positions held outside France	
• Managing Director	• Ergon Capital Partners SA (Belgium) • Ergon Capital Partners II SA (Belgium) • Ergon Capital Partners III SA (Belgium)
• Director	• Steel Partners NV • Umicore* (Belgium) • Gruppo Banca Leonardo SpA (Italy)
• Member of the Supervisory Board	• Kartesia Management SA (Luxembourg)
• Legal 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

Marion Guillou is a graduate of École Polytechnique Paris (1973) and ENGREF (Rural, Water & Forestry Engineering School) and holds a PhD in physical chemistry specializing in biotransformation. She started her career in 1978 and held various positions in the ministries of Agriculture & Food (Saint-Lo, Paris and Nantes) and Research (Loire region research & technology delegation). In 1986, she moved to the joint Nantes university/CNRS laboratory as a research scientist. From 1993 to 1996, she was the agricultural attaché to the French Embassy in London. Marion Guillou served as 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 Chair & Chief Executive Officer from July 2004 to August 2012. She is currently a Special State Advisor.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Chair of the Board of Directors	• Agreenium
• Member of the Board of Directors	• Bioversity International • Care France • Universcience • IFRI • BNP Paribas* • Veolia Environnement*
• Member of the National Council of the Legion of Honor (France)	
• Member of the National Academy of Technologies (France)	
Offices and positions held outside France	
• Member of the Board of Directors	• Bioversity International • CIAT

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Chief Executive Officer	• INRA
• Chairman of the Board of Directors	• École Polytechnique
• Member of the Board of Directors	• APAVE • Fondation Jacques de Bohan • National Foundation of Political Science (FNSP) • Foundation of l'Université de Lyon
• Chairman	• European Joint Programming Initiative on Agriculture, Food Security and Climate Change
Offices and positions held outside France	
• Member of the Board of Directors	• Consultative Group on International Agricultural Research (CGIAR)

* *Listed company.*

Colin Hall

Director

Born on November 18, 1970

Work address:
Groupe Bruxelles Lambert
24, avenue Marnix
1000 Bruxelles (Belgium)

Biography

After completing an MBA at Stanford University Graduate School of Business in the US, Colin Hall started 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 in London and New York over the next 10 years. In 2009, he co-founded a hedge fund, Long Oar Global Investors (New York), which he ran until 2011. In 2012, he was appointed Chief Executive Officer at Sienna Capital, a wholly-owned subsidiary of Groupe Bruxelles Lambert combining its alternative activities (private equity, debt funds, etc.). In 2016, he became Director of Investments at the Groupe Bruxelles Lambert.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Head of Investments	• Groupe Bruxelles Lambert* (Belgium)
• Chief Executive Officer	• Sienna Capital (Luxembourg)
• Member of the Supervisory Board	• Kartesia Management SA (Luxembourg)
• Director	• Ergon Capital Partners SA (Belgium) • Ergon Capital Partners II SA (Belgium) • Ergon Capital Partners III SA (Belgium) • GEA* (Belgium) • Umicore* (Belgium) • Parques Reunidos Servicios Centrales SA* (Spain)

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

* *Listed company.*

Ulysses Kyriacopoulos
Director

Born on September 25, 1952

Work address:
21, Amerikis Street
10672 Athens (Greece)

Biography
Odysseus (Ulysses) Kyriacopoulos graduated as a mining engineer from Montanuniversität Leoben in Austria and Newcastle University, UK and holds an MBA from INSEAD, France. In 1979, he joined the family business, S&B, as Finance Director of Bauxite Parnasse, before becoming Managing Director in 1986. In 1990, he was appointed Chief Executive Officer of S&B Industrial Minerals. He served as Chairman from 2001 to February 2015, when the S&B group was taken over by Imerys. He was also President of the Greek Employers association (SEV), Vice-President of UNICE between 2003 and 2006, President of the Greek National Opera between 2006 and 2009, Vice-President of the Athens Stock Exchange from 2006 to 2010 and a Member of the General Council of the Bank of Greece between 2002 and 2011.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Director	• ASK Chemicals GmbH (Germany) • Lamda Development SA* • Motodynamiki SA* (Greece) • Blue Crest Holding SA (Luxembourg)
• Member of the Board of Trustees	• American College of Greece (ACG) and of College Year in Athens (CYA) (Greece)
• Member of the Board	• Foundation for Economic and Industrial Research (Greece)

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Chairman of the Board of Directors :	• Imerys Industrial Minerals Greece SA (Greece)
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Chairman, then Vice-Chairman	• Foundation for Economic and Industrial Research (Greece)

* *Listed company.*

Martina Merz

Director

Born on March 1, 1963

Work address:
Robert-Bosch Strasse 21
70192 Stuttgart (Germany)

Biography

A mechanical engineering graduate from Stuttgart University, Martina Merz started her career in 1985 at Robert Bosch GmbH (Germany) where she held several positions before becoming Chief Executive of Bosch Closure Systems GmbH in 2001 then Vice-President, Closure Systems division, and a 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 at Robert Bosch GmbH. In 2012, she was appointed Chief Executive Officer of the Chassis Brakes International group in France. Since 2015, she has held various independent directorships in listed companies throughout Europe.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Chairman of the Board of Directors	• SAF-Holland SA* (Luxembourg)
• Director	• NV Bekaert SA* (Belgium) • AB Volvo* (Sweden)
• Member of the Supervisory Board	• Deutsche Lufthansa AG* (Germany) • Thyssenkrupp AG* (Germany)

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	
• Director	• Chassis Brakes International N.V. (Netherlands)

* *Listed company.*

Lucile Ribot

Director

Born on September 17, 1954

Work address:
19 villa d'Arcueil
92170 Vanves (France)

Biography

After graduating from HEC, France, in 1989, Lucile Ribot started her career at Arthur Andersen, where she conducted audits and provided financial advice to a number of major international groups. In 1995, she joined the industrial engineering group Fives and was appointed Chief Financial Officer in 1998 then a Member of the Management Board in 2002. She stayed with the Group, driving growth and strategic development, until 2017. Lucile Ribot is a Director and Member of the Audit Committee at HSBC France, Solocal Group and Kaufman & Broad. She also sits on the Risk Committee at HSBC France. She became a director of Imerys on May 4, 2018.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None

	NON-GROUP COMPANIES
Offices and positions held in France	
• Director and member of the Audit and Risk Committees	• HSBC FRANCE
• Director and member of the Audit Committee	• Kaufman & Broad
• Director	• Solocal Group*
Offices and positions held outside France	• None

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

	NON-GROUP COMPANIES
Offices and positions held in France	
• Member of the Management Board	• Fives
• Member of the Management Board and Chief Executive Officer	• Novafives
• Director	• Fives DMS • Fives Pillard • FL METAL
Offices and positions held outside France	
• Director	• Fives Landis Limited (UK) • Fives UK Holding Limited (UK)

* *Listed company.*

Marie-Françoise Walbaum
Director

Born on March 18, 1950

Work address:
10, rue d'Auteuil
75016 Paris (France)

Biography
Marie-Françoise Walbaum holds a degree in Sociology from Paris X University and a Master's in Economics. She started 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 served as Senior Auditor at BNP's Inspectorate General, then Chief Executive Officer for mutual funds before being appointed Chief Executive Officer of the brokerage firm Patrick Dubouzet S.A. In 1994, Marie-Françoise Walbaum became Head of Principal Investments and Private Equity Portfolio Manager at BNP Paribas. She ended her 39-year career, leaving BNP Paribas on September 30, 2012.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director	• Thales*
• Director, Member of the Audit and Financial and the Governance, Appointments & Compensation Committees	• FFP*
• Director and Chair of the Audit Committee	• Esso*
• Member of the Supervisory Board	• Isatis Capital
Offices and positions held outside France	• None

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	
• Director	• Vigeo
Offices and positions held outside France	• None

* *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 started 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 served as an elected CFDT union representative on the Imerys Works Council from 1978 to October 6, 2014, when she was appointed employee representative Director. She attended Imerys' Board of Directors meetings in this capacity until that time. Throughout her time in office, she held various positions, including the Group's CFDT union representative and Secretary of the Group's French Works Council and European Works Council.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Employee representative director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

* *Listed company.*

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 started his career in 1979 as a surveyor in an engineering consulting firm. He went on to hold various positions as a rolling-mill operator then a sheet metal splitter, in particular at Tolmatil then UCA (Belgium), where he headed a team of 60 people. In 2004, he became steelworks and overhead crane operator at Arcelor Mittal before joining Imerys Minéraux Belgium (Belgium) in 2006 as production operator. Since February 2017, he has held the position of I-Cube Team Coordinator. Enrico d'Ortona was a union delegate and a Member of the Works Council at Imerys Minéraux Belgium from 2008 to 2012.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	
• I-Cube Team Coordinator	• Imerys Minéraux (Belgium)
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

* *Listed company.*

Laurent Raets
Non-voting observer

Born on September 9, 1979

Work address:
Groupe Bruxelles Lambert
24, Avenue Marnix
1000 Bruxelles (Belgium)

Biography
A graduate of École de Commerce Solvay, Université Libre de Bruxelles, Laurent Raets started his career in 2002 at Deloitte Corporate Finance in Brussels, Belgium, as a Mergers and Acquisitions Consultant. In 2006, he joined the Investments department of Groupe Bruxelles Lambert as an analyst, and then became its Deputy Director in 2016. He served as a Director at Imerys from July 29, 2015 to May 4, 2018, when he was appointed a non-voting observer to the Board of Directors.

OFFICES AND POSITIONS HELD AT DECEMBER 31, 2018	GROUP COMPANIES
Offices and positions held in France	
• Non-voting observer	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

OFFICES AND POSITIONS THAT EXPIRED IN THE PAST FIVE YEARS	GROUP COMPANIES
Offices and positions held in France	
• Director	• Imerys*
Offices and positions held outside France	• None
	NON-GROUP COMPANIES
Offices and positions held in France	• None
Offices and positions held outside France	• None

* *Listed company.*

3.1.4 OPERATING PROCEDURES

■ INTERNAL CHARTER OF THE BOARD OF DIRECTORS

As previously mentioned, the Board of Directors has adopted an Internal Charter that contains all the principles of conduct applicable to its members and the operating procedures of the Board and its committees. The Charter is updated regularly in order to include any applicable legal or regulatory developments, corporate governance guidelines and the results of the self-assessment conducted by the Board each year. The latest version of the Internal Charter of the Board of Directors (updated on May 4, 2018) is available on the Company's website, www.imerys.com.

■ BOARD OF DIRECTORS

Chairman

The Chairman organizes and oversees the work of the Board, on which he reports to the Shareholders' General Meeting. He ensures the Company's bodies operate effectively and, along with the Vice-Chairman, ensures directors are able to carry out their duties. He is also charged with calling and chairing Board meetings after setting an agenda with the Chief Executive Officer and the Secretary.

In addition to his legal responsibilities and in collaboration with the Chief Executive Officer, the Chairman may perform the following duties:

- represent the Company in its high-level relations nationally and internationally, in particular with the French State, partners and certain stakeholders of strategic importance to the Company;
- regularly give his opinion on all dealings of material importance to the Company (such as strategic orientations, major investment or divestment projects, significant financial transactions, social responsibility initiatives as well as recruiting business executives and key positions), without prejudice to the prerogatives of the Board of Directors, its committees or the executive responsibilities of the Chief Executive Officer;
- attend the meetings of committees on which he does not sit, if invited to do so by the committee's Chair.

Further to his duties as Chairman of the Board, Gilles Michel was entrusted by the Board of Directors at its meeting held on May 4, 2018 with a special responsibility to support the Group's Executive Management. For further details, *see paragraph 3.1.2 of the present chapter*.

Vice-Chairman

The Vice-Chairman supports the Chairman in organizing the work of the Board and its committees. Traditionally being one of the directors representing the Company's controlling shareholders, the Vice-Chairman ensures the Company's governance bodies operate effectively and chairs Board meetings if the Chairman is absent.

He also coordinates the Company's relations with its controlling shareholders and their representatives, seeks to prevent any situations likely to cause potential conflicts of interest for a director and, more generally, ensures that best corporate governance practice is applied. The Vice-Chairman chairs the Appointments and Compensation committees.

Secretary

The appointment and, as the case may be, dismissal of the Secretary come within the sole competence of the Board. The Secretary assists the Chairman, Vice-Chairman, committee chairs and the Board, making any helpful recommendations on the procedures and rules that apply to the Board and its committees, as well as their implementation and compliance. The Secretary is authorized to certify copies or extracts of minutes taken at Board meetings.

They also act as Ethics Officer, tasked with giving an opinion prior to any transactions in the Company's shares considered by the Group's directors and senior executives, at their request *(see section 3.5 of the present chapter).*

The current secretary of the Board of Directors is the former CSR & Group General Counsel.

Non-voting observer(s)

The Board may appoint one or several non-voting observers, who may or may not already be shareholders of the Company, to:

- ensure the proper application of the Company's by-laws and policies applicable to the Board;
- inform and advise the Board, in particular by giving their opinion on any matter put to them by the Board or one of its committees;
- carry out any specific task entrusted to them by the Board or one of its committees;
- more generally, assist the Board in performing its duties without actually getting involved in the management of the Company or acting as a Director.

Non-voting observers are subject to the same rules as directors as set out in the Internal Charter of the Board of Directors.

Board meetings

2018	
Number of meetings	7
Average attendance rate	95.91%
2019	
Expected number of meetings	6

The Board of Directors meets as often as the interests of the Group require and at least four times a year. Meetings are called by the Chairman, Secretary or Vice-Chairman of the Board, by any means of communication, including verbal.

Sent to each director *via* a secure digital platform, notices of meetings include all necessary information and documents concerning the items on the agenda to allow members to effectively take part in debates. Such information and documents may include the Group's (provisional or definitive) quarterly, half-yearly or annual financial statements and presentations on the current situation in the Group's various businesses or any other specific items that will be raised. Directors may also be given certain additional documents in meetings, such as draft press releases on the Group's financial statements for the period or information on changes in the Company's share price.

In order to allow directors to carry out their duties in the best possible way, the Chairman and the members of the Executive Committee if so called upon will communicate any important information published about the Group between Board meetings, including critical reports (in particular press articles and financial analysis reports) and any other sufficiently important or urgent information that is relevant to the Group's situation, projects, and economic or market context.

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 methods, procedures and activity in the prior year. The key findings are included in the Board's Corporate Governance Report. The Board of Directors also conducts or commissions a third-party consultant to conduct a formal assessment of its operating procedures at intervals determined by the Chairman and at least once every three years. As such, the Board decided to appoint a third party to conduct the next formal assessment of its operating procedures in 2019.

In early 2019, the Board of Directors formally assessed its operating procedures and that of its committees throughout 2018. As part of this process, each of its members was given (i) an individual questionnaire on the role and performance of the Board and its committees, their structure and operating procedures, the organization and format of their meetings, and the information provided to directors, and (ii) a specific questionnaire on the contribution of each director to the work of the Board and, where applicable, its committees.

The results of the 2018 self-assessment were analyzed by the Appointments Committee and the key findings were presented and discussed at the Board of Directors at its meeting held on February 13, 2019. The following conclusions were drawn:

- generally speaking, the operating procedures of the Board and its committees were considered by their members to be very satisfactory, with most of them stable or improved compared with 2017;
- the directors particularly appreciated the quality of the information provided at each of their meetings and the quality and effectiveness of their debates;
- directors expressed their wish that (i) the Board of Directors continue, as initiated in 2018, to regularly conclude with a discussion in the absence of the executive management, to discuss in particular matters relating to the executive management compensation and the transformation plan and (ii) certain Strategic Committee during which the Group strategy and the implementation of the transformation plan are reviewed continue to be opened to all directors. In relation to the structure of the Board of Directors, special attention shall be drawn on potential future changes that could reinforce expertise in R&D, innovation, digital and international operations;
- the individual assessment of each director highlighted, generally speaking, a level of involvement and contribution that was considered as satisfactory or exceeding the expectations.

▪ COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has formed four specialized committees: the Strategic Committee, the Audit Committee, the Appointments Committee and the Compensation Committee. These committees carry out their work under the responsibility of the Board, which defines their duties, structure and compensation based on proposals made by the Appointments Committee and the Compensation Committee. The Board committees play an advisory role and do not have the power to make decisions. The chairs of each Board committee are required to regularly provide the Board of Directors with reports on their work.

The members of the Board committees are chosen by the Board of Directors, based on proposals made by the Appointment Committee, from among the directors (excluding the Chief Executive Officer, who may not be members of any committee). Committee members are appointed for the same term of office as their directorship. Each committee elects its own chair based on the recommendation of the Appointments Committee.

STRATEGIC COMMITTEE

Structure

On the date of this Registration Document, the Strategic Committee was made up of eight members appointed by the Board, as follows:

Name	Date 1st appointed to the Committee	Independent
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
Colin Hall	May 4, 2018	No
Ulysses Kyriacopoulos	April 30, 2015	No
Martina Merz	May 4, 2018	Yes
Gilles Michel	May 4, 2018	No
Number of members: 8		**3**

Duties

The Internal Charter of the Board of Directors defines the duties of the Strategic Committee as follows:

"The duties of the Strategic Committee include examining and submitting opinions and recommendations to the Board of Directors on:

1. Strategy

- formulate and approve the Group's long term industrial, commercial and financial strategic orientations and how to pursue them;
- ensure the long term strategy implemented by Executive Management is in line with the orientations approved by the Board of Directors.

It therefore closely analyzes and, where necessary, makes recommendations to the Board on:

- the Group's 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 asset (and any financially comparable transaction, including contributions or exchanges) for more than €20 million (€20,000,000) per transaction, or the equivalent amount in any other currency,
  - the material commercial or industrial agreements that bind the long-term future of the Company or the Group,
  - any financing operation for amounts likely to substantially modify the Group's financial structure,
  - the orientations, implementation and monitoring by Executive Management of the comprehensive Corporate Social Responsibility (particularly Environment, Health & Safety and Sustainable Development) and Innovation policies.

At the end of every year, the Strategic Committee presents to the Board its annual schedule for subsequent year for the examination of major strategic issues for the future of the Group.

2. Risk

- analyze matters relating to the way Executive Management identifies, measures and monitors the main challenges and potential risk facing the Group in the following areas:
  - outside the Group: investor relations and the Group's market positions;
  - Group policies: financial resource management, human resources and skills management, dependence and continuity of key industrial or commercial activities;
  - management information: financial control and reports as well as retrospective checks, where appropriate, on the most material investment projects."

Activity in 2018

Throughout the year, the Strategic Committee monitored the main management and development decisions made by Executive Management, making sure they were in line with Imerys' strategy as recommended by the Strategic Committee and approved by the Board of Directors.

Therefore, the Committee regularly examined changes in Imerys' business and the main markets in which it operates as well as products and services Imerys offers to its clients.

Consequently, it studied in detail Imerys' quarterly consolidated financial statements and the way in which they reflected the initiatives pursued by Executive Management. At its last meeting of the year, the Strategic Committee also reviewed the Group's 2018 forecast results and the 2019 budget.

At its meeting held on June 25 and 26, which all directors were invited to attend, they visited the research center in Lyon and the plant in Fos-sur-Mer, France, relating to aluminates (ex. Kerneos) activities.

The Strategic Committee continued its discussions about the Group's long-term strategy, initiated in 2017.

Furthermore, the Strategic Committee periodically examined and approved the key stages and main aspects of the most material acquisitions or disposals planned.

In 2018, the Commitee review covered in particular:

- the strategic options considered for the future of the Roofing Division. The Strategic Committee held regular progress meetings before the disposal of such division was completed in October 2018;
- the development strategy for Imerys in China, boosted by the acquisition of Kerneos and Biok in 2017;
- monitoring planned other material acquisitions or disposals;
- the transformation strategy for the Group's IT systems and management, as well as its deployment;
- the ceramic proppant market in the US and situation and future of the Group's Oilfield business;
- potential impact of the situation of the litigation in the United States in respect of the talc activities of the Group; and
- Graphite & Carbone activities of Imerys and technological progress in the market that affect this area of the business, as well as strategic options for the Group's natural graphite activity in Namibia.

Finally, as in previous years, the Strategic Committee analyzed the Group's financial structure and ensured that it is sound, particularly with a view to continuing Imerys' selective external growth and capital expenditure policy.

Operating procedures

The Strategic Committee conducts its 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 devotes one meeting per year to the Group's strategy and market position, to which all directors may be invited. The Group's strategic review was presented in October 2018 at a meeting of the Strategic Committee that was open to all directors.

2018	
Number of meetings	7
Average attendance rate	94.64%
2019	
Expected number of meetings	8

To perform its duties, the Strategic Committee will invite speakers – including the Chief Executive Officer, the Chief Financial Officer, the General Counsel and the Chief Strategy Officer. The Chief Executive Officer may also invite or be asked by the Committee to invite any other member of the Executive Committee or business or functional department head to speak, depending on the items on the agenda for the meeting. The Strategic Committee may, where appropriate, visit industrial sites and take the opportunity to speak with any of the Group's operating managers, as it sees fit in order to carry out its duties.

The position of Strategic Committee Secretary is held by the Chief Strategy Officer, who drafts the minutes at its meetings.

APPOINTMENTS COMMITTEE

Structure

On the date of this Registration Document, the Appointments Committee was made up of five members appointed by the Board, including the Vice-Chairman of the Board of Directors, who chairs the Committee:

Name	Date 1st appointed to the Committee	Independent
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**

The Appointments Committee predominantly comprises independent members, in accordance with the recommendation of the AFEP-MEDEF Code.

Duties

The Internal Charter of the Board of Directors defines the duties of the Compensation Committee as follows:

- "examining and submitting opinions and recommendations to the Board of Directors concerning prospective candidates for the positions of Chief Executive Officer, Deputy Chief Executive Officer, directors, Chairman of the Board and its committees as well as their members. As such, the Appointments Committee must take into account the structure and changes to the Company's shareholding to ensure the structure of the Board is balanced in terms of:
  - independence,
  - representation of women and men,
  - nationality,
  - international experience and expertise (in particular in the financial or accounting skills required for members of the Audit Committee);
- presenting a succession plan for executive corporate officers and, as requested by the Chief Executive Officer, members of the Executive Committee;

- considering 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;
- preparing the section of the Board's Corporate Governance Report falling within its responsibility;
- reviewing draft responses to any requests from regulatory authorities (AMF or France's High Committee for Corporate Governance, HCGE).

More generally, the Appointments Committee makes recommendations to the Board of Directors to ensure compliance with best practice in governance and the recommendations set out in the AFEP-MEDEF Code. As such, each year the Appointments Committee reviews the conclusions of the self-assessment made by the Board and its committees as well as the key recommendations."

Activity in 2018

Informed at end-2017 of Gilles Michel's desire to step down from the office of Chief Executive Officer, the Appointments Committee conducted an in-depth review of the Group's leadership and governance. They used their findings to finalize the process of selecting and evaluating potential candidates for the position of the Group's executive corporate officer.

The Appointments Committee was then consulted on the structure of the Board of Directors and its committees. It examined the profiles of the directors, especially those whose terms of office were expiring at the end of the annual Shareholders' General Meeting, and any candidates put forward to be appointed or replace outgoing directors. In particular, the Appointments Committee took the opportunity to consider reducing the number of directors of the Company to improve the Board's responsiveness, as well as the effectiveness and intensity of its debates.

It also analyzed the individual situation of the Company's incumbent directors and the candidates in relation to the diversity of skills and experience required in the structure of the Board and the adopted definition of Independence. Moreover, the Appointments Committee also examined whether there were any business relations between those members and the Group. It ensured the existing structure of the Board and the Appointments, Audit and Compensation committees, their chairs and any changes complied with the proportion of independent or female directors required by law and recommended by the AFEP-MEDEF Code.

Where the Company did not comply with the Code, the Appointments Committee made recommendations to the Board on the relevance and transparency of the explanations provided in the table to be drawn up by the Company on the way in which the AFEP-MEDEF Code is applied.

Furthermore, the Appointments Committee reviewed and approved the changes in the Company's organization and skills, and more specifically its transformation plan and the restructuring of its Executive Committee announced on November 26, 2018 *(see in particular chapter 1 of the Registration Document)*.

As in previous years, it also discussed the importance of diversity and the related action plans, as well as the succession and development plan for executive corporate officers and all members of the Group's Executive Committee.

Operating procedures

The Compensation Committee conducts its debates with at least two 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.

2018	
Number of meetings	6
Average attendance rate	96.66%
2019	
Expected number of meetings	4

To perform its duties, the Appointments Committee will invite speakers – including the Chairman of the Board, the Chief Executive Officer, the Chief Human Resources Officer and, as appropriate, the Company Secretary. It also takes advice from independent experts as it sees fit.

The position of Appointments Committee Secretary is held by the Group's Chief Human Resources Officer, who drafts the minutes at its meetings.

▪ COMPENSATION COMMITTEE

Structure

On the date of this Registration Document, the Compensation Committee is made up of six members appointed by the Board, including the Vice-Chairman of the Board of Directors, who chairs the committee:

Name	Date first appointed to the Committee	Independent
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 paragraph 3.1.2 of the present chapter.*

Duties

The Internal Charter of the Board of Directors defines the duties of the Compensation Committee as follows:

"The duties of the Compensation Committee include examining and submitting opinions and recommendations to the Board of Directors on:

- the amount of and allocation method for attendance fees (fixed and variable fees, the latter being higher) paid to directors;
- the comprehensive compensation policy for executive corporate officers, which the Board submits for approval at the Shareholders' General Meeting;
- the comprehensive compensation policy for the Group's senior executives;
- all components of compensation (fixed, variable and exceptional), welcome bonuses, severance packages and benefits of any kind owed or likely to be owed to each executive corporate officer, which the Board submits for approval at the Shareholders' General Meeting;
- the comprehensive policy for granting stock options or free shares of the Company and determining the beneficiaries of such plans proposed by the Chief Executive Officer;
- determining stock option or free share grants to each executive corporate officers as well as the specific terms and restrictions that apply to those grants (achievement of quantitative performance targets, restriction of the number of shares granted, lock-up periods, etc.), in line with the recommendations of the AFEP-MEDEF Code;
- preparing the section of the Board's Corporate Governance Report falling within its responsibility;
- the Group policy on employee share ownership and its terms and conditions as proposed by the Chief Executive Officer;
- reviewing draft responses to any requests from regulatory authorities (AMF or France's High Committee for Corporate Governance, HCGE).

More generally, the Compensation Committee makes recommendations to the Board of Directors to ensure compliance with best practice in governance and compensation and the recommendations set out in the AFEP-MEDEF Code."

The Compensation Committee predominantly comprises independent members, in accordance with the recommendation of the AFEP-MEDEF Code.

Activity in 2018

As in previous years, the Compensation Committee spent the first half of the year evaluating the performance of Gilles Michel as Chairman & Chief Executive Officer in 2017. It measured the fulfillment of quantitative criteria assigned to him to determine the variable component of his compensation with respect to 2017, payable in 2018. It also measured the fulfillment of criteria subject to which performance shares granted under previous long-term incentive plans may vest.

The Compensation Committee then made its recommendations regarding the quantitative and qualitative criteria that will determine the variable component of the 2018 compensation awarded to Gilles Michel as Chairman and Chief Executive Officer until May 4, 2018, and Conrad Keijzer as Deputy Chief Executive Officer then Chief Executive Officer as well as the quantitative criteria for the 2018 individual long-term incentive plan offered to Conrad Keijzer in his capacity as Chief Executive Officer.

The Compensation Committee also examined the main characteristics of the comprehensive long-term compensation and incentive plan applicable to other key executives within the Group. In particular, it made recommendations to the Board on how to formulate the long-term incentive plan and the related performance criteria.

Furthermore, the Compensation Committee checked that the practices implemented and the proposals made complied with the recommendations of the AFEP-MEDEF Code on the compensation of executive corporate officers.

Operating procedures

The Compensation Committee conducts its debates with at least two 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.

2018	
Number of meetings	5
Average attendance rate	96.66%
2019	
Expected number of meetings	3

To perform its duties, the Compensation Committee will invite speakers – including the Chairman of the Board, the Chief Executive Officer and any relevant Human Resources managers. It also takes advice from independent experts as it sees fit.

The position of Appointments Committee Secretary is held by the Chief Human Resources Officer, who drafts the minutes at its meetings.

■ AUDIT COMMITTEE

Structure

On the date of this Registration Document, the Audit Committee was made up of four members:

Name	Date first appointed to the Committee	Independent
Aldo Cardoso, Chairman	May 3, 2005	Yes
Colin Hall	December 15, 2015	No
Lucile Ribot	May 4, 2018	Yes
Marie-Françoise Walbaum	April 25, 2013	Yes
Number of members: 4		**3**

Over two thirds of the members of the Audit Committee are independent, in accordance with the recommendation of the AFEP-MEDEF Code and the AMF working group on audit committees.

Duties

"The duties of the Audit Committee include examining and submitting opinions and recommendations to the Board of Directors concerning:

1. Financial statements

- the statutory and consolidated annual, half-yearly and quarterly financial statements;
- the scope of consolidation;
- the relevance and consistency of accounting methods, by verifying, in particular, the reliability of internal procedures to collect and check information;
- the method and estimates applied to impairment tests carried out by the Group;
- the Group's debt position;
- any material litigation and off-balance sheet commitments, and their impact on the Group's accounts;
- the procedure applied to producing and circulating accounting and financial information;
- the analysis of any remarks made by regulatory authorities (AMF) and the draft replies.

2. Financial information

- the policy and procedures applied to financial communication designed to ensure the Group's compliance with regulatory obligations;
- the main components of financial communication relating to the Group and Company financial statements.

3. External control

- the proposals to appoint or re-appoint Statutory Auditors;
- the Statutory Auditors' work plan and any additional assignments they or other members of their network may be given, as well as the corresponding fees;
- the supervision of the rules for calling upon the services of the Statutory Auditors other than for the legal certification of accounts ("authorized non-audit services") and, more generally, compliance with the principles safeguarding the Independence of Statutory Auditors and the measures taken by them to mitigate any risk. The Audit Committee therefore reviews and gives prior approval for authorized non-audit services, in line with the conditions set by the Board. Exceptionally, where the total annual amount of fees paid for specific assignments does not exceed the percentages or amounts set by the Board, such fees are simply ratified by the Audit Committee by December 31 of each year at the latest;
- the conclusions of due diligence work by Statutory Auditors as well as their recommendations and follow-up actions.

4. Audit & Internal control

- the annual internal audit programs and internal control assessments and the resources allocated to their implementation;
- the results of the work of the internal and external auditors and the Internal Control Department, following up on any recommendations made, particularly concerning the analysis, corrective measures and preparation of the Group's material risk map as well as the way in which risk and significant off-balance sheet commitments are managed and internal audit teams are organized;
- the preparation and content of the Annual Report of the Board of Directors on the Group's risks and internal control mechanisms.

5. Risk

- the identification, measurement and monitoring by Executive Management of the main risks facing the Group in the following areas:
  - outside the Group: legal or regulatory developments, crisis or disaster management and cybersecurity,
  - Group processes: monitoring major disputes, compliance with applicable regulations (particularly Environment, Health & Safety and Sustainable Development), business conduct in accordance with regulations and Imerys' core ethical values (conduct and ethics, anti-corruption, anti-trust, *etc.*),
  - potential mineral reserve and resource;
- the orientations, implementation and monitoring by Executive Management of the Group's comprehensive policy on internal control, risk prevention (organization, policies and procedures, IT infrastructure and systems, telecommunications and digitization, etc.), Group insurance, and any changes that may be introduced;
- the work plans and findings of internal experts (*e.g.* auditors and lawyers) and any external experts that may be called upon to analyze, audit or measure the risks and the Group's performance in the aforementioned areas;
- any other subject likely to have a material financial or accounting impact on the Company or the Group."

Activity in 2018

As in previous years, the Audit Committee reviewed the statutory and consolidated financial statements for 2017, as well as the Group's quarterly and half-yearly financial statements in 2018. As part of that work, it examined the period-end procedures and related draft press releases. Following this work, it was able to recommend that the Board approve the definitive financial statements without qualification. The Audit Committee also reviewed the accounting rules applied by the Group and the way in which changes in the IFRS accounting framework and recommendations from the market regulators are reflected. In addition, it examined changes in 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 2018, the Audit Committee reviewed the Report on Payments to Governments made by the Group's entities conducting mining operations.

During 2018, the Committee also monitored the progression of the litigation relating to the historic activities of Imerys Talc subsidiaries in the United States. The Committee conducted an in-depth assessment during the second semester of 2018, with the assistance of specialist US law firms, of the different strategic options that were considered by these subsidiaries to ensure the best protection of their long-term operating and financial interests and the potential related consequences for the Group Audit Committee reported to each Board of Directors. In February 2019, the Board of Directors supports the relevant Imerys subsidiaries decisions to file for the US judicial process so-called “Chapter 11” in order to finally settle historic liitigation in respect of Talc in the US.

An overall, in-depth presentation on the revised compliance programs and new action plans implemented by the Group following the new regulatory framework introduced in France by the Sapin II Act and the law on the Corporate Duty of Vigilance was made to the Audit Committee. The Code of Conduct and Ethics was rewritten to include an independent whistleblowing service and a specific risk map covering corruption and supplier compliance with the ethical, environmental, labor and governance rules adopted by the Group. Furthermore, the standards set by the Group in these areas and applicable to all its suppliers were adopted and communicated.

At the end of each half-year, the Audit Committee examines the operational report produced by the Audit & Internal Control Department. It includes details of audit assignments completed and the results of corrective measures put in place following audits in previous years, as well as tests and evaluations of the internal control systems in force in the Group. The Audit Committee also reviewed the audit plan and the specific actions scheduled for 2018. In addition, it noted that all of the Group’s main risks, as identified in the last mapping exercise in 2016, were regularly examined either by the Audit Committee itself or by the Strategic Committee and supported by sufficient levels of checks. It also approved the updated rules of managerial authority applicable in the Group.

Throughout the year, the Audit Committee also examined the following specific matters: accounting of the main M&A operations (in particular the sale of the Roofing division) and restructuring operations conducted by the Group; inventory of the Group’s mining reserves and resources; management and status of main legal risks, and evaluation 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 position and the related risks.

It also reviewed the Group’s new Corporate Social Responsibility (CSR) strategy and the implementation of the CSR roadmap. The Audit Committee also received a report on the Group’s non-financial performance in 2018 in relation to the key indicators tracked.

Finally, following the reform of the EU Statutory Audit Market that introduced a requirement to separate audit and consulting services, the Audit Committee approved the internal rules and procedures applicable to the provision of non-audit services by the Statutory Auditors.

Operating procedures

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

2018	
Number of meetings	7
Average attendance rate	100%
2019	
Expected number of meetings	6

To perform its duties, the Audit Committee will invite speakers – including the Chairman of the Board, the Chief Executive Officer, the Statutory Auditors and the Chief Financial Officer. Alternatively, the Chief Executive Officer or the Chief Financial Officer may invite or be asked by the committee to invite any other person involved in preparing and auditing the financial statements or managing or preventing risks to speak (including the Finance Department, the Internal Audit & Control Department and the Legal Department), depending on the items on the agenda for the meeting.

The Audit Committee enjoys unrestricted access to all information available in the Group. It may also visit industrial sites and take the opportunity to speak with any of the Group’s operating and support managers as it sees fit in order to carry out its duties. Moreover, by informing the Chairman of the Board and the Chief Executive Officer, it may request any internal or external audit be carried out on any subject that it considers to fall within the scope of its duties.

The position of Strategic Committee Secretary is held by the Group’s Chief Financial Officer, who drafts the minutes at its meetings and communicates them to the Statutory Auditors.

AD HOC COMITTEES

On 13 February 2019, upon recommendation of the Appointments Committee, the Board of Directors set up two temporary ad hoc committees to monitor (i) the implementation by the Group or its transformation plan (Transformation Committee) and (ii) the implementation of the "Chapter 11" proceedings by the North America entities of the Group. More precisely:

Transformation Committee

Structure

At the date of this Registration Document, the Committee was made up of 5 members, appointed by the Board, as follows:

Name	Date first appointed to the Committee	Independent
Paul Desmarais III, Chairman	13 February 2019	No
Odile Desforges	13 February 2019	Yes
Martina Merz	13 February 2019	Yes
Ulysses Kyriacopoulos	13 February 2019	No
Laurent Raets	13 February 2019	N/A (non-voting member)
Number of members: 5		**2**

Duties

The Committee is responsible for monitoring the implementation by the Group of its transformation plan launched in November 2019. Within the Committee, the Chairman organizes and rules the debates, and reports to the Board.

Operating rules

The Committee meetings will be held on a monthly basis, periodicity to be adjusted as its Chairman sees fit. Committee conducts its debates with at least majority of its members in attendance.

The Committee may invite the Chief Executive Officer, the Chief Human Resources Officer, the Chief Finance Officer, and as appropriate, any other member of the Executive Committee of Imerys or Imerys employees (notably ones belonging to Transformation team set up within the Group to speak).

The position of Transformation Committee Secretary is held by the Chief Human Resources Officer, who drafts the minutes at its meetings.

Chapter 11 Follow-up Committee

Structure

At the date of this Registration Document, the Committee was made up of 2 members, appointed by the Board, as follows:

Name	Date first appointed to the committee	Independent
Aldo Cardoso, Chairman	13 February 2019	Yes
Colin Hall	13 February 2019	No
Number of members: 2		**1**

Duties

The Committee is responsible for monitoring the implementation and the progress, until resolution, of the Chapter 11 proceedings in respect of the relevant North American entities of the Group, including the negotiation of the terms of their continuation plan. Within the Committee, the Chairman organizes and rules the debates, and reports to the Board.

Operating rules

The Committee meetings will be held on a monthly basis, to be adjusted as its Chairman sees fit. Committee conducts its debates with all its members in attendance.

The Committee may invite the Chief Executive Officer, the Group General Counsel, the Chief Finance Officer, and as appropriate, any other member of the Executive Committee of Imerys or relevant Imerys employees (notably ones belonging to the dedicated team set up within the Group) to speak.

The position of the Committee Secretary is held by the current Secretary of the Board (Denis Musson), who drafts the minutes at its meetings.

In accordance with the AFEP-MEDEF Code, the following table presents a summary of the 2018 attendance record of each member of the Board of Directors and its committees:

	Attendance at meetings of the Board of Directors	Attendance at meetings of the Strategic Committee	Attendance at meetings of the Appointments Committee	Attendance at meetings of the Compensation Committee	Attendance at meetings of the Audit Committee
Gilles MICHEL *Chairman of the Board and director*	100%	100%	N/A	N/A	N/A
Conrad KEIJZER *Chief Executive Officer and director*	100%	N/A	N/A	N/A	N/A
Paul DESMARAIS III *Vice-Chairman of the Board and director*	86%	86%	100%	100%	N/A
Aldo CARDOSO *Director*	100%	100%	N/A	N/A	100%
Odile DESFORGES *Director*	100%	86%	N/A	N/A	N/A
Ian GALLIENNE *Director*	100%	100%	100%	100%	N/A
Marion GUILLOU *Director*	71%	N/A	83%	80%	N/A
Colin HALL *Director*	100%	100%	N/A	N/A	100%
Ulysses KYRIACOPOULOS *Director*	86%	100%	N/A	N/A	N/A
Martina MERZ *Director*	100%	100%	100%	100%	N/A
Lucile RIBOT *Director*	100%	N/A	N/A	N/A	100%
Marie-Françoise WALBAUM *Director*	100%	N/A	100%	100%	100%
Éliane AUGELET-PETIT *Director*	100%	N/A	N/A	100%	N/A
Enrico d'ORTONA *Director*	100%	N/A	N/A	N/A	N/A
Laurent RAETS *Non-voting observer*	100%	N/A	N/A	N/A	N/A

3.2 EXECUTIVE MANAGEMENT

3.2.1 STRUCTURE

On the date of this Registration Document, the Group's Executive Management was headed by:

- Conrad Keijzer, Chief Executive Officer;
- assisted by an Executive Committee made up of the Group's 11 key operating and functional executives.

For further details on Conrad Keijzer and the directorships he currently holds or has held over the last five years, *see paragraph 3.1.3 of the present chapter.*

3.2.2 POWERS

Pursuant to legal and statutory provisions, the Chief Executive Officer has the broadest powers to act in all circumstances in the Company's name. He exercises these powers within the scope of the Company's corporate purpose and subject to the powers expressly vested by the applicable laws and regulations in Shareholders' General Meetings and the Board of Directors. The Chief Executive Officer represents the Company in its dealings with third parties.

Pursuant to article 18 of the Company's by-laws, the Board of Directors may restrict his powers. However, any such restriction is not binding on third parties.

As such and in accordance with the Internal Charter of the Board of Directors, *paragraph 3.1.1 of the present chapter* details all transactions that require approval from the Board of Directors prior to their implementation by Executive Management.

The Board may also appoint one or several Deputy Chief Executive Officers upon proposal of the Chief Executive Officer.

3.2.3 EXECUTIVE COMMITTEE

3.2.3.1 NEW ORGANIZATION AND STRUCTURE OF THE EXECUTIVE COMMITTEE

On November 26, 2018, following an in-depth strategic review, Imerys announced changes to its management organization in order to be more market-focused and further leverage its successful repositioning as a specialty minerals company.

The new organization is made up of two segments, grouping five newly created business areas built around the Group's core markets *(see section 1.3 of Chapter 1 of the Registration Document)*.

The operating and functional directors of the five newly created business areas report directly to the Chief Executive Officer:

- the Performance Minerals segment brings together three geographic business areas – Europe Middle East Africa (EMEA), Americas and Asia Pacific (APAC) – serving the plastics, paints & coatings, filtration, ceramics, renewable energy and paper & board markets;
- the High Temperature Materials & Solutions segment regroups two business areas – High Temperature Solutions, and Refractory Abrasives & Construction – serving the refractory, foundry, metal flow, abrasives and building chemistry markets.

This new structure, with business areas built around the Company's core markets:

- will enable the Group to achieve its full organic growth potential and further improve its competitive position to boost sustained value creation;
- strips out layers of management to bring the Group closer to its customers and more effectively meet their needs.

To support the new structure, a new Executive Committee was appointed. On the date of this Registration Document, the Executive Committee is composed of the following members:

Name	Title	Nationality	Date 1st joined the Group	Date 1st appointed to the Executive Committee
Conrad Keijzer	Chief Executive Officer	Dutch	2018	2018
Operating executives				
Philippe Bourg	Senior Vice President Refractory Abrasives & Construction	French	1996	2018
Michel Cornelissen	Senior Vice President High Temperature Solutions	Belgian	1991	2018
Guillaume Delacroix	Senior Vice President Performance Minerals EMEA	French	2004	2018
Cyril Giraud	Senior Vice President Performance Minerals APAC	French	1998	2018
Olivier Hautin	Chief Strategy Officer	French	1995	2008
Jim Murberger	Senior Vice President Performance Minerals Americas	American	1996	2018
Functional executives				
Frédérique Berthier	Group General Counsel	French	2008	2018
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
Olivier Pirotte	Chief Financial Officer	Belgian	2015	2015

The Appointments Committee and the Board of Directors reviewed and approved the changes in the Company's organization and skills and, more specifically, the aforementioned transformation plan and the new structure of the Executive Committee. In addition, each year they discuss the importance of diversity and the related action plans, as well as the succession and development plan for executive corporate officers and all members of the Group's Executive Committee *(see paragraph 3.1.4 of this chapter and chapter 5 of the Registration Document)*.

3.2.3.2 DUTIES OF THE EXECUTIVE COMMITTEE

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

These duties include:

- reviewing the strategies and budgets submitted by individual divisions to the Strategic Committee and the Board of Directors, ensuring their implementation, supervising their application, and making any adjustments required to ensure compliance with them;
- defining key targets for improving overall Group performance (particularly in terms of operational, financial, labor, social and environmental issues, as well as employee health & safety in the workplace), as well as monitoring those targets and implementing any corrective measures necessary;
- reviewing the suitability, development and mobility of Group managerial resources in accordance with its current and future needs, as well as key planned organizational changes;
- adopting, overseeing the deployment and supervising the implementation of the cross-functional and/or transformational policies and actions that apply across the Group (Innovation, CSR, Human Resources, Communication, Operational Excellence, Geology & Mines, Health & Safety, Legal & Regulatory Compliance, Internal Control & Risk Management, IT & Internal Efficiency), and more generally, all plans, operations and/or measures that are submitted to the Executive Committee by the Chief Executive Officer himself or proposed by other members.

The Executive Committee meets every month, and as often as is in the best interests of the Group. It met on 12 occasions in 2018.

3.3 COMPENSATION

In accordance with articles L. 225-37-2 *et seq.* of the French Commercial Code, the following information presents details of the compensation of corporate officers and in particular, that paid or granted by the Company in 2018 to corporate officers, which forms an integral part of the Corporate Governance Report governed by article L. 225-37 of said Code.

3.3.1 MEMBERS OF THE BOARD OF DIRECTORS

MAXIMUM AMOUNT OF ATTENDANCE FEES

The maximum gross amount of attendance fees that may be awarded for the year to members of the Board of Directors is determined by the Shareholders' General Meeting. Since May 4, 2018 this amount has been set at €1,200,000.

The Board of Directors is responsible for allocating the attendance fees between its members using a system of allocation bands it agrees based on the recommendations of the Compensation Committee. The bands are reviewed each year to ensure they remain appropriate and competitive in view of best practice within comparable listed companies in France and any recent changes.

ALLOCATION BANDS

Since May 4, 2018, the allocation bands for attendance fees have been set as follows:

		Gross amount (€) before tax and social security contributions
Board of Directors	Chairman	100,000 fixed fee per year 4,000 per meeting attended
	Vice-Chairman	30,000 fixed fee per year 4,000 per meeting attended
	Other members	10,000 fixed fee per year 4,000 per meeting attended
Strategic Committee	Chairman	30,000 fixed fee per year
	All Committee members	3,500 per meeting attended
Audit Committee	Chairman	30,000 fixed fee per year
	All Committee members	4,000 per meeting attended
Appointments Committee	Chairman	10,000 fixed fee per year
	All Committee members	3,000 per meeting attended
Compensation Committee	Chairman	10,000 fixed fee per year
	All Committee members	3,000 per meeting attended
Ad hoc Committee: Transformation Committee	All Committee members	10,000 euros (per year) (subject to attendance to meetings)
Ad hoc Committee: Chapter 11 Committee	All Committee members	20,000 euros (per year*) (subject to attendance to meetings)

* *Subject to possible revision depending on time and importance of actions that will be carried out by such Committee.*

Members receive only half the variable portion of attendance fees if they attend meetings of the Board or its committees by telephone or video conference.

AMOUNTS

Attendance fees are paid at the end of each half year. Consequently, the gross amount of attendance fees effectively paid in any given financial year includes (i) the amount of fees paid with respect to the second half of the prior year and (ii) the amount of fees with respect to the first half of the current year.

Table summarizing attendance fees and other compensation paid to non-executive corporate officers

	2018		2017	
(€)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
G. Michel, Chairman of the Board of Directors(1)				
Attendance fees	93,591	21,091	-	-
Other compensation	150,000(1)	-	-	-
C. Keijzer, Chief Executive Officer(2)				
Attendance fees	-	-	-	-
Other compensation	-	-	-	-
P. Desmarais III, Vice-Chairman				
Attendance fees	122,193	153,693	152,500	158,000
Other compensation	-	-	-	-
A. Cardoso				
Attendance fees	112,833	96,333	84,750	93,000
Other compensation	-	-	-	-
O. Desforges				
Attendance fees	55,000	51,250	44,250	44,250
Other compensation	-	-	-	-
I. Gallienne				
Attendance fees	102,276	93,276	75,500	81,250
Other compensation	-	-	-	-
M. Guillou				
Attendance fees	53,500	54,500	40,500	36,500
Other compensation	-	-	-	-
C. Hall				
Attendance fees	73,500	53,500	47,500	53,000
Other compensation	-	-	-	-
G. Kampouri Monnas(3)				
Attendance fees	17,191	42,941	42,500	35,750
Other compensation	-	-	-	-
U. Kyriacopoulos				
Attendance fees	53,500	49,000	39,750	44,500
Other compensation	-	-	-	-
X. Le Clef(3)				
Attendance fees	16,941	41,941	45,500	43,000
Other compensation	-	-	-	-

(1) Chairman of the Board of Directors since May 4, 2018, and previously Chairman and Chief Executive Officer. The amounts due or paid in 2018 with respect to his former office, along with the compensation payable with respect to the specific responsibility entrusted to him as Chairman of the Board, are detailed in paragraph 3.1.2 of the present chapter.

(2) Director and Chief Executive Officer – does not receive attendance fees.

(3) Director until May 4, 2018.

(4) Director since May 4, 2018.

(5) Director until May 4, 2018, then non-voting observer from that date onward.

(6) Director until 3 May 2017.

(€)	2018 Amount due	2018 Amount paid	2017 Amount due	2017 Amount paid
A. Malard de Rothschild[6]				
Attendance fees	-	-	16,333	41,833
Other compensation	-	-	-	-
M. Merz				
Attendance fees	67,000	53,500	21,667	1,667
Other compensation	-	-	-	-
L. Ribot[4]				
Attendance fees	40,559	3,559	-	-
Other compensation	-	-	-	-
K. Taaffe Richard[3]				
Attendance fees	9,441	22,441	22,000	26,000
Other compensation	-	-	-	-
A. Vial[3]				
Attendance fees	12,241	30,441	35,250	41,750
Other compensation	-	-	-	-
M.-F. Walbaum				
Attendance fees	91,500	79,000	61,000	70,000
Other compensation	-	-	-	-
E. Augelet-Petit				
Attendance fees	53,000	50,000	36,000	40,000
Other compensation	-	-	-	-
E. d'Ortona				
Attendance fees	36,000	36,000	30,000	32,000
Other compensation	-	-	-	-
L. Raets[5]				
Attendance fees	36,000	36,000	30,000	34,000
Other compensation	-	-	-	-
Total				
Total attendance fees	**1,046,466**	**968,466**	**825,000**	**876,500**
Total other compensation	**150,000**	**-**	**-**	**-**

(1) Chairman of the Board of Directors since May 4, 2018, and previously Chairman and Chief Executive Officer. The amounts due or paid in 2018 with respect to his former office, along with the compensation payable with respect to the specific responsibility entrusted to him as Chairman of the Board, are detailed in paragraph 3.1.2 of the present chapter.

(2) Director and Chief Executive Officer – does not receive attendance fees.

(3) Director until May 4, 2018.

(4) Director since May 4, 2018.

(5) Director until May 4, 2018, then non-voting observer from that date onward.

(6) Director until 3 May 2017.

The amounts set out in the table above represent all compensation paid or due in 2017 and 2018 by the Company or its controlling shareholders to each member of the Board of Directors with respect to the offices, responsibilities or other duties performed within or on behalf of the Group, with the exception of:

- compensation paid and/or due to Gilles Michel in his capacity as Chairman and Chief Executive Officer for the period up to May 4, 2018, as detailed in *paragraph 3.3.2.2 of the present chapter*;
- compensation paid and/or due to Conrad Keijzer in his capacity as Deputy Chief Executive Officer then Chief Executive Officer from March 8, 2018; and
- compensation paid and/or due to the two employee representative directors with respect to their positions as employees in the Imerys Group.

3.3.2 EXECUTIVE CORPORATE OFFICERS

The following information concerns the Group's executive corporate officers, who are:

- Gilles Michel, Chairman and Chief Executive Officer then Chairman of the Board of Directors from May 4, 2018; and
- Conrad Keijzer, Deputy Chief Executive Officer from March 8, 2018, then Chief Executive Officer from May 4, 2018.

In accordance with articles L. 225-37-2 and L. 225-37-3 of the French Commercial Code, this information includes:

- the compensation policy for executive corporate officers, which will be submitted for approval ("ex-ante vote") at the next Shareholders' General Meeting *(see chapter 8, paragraph 8.1.3 and section 8.4 of the Registration Document)*. This policy includes the principles and criteria used to determine, allocate and grant the fixed, variable and exceptional components of the total compensation and benefits of any kind payable to executive corporate officers with respect to their office;
- total compensation and benefits of any kind paid or granted, as well as the commitments given by the Company to its executive corporate officers in 2018. In accordance with article L. 225-37-3 of the French Commercial Code, these components will be submitted for approval ("ex-post vote") at the next Shareholders' General Meeting *(see chapter 8, paragraph 8.1.4 and section 8.4 of the Registration Document)*. These components were determined in accordance with the compensation policy approved by the Shareholders' General Meeting of May 4, 2018 (fifth resolution).

All information concerning the above and details of performance shares *(see paragraph 3.4.2 of the present chapter)* form an integral part of the Corporate Governance Report governed by article L. 225-37 of the French Commercial Code.

All the required components were published on the Company's website, in accordance with the recommendations of the AFEP-MEDEF Code.

3

3.3.2.1 PRINCIPLES AND CRITERIA USED TO DETERMINE, ALLOCATE AND GRANT COMPENSATION TO EXECUTIVE CORPORATE OFFICERS AND COMPONENTS APPLICABLE TO CONRAD KEIJZER AND GILLES MICHEL IN 2019

The compensation of executive corporate officers is set by the Board of Directors, based on recommendations of the Compensation Committee, to ensure overall market competitiveness. Therefore, the Committee makes its recommendations based on assessments and comparisons conducted on a regular basis by specialist consultants.

The information below includes:

- the 2019 compensation policy of executive corporate officers;
- the components approved by the Board of Directors, based on recommendations of the Compensation Committee, for the 2019 compensation package offered to the Group's Chief Executive Officer.

Gilles Michel, Chairman of the Board of Directors, will not receive any compensation or benefit in kind for 2019 other than (i) the attendance fees allocated to him in line with the allocation bands set out in *paragraph 3.3.1 of the present chapter* and (ii) the exceptional compensation due for the successful completion of the specific responsability entrusted to him by the Board of Directors as described in *paragraph 3.1.2 of the present chapter*, along with any expenses that may be incurred as a result. Furthermore, Gilles Michel is not entitled to any termination benefit nor is he subject to any non-compete clause binding him following his departure from the Group.

Annual fixed compensation

The fixed component of compensation is determined according to the level of experience and responsibility of the executive corporate officers when they take up office. It is reviewed every year by the Board, based on the recommendations of the Compensation Committee, to ensure it is in line with market practices and the packages offered at similar companies. It takes into account, in particular, the benefit represented by the complementary collective pension plan to which key Imerys executives are entitled.

At its meeting held on February 13, 2019 and based on the recommendations of the Compensation Committee, the Board of Directors decided that the annual fixed compensation awarded to Conrad Keijzer as Chief Executive Officer shall amount to €800,000 for 2019.

Annual variable compensation

The variable component is calculated according to quantitative and qualitative criteria set by the Board of Directors and based on the recommendations of the Compensation Committee. The extent to which these targets are achieved is measured each year by the Board of Directors and based on the recommendations of the Compensation Committee. Variable compensation owed with respect to year Y is paid the following year Y+1, when all the component parts are known, in particular once the Group's financial statements for the year Y are definitively approved by the Board of Directors, subject to the approval of the Shareholders' General Meeting.

At its meeting held on February 13, 2019 and based on the recommendations of the Compensation Committee, the Board of Directors agreed the following criteria and objectives to determine the variable compensation awardable to Conrad Keijzer for 2019:

Quantitative criteria	**Weighting**	**Maximum variable compensation** *(% of fixed compensation)*
Net income from current operations	50%	55%
Free operating cash flow	30%	33%
Return on Capital Employed	20%	22%
Total		**110%**

Qualitative criteria*	**Impact on the percentage achieved**	
Organic and external growth of the Group, successful implementation of the Group transformation plan, leadership of the executive management team, product stewardship and customer satisfaction	Multiplying factor of between 0.8 and 1.2	
Total		**165%**

* *The overall percentage achievement for the qualitative criteria (as expressed by reference to the annual fixed compensation and as after application of multiplying factor corresponding to the achievement of qualitative criteria) may be increased or decreased by 3% depending on whether or not the workplace health & safety objective (applicable to all senior managers in the Group) was met. Qualitative criteria are confidential and cannot be published in full.*

The variable compensation awarded to Conrad Keijzer for 2019 will be determined in 2020 by the Board of Directors, based on the recommendations of the Compensation Committee, taking into account the extent to which the quantitative and qualitative criteria were satisfied. Variable compensation will be paid subject to approval by the 2020 Shareholders' General Meeting held to approve the financial statements for the year ended December 31, 2019.

Multi-annual variable compensation

Based on the recommendation of the Compensation Committee, the Board of Directors may also decide to offer executive corporate officers a multi-annual variable compensation package subject to the achievement of quantitative and/or qualitative targets. This compensation will be paid subject to approval by the Shareholders' General Meeting.

No multi-annual variable compensation was offered to Conrad Keijzer for 2019.

Exceptional compensation

Based on the recommendation of the Compensation Committee, the Board of Directors may also decide to grant exceptional compensation or a welcome bonus to executive corporate officers if warranted by the circumstances. This compensation will be paid subject to approval by the Shareholders' General Meeting.

No exceptional compensation was offered to Conrad Keijzer for 2019.

Benefits in kind

Based on the recommendation of the Compensation Committee, the Board of Directors may also grant benefits in kind to executive corporate officers. The contributions paid by the Company for the unemployment insurance scheme for corporate officers go toward their compensation as benefits in kind.

In 2019, Conrad Keijzer will receive the following benefits in kind: use of a company car and accommodation (due to having to move with his family from the Netherlands to France in 2008), as well as contributions to the unemployment insurance scheme for corporate officers.

Severance indemnity

Based on the recommendation of the Compensation Committee, the Board of Directors may also offer a severance package to executive corporate officers.

Conrad Keijzer's contract as executive corporate officer includes a severance package that would be due if he is dismissed following a change of control or strategy or as a result of a major disagreement over such issues. No compensation would be due if Conrad Keijzer were to resign and be eligible to claim retirement benefits in the short term or if he were to be dismissed for gross or serious misconduct.

In accordance with the recommendations of the AFEP-MEDEF Code and based on the calculation below, the maximum amount of severance package is based on two years' compensation (fixed and variable) if the term of office exceeds two years. Pursuant to the provisions of article L. 225-42-1 of the French Commercial Code, payment of the severance package is subject and proportionate to a performance condition assessed solely on the average extent in percentage terms to which the quantitative targets set over the last three financial years to determine variable compensation for each year were achieved. If the average achievement percentage (calculated over the last three years) for such objectives is less than 40%, no severance pay would be due. If the average achievement percentage exceeds 80%, the maximum amount of severance pay would be due.

Non-compete indemnity

Based on the recommendation of the Compensation Committee, the Board of Directors may also decide to award a non-compete indemnity to executive corporate officers.

Conrad Keijzer is subject to a non-compete period of two years following the date at which his duties as Chief Executive Officer are terminated, with no compensation other than the aforementioned severance package, if applicable.

Impatriation bonus

As in 2018, Conrad Keijzer will receive an annual impatriation bonus for 2019 equal to 30% of his fixed and variable compensation for the same year. The bonus will be paid in monthly installments. The final amount will be adjusted when the variable compensation for the year in question is paid.

Pension plan

A complementary defined contribution pension plan was set up on October 1, 2009 for which certain executive managers at Imerys are eligible. The plan contributes 8% of the compensation of eligible employees and is capped at eight times the annual French social security ceiling. Employee contributions are set at 3% and employer contributions at 5%. It also allows beneficiaries to top up the mandatory payments with free and voluntary contributions. An independent insurance company has been appointed to manage the scheme.

As in 2018, Conrad Keijzer will benefit from the complementary defined contribution pension plan in 2019. For information, the amount paid by the Group in that respect in 2018 is equal to 12,979 euros.

After stepping down from the office of Chief Executive Officer, Gilles Michel exercised his pension entitlement in 2018.

Attendance fees

In his capacity as Chief Executive Officer, Conrad Keijzer is not entitled to receive any attendance fees in 2019 with respect to his position as director of the Company.

Other commitments

Other than the commitments detailed above, the compensation package offered by the Company to executive corporate officers does not include any other components.

The Company did not give any commitment to Conrad Keijzer with respect to 2019, other than those mentioned above. All these commitments, in particular the severance package and complementary defined contribution pension plan, have been approved by the Board of Directors in accordance with the provisions of article L. 225-42-1 of the French Commercial Code and remain subject to approval by the 2019 Shareholders' General Meeting held to approve the financial statements for the year ended December 31, 2018.

Summary

	Employment contract	Complementary pension plan	Indemnities or benefits for termination of office or change of duties	Non-compete indemnity
Conrad Keijzer, Chief Executive Officer from May 4, 2018	No	Yes(1)	Yes	Yes(2)

(1) Complementary defined contribution pension plan only.

(2) Non-compete clause, with no compensation other than his severance package, if applicable.

3.3.2.2 COMPONENTS OF COMPENSATION AWARDED TO EXECUTIVE CORPORATE OFFICERS FOR 2018

The following components relate to the Company's executive corporate officers in 2018, including Gilles Michel (Chairman and Chief Executive Officer until May 4, 2018, then Chairman of the Board of Directors from that date onward[(1)]) and Conrad Keijzer (Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018, then Chief Executive Officer from that date onward):

■ SUMMARY

(€)	**2018**	**2017**
Gilles Michel, Chairman and Chief Executive Officer until May 4, 2018 then Chairman of the Board of Directors from that date onward		
Compensation due for the year[(1)]	740,410	1,815,218
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year[(2)]	N/A	1,854,786
Value of other long-term incentive plans	N/A	N/A
Total	**710,410**	**3,670,004**

(1) Compensation excluding benefits in kind (corresponding to €6,315 for 2018 and €18,354 for 2017), but including attendance fees (corresponding to a net amount of €65,514) and exceptional compensation of €150,000.

(2) Value at the date on which they were granted, in line with IFRS 2, after taking into account in particular any performance-related discount and the probability Gilles Michel will still be with the Company at the end of the vesting period, but before spreading the expense over the acquisition period.

(€)	**2018**	**2017**
Conrad Keijzer, Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018, then Chief Executive Officer from that date onward		N/A
Compensation due for the year[(1)]	1,391,550	N/A
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year[(2)]	1,671,300	N/A
Value of other long-term incentive plans	N/A	N/A
Total	**3,062,850**	**-**

(1) Compensation excluding benefits in kind (corresponding to €46,012 for 2018).

(2) Value at the date on which they were granted, in line with IFRS 2, after taking into account in particular any performance-related discount and the probability Conrad Keijzer will still be with the Company at the end of the vesting period, but before spreading the expense over the acquisition period.

■ FIXED COMPENSATION FOR 2018

- Gilles Michel, in his capacity as Chairman and Chief Executive Officer until May 4, 2018 – €800,000 annual gross compensation *prorata temporis*, *i.e.* €278,261.
- Conrad Keijzer, in his capacity as Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018, then Chief Executive Officer from that date onward – €700,000 annual gross compensation *prorata temporis*, *i.e.* €570,076.

(1) In order to present the most complete information, the tables on this page include all compensation awarded to Gilles Michel as Chairman and Chief Executive Officer and as from 4 May 2018 Chairman of Board.

VARIABLE COMPENSATION FOR 2018

The same criteria applied to both Gilles Michel and Conrad Keijzer, with the exception of one objective applicable only to Conrad Keijzer concerning the successful adoption of his role within the Executive Management team.

At its meeting of February 13, 2019, the Board of Directors determined the amount of variable compensation awarded to Gilles Michel with respect to 2018, which will be paid in 2019 subject to approval by the Shareholders' General Meeting of May 10, 2019, as follows:

Gilles Michel

Quantitative criteria	Weighting	Maximum variable compensation *(% of fixed compensation)*	Percentage achieved
Net income from current operations	50%	55%	58.2%
Free operating cash flow	30%	33%	100%
Return on Capital Employed	20%	22%	62.4%
Total		**110%**	**71.6%**

Qualitative criteria	Impact on the percentage achieved	Agreed factor	Percentage achieved
Implementation of Group strategy, organic and external growth, and transformation programs	Multiplying factor of between 0.8 and 1.2	1.2	100%

	Maximum variable compensation *(% of fixed compensation)*	Variable compensation *(% of fixed compensation)*	Amount *(€)*
Total	**132%**	**88.6%**	**246,635**

The variable compensation payable to Gilles Michel for 2018 amounts to €246,635. This figure is due to the achievement of 71.6% of the quantitative targets and 100% of the qualitative targets. It reflects the extent to which the specific goals set for Gilles Michel were achieved, and takes into account the subtraction of 3% with respect to the specific workplace health & safety objective.

The detail concerning the compensation awarded to Gilles Michel in his capacity as Chairman of the Board of Directors since May 4, 2018 is published in *paragraph 3.3.1 of the present chapter*.

Conrad Keijzer

Quantitative criteria	Weighting	Maximum variable compensation *(% of fixed compensation)*	Percentage achieved
Net income from current operations	50%	55%	58.2%
Free operating cash flow	30%	33%	100%
Return on Capital Employed	20%	22%	62.4%
Total		**110%**	**71.6%**

Qualitative criteria	Impact on the percentage achieved	Agreed factor	Percentage achieved
Implementation of Group strategy, organic and external growth, transformation programs and integration into the Executive Management team	Multiplying factor of between 0.8 and 1.2	1.15	95.8%

	Maximum variable compensation *(% of fixed compensation)*	Variable compensation *(% of fixed compensation)*	Amount *(€)*
Total	**132%**	**87.8%**	**500,347**

The variable compensation payable to Conrad Keijzer for 2018 amounts to €500,347. This figure is due to the achievement of 71.6% of the quantitative targets and 95.8% of the qualitative targets. It reflects the quality of achievement of the specific goals that were set for Conrad Keijzer, given the subtraction of 3% with respect to the specific goal on workplace safety as applicable to all senior managers of the Group, goal not reached in 2018.

▪ DETAILS OF COMPENSATION AND BENEFITS IN KIND DUE AND PAID

Given the above information, the amount and breakdown of compensation and benefits in kind due (fixed and variable components for the year Y) and paid (fixed component for the year Y and variable component for the year Y-1, paid in year Y) by the Group to its executive corporate officers with respect to 2017 and 2018 are as follows:

(€)	2018		2017	
Gilles Michel, Chairman and Chief Executive Officer until May 4, 2018 then Chairman of the Board of Directors from that date onward[(1)]	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	278,261	278,261	800,000	800,000
Variable compensation	246,635[(2)]	996,864	996,864	870,144
Exceptional compensation	150,000[(2)]	0	-	-
Attendance fees (net amount)	65,514	14,764	-	-
Benefits in kind[(3)]	6,315	6,315	18,354	18,354
Total	**746,725**	**1,296,204**	**1,815,218**	**1,688,498**

(1) In order to present the most complete information, the tables include all compensation paid and due to Gilles Michel in his capacity as Chairman and Chief Executive Officer until May 4, 2018, then Chairman of the Board of Directors from that date onward.

(2) Subject to approval by the Shareholders' General Meeting of May 10, 2019.

(3) These benefits include a company accommodation, car with driver and the contributions to an unemployment insurance scheme for corporate officers.

(€)	2018		2017	
Conrad Keijzer, Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018, then Chief Executive Officer from that date onward	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	570,076	570,076	-	-
Variable compensation	500,347[(1)]	0	-	-
Impatriation bonus	321,127	342,097	-	-
Attendance fees	0	0	-	-
Benefits in kind[(2)]	46,012	46,012	-	-
Total	**1,437,562**	**958,185**	**-**	**-**

(1) Subject to approval by the Shareholders' General Meeting of May 10, 2019.

(2) These benefits include a company accommodation, car with driver and the contributions to an unemployment insurance scheme for corporate officers.

The above amounts include all compensation due or paid by the Group to Gilles Michel and Conrad Keijzer with respect to the years in question, as well as the value of all benefits in kind due or received over the same period.

All compensation and benefits granted to the Group's executive managers (Executive Committee, including Gilles Michel until May 4, 2018 and Conrad Keijzer from March 8, 2018) and recognized in expenses for the years in question are included in *Note 27 to the consolidated financial statements*. The criteria used to determine compensation are presented in *chapter 1, paragraph 1.3.2 of the Registration Document*.

Moreover, the amount of the five highest compensation packages paid by the Company with respect to 2018 was certified by the Statutory Auditors.

3.4 LONG-TERM INCENTIVE PLANS AWARDED TO EXECUTIVE CORPORATE OFFICERS

3.4.1 STOCK OPTIONS

The Company's general stock option grant policy is agreed by the Board of Directors, based on recommendations of the Compensation Committee. At its meeting of April 25, 2013, the Board of Directors decided to no longer grant any performance shares *(see paragraph 3.5.1 of the present chapter)*. Consequently, no stock options have been granted to executive corporate officers since the April 2012 Plan.

▪ EXECUTIVE CORPORATE OFFICERS

At December 31, 2018, the total number of stock options held by Gilles Michel, Chairman and Chief Executive Officer until May 4, 2018, was 65,680, representing 0.08% of Imerys' share capital after dilution at that date. These options fully vested and are held by Gilles Michel at a weighted average exercise price of €48.69.

No stock options were exercised by Gilles Michel in 2018.

No stock options were awarded to Gilles Michel or Conrad Keijzer in 2018.

▪ PREVIOUS STOCK OPTION GRANTS TO EXECUTIVE CORPORATE OFFICERS

	2012 Plan	2011 Plan	2010 Plan	2009 Plan	2008 Plan
Date of Shareholders' General Meeting	04/28/2011	04/28/2011	04/30/2008	04/30/2008	04/30/2008
Date of Board of Directors or Management Board Meeting	04/26/2012	04/28/2011	04/29/2010	Jul. 29, 2009	04/30/2008
Number of shares that may be subscribed or purchased, of which those that may be subscribed or purchased by:	362,720	331,875	482,800	464,000	497,925
▪ Gilles Michel, Chairman & Chief Executive Officer until May 4, 2018	44,000	40,000	N/A	N/A	N/A
▪ Conrad Keijzer, Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018 then Chief Executive Officer from that date onward	N/A	N/A	N/A	N/A	N/A
Start of option exercise period	04/26/2015	04/28/2014	04/29/2013	08/14/2012	04/30/2011
End of option exercise period	04/25/2022	04/27/2021	04/28/2020	08/13/2019	04/29/2018
Subscription or purchase price	€43.62	€53.05	€46.06	€34.54	€54.19
Exercise conditions (for plans with several tranches)	N/A	N/A	N/A	N/A	N/A
Number of shares subscribed in 2018	18,505	20,900	33,050	7,000	37,835
Total number of stock options canceled or forfeited	0	0	0	0	2,634
Number of stock options outstanding at December 31	91,058	88,392	77,400	29,263	0

▪ CHANGES IN THE NUMBER OF OPTIONS IN 2018

The total number of stock options outstanding at December 31, 2018 totaled 286,113, representing 0.35% of Imerys' share capital after dilution at that date. The weighted average exercise price was €46.26.

In 2018, 2,634 stock options were canceled and 117,290 were exercised by 42 beneficiaries at a weighted average price of €48.86.

3.4.2 PERFORMANCE SHARES

▪ GRANT POLICY

The main characteristics of grants made by the Board are as follows:

- grants take the form of performance shares, in principle, fully subject to financial performance targets;
- except in exceptional circumstances, plans are annual and grants are usually made on the day of the Shareholders' General Meeting;
- actual or likely beneficiaries of performance shares include the Group's executive managers (members of the Executive Committee as well as the operating and functional executives reporting to them) and employees whose career potential or individual performance has been recognized as outstanding.

▪ MAIN CHARACTERISTICS OF PERFORMANCE SHARES

Vesting period

In accordance with law, performance shares are subject to a vesting period that may not be less than one year following the grant date (since the "Macron law" of August 6, 2016) or two years for grants made before August 8, 2015, subject, in principle, to fulfilling certain economic and financial performance criteria that cannot be assessed on a single year. The number of shares vested is subject and proportionate to achieving these targets.

Loss of shares

If the beneficiary leaves the Group before the end of the vesting period for any reason (including, in principle, if the company by which they are employed leaves the Group's scope of consolidation), they will lose (in principle, subject to derogation approved by the Board of Directors) all rights to performance shares, except in the event of death, long-term disability or retirement, in which case their rights will be maintained according to the specific terms and conditions of each plan.

Lock-up period

Since the Macron law, a lock-up period (between the vesting date and the availability date) is no longer mandatory for performance share grants. Nevertheless, the total duration of vesting and lock-up periods for performance share grants may not be less than two years.

Following any such lock-up period, beneficiaries are able to freely transfer or sell the shares.

▪ PERFORMANCE SHARE PLAN ADOPTED IN 2018

In 2018, the Board of Directors granted 295,200 performance shares to 207 Group managers residing in France or overseas (compared with 200 in 2017) including Conrad Keijzer as the only executive corporate officer.

The number of performance shares granted with respect to this plan, which was adopted by the Board of Directors on May 4, 2018, vest subject and proportionate to meeting a set of objectives common to all beneficiaries (including Conrad Keijzer in his capacity as Chief Executive Officer). Based on the recommendation of the Compensation Committee, the Board of Directors was able to verify the demanding nature of these objectives, which are based on two equally weighted quantitative criteria: the Group's annual growth in net income from current operations, per share and return on capital employed for 2018-2020. After being reviewed by the Compensation Committee, the extent to which these objectives were met will be agreed by the Board of Directors at the end of each financial year on the basis of the Group's consolidated financial statements.

Performance shares will vest according to the extent to which the objectives have been achieved, three years after being granted by the Board. Consequently, in accordance with article L. 225-197-1-I, paragraph 7 of the French Commercial Code, these shares are not subject to any lock-up period once vested.

With the exception of Conrad Keijzer as the only executive corporate officer, the 10 beneficiaries receiving the highest number of performance shares were granted a total of 84,500 shares.

PERFORMANCE SHARES GRANTED TO EXECUTIVE CORPORATE OFFICERS IN 2018

Performance shares granted over the year to each executive corporate officer by the Company and any Group company

	N° and date of plan	Number of shares granted in 2018	Value of shares using the method applied in the consolidated financial statements	Vesting date	Availability date	Performance conditions
Conrad Keijzer, Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018 then Chief Executive Officer from that date onward	May 4, 2018	30,000	1,671,395	May 4, 2021	May 4, 2021	YES

At its meeting held on May 4, 2018, the Board of Directors decided to grant 30,000 performance shares to Conrad Keijzer, in his capacity as Chief Executive Officer. The shares are subject to the same financial performance conditions as those applicable to the 2018 general performance share plan offered to the Group's other executive managers.

The shares granted to the Chief Executive Officer are also subject to the same provisions as those applicable to the general free share plan offered to the Group's executive managers, in particular: the number of performance shares vested is proportionate to the financial performance targets to which they are subject, and shares vest after a period of three years, *i.e.* May 4, 2021, on the condition Conrad Keijzer is still a corporate officer of the Group at that date.

No performance shares were granted in 2018 to Gilles Michel, Chairman and Chief Executive Officer, then Chairman of the Board of Directors since May 4, 2018. Concerning the performance shares previously granted to Gilles Michel for which the conditions have not yet been met, the condition that he is still with the Group when the shares vest was exceptionally waived by the Board of Directors at its meeting held on May 4, 2018. All other terms and conditions of the plans concerned, in particular those relating to performance and the vesting period, continue to apply.

Performance shares vested in 2018 for each executive corporate officer

	N° and date of plan	Number of shares vested in 2018
Gilles Michel, Chairman and Chief Executive Officer until May 4, 2018 then Chairman of the Board of Directors from that date onward	April 2014 Plan	25,545
Conrad Keijzer, Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018 then Chief Executive Officer from that date onward	N/A	N/A

At December 31, 2018, among the performance shares the Company granted Gilles Michel:

- 123,020 shares vested, representing 0.15% of Imerys' share capital after dilution (compared with 97,475 at December 31, 2017);
- 94,870 shares are subject to achieving the performance targets set *(see paragraph 3.4.3 of this chapter)*.

No performance shares were sold by Gilles Michel in 2018.

▪ DETAILS OF PERFORMANCE SHARE PLANS

	May 2018 Plan	May 2017 Plan	May 2016 Plan	April 2015 Plan	April 2014 Plan
Date of Shareholders' General Meeting	05/04/2018	05/04/2016	05/04/2016	04/29/2014	04/29/2014
Date of Board of Directors Meeting	05/04/2018	05/03/2017	05/04/2016	04/30/2015	04/29/2014
Total number of shares granted, of which to corporate officers:	295,200	293,400	302,500	309,550	282,475
▪ Conrad Keijzer, Deputy Chief Executive Officer between March 8, 2018 and May 4, 2018 then Chief Executive Officer from that date onward	30,000	N/A	N/A	N/A	N/A
▪ Gilles Michel Chairman and Chief Executive Officer until May 4, 2018 then Chairman of the Board of Directors from that date onward	0	35,000	32,500	35,000	32,500
Vesting date(1)	05/04/2021	05/03/2020	05/04/2019	04/30/2019	04/29/2018
End of lock-up period(1)	05/04/2021	05/03/2020	05/04/2019	04/30/2019	04/29/22018
Performance conditions	Net income from current operations, per share Return on Capital Employed	Net income from current operations, per share Return on Capital Employed	Net income from current operations, per share Return on Capital Employed	Net income from current operations, per share Return on Capital Employed	Net income from current operations, per share Return on Capital Employed
Total number of shares vested at December 31, 2018	**-**	**-**	**750**	**626**	**190,300**
Total number of shares canceled or forfeited(2)	**29,450**	**40,900**	**51,800**	**126,151**	**92,175**
Performance shares outstanding at December 31, 2018	**265,750**	**252,500**	**249,950**	**182,773**	**0**

(1) For shares awarded to all beneficiaries, irrespective of their tax residence.
(2) After beneficiaries leave the Group or fail to meet the performance conditions.

In 2018, 200,625 performance shares were canceled, while 189,710 performance shares vested and were transferred to their respective beneficiaries.

The total number of performance shares outstanding at December 31, 2018 equaled 950,973, representing 1.18% of Imerys' share capital after dilution at that date.

3.4.3 SPECIFIC CONDITIONS AND RESTRICTIONS APPLICABLE TO EXECUTIVE CORPORATE OFFICERS

▪ SPECIFIC CONDITIONS OF GRANTS

The performance shares granted by the Board of Directors on May 4, 2018 to Conrad Keijzer fall within the limits set at its meeting of March 8, 2018 in line with the recommendations of the AFEP-MEDEF Code: the value (under IFRS 2) of the conditional stock options and performance shares granted is capped at 18 months of the gross annual compensation (fixed and maximum variable) awarded to executive corporate officers, compared with 12 months previously.

Also in line with the recommendations of the AFEP-MEDEF Code, since 2016, the authorizations granted by the Shareholders' General Meeting to the Board of Directors to issue stock options and performance shares for employees and corporate officers cap the allocations for executive corporate officers at 0.5% of the Company's share capital *(see chapter 7, paragraph 7.2.3 of the Registration Document)*.

■ RESTRICTIONS ON HOLDING AND RECORDING SECURITIES

Based on 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 Commercial Code, at its meeting held on May 4, 2018, the Board of Directors confirmed the restrictions on shareholdings applicable to executive corporate officers initially agreed in 2010.

As a result, until the termination of his office, Conrad Keijzer is required to hold in registered form:

- a number of performance shares that is at least equal to 25% of the total number of shares that will vest at the end of the vesting period;
- until the total amount of his shareholding, including stock options and performance shares, reaches upon exercise of stock options (if any) and availability of performance shares 300% of his annual fixed compensation for the prior year.

At the same meeting, the Board of Directors also confirmed that the total investment in shares of the Company must take into account all the shares held by Conrad Keijzer at the date in question, regardless of their origin (purchased on the market, acquired by exercising stock options or acquired through performance share plans).

As a result of Gilles Michel stepping down from the office of Chief Executive Officer on May 4, 2018, at its meeting on the same date, the Board of Directors removed the shareholding requirements described above, which previously applied to shares held by Gilles Michel, as well as performance shares and shares that he will acquire in the future by exercising stock options.

Furthermore, the Group's policy prohibits executive corporate officers from making any leveraged or speculative transactions on Imerys shares in accordance with conditions set forth in the AFEP-MEDEF Code. In line with the recommendations of the AFEP-MEDEF Code, the Board of Directors took note of the commitment made by Conrad Keijzer to (i) not resort to using any hedge instruments in respect of any stock options or performance shares that may be granted to him during his term of office and (ii) refrain from exercising any stock options that may be granted to him during his term of office during any blackout periods, even if other beneficiaries may be able to exercise their stock options, as such a transaction cannot be speculative as the exercise price has already been set.

3.5 TRANSACTIONS OF COMPANY SHARES COMPLETED BY CORPORATE OFFICERS

■ PREVENTING INSIDER DEALINGS AND THE USE OF INSIDE INFORMATION

In accordance with the policy to prevent insider dealings applied throughout the Group, (Insider dealings Policy, the most recent version of which was made available to employees on November 15, 2018), corporate officers and related persons must refrain from carrying out any transaction, including forward transactions, in Imerys shares if they directly or indirectly hold an inside information not yet available to the public. In order to make it easier to implement this policy, the Secretary of the Board acts as Ethics Officer, tasked with giving an opinion prior to completing any transactions in the Company's shares considered by the Group's directors and senior executives, at their request. The opinion given by the Ethics Officer is advisory only.

■ BLACKOUT PERIODS

The Insider dealings Policy requires relevant persons to refrain from completing any transaction on Imerys shares (including hedging) during a specific time ahead of public announcements of the Group's quarterly, half-yearly and annual results, known as "blackout periods". Pursuant to this policy, are then concerned corporate officers and any people who may have regular or intermittent access to sensitive information about the Company and its subsidiaries prior to it being made available to the public, as well as anyone with close ties to these people.

The blackout periods cover a number of days leading up to the publication of the Group's results as well as the day of the announcement. This period lasts for 30 days prior to statements concerning annual and half-yearly results, and 15 days before quarterly results.

The annual calendar of announcements of the Group's consolidated results over the next 12 months, as well as the resulting blackout periods are communicated to directors at the end of the year. It may be consulted at any time *via* the Group's website, is included in the Chief Executive Officer's quarterly letter to shareholders and is available on request from the Group's Financial Communication Department.

SUMMARY OF TRANSACTIONS MADE BY CORPORATE OFFICERS IN 2018

Pursuant to the provisions or article 223-26 of AMF's General Regulations, the following table presents a summary of the transactions made in Imerys shares throughout 2018 by corporate officers and any individuals connected to them, where applicable. These transactions must be declared to AMF in accordance with the provisions of article L. 621-18-2 of the French Monetary and Financial Code. All such declarations are available on AMF's website (www.amf-france.org).

Person making the declaration	Position	Financial instrument	Number	Nature of transaction	Number of transactions	Gross amount[(1)] of transactions
Martina Merz	Director	Shares	890	Purchase	5	€65,470.33
Blue Crest Holding S.A.	Legal entity with ties to Ulysses Kyriacopoulos, director	Shares	134,983	Swap settlement	11	€8,374,256.52
		Shares	49,294	Share grant in consideration for the earnout clause for S&B[(2)]	1	€3,999,999.14
		Shares	12,000	Total return swap	1	€1,000,564.80
Lucile Ribot	Director	Shares	400	Purchase	2	€25,610

(1) *Before tax, fees and costs.*

(2) *See paragraph 7.2.4 of chapter 7 of the Registration Document.*

4 RISK FACTORS AND INTERNAL CONTROL

4.1 RISK FACTORS

The Imerys Group operates throughout the world in a constantly changing economic and political climate that is by nature unpredictable. Such uncertainty may lead to major changes that could potentially have a material negative impact on the Group's operations, business or financial situation, as well as on external stakeholders associated with Imerys' operations (hereinafter "Material Negative Impact").

The main risk factors facing the Group at the date the present Registration Document was filed, as well as the methods applied to manage them, are presented below in descending order of importance in each category. Other risks the Group has not yet identified or which are currently considered to be immaterial could nevertheless exist and, if they were to arise, may have a Material Negative Impact. Further information on the environmental, social and governance risks for external stakeholders associated with Imerys' operations, as well as the measures taken to mitigate such risks, are presented in *chapter 5 of the Registration Document*.

Note: [CSR] – Non-financial risks (described in *chapter 5*, "Corporate Social Responsibility").

4.1.1 STRATEGIC RISKS

▪ DIGITAL AND INTERNAL EFFICIENCY TRANSFORMATION

In 2016, Imerys launched its multi-year digital and internal efficiency transformation program with a view to upgrading IT and data management systems, tools and operational processes as well as promoting internal efficiency by more effectively sharing resources between the various operating activities. Essentially, the program seeks to improve Group productivity and margin by reducing transaction costs, as well as data quality and availability. Certain projects have been completed, while others are still ongoing, such as the efforts to streamline and standardize Group operating processes under a single ERP ("Enterprise Resource Planning") system.

Imerys is therefore exposed to the risk of such large-scale transformation projects being poorly planned or executed, which could potentially cause completion to be delayed, certain projects to be abandoned or run over-budget, and may even immobilize IT systems. This could cause the Group to lose its competitive edge and hinder its ability to increase profitability.

However, Imerys has put in place a coherent governance structure and a robust management procedure on its projects, along with measures to involve management, implement change and internalize skills with support from internationally recognized specialized consulting firms depending on the project. The Board of Directors also decided to set up a specialized committee to supervise the execution of the multi-year program *(see chapter 3, paragraph 3.1.4 of the Registration Document)*.

▪ EXTERNAL GROWTH OPERATIONS

Imerys pursues a growth strategy that combines organic growth with external growth *(see chapter 1, paragraph 1.4.2 of the Registration Document)*. As a result, the Group regularly acquires businesses or companies and establishes joint ventures. Such operations inherently entail risks related in particular to accurately valuing the assets and liabilities held by an acquisition target and effectively integrating the acquired businesses, personnel and their existing IT and management systems into the Group. In the case of joint ventures, there is a potential risk of changes arising in the relationship between the partners involved.

Imerys has put in place a set of internal control procedures that, depending on the amounts at stake and the nature of the project, require prior approval by one or several members of the Executive Committee and the Chief Executive Officer, as well as, according to the internal rules of the Board of Directors, prior review or approval by the Strategic Committee or the Board of Directors itself *(see chapter 3, section 3.1 of the Registration Document)*.

These procedures include:

- analyzing challenging financial return metrics and applying strict investment profitability criteria backed up by in-depth due diligence reviews of the operations considered;
- reviewing and negotiating key contractual terms and conditions with internal or external specialists and relevant operational and central support directors (including, where applicable, specific compensation requirements binding sellers and covering the potential liabilities of the operations);
- preparing, implementing and permanently monitoring integration plans for newly acquired businesses or companies.

VOLATILITY AND EROSION OF END MARKETS

The Group's earnings are sensitive to the macro economic conditions of the end markets it serves. Volatility in certain specific markets, such as the iron & steel or oil & gas industries, along with the structural decline of certain mature markets, such as the printing & writing paper sector, may adversely affect the individual financial performance of a certain number of the Group's divisions.

However, Imerys has minimized its exposure to economic cycles and erosion on some end markets by:

- broadening the range of end markets in which it operates (none of which account for more than a quarter of Group revenue);
- competently managing anticipated market trends through regular business reviews and strategic planning conducted at division and Group level;
- creating autonomous and agile operating divisions to implement business development and industrial actions necessary to adjust to market changes;
- allocating the Group's available resources to each of the operating divisions and tasking the Executive Committee with managing the Group's portfolio of assets and businesses, under the guidance or control of the Strategic Committee and the Board of Directors, depending on the situation;
- the Group's new structure, in which business areas are built around core markets and positioned closer to customers, that came into effect on December 1, 2018 will enable Imerys to achieve its full organic growth potential and further improve its competitive position.

COUNTRY [CSR]

Imerys has developed its business in many countries across the world, some of which endure political, social, legal or regulatory instability. An unexpected change in these national frameworks could affect the Group's local operations, assets, cash flows, profitability and ability to continue to conduct business and develop.

To manage this risk, the following measures have been implemented:

- the Executive Committee regularly reviews the exposure of the Group's assets and revenue in at-risk countries. To identify such countries, Imerys uses the "Business Climate" assessment published by Coface, the leading French insurance company specialized in international credit insurance (for further details 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;
- as soon as it becomes necessary, the Group calls upon external consultants to provide the Executive Committee with up-to-date information and forecasts on the situation, in particular regarding economic and political risk, in certain countries in order to better anticipate potential adverse developments in the future;
- Imerys has set up a process for the Executive Committee and local steering committees to regularly monitor Group performance in specific countries (namely Brazil, China, India and South Africa). These local committees bring together key operating and support managers in the country or region and strengthen cross-functional organization depending on the size and nature of their operations as well as their development potential;
- Imerys believes it is essential to maintain and develop constructive and transparent relations with local stakeholders in all countries in which it operates, in particular with local authorities and communities *(see chapter 5, paragraph 5.7.1 of the Registration Document)*;
- the Group's new structure is organized around two segments – Performance Minerals and High Temperature Materials & Solutions. The Performance Minerals segment is split into three geographic business areas – Europe Middle East Africa, Americas and Asia Pacific – which strengthens the Group's ability to manage country risk *(see chapter 1, paragraph 1.3.1 of the Registration Document)*.

The Audit Committee receives regular updates on the outcomes of the above studies, analyses and actions.

INNOVATION

To remain competitive, maintain organic growth and increase profitability, the Group has placed organizational, technological and commercial innovation at the heart of its strategy. It is also an effective way for the Group to tackle the sustainable development concerns related to its operations *(see chapter 5, paragraph 5.7.2 of the Registration Document)*.

Through its innovation policy, Imerys has put in place the necessary resources to manage and mitigate the following risks:

- risk of investing in inadequate technology. A project portfolio management tool makes it easier to manage, appraise and optimize resources invested by the Group or the divisions in their respective innovation projects;
- risk of new products not meeting market needs. Imerys adopts stringent methods to ensure products developed by its divisions effectively meet the needs of their customers. They include building close relations between the divisions' Science & Technology and Marketing teams and the Group's external customers to better understand their work and technical constraints, and anticipate their needs;
- risk of potentially losing key talent from the Science & Technology Department. A mobility procedure as well as specific succession plans for this part of the workforce are established and overseen by a Human Resources manager specifically focused on this area;
- risk of delay in commissioning industrial facilities using new manufacturing processes or new product lines. The Group's industrial improvement program "I-Cube" *(see chapter 1, section 1.4 of the Registration Document)* includes a robust and stringent procedure to handle capital expenditure requests made by divisions as well as checks to ensure they are properly implemented.

Following the Group's new structure, Innovation is now the responsibility of the business areas of each segment *(see chapter 1, paragraph 1.3.1 of the Registration Document)*. As a result, Science & Technology directors are responsible for identifying and implementing best practice in their respective business areas, in particular regarding project management, intellectual property, employee personal development, core skills, scientific excellence and procedures, while at the same time benefiting from the support of the central Innovation team (Business Innovation and Technology Platform). Furthermore, centrally storing and managing the Group's intellectual property assets within separate, specific entities ensures greater protection, defense and optimization of the Group's innovation efforts.

4.1.2 OPERATING RISKS

▪ HEALTH AND SAFETY [CSR]

The industrial nature of the Group's operations entail potential workplace health and safety risks. Indeed, employees are exposed to high-risk situations when working on or in the vicinity of operations including industrial processes releasing dust particles, driving heavy mobile equipment, using high-voltage electrical equipment and carrying out tasks that require industrial equipment to be shut down or working at heights. It is also key that effective protection systems are maintained on certain machines.

To manage such risks, Imerys has put in place:

- an integrated approach, entitled the "Imerys Safety System" (ISS) organized around the three main focus areas of compliance audits (Environment, Health & Safety, EHS), 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 the Group's safety culture *(see chapter 5, paragraph 5.5.1 of the Registration Document);*
- a new action plan launched in 2018 and designed to eradicate fatal accidents, which boosts the policies and practices already in place. The plan, which complements the fundamental actions already implemented and pursued, seeks to reassess high-risk situations and foster a safety culture, employee implication and vigilance on the part of all to protect themselves and others by bringing on board every single Group employee as well as all freelance workers;
- a new Group Industrial Hygienist position to better identify and assess risk and roll out a coordinated approach across the Group.

Each month, the Executive Committee reviews the Group's safety performance. It also periodically examines all health and safety performance indicators and the results of audits conducted in the various divisions. The Audit Committee reviews the processes and resources put in place to achieve the objectives set each year. The Board of Directors reviews the Group's safety performance at each of its ordinary meetings and all the other points of the policy and programs implemented are presented to them at least once a year.

For further details on the Group's objectives, targets and programs to manage health and safety risks, *see chapter 5, paragraph 5.5.1 of the Registration Document*.

▪ ENVIRONMENT AND CLIMATE CHANGE [CSR]

Although industrial mineral processing techniques are mainly physical (crushing, grinding and sorting) and generally require very few chemicals, industrial mining and mineral processing activities may impact the environment (especially soil and water conditions). As a result, the Group may incur expenses (over time or at the end of sites' operating lifecycle) to cover industrial equipment upgrades, industrial site rehabilitation or environmental cleanups. In addition, if divisions fail to respect environmental regulations applicable to local operations, they may be exposed to civil or administrative sanctions or even criminal prosecution.

To manage such risks, Imerys has put in place:

- an effective Environmental Management System (EMS) that makes it possible to identify, prioritize and roll out checks to manage all potentially material environmental impacts resulting from its industrial operations *(see chapter 5, paragraph 5.6.1 of the Registration Document)*;
- a program to review the solidity of mineral solids collection facilities at the sites concerned;
- an action plan to protect biodiversity from the impact of its mining operations;
- a regulatory watch system for each industrial site progressively deployed in the Group's main operating regions.

With regard to the challenges of climate change, the Group could be impacted on several levels:

- the direct operational or economic consequences of global warming (the rising sea level and more frequent extreme weather events) that may cause damage to industrial facilities or injury to employees or additional expenses due to increased insurance costs. Faced with this new risk, Imerys has conducted a preliminary study into the vulnerability of its industrial sites. So far, this analysis has focused on the exposure of the Group's sites to the increased risk of extreme weather events and natural disasters;

- the reduced appeal of its products and greater production costs in a context of lower-carbon economy. Imerys has anticipated this risk by increasingly including those elements into its operational considerations, and in particular its investment decision processes;
- the loss of trust among stakeholders, in particular investors and customers, when the Group has made no commitment to reduce its energy footprint or by not fulfilling such commitments. Toward the end of 2016, Imerys pledge to deploy a strategy to combat global warming under the "French Business Climate Pledge" initiative. In line with these efforts, Imerys joined the "Science Based Targets initiative" (SBTi) in 2018 to ensure the reduction targets for greenhouse gas emissions are in line with international objectives.

For further details on the Group's objectives, targets and programs to manage environmental and climate change risks, *see chapter 5, section 5.6 of the Registration Document*.

CYBERSECURITY AND IT SYSTEM FAILURE

The day-to-day management of the Group's operations, specifically its marketing, industrial and financial processes, requires reliable technical IT infrastructure, management systems and data processing. The risk of such infrastructure or systems malfunctioning or shutting down, due to either internal or external causes (computer viruses or hacking, service provider failures, blackouts or network shutdowns, natural disasters, human error, *etc.*) may adversely affect operations in a division or across the Group, or undermine the protection of confidential data and expertise and hinder the preparation of financial and non-financial reports.

To mitigate this risk, the IT Department has put in place strict rules concerning the governance and security of IT infrastructure, computer systems, data backups and business recovery plans. They are rolled out at division and Group level and controlled by the Internal Audit & Control Department.

In addition, due to increasing IT security threats, an external assessment of the Group's potential exposure and current protection system was performed by a specialist consulting firm. The list of priorities drawn up to improve cybersecurity organization and tools within the Group resulted in a multi-year action plan being implemented, overseen by the Global Information Technology & Process Director. A consulting firm specialized in cybersecurity regularly reviews the proper implementation of this action plan.

PROPERTY DAMAGE

Like any industrial group, Imerys' production facilities are exposed to the risk of unforeseen industrial incidents occurring (of various nature or origin, *e.g.* accidents, natural disasters and machinery damage) that may lead to temporary operating stoppages, some of which may significantly affect operations at the sites concerned.

Imerys limits the risk of such events occurring and the impact they may have on the Group's business as a whole with the following set of factors and measures:

- the number and geographic distribution of industrial sites, many of which are of moderate size in each business area;
- an active industrial risk prevention policy set up by the Group, including:
  - a cross-functional working group, overseen by the Industrial Department, whose role it is to identify and prioritize the main industrial risks and define risk prevention plans,
  - regular investment to modernize and maintain its industrial assets,
  - preparation of business continuity plans and/or crisis management plans for the most strategic sites,
  - a program to review the solidity of mineral solids collection facilities at the sites concerned.

The potential financial impact of property damage or temporarily shutting down operations at certain sites is covered by a highly reputed insurer, internationally recognized for its financial soundness, under a Group insurance policy combined with an extensive 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.

TALENT AND SKILLS [CSR]

To manage and develop Group operations, Imerys employs and recruits a large number of highly qualified professionals and managers. The success of the Group's internal and external growth plans depends on its ability to both recruit and integrate new skills, including in the most remote geographic areas, as well as train and promote new talent. Each year, the Appointments Committee also reviews the succession and development plan for the Group's most senior executives *(see chapter 3, paragraph 3.1.4 of the Registration Document)*.

The Group's Human Resources policy aims to attract, retain and renew the expertise, talent and skills needed to carry out its operations worldwide and support its internal and external growth. For further details on Human Resources, *see chapter 5, paragraph 5.5.2 of the Registration Document*.

MINERAL RESERVES AND RESOURCES

Mineral reserves and resources form one of the Group's primary assets. It is critical to the management and development of Imerys' operations that these assets are accurately assessed and mining licenses are properly handled.

An internal network of experts is responsible for reviewing mineral reserves and resources for each operating activity. Under the responsibility of the Mining & Resource Planning 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 1.6 of the Registration Document* and submit the findings to the Executive Committee each year. Due to unforeseeable changes at any point in time in the parameters on which this assessment is based, which may be technical, regulatory or economic, and the uncertainty naturally inherent to assessments carried out, there is no absolute guarantee on the results of their work.

Nonetheless, processes and resources are leveraged to ensure that the assessment is as accurate as possible. They are examined by the Audit Committee each year and include:

- all Group sites actively mining mineral deposits must prepare a life of mine plan. Based on sales volume forecasts, the plans model the optimum depletion of deposits in order to supply the Group's processing plants over the life of the mine. The quality of these plans is systematically assessed using 15 criteria. The Chief Industrial Officer has the power to intervene to ensure that the mining plans put forward by divisions are consistent with the Group's long-term mineral asset management policy, as well as occupational health & safety and environmental management systems;
- the mineral reserve and resource assessments carried out by each site are audited over a three- to six-year cycle by central in-house experts;
- the assessment system implemented undergoes an external assessment every five years. In 2017, an external audit carried out by an internationally renowned consulting firm confirmed that the Group's overall approach to mineral reserve and resource estimations was in line with global industry practices. It also concluded that the way the Group reports its mineral assets complied with the pan-European standard for reporting exploration results, mineral resources and reserves (the PERC Reporting Standard).

Furthermore, the Group adapts its internal procedures to obtain, maintain and renew mining licenses to accommodate the greater technical focus of impact studies and potentially longer application processes that result from the increasing regulatory requirements for mining licenses.

COST AND SUPPLY OF ENERGY [CSR]

Some Group operations consume a considerable amount of energy, especially mineral transformation processes that use heat technology and mining operations requiring heavy equipment. They may be affected by a sharp increase in energy prices or issues with energy supply (mainly in electricity and natural gas). The ability of the Group to pass these cost increases on to its customers largely depends on standard business practices and the context of the market in which those operations conduct their business. The inability of Group operations to immediately and/or fully pass on increased energy costs in the 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 certain 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 encouraging divisions to diversify the fuel mix used to supply their plants by using for example biomass (such as olive pits or sawdust) or alternative fuels (like biogas) *(see chapter 5, paragraph 5.6.2 of the Registration Document)*.

Through its commitment to the principles of the United Nations Global Compact, the United Nations Sustainable Development Goals and the French Business Climate Pledge, the Group is determined to make progress to help combat climate change, in particular by effectively managing energy usage, emissions and alternative energy *(see chapter 5, section 5.6 of the Registration Document)*.

4.1.3 LEGAL RISKS

LITIGATION

The Group may be involved in legal, administrative or regulatory proceedings ("disputes and claims" risks) in the ordinary course of its business, the most common being allegations of personal injury or financial loss for which Group entities are said to be liable relating to:

- business or industrial operations, in particular claims from customers regarding the delivery of faulty products, third parties alleging health concerns and neighborhood disturbances relating to the Group's operations;
- the possible infringement of certain contractual obligations;
- non-compliance with certain legal or regulatory requirements in force in HR, tax, property or environmental matters.

The highest risk intensity for the Group is in:

- the US, especially due to the multiple individual claims potentially brought before several US state and federal courts to claim against local subsidiaries for alleged possible hazards related to the use of certain products they manufacture or those manufactured with such products. From a financial perspective, this risk is notably multiplied because of the importance of the costs required to defend the Group, inherent to the specificities of the American judicial system; and
- Brazil, especially regarding civil, administrative, tax, social or criminal action brought by local or federal public authorities for an alleged failure to comply with the regulations in force in such fields, and which may also involve third parties in cases falling under environmental regulations.

The risk related to third party claims and defense costs incurred (beyond any applicable deductibles), is generally covered by the Group's existing insurance policies or other policies issued to the Group's subsidiaries in the US or their predecessors. In addition, Imerys and its subsidiaries enjoy certain rights to compensation (or conversely, may be subject to certain compensation obligations) from third parties (or conversely, granted to third parties) under specific liability agreements or contractual guarantees in relation to past acquisitions of assets or routine business transactions.

The Group Legal Department handles all disputes and claims involving Imerys with support from local lawyers (and, if applicable, in partnership with the insurers concerned). A summary of the most substantial claims is reviewed twice a year by the Group's Finance Department and auditors to ensure such claims are properly reflected in Imerys' financial statements. The General Counsel presents the summary to the Audit Committee as part of its annual examination of the risks facing the Group. In the event of considerable progress in certain disputes deemed significant (as was the case in 2018 for the progress of the litigation involving the Group's talc subsidiaries in the United States), the General Counsel will present the summary to the Audit Committee, and the Board of Directors if necessary, as part of its regular progress meetings.

On February 13, 2019, the subsidiaries operating the Group's talc operations in North America took the initiative of placing themselves under the protection of the "US Chapter 11" legal procedure with a view to permanently resolving the long-running talc-related litigation in the US. Although the outcome of this procedure as well as all other outstanding disputes and claims cannot be predicted with certainty, Imerys does not expect their resolution (individually or as a whole) to have a material impact on the Group's consolidated financial statements, even if decisions go against the Group companies involved and after taking into account the provisions set aside at December 31, 2018, all insurance policies, contractual compensation and appeal procedures. At December 31, 2018, the provisions set aside for product warranties totaled €4.6 million (€30.2 million at December 31, 2017). At December 31, 2018, the provisions set aside for legal, social and regulatory risks corresponded to €434.3 million (€173.1 million at December 31, 2017), out of which €250 million for the estimated total net impact of the entire "Chapter 11" procedure referred to above by the Group's North American talc subsidiaries. These provisions are likely to mature between 2019 and 2023.

More generally, to the best of Imerys' knowledge, at the date the present Registration Document was filed, there were no other unresolved or threatened statutory, legal or arbitration proceedings that could have, or have had over the last 12 months, a material impact on the financial position or profitability of the Group, other than the ones described above.

√ For further details, *see Note 23.2 to the Consolidated Financial Statements*.

COMPLIANCE WITH AND/OR CHANGES IN LAWS AND REGULATIONS [CSR]

The Group's companies are subject to a great number of national and regional laws and regulations due to the nature of their work (particularly mining and natural resources) and their extensive geographic distribution (at end-2018, Imerys operated 230 industrial sites in 58 countries). Consequently, the Group must ensure it is able to comply with the laws and regulations applicable across all these regions in order to continue as a going concern and maintain an acceptable level of profitability.

With respect to this matter, the Group is facing three main difficulties:

- in some countries (in particular emerging markets where economic growth is strong), foreign companies (especially those that exploit local natural resources) may be affected by the adoption of new laws or regulations that directly target their business or may be open to discriminatory interpretation by the local authorities in charge of their application;
- the statutory and regulatory framework strengthens across the board the requirements in the following areas:
  - environmental and health & safety protection,
  - promoting the development of local economies and communities,
  - assuming corporate duty of care in the supply chain for goods and services,
  - data protection,
  - fight against corruption and tax evasion.

The cost incurred through upgrades (including any operating restrictions or restrictions on marketing products in certain applications) to ensure the Group complies with the laws, regulations and potential interpretations, as well as any likely amendments, which may have an adverse impact on the competitiveness of its business;

- in certain areas of law, technical discrepancies may arise during the course of audits, which may lead to litigation, in particular because of uncertainties in the interpretation of the texts or in the performance of Imerys' obligations. Any sanctions imposed in the event of breaches could damage the Group's reputation and adversely affect its economic operating conditions.

To best ensure its operations are compliant with all legal and regulatory requirements to which they are subject and anticipate any likely amendments, Imerys:

- implements compliance upgrade projects when major changes to laws or regulations apply to the Group (or are likely to apply). The projects are overseen by one or several members of the Executive Committee with support from specialized consulting firms depending on the subject;
- has put together a network of internal legal and tax specialists reporting to the Legal and Finance departments, respectively, based in the Group's main geographic regions, which is supplemented by internal experts in environmental and product stewardship reporting to the Industrial and Innovation departments. This network also receives the input of specialized external legal and tax advisors when necessary;
- makes sure the Group policies and procedures comply with the applicable international and national standards and are regularly updated to take into account any likely amendments and adaptations to any organizational changes within the Group;
- regularly checks its local operations are in compliance with the legal and regulatory requirements in force locally by conducting audits focusing in particular on geology and practices concerning the environment, health & safety, product stewardship and fraud.

In addition, Imerys develops close relations with regulatory bodies, trade associations, local authorities and communities in many countries in order to better anticipate or orientate (whenever possible and in full compliance with applicable laws and internal Group policies) the planned legal and regulatory changes that may impact the Group's operations. Imerys endeavors to anticipate such changes and factor them into its research and development programs in order to meet the requirements of new regulations in a timely manner, while limiting its costs, and/or harness the changes as business opportunities for the Group.

To the best of Imerys' knowledge, at the date the present Registration Document was filed there was no risk of violation and/or changes in laws and regulations applicable to the Group's operations that could potentially have a significant financial impact on the business.

4.1.4 FINANCIAL MARKETS RISKS

The following risk factors and the way in which they are managed are described in the notes to the relevant consolidated financial statements.

FOREIGN EXCHANGE RISK

(See Note 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 INSURANCE

To protect its earnings and assets against identifiable risks, the Group seeks the most suitable insurance solutions on the market that offer the best balance between the cost and coverage provided.

The coverage of major risks that are common to all operating activities is almost exclusively integrated into international Group "All risks, with exceptions" insurance policies, which are taken out by Imerys on the market with highly reputed insurers that are internationally recognized for their financial soundness. This means the Group benefits from the most extensive coverage with the highest limits, while optimizing costs. 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 policies or benefit from coverage that is at least equivalent, in which case, they will be added only to the additional coverage offered by Group policies compared with the local insurance policies.

Imerys companies also use the local market, *via* the services of the brokers in charge of managing the Group's insurance policies, to cover the specific risks involved in some of their non-recurrent activities or operations or when such insurance is made compulsory by applicable local regulations.

The Group considers its current insurance coverage to be appropriate, in terms of scope, value insured and limits of guarantees, for the most important risks related to its ability to continue to conduct business worldwide.

The two main Group insurance policies cover general liability as well as property damage and business interruption..

▪ GENERAL LIABILITY

The purpose of this first policy is to cover liability claims against the Group in the event of bodily injury, property damage or consequential damages that arise during operations or after the delivery of products, as well as any damages resulting from accidental pollution.

The Group's business is first and foremost covered by local policies taken out in each country (level one), supplemented by a master policy agreed in France and two additional excess policies with higher limits of cover than the master policy.

The master and excess policies are also used to extend the limits and coverage of several specific sub-policies, particularly in North America, for Automobile Liability and Employer Liability coverage, or in addition to the mandatory Employer's Liability insurance issued in the UK.

The coverage provided by the Group General Liability policy, minus the exclusions that are common practice on the insurance market for this type of risk and the sub-limits applied to certain defined events, amounts to €150 million per claim and per year.

▪ PROPERTY DAMAGE AND BUSINESS INTERRUPTION

This second policy aims specifically to cover sudden and accidental property damage affecting the insured property as well as any resulting business interruption..

The Group's activities are insured against property damage and business interruption under a master policy agreed in France that applies directly in most European countries and supplements local policies in other countries, subject to regulations.

Imerys has kept "high-frequency" risks within a captive reinsurance company consolidated in the Group's accounts with an annual aggregate claims ceiling of €4 million.

The master policy provides the Group, minus 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.

By assigning its property damage and business interruption program to an insurance provider renowned for its expertise in loss prevention engineering, Imerys intends to continue its extensive efforts in raising awareness in and protection from risk across its operations. Almost all the Group's industrial sites are regularly inspected by loss prevention engineers from the insurance company. Imerys uses the subsequent recommendations to improve its industrial risk management. In 2018, more than 100 sites were inspected.

The risk prevention program is supplemented by an interdisciplinary working group tasked with identifying and prioritizing key industrial risks and defining risk prevention plans, which is overseen by the Industrial Department.

▪ OTHER GROUP-WIDE INSURANCE

The Group's other main insurance policies aim to cover the following risks, which are common to all its legal entities or several of its businesses, such as directors' and corporate officers' liability; commercial auto fleet insurance (Europe, US); and transportation (marine cargo and charterer's liability).

4.2 INTERNAL CONTROL

4.2.1 INTRODUCTION

OBJECTIVES

The Group uses the framework on risk management and internal control systems and application guide published in 2010 by the French financial markets authority (*Autorité des marchés financiers*, AMF) to define its internal control system and structure its approach. The system incorporates in particular the objectives and components of the AMF framework.

The Imerys internal control system covers all controlled entities in the Group's scope of consolidation, including newly acquired companies. By implementing this system in all its businesses, Imerys aims to ensure it has the means, behaviors and procedures needed to manage the different risks that may arise and provide reasonable assurance that its:

- financial information is reliable;
- activities comply with the laws and regulations in force;
- operating, industrial, environmental, health and safety, marketing and other processes are efficient and effective;
- tangible and intangible assets are protected, in particular against fraud.

The internal control system therefore helps the Company protect its value for shareholders and employees and achieve the strategic, financial, compliance and operational goals it sets.

However, by definition, this type of system cannot provide an absolute guarantee that the risks facing Group are completely under control, nor that it will reach its goals.

PRINCIPLES

In line with the objectives outlined above, the Imerys internal control system is founded on the following principles:

- a structure fit for purpose and made up of skilled, accountable professionals;
- a periodic analysis of the Group's main risks;
- appropriate control activities.

4.2.2 A STRUCTURE FIT FOR PURPOSE

ORGANIZATIONAL MODEL

The Imerys' internal control system is underpinned by the Group's operational structure and support departments that are directly or indirectly responsible for controlling the risks faced by the Group or that may impact external stakeholders associated with Imerys' operations.

The Group's control system is rooted in a tight governance structure, which ensures information circulates effectively and decisions are transparent and traceable. At the same time, it upholds the principles of subsidiarity and decentralization, which are essential for the optimal management of the Group's industrial and commercial activities. It requires a high level of commitment and accountability from all operational and support managers, who must adopt the policies and procedures defined at business area and Group level, make sure they are implemented and followed and enrich them with appropriate measures given the distinct nature of their operations or areas of responsibility.

PEOPLE INVOLVED IN THE INTERNAL CONTROL SYSTEM

The Board of Directors and its specialized committees

The Board of Directors exercises permanent control over the way in which the Chief Executive Officer manages the Group. In particular, it makes sure that internal control mechanisms are correctly implemented throughout the Group.

To assist in this task, the Board has created four specialized committees – the Strategic Committee, the Appointments Committee, the Compensation Committee and the Audit Committee – which carry out their duties under the Board's responsibility. The Strategic Committee and the Audit Committee are responsible for identifying and managing risks, as well as monitoring certain internal control mechanisms, as presented in *chapter 3, section 3.1 of the Registration Document*. For example, twice a year, the Audit Committee reviews the processes in place, analyzes the results of risk assessments and evaluates internal control mechanisms.

The Board of Directors is also able to set up *ad hoc* committees with temporary duties regarding specific project management assignments carried out on behalf of the Board.

Executive Management and the Executive Committee

The Chief Executive Officer has the operational and functional responsibility to implement the strategy defined by the Board of Directors in all the Group's operations. In particular, he is responsible for effectively implementing internal control mechanisms within the Group.

The Chief Executive Officer is supported by an Executive Committee, which is made up of the Chief Executive Officer and the General Managers of the Group's five business areas created as part of the Group's new structure that came into effect on December 1, 2018. The Executive Committee, under the authority of the Chief Executive Officer, is in charge of implementing the strategic orientations set by the Board of Directors and ensuring that all its members comply with the main decisions that fall within their individual scope of responsibility in relation to the Group's organization or general conduct of its business *(see Chapter 3, section 3.2 of the Registration Document)*.

Operational departments

In accordance with the Group's decentralized operating principles, the directors of each business area have the necessary powers to organize, manage and oversee their operations at all times and delegate these operations in similar conditions to the operating managers reporting to them.

Each business area designs and implements the most appropriate internal organization for its markets, taking into account their distinctive commercial, industrial or geographical characteristics. The directors of each business area are responsible for adopting internal control mechanisms that are consistent not only with its organization, but also with the Group's principles and rules.

Support departments

The role of the Group's support departments is to both:

- organize and oversee the Group's operations in their respective areas of expertise; and
- provide technical assistance to the operational departments in these areas when necessary.

These departments enable the Group to not only benefit from economies of scale as a result of its size and better skill sharing, but also ensure all operations related to their areas of expertise are conducted in a common framework of secure, consistent management and control processes and systems. The Group experts or shared support services that constitute the support departments significantly contribute to the Group's internal control mechanisms. Most of the Group's support managers have at least a functional authority over the operating managers whose responsibilities come under their area of expertise.

Support departments	Main internal control responsibilities
Finance	▪ Implement tools to continuously monitor the Group's results and operating performance ▪ Participate in preparing the budget and quarterly progress review ▪ Oversee financial performance at all operating levels of the organization ▪ Analyze and approve capital expenditure requests made by business areas or other similar investment projects ▪ Define the policy for funding, market risk control and banking relationships for the entire Group
Legal	▪ Identify and assess the main legal risks facing the Group and each of its business areas ▪ Define and implement suitable policies and controls to manage these legal risks and comply with applicable laws and regulations ▪ Provide legal advice to operating and support managers to (i) safeguard the rights and interests of the Group and its business areas and comply with legal obligations and (ii) contribute to achieving their objectives with appropriate legal solutions ▪ Identify need and define, implement and manage Group insurance policies to cover or mitigate potential losses resulting from major incidents or liabilities
Strategy, Mergers & Acquisitions	▪ Identify and evaluate Group-wide strategic, marketing and commercial risks ▪ Identify and assess – with support from relevant internal or external experts – the main potential risks or liabilities associated with acquisitions or disposals of assets or businesses, and factor them into the value and terms and conditions of the proposed transactions ▪ Assist the potential geographic expansion of the Group, with a specific focus on monitoring and controlling risks when opportunities are identified in emerging markets
Industrial	▪ Support and review all material industrial projects and supply contracts in its area of expertise proposed by the business areas ▪ Promote and coordinate the implementation of the Imerys industrial improvement program in all operating plants ▪ Promote and coordinate Group health and safety standards ▪ Promote and coordinate Group standards in managing mineral reserves and resources ▪ Identify and assess the main industrial risks within the Group by regularly carrying out risk mapping ▪ Monitor the application of the EHS and geology guiding principles through audits
Innovation	▪ Manage the system to assess and monitor the portfolio of research projects
Human Resources	▪ Develop policies to ensure employees have the required skill level for their responsibilities ▪ Put in place checks to ensure the integrity of salary setting and payment processes and supervise the implementation of employment benefits ▪ Monitor compliance with applicable labor laws, regulations and agreements ▪ Develop policies for international mobility and employee travel ▪ Coordinate the Group Corporate Social Responsibility program in liaison with the other departments concerned and ensure the Group's overall compliance with its CSR commitments and regulatory reporting requirements related to the program
IT Systems and Processes	▪ Define Group policies and best practice for IT systems including computer network security ▪ Manage Group-wide IT projects, monitor and check IT networks and infrastructure (servers, telecoms, *etc.*) ▪ Develop standardization, automation and efficiency of certain shared internal control processes in the Group

Risk Committee

Each year, the Risk Committee meets regularly (twice in 2018) to coordinate risk assessment, management and controls within the Group. It is made up of senior industrial, business or support managers. In particular, it helps to identify and assess the main risks facing the Group by carrying out a mapping exercise every two years.

Internal Audit & Control Department

The role of the Internal Audit & Control Department is to regularly check the quality and efficiency of the Group's internal controls and make recommendations to improve them if needed. It alerts management of any internal control failures and produces recommendations to correct them. These reviews are usually conducted six to 18 months after newly acquired businesses are integrated into Imerys.

The Internal Audit & Control Department is independent of the operational and support activities that it audits. The Internal Audit & Control Director therefore reports directly to the Chief Executive Officer and the Audit Committee. A complete report on the activities of the Internal Audit & Control Department is presented and discussed every six months with the Executive Committee, then at an Audit Committee meeting attended by the Statutory Auditors.

At the end of 2018, the Internal Audit & Control Department had 14 staff, working in the areas of internal audit, internal control and risk management.

Internal Audit & Control Department	Main responsibilities	Reference framework and/or mechanisms
Internal audit	▪ Ensure operating entities comply with the principles and rules defined by the Group ▪ Perform IT system audits ▪ Identify and share best practice in the Group ▪ Investigate incidents of fraud ▪ Monitor the implementation of action plans following audits ▪ Review the reliability of self-assessments	▪ Audit cycle of four to seven years ▪ Annual audit plan approved by the Audit Committee ▪ 59 audit reports addressed to the Executive Committee in 2018 ▪ Audit methodology ▪ Fraud investigation reports ▪ Anti-fraud training and awareness-raising ▪ Dashboard for quarterly follow-up of action plans ▪ Sincerity assessments
Internal control	▪ Define and maintain Group internal control standards ▪ Provide internal control training ▪ Conduct annual self-assessments	▪ Group policies and procedures ▪ Nine internal control training sessions in 2018 ▪ Self-assessment questionnaires for all operating entities and related action plans
Risk management	▪ Develop risk management methodology ▪ Define and update the Group's risk universe ▪ Map the main risks facing the Group ▪ Review the implementation of action plans defined during risk mapping ▪ For further details, *see paragraph 4.2.3 of the present chapter*	▪ Risk universe ▪ Risk mapping

4.2.3 PERIODIC ANALYSIS OF THE GROUP'S MAIN RISKS

▪ OBJECTIVES

By analyzing risk, Imerys is able to identify the incidents that could seriously threaten the achievement of its strategic, financial and operational goals and the compliance of its operations with applicable local laws and regulations as well as any likely amendments, or adversely impact Imerys' external stakeholders.

Through a structured process designed to enable the Group to understand 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, better protect the Group's value in accordance with applicable the laws and regulations and the expectations of its stakeholders.

▪ STRUCTURE

A risk analysis process is split over three levels:

- all operating and support managers must constantly seek to identify, analyze and manage risks in their areas of responsibility. The identification and management of these risks are periodically reviewed and discussed by the 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 begun a formal, recurrent process to analyze its main risks by preparing a map showing the potential impact of the identified risks and the extent to which they are under control. Key central support and operational managers take part in this process. Results are reviewed and approved by the Executive Committee and presented to the Audit Committee. New actions are then set out to reinforce the Group's control of certain identified risks. The main risks to which the Group is exposed and their management and control methods are detailed in *section 4.1 of the present chapter*;

- Lastly, the Risk Committee meets two to three times a year in order to review and coordinate risk and control analysis and management activities within the Group and suggest potential measures to improve them, following its review of the updated risk mapping *(see paragraph 4.2.2 of the present chapter)*. The Internal Audit & Control Director regularly reports on its work to the Executive Committee and the Audit Committee.

4.2.4 APPROPRIATE 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

Internal rules

Imerys' internal control policy is formally set out in the Code of Business Conduct and Ethics and the Corporate Governance policy, as well as in a number of charters (including the Board of Directors Charter, Corporate Social Responsibility Charter, Health & Safety Charter and Inclusion & Diversity Charter) that apply to the whole Group. These sets of rules aim to create a positive control environment, based on robust principles and experience in Corporate Governance as well as behavior that complies with laws, regulations, ethics and the Group's strategic objectives.

Moreover, the Group's policies developed by the central support departments define the specific organization, responsibilities and operating and reporting principles for their respective areas of expertise.

Lastly, the Group's internal control manual defines the main internal control principles and the most important control activities to be carried out as part of 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 on the Group Intranet OneImerys. This fundamental set of rules forms the framework for the Group's operations. It applies to all Imerys' activities and the companies it controls. Certain communications are subject to electronic certification, through which employees must certify they have read the information and pledge to enforce the internal controls in their area of responsibility.

A second set of rules applies to the Group's operations and defines their specific procedures and reporting principles. Procedures are adapted to each setup, approach to mining, industrial and commercial management and related risks, in line with Group policies. They take into account specific requirements set out in applicable local laws and regulations.

Code of Business Conduct and Ethics

The Imerys Code of Business Conduct and Ethics summarizes the ethical behavior that the Group expects from all its employees, especially its senior managers, as well as its contractors, suppliers and other partners with whom it maintains close relations. It is designed so that everyone not only complies with local legislation in their daily work, but also adopts an attitude in line with the Group's values, principles and rules with respect to responsibility, integrity, transparency, fairness and openness. All newly recruited managers at Imerys attend an introductory class on the Code of Business Conduct and Ethics as part of their induction to ensure all Group employees are aware of and follow these rules.

Updated in 2018, the new Code of Professional Conduct and Ethics reinforces Imerys' commitment to ethical business conduct, aligning the Group with the most rigorous international standards. It also takes into account the whistleblowing system that has been reinforced with the creation of a new online platform and a reporting hotline managed by an independent organization, ensuring confidentiality throughout the process.

√ For further details, *see chapter 5, paragraph 5.7.1 of the Registration Document.*

▪ IT SYSTEMS

Effective IT systems help ensure reliable and improved management of support and operating processes.

The Group's policy consists of integrating and monitoring as much of its value chain (particularly sales, distribution, purchasing, inventory, fixed assets, production, supply chain and finance) with its enterprise resource planning (ERP) system. Imerys strives to use integrated ERP control systems in order to ensure an optimal level of control while meeting the specific requirements of how to best manage its operating activities.

Imerys uses several ERP systems that have been selected to create synergy between support and maintenance as well as satisfactory consistency, while taking into account the size of operations and the regions in which they will be rolled out. As described in *paragraph 4.1.1 of the present chapter*, the Group has launched a project to streamline and standardize Group operating processes under a single ERP system.

The Group uses a single software package in all its entities to report and consolidate its accounting and financial information.

In addition, tools for consolidating and monitoring the most important non-financial data have been set up across the Group. They help to:

- gain a clearer view of the performance of the Group's different operations, prevent or resolve difficulties and promote or measure improvement (*e.g.* reporting and consolidating HR or CSR indicators);
- improve the accuracy of data processing and help monitor operational compliance with applicable legal or regulatory obligations, contractual commitments and Group rules (*e.g.* reporting and consolidating legal and administrative information related to the Group's subsidiaries, equity interests and corporate officers as well as, managing and monitoring the approval and fulfillment of contractual commitments).

HUMAN RESOURCES MANAGEMENT

Recruitment and development

The Group recruits in every country and at every level in order to support its growth. To make sure recruitment is consistent and appropriate, the Human Resources Department defines standards and regularly checks the quality of its practices.

In order to develop its employees in line with the needs of its operations, the Group has rolled out several processes described in *chapter 5, paragraph 5.5.2 of the Registration Document*, including an annual individual assessment (Performance Appraisal and Development – PAD) and succession plans for key positions.

Recruitment and development processes are now managed through a common tool, which was rolled out throughout the Group in 2018. This project has enabled the Group to both simplify and standardize HR processes and improve its ability to identify its global talent pool and develop talent internally.

The results and main analyses of human resources and skills management are regularly presented to the Executive Committee.

Training

In addition to the training programs organized by the operational departments, the Imerys Learning Center organizes Group training sessions *(see chapter 5, paragraph 5.5.2 of the Registration Document)* to help employees develop their professional expertise (*e.g.* finance, geology, marketing, project management, *etc.*) and encourage them to share best practices.

Compensation & benefits

Compensation is reviewed annually, focusing mainly on base salary and individual bonuses.

In addition, the key components of social security – especially health and life insurance (death, long-term illness or disability) – are continuously assessed and improved in line with local or regional market practices.

Detailed information on both principles is provided in *chapter 5, paragraph 5.5.2 of the Registration Document.*

RELIABLE ACCOUNTING AND FINANCIAL INFORMATION CONTROL

The same control mechanism and procedures for preparing accounting and financial information are used throughout the Group. This mechanism is made up of a Group-wide accounting setup, consistent accounting standards, a single consolidated reporting system and central quality control of the internal and external financial and accounting information produced.

Organization of the accounting and financial departments

Accounting and financial operations are managed by the Group Finance Department. Its central structure includes:

- an Accounting and Consolidation team, responsible for the preparation and presentation of the Company's financial statements and the Group's consolidated financial statements;
- a Management Control and Budgetary Control team, which prepares and consolidates budget and monthly management reporting data and analyzes operating performance in relation to budget targets and prior year comparatives;
- a Cash and Finance team, in charge of preparing and consolidating data on financial debt and the Group's financial income in particular. Its main duties include centrally managing and optimizing the Group's debt and financial resources, as well as managing liquidity, interest rate, currency and local energy supply price volatility risks, primarily through hedge instruments;
- a Tax team, whose responsibilities include monitoring the local tax consolidation applied in the Group, estimating the subsequent amount of tax payable and checking overall consistency.

The financial controller of each operating activity has a key role. They must make sure that the Group's accounting framework and internal control procedures for accounting and finance are correctly applied in the activities within their area of responsibility. Following the Group's new structure, the financial controllers for each business area report hierarchically to the Group's Chief Financial Officer.

Accounting framework

The general accounting rules are described in the Blue Book *(see paragraph 4.2.4 of the present chapter)*. These rules apply to all the Group's entities. In accordance with the IFRS standards adopted within the European Union, they include:

- a reminder of the general accounting principles and recommendations to follow;
- a single detailed accounts template adapted to the size and materiality of the Group's transactions;
- a definition of the Group's accounting methods that apply to the most important items and/or operations.

These documents are updated regularly – whenever an amendment is made or new accounting standards are applied – by the Accounting and Consolidation team, after being reviewed by the Audit Committee and approved by the Statutory Auditors. This team also has an advisory role within the Group and is responsible for providing periodic training to the local financial controllers.

Multi-year strategic plan

The long-term strategic focus of each business area and the subsequent financial forecasts are formally defined and monitored as part of a multi-year strategic plan for the Group and periodic strategy reviews for each business. They are drawn up under the control and supervision of the Chief Executive Officer. The conclusions are reviewed by the Executive Committee before being presented to the Strategic Committee and submitted to the Board of Directors for approval.

Annual budget and monitoring its execution

Imerys has put in place an annual budget process and monthly report cycle for all Group entities to ensure management information is reliable and consistent. Consistency between accounting data and reporting information is key to ensuring accurate accounting and financial information.

The Imerys budget preparation procedure is based on involving cross-functional teams in every business and checking the overall consistency of the Accounting and Consolidation team's assumptions and methods.

The Group uses the reporting system to accurately monitor monthly results (income and cash flow statements) and financial data for operating activities and compare them with the budget and results for the prior year. Local operating managers review the management indicators and the Accounting and Consolidation team analyzes the main variations.

Consolidation process

A single accounting consolidation system processes all information from across the Group's operating and legal entities.

To guarantee the quality and accuracy of its financial data, Imerys has set up a unified reporting and consolidation system (SAP Business Object Financial Consolidation) to collect budget and management information and produce consolidated financial statements. Deployed across the entire Group, the system uses local accounting data, either retrieved *via* an interface with the financial modules of the entities' ERP systems or input manually. This system makes it possible to check some reported and/or consolidated data automatically.

The Accounting and Consolidation team draws up a detailed schedule for the year-end and interim (quarterly and half yearly) closing of accounts.

Earnings review

Every month, each business area examines its management reporting and analyzes any significant variations on the prior year or budget, deciding any corrective actions that it deems necessary and monitoring their implementation. The Executive Committee reviews and checks the performance of each business area, as well as the comments provided by their financial controllers to explain the main changes.

Earnings are also reviewed at quarterly meetings, where business area directors present their results to the Chief Executive Officer and the Chief Financial Officer. A summary of each of those reviews is also presented to the Strategic Committee and, if necessary, to the Board of Directors.

Lastly, the consolidated financial statements, accounting procedures and complex financial transactions are systematically reviewed by the Executive Committee. The half-yearly and annual consolidated financial statements are then reviewed by the Board of Directors after examination by the Audit Committee, which also reviews the quarterly consolidated accounts prior to publication.

5 CORPORATE SOCIAL RESPONSIBILITY

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 aims to align its Group Corporate Social Responsibility (CSR) program to the international framework presented in *chapter 1, section 1.3.4 of the 2018 Registration Document*.

Since 2017, the Group CSR program has been overseen by a CSR Steering Committee, chaired by the Group CEO, which meets quarterly. 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. In addition to the CSR governance structure, the functional organization of CSR within the Group is responsible for the elaboration and monitoring of implementation of the Group CSR program, and also holds the mandate to develop and provide expert oversight and guidance on specific disciplines.

In 2018, the Group announced the launch of its new CSR program referred to as SustainAgility. The SustainAgility program 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, external research and benchmarks, the Group's Risk Committee, local forums, customer and market signals and reviews of global megatrends. The SustainAgility ambitions are articulated around three axes as outlined in the Group CSR Charter, which was updated in 2018 and is now available in 23 languages:

- Empowering our people: making sure employees and the people we work with stay healthy and safe, nurturing talent, promoting diversity & inclusion, fostering social dialogue and safeguarding human rights;
- Caring for our planet: protecting the environment, promoting non-energetic resources efficiency, respecting biodiversity, and acting on climate change;
- Building for the future: behaving ethically, operating fairly, ensuring a responsible supply chain, engaging with communities and promoting sustainable products and technologies.

The Group continues to develop and roll-out the SustainAgility program in an iterative fashion. The mid-term objectives to be achieved through the SustainAgility program are 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 continuous improvement approach, new projects, and scientific studies shall continue to be developed and deployed based on a reinforced framework of solid policies, procedures, improved tools, training, as well as series of maturity matrices upon which Group sites are assessed and against which action plans are developed.

The 2018 objectives and preliminary performance results of the SustainAgility program are reported on within the 2018 Registration Document.

√ For more information on the Group CSR governance, *see chapter 1, section 1.3.4 of the Registration Document*.

√ For more information on the Group Risk Committee, *see chapter 4, section 4.2.2 of the Registration Document*.

√ For more information on SustainAgility, *see "Imerys Replay" on YouTube at* www.youtube.com/user/ImerysReplay.

5.1.2 UNITED NATIONS GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

In 2016, Imerys became a signatory member of the United Nations Global Compact (UNGC) and has thus committed to base its business approach on the following 10 Principles:

Human Rights	▪ 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	▪ 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	▪ 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	▪ Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

In September 2015, 193 member States of the United Nations adopted 17 Sustainable Development Goals (SDGs) 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 has duly identified within the SustainAgility program the policies and practices within its operations that directly or indirectly contribute to the SDGs. The Group is specifically focusing on concretely contributing to the nine SDGs listed below:

In accordance with the UNGC Principles, the Group shall submit its annual Communication of Progress (COP) in 2019. The Group CSR commitments, 2018 objectives and results, are presented in the context of continuous progress made towards the UNGC Principles and the aforementioned nine UN SDGs.

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, competitor and peer companies, customers, employees, government authorities, local community members, media, non-governmental organizations, professional associations, shareholders and investors, and suppliers and subcontractors.

In 2017, in the context of the definition of the Group's CSR program, Imerys launched 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 list of potentially significant ESG 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] and other IMA forward-looking reports[2], an assessment of selected international companies CSR programs, levels of CSR maturity, and main CSR themes; as well as a review of selected climate change, biodiversity, supply chain, diversity and inclusion, and circular economy approaches. 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 2018. The Imerys global employee engagement survey launched in early 2017 was used to gain confidential and anonymous insights and feedback from across the Group. Consultation on the CSR themes was then broadened and deepened in 2018 through face-to-face engagement meetings held at various locations across the world. Over 140 senior managers across the Group business and functions, as well as employee representatives were consulted. Additional feedback was gained by widening the mix of external stakeholders surveyed with the aim of achieving a representative mix in terms of types of organization (customers, investors, banks, suppliers, 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 senior management to structure the 2018 results. The final assessment and results were then presented and validated by CSR Steering Committee and Executive Committee, which confirmed the continued focus on the priority CSR themes identified in 2017 and preliminary actions to be taken.

The rating agency indices and assessments related to Group ESG performance were considered in the evaluation of material CSR topics as described above. A selection of most recent non-financial rating of Imerys are summarized in the table below.

Indices/Assessment	2018 Rating
CDP Climate Change[1]	C
FTSE4Good Index[2]	Absolute Score (0-5) = 3.3 (2017) Supersector Relative (1-100) = 56 (2017)
MSCI ESG Leaders Indexes[3]	AAA
EcoVadis[4]	56 Silver (2017)

(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.

(4) Details on the EcoVadis scope and rating system can be found at: http://www.ecovadis.com.

(1) IMA Europe published the "2050 Roadmap" for the industrial mineral sector in September 2014: http://www.imaginethefuture.eu//sites/defaultf/files/imaginethefuture/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.

(2) IMA-Europe's Circular Economy Report published in October 2018: https://www.ima-europe.eu/sites/ima-europe.eu/files/publications/IMA-Europe_Circular%20Economy%20Report_2018.pdf.

In addition to the above, Imerys ESG practices are also assessed by: ISS QualityScore, Ethibel Sustainability Index Excellence Europe, Vigeo Europe 120, STOXX® Global ESG Leaders Index, Oekom, Ethibel, Gaïa, SustainAnalytics, and Sedex Advance.

√ For more information on the Group Employee Engagement survey, *see section 5.5.2.1 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 program 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 that may negatively impact or have the capacity to create value for Imerys and its stakeholders.

Imerys material CSR challenges and opportunities are summarized below under the six SustainAgilty program pillars: safety and health, human capital, environmental stewardship, climate change, business conduct, and product management. They are consistent with the macro approach to Group risk and internal control presented in *chapter 4 of the Registration Document*.

Ensuring the **safety and health** of Group employees as well as contractors is Imerys' number one commitment. Being a safe place to work is a cornerstone of Imerys' sustainability. Due to the inherent nature of industrial activities, Imerys employees, contractors, customers' employees may be exposed to risks that, in the event of failings in the safety management hierarchy of controls summarized *in section 5.5.1 of the present chapter*, could result in a fatality, serious life-changing injuries, or short-term health effects. The highest risks activities managed through the "Serious 7" protocols are related to the risk of contact with hazardous energy, interaction with mobile equipment and machinery, working at heights, as well as ground control in surface mines. Occupational health risks in mineral mining and processing activities include ambient 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 **human capital** is the most important Group asset, thus ensuring the respect of human rights and labor 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. The threats in this regards are related to potential violations of the Group Code of Conduct and Business Ethics that could result in potential risk of salient right abuses. While not assessed as a material risk at Group level, the promotion of diversity and inclusion is considered to be a long-term objective that needs constant focus as expressed through the employee engagement survey and as such the development of the Group program shall continue to be a high priority throughout 2019.

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. 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 **environmental stewardship** Imerys is resolved to not only ensure full compliance with environmental obligations, duly identifying environmental risks and mitigating impacts, but also to reduce the environmental footprint of operations, optimize the use of mineral resources and processing of mineral solids, limit the consumption of other non-energetic resources such as water, and preserve biodiversity[1].

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 creating a potential transitional risk. 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 Group risk mapping exercise presented in *chapter 4, section 4.1.2 of the Registration Document* identified the potential long-term risk associated with climate change. As such, even though climate change impacts did not emerge amongst the most material topics in the 2018 materiality assessment, Imerys remains committed to its long-term objective to the elaboration and roll-out of the Group climate change strategy, and shall continue focus on this pillar as a high priority throughout 2019.

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. Respect of the Group Code of Business Conduct and Ethics has been an area of particular focus throughout 2018 and through internal controls this risk has been significantly reduced. Yet the risk within the context of the Group global value chain of suppliers not identifying their risks and not preventing serious violations of human rights, fundamental freedoms, health & safety of people and environment in their organization and in their own supply chain is still considered material. Additional details

(1) *Other environmental aspects such as hazardous substances and noise and vibration 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.*

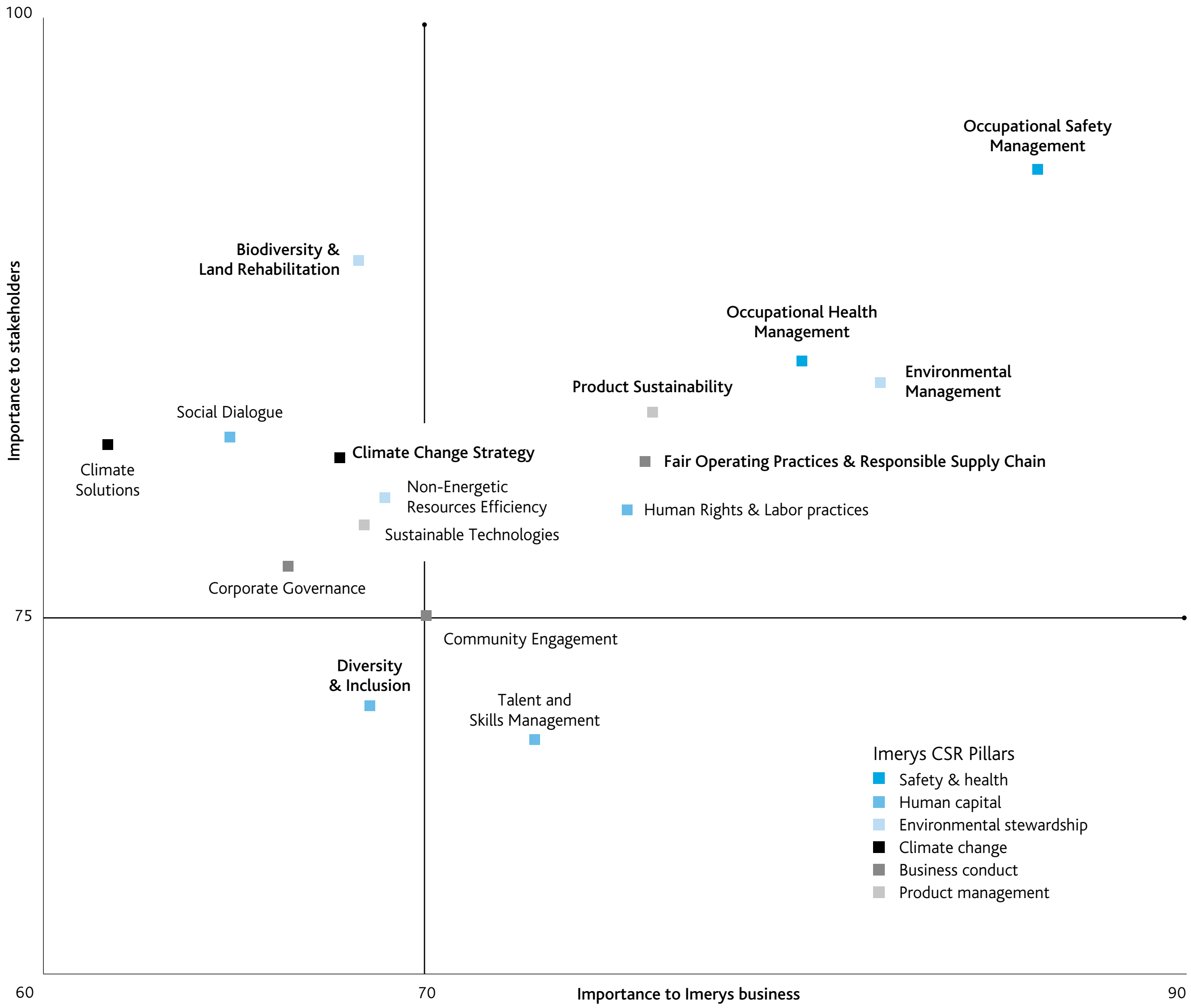
on these risks and a focus on their identification is presented in *section 5.7.1.2 of this chapter*. Imerys also faces challenges and opportunities in its interactions with the communities surrounding its sites, which need to be continuously identified, assessed and managed. More generally, Imerys contributes 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.

Imerys is fully aware of stakeholders expectations to reduce products environmental footprints while at the same time provide sustainable solutions. Responsible **product management** contributes to the development of sustainable business opportunities. The technological expertise within Imerys places the Group 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.

By crossing all the data coming from different sources Imerys aims to get a better vision of the most material issues so to orientate its mid and long-term CSR program in an optimal way for the Group and its stakeholders.

The results of the 2018 materiality assessment exercise are presented the figure below, with the most material issues and **2019 CSR priority themes** identified in bold.

IMERYS MATERIALITY RESULTS



5.4 KEY OBJECTIVES AND PERFORMANCE

In the following sections of this chapter, the Group CSR commitments, objectives and performance in 2018[1] are presented in greater detail together with their alignment to UNGC Principles and the UN Sustainable Development Goals to which they contribute. The Group CSR objectives for 2019 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 2018 Group CSR objectives that occurred during the year are duly noted.

During 2018, the Group made a series of acquisitions and divestitures, which are described within *chapter 1, section 1.4.2 of the Registration Document*. The potential impacts on non-financial indicators of these modifications in the Group operating perimeter are described wherever appropriate in the following sections of this chapter.

In addition to the CSR program linked to the aforementioned Group level objectives, for the past 14 years the Group has organized a company-wide competition called the Sustainable Development Challenge (SD Challenge), which 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, over 900 projects have been submitted in the SD Challenge since it was first launched. The Imerys SD Challenge 2018 edition reached a record level of participation with 143 projects submissions representing all the Group geographic areas and divisions[2]. To be considered for the 2018 Challenge, a project must have concretely contributed to one of 8 specific CSR themes and focused on achieving long-term sustainable results together with local partners. Imerys is committed to ensure that the Group SD Challenge continues to inspire greater awareness and understanding of material CSR risks and continues 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*.

5.5 EMPOWERING OUR PEOPLE

5.5.1 SAFETY AND HEALTH

Imerys' Commitment	2018 objectives	UNGC Principles	UN SDGS
Ensure that Health and Safety come first by developing and continually improving our health and safety culture and systems, with all our partners, to achieve an injury-free workplace	▪ Occupational Safety Management • Lost Time Accident frequency rate (LTA) : ≤ 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 ✔ Develop an Occupational Health maturity matrix integrated within "I-Cube" **2019 objectives** ▪ Occupational Safety Management • Reduce the Group Total Injury Frequency Rate to ≤ 3.6 ▪ Occupational Health Management • Improve global Occupational Health performance across Group sites based on a review of the current level	Principle 1	SDG 3 SDG 8

(1) *2018 objectives fully achieved are denoted with the symbol "✔" and details are provided in the corresponding sections.*
(2) *Imerys Roofing division, which was divested by Imerys in 2018, did not participate in the 2018 SD Challenge.*
(3) *The Group combined LTA rate for employees and contractors at the end of 2018 was 1.36 (see section 5.5.1.1 below for additional details).*

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. The personal involvement of each individual within Imerys is considered essential to achieving an incident-free workplace. The safety and health framework is fundamental to the Group's success and contributes to SDG 3 to ensure healthy lives and promote well-being for all at all ages and concrete contributes to SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

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 and the implementation of appropriate hierarchy of controls (elimination, substitution, engineering controls, administrative controls and personal protective equipment). 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. In 2018, Health and Safety professionals assessed the occupational safety maturity of all Group operations, categorizing the level of safety management maturity in terms of leadership and accountability, compliance and continuous improvement, Behavior-Based Safety (BBS) and integrated approach. The assessment is then used to develop specific site-level safety action plans.

Given the importance of Behavior-Based Safety 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 in the aforementioned Group Safety Culture Maturity matrix. Safety compliance requirements for each Imerys operation include not only local laws and regulations, but also the Group's policies, protocols and procedures. In 2018, the protocol on personal protective equipment (PPE) was updated to ensure that PPEs are compliant with latest standards and are also as comfortable as possible. The Group EHS Audit Team conducted over 30 comprehensive onsite EHS compliance audits across the Group in 2018. Corrective actions are tracked by Corporate EHS to completion through a web-based software system.

Safety Culture Improvement Team (SCIT) events are organized by senior EHS professionals within the Group to drive safety culture. In 2018, a total of 30 SCIT events were conducted. Since 2017, to support the alignment to Group safety culture expectations, 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 Senior Vice-President.

Training and awareness on the Group safety and health system are achieved through various communication and training tools, often developed in local languages, including Safety Summits, Imerys Safety University (ISU), web seminars, the Group digital learning path "IM-Pulse", safety toolbox meetings and the Group Welcome Sessions for new managers. In 2018, the "Serious 7" awareness and training campaign, mandatory for all Imerys employees, was launched. In 2018, a slips, trips and falls prevention campaign was organized through an assessment of the workplace, enabling sites to set up action plans and measure improvements, as well as raising employees' awareness on these risks. Training on EHS topics represents 42% of total training hours in 2018 *(see section 5.5.2.2 within the present chapter)*.

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 2018, three Safety Summits, 119 VFL safety visits by Executive Committee members were conducted and nine special sessions of ISUs were organized with approximately 300 participants.

The second annual Safety Connect Day, on the theme "My Personal Commitment to Safety", urged all Imerys sites around the world to make safety pledges. The Chief Executive Officer expressed his personal commitment and stressed the importance of all employees caring for each other and following the rules defined in the "Serious 7" Protocols. This leadership safety message echoed by Executive Committee members and other leaders, who share their commitments and expectations, outlining the steps everyone can take, as an individual and as a business, to address the challenge of reducing the number of incidents.

√ For more information on the My Personal Commitment to Safety film, *see "Imerys Replay" on YouTube* www.youtube.com/user/ImerysReplay.

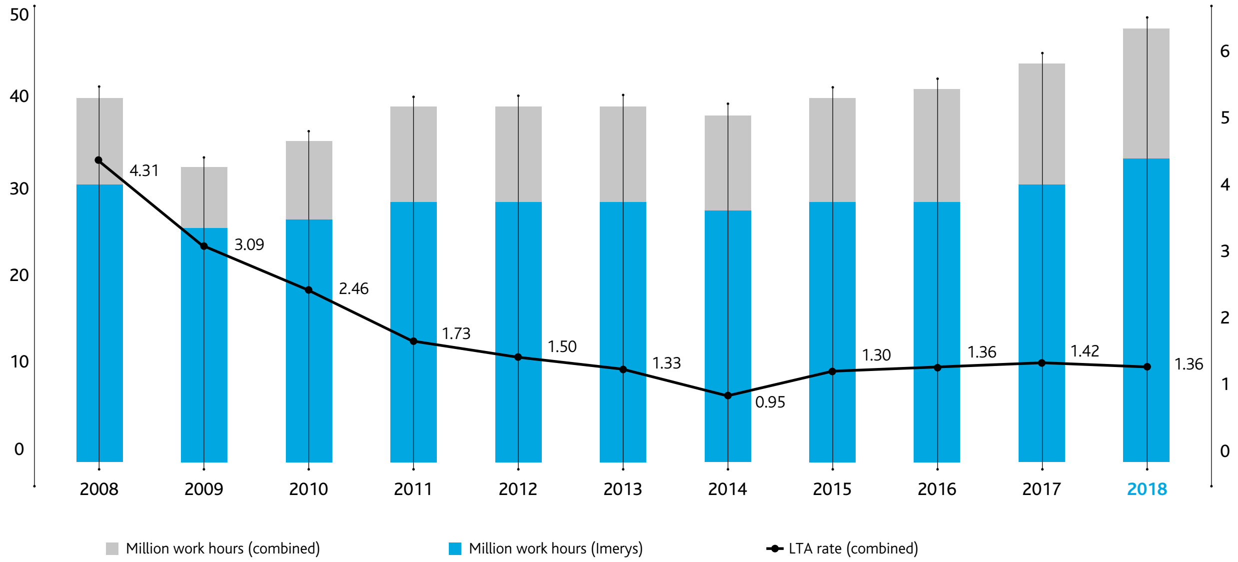
Alignment of Group contractors within Imerys Safety System and safety cultural expectations is fundamental to achieve the Group safety goals. As such, the new Contractor Safety Management initiative, launched in 2017, outlines a common and systematic approach for the selection, monitoring and continuous improvement of the health and safety performance of contractors and sub-contractors. Health and Safety requirements are likewise cascaded to Group suppliers as further described in *section 5.7.1 of the present chapter*.

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 recurrence. In 2018, approximately 59 safety alerts were delivered by the Group.

Imerys tracks and analyses safety performance for both employees and contractors on a monthly basis using indicators for fatalities, life-changing injuries, lost-time and non-lost-time accidents 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. The Group is preparing for the deployment of a new tool to strengthen the management of incidents and introduce new leading indicators, such as inspections and site visit reports with KPI reporting and follow-up.

√ 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 2018, the combined LTA rate of the Group was 1.36 and the combined Total Recordable Injury Rate (TRIR)(1) was 4.34. The 2018 target of 1.31 was thus not achieved. Following the divestiture of the Roofing Division in October 2018, the safety performance results and objectives were reassessed. The 2018 combined LTA rate, excluding the Roofing Division, was 1.19. Tragically, in 2018 one Imerys employee suffered a fatal accident in the industrial site of the Fused Minerals Division in Hull, UK. 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.

5.5.1.2 OCCUPATIONAL HEALTH

Imerys recognizes managing workplace health and wellbeing as a priority for the Group's employees and contractors. Imerys occupational health protocols outline an internal framework for controlling and mitigating common occupational health risks. Imerys identifies different occupational health risk scenarios, evaluates and risk assesses them and develops control plans proportionate to the risk. As part of this program, appropriate information, instruction and training are provided. Occupational health practices are systematically reviewed to look for improvement, simplification and standardization. Compliance with regulations and the Groups protocols are reviewed regularly through the Group EHS audit program.

In 2018, the Group occupational health expertise was further reinforced through the appointment of a new Industrial Hygienist. A detailed Group occupational health roadmap will be formalized in 2019. To that effect an Occupational Health Maturity Matrix was defined and will, as with the other matrices in the Group "I-Cube" and SustainAgility programs, be used to support the global program deployment in a continuous improvement cycle.

(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.

The occupational health programs implemented cover a range of health and hygiene aspects, but particular emphasis is placed on the management of airborne contaminants, vibration and noise. Across Group locations, health plans and programs are based on local occupational health risks, which integrate wellness initiatives and are supported with engagement and communication campaigns.

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)[1]. The NEPSI reporting campaigns are conducted every two years, with the fifth NEPSI report results published in 2018. One hundred percent of the relevant Imerys sites in Europe participated in the 2018 reporting campaign.

Group Reported Occupational Illnesses

	2018	2017	2016
Occupational illnesses with lost time	1	2	2
Occupational illnesses without lost time	0	6	7
Total	**1**	**8**	**9**

In 2018, one occupational illness related to ergonomics was reported from a site in France, and currently is being assessed.

(1) *NEPSI: the European Network for Silica is comprised of employees and associations of European companies that have signed the multi-sectoral social dialogue agreement.*

5.5.2 HUMAN CAPITAL

Imerys' Commitment	2018 objectives	UNGC Principles	UN SDGS
Develop our Human Capital by respecting internationally recognized human rights and labor practices as set out in our Code of Business Conduct and Ethics, investing in the talent and skills of our employees, engaging in constructive social dialogue and fostering a culture of workplace diversity and inclusion based on mutual respect	▪ Human Rights and Labor Practices ✔ Define and implement Corporate global level employee engagement survey action plans ▪ Talent and Skills Management ✔ Ensure a comprehensive embedding of Imerys Leadership Behaviors in HR programs, process & tools ✔ Design and implement a global recruiting and internal mobility policy and processes ✔ Design and deploy a Group Onboarding Program ▪ Social Dialogue ✔ Define and implement local employee engagement survey action plans ▪ Diversity and Inclusion ✔ 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 **2019 objectives** ▪ Human Rights and Labor Practices • Improve human rights awareness by training specific populations of employees in pilot countries • Ensure implementation of employee change management support throughout new organizational roll-out ▪ Talent and Skills Management • Continue to invest in employees' development by adapting the Group learning offer in alignment with the Group strategy and transformation ▪ Social Dialogue • Ensure constructive social dialogue by conducting regular pulse surveys with employees to gather continuous feedback ▪ Diversity and Inclusion • Increase diversity and inclusion awareness within Group through the implementation of the new diversity and inclusion program	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6	SDG 4 SDG 5 SDG 8

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. 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. Through constant engagement on these subjects the Group contributes to SDG 4 to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; to SDG 5 to achieve gender equality and empower all women and girls; and to SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Employment

	2018	2017	Variance 2017/2018
Registered employees	**17,769**	**18,359**	**-3%**
of which permanent employees	16,220	17,381	-7%
of which non-permanent employees *(fixed term)*	1,549	978	58%
External employees (Full-Time Equivalent)(1)	**4,204**	-	

(1) In 2017 Registration Document, the Group did not report on external employees due to data collection challenges associated with reporting definitions across the Group. This definition was clarified in 2018 and refers to all non-Imerys company or independent contractors who agree to perform services on Imerys facilities regardless of duration. Total worked hours done by the external employees are converted by Full-Time Equivalent.

5.5.2.1 HUMAN RIGHTS AND LABOR PRACTICES

Imerys strives to promote mutual respect in all practices and dealings with its employees, and outside contractors. Imerys recognizes that management of relations with employees is critical to the creation of an environment in which all employees can excel. 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 comply with local legislation in force in the countries where it operates, particularly in terms of non-discrimination, privacy, child labor, compensation and working hours. Imerys endeavors to have a positive impact through its employment practices upon the welfare of employees, which likewise has both indirect and induced positive impacts also on surrounding communities and thereby contribute to SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

In 2018 the Group released a new Group Code of Business Conduct and Ethics that spells out the fundamental principles and shared commitments to ethical behavior including respect of human rights and labor practices. The Code, applies to all Imerys employees, including those of its subsidiaries, as well as those who do business with Imerys. Managers at Imerys have a particular responsibility to ensure its daily application because of their roles and responsibilities with regards to Group operations. Imerys recognizes the right to freedom of association and the right to collective bargaining, which is clearly articulated within the new Code as well as within the Group Employee Engagement Policy. At the end of 2018, approximately 68%[1] 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 labor and forced labor. Compliance with the Code and protocols on human rights and labor practices, including preventing child labor and forced labor, 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 labor and forced labor have been in place since 2009.

√ For more information on the Code of Business Conduct and Ethics, *see paragraph 5.7.1. of the present chapter*.

The Group has developed a global and comprehensive program (Global Benefits Management) that aims at mapping all the healthcare, death and disability benefits provided to its employees, and ensuring that the corresponding levels of coverage are in line with local regulations and market practice. This program now covers 25 countries where the Group is operating and 13 others will be included in the course of 2019. Thanks to this program the Group will be in a better position to continue its employee benefits harmonizing actions in a structured and efficient way.

The Group Pension Committee has reviewed and updated its governance principles, objectives and operating modes via the definition and publication of its terms of reference, applicable to all Imerys units.

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 and 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 focusing on global action plans as well as local results and action plans, as presented in *section 5.5.2.3 of this chapter*. At the global level, dedicated teams with clear owners were identified to drive the development and implementation of improvement plans related to diversity and inclusion, Group processes, strategy and internal communication. Throughout 2018, the dedicated teams worked on the action plans and communicated on their progress. 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 survey on collective bargaining coverage is conducted every two years. This result refers to the end 2017 survey.

Employee moves

	2018	2017
Net variation of permanent employees (excluding acquisitions and divestitures)	(438)	0
External recruitments	1,446	1,717
Redundancies (economical & non economical)	(557)	(523)
Retirement	(303)	(258)
Voluntary termination & other	(1,024)	(936)
Turnover[(1)]	6.1%	5.8%
Net variation of temporary employees (excluding acquisitions and divestitures)	569	186
Acquisitions – Divestitures	(721)	2,476
Variation of Registered Headcount	**(590)**	**2,662**

(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 2018 is principally associated with the divestiture by the Group of the Roofing Division as detailed in *chapter 1, section 1.4.2, of the Registration Document*.

5.5.2.2 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, development and retention. All of these processes contribute to 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.

Supporting internal evolution and career moves across the Group is a priority. 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 2018, 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 Behaviors, which were rolled out in 2016 and have become an integral part of the entire talent management cycle, including recruitment, onboarding, performance and potential assessment, development and succession plans. In order to develop leadership and managerial skills, annual reviews are now composed of a shared evaluation between employees and their line managers based on these principles.

To ensure that Imerys not only attracts the right people for the right positions, but also that the process generates a positive candidate experience, and facilitates the integration within Imerys, the Group has designed a global recruitment policy, which will be rolled-out from 2019. This policy addresses five stages in the recruitment process: preparation, sourcing, selection, decision and onboarding.

A global onboarding program was designed and deployed in 2018 and includes a clear process based on best practices from across the Group but also learning paths that give each newly recruited employee clear knowledge about Imerys. The onboarding program toolbox contains valuable information on the global process, induction planning, new hiring orientation survey, a welcome pack, *etc.* This onboarding is supported by a dedicated workflow within the Group HR data platform that ensures that all new employees receive key messages and information directly after arrival.

In addition to the above, a global internal mobility policy was defined in 2018 to provide a streamlined process to develop employees by exposing them to new challenges and new businesses within Imerys; to respond to employees' aspirations to evolve; to facilitate the collaboration between all businesses; and contribute to reinforce the Group culture and mindset.

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 endeavors to align its remuneration practices across the best international standards.

√ For more information on the Executive Remuneration, *see chapter 3, section 3.3 of the Registration Document*.

Group training hours

	2018	2017	Variance 2016/2017
Number of trained employees	13,636	13,166	4%
Number of training hours by year	508,356	341,927	49%
Number of hours by category of program			
Environment, Health & Safety	211,645	185,002	14%
Technical skills	245,078	126,533	94%
Management	51,633	30,393	70%

In 2018, 76% of employees[(1)] in the Group have benefited from at least one training program in the year. 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 digital learning platform "IM-Pulse" hosts Imerys' entire training offer. As of 2018, the platform was made accessible to 8,000 employees across the Group and included both in-class training and e-learning courses covering geology, finance, management, project management, industrial marketing, and leadership. In 2018, the Group launched a major Safety training campaign to raise awareness and enhance knowledge about the Group's "Serious 7" Protocols.

In 2018, an induction training for Imerys' new plant managers was introduced to help them understand the Group's "Raise the Bar" approach to continuous improvement. Over three days, 19 new plant managers from 10 divisions and more than 10 nationalities gathered to learn about the "Raise the Bar" approach to safety, processes, finance, HR, CSR, as well as I-Cube.

The Group SD Challenge serves as an effective channel to strengthen the focus on talent and skill development: a total of 18 projects were entered into the 2018 SD Challenge in this category. A winning example of a project fostering talent and skill development involved the Ceramics Academy, which set up a technical training path in order to ensure a smooth transfer of knowledge between experienced managers and the sales & operations population. Since the creation of the training path in February 2017, the Ceramics Academy has delivered training to more than 100 people from 20 countries across three regions – a total of 6,000 hours of training. The curriculum is based on a mixture of classroom-based teaching and hands-on workshops in labs, quarries and even customer plants.

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. Since 2017, Imerys has 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 its commitment towards literacy and numeracy.

(1) The training hours percentage is based on the average registered headcount of Group employees in 2017 and 2018.

5.5.2.3 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 Group 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. The employee delegation consists of 18 members, representing 19 different nationalities. In addition to the annual plenary session, the EWC's five officers meet at least three times a year and act as liaison between representatives and Imerys management. A EWC agreement was signed on May 31, 2018, covering 2018 - 2021. The term of office of elected representatives of the EWC is 4 years (2021). To further encourage dialogue and exchange, within the new EWC agreement employee representatives will be asked to participate within various temporary working groups established to address specific priority projects across the Group.

Imerys is committed to engage in constructive dialogue with employee representatives. Notwithstanding this objectives, labor strikes may still occur. In 2018, 7,657 hours were lost due to labor strikes (12,828 in 2017), of which 3,353 hours in France, 1,998 hours in Spain and 1,112 hours in Brazil. As a result of difficulties encountered during negotiations with one labor union at a Group site in the United States, Imerys was unfortunately required to resort to a lock-out in order to ensure the safety and continuity of operations until an agreement was reached with the concerned union representatives. As a result of negotiation efforts of both parties, an agreement was reached and the facility was reopened to all employees.

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. In 2018, Imerys launched a new Group news and collaborative social platform that supports daily communication and collaborative needs and simplifies how Imerys' employee connect and work together. This new platform hosts essential information, documentation and protocols, but also social feeds and workspaces, tools and business applications. The new intranet is optimized to enable employees to use tools and resources in a more agile way – including smartphone access to Group level applications. The new intranet facilitates the sharing of projects, initiatives and successes throughout the Group. It is likewise a platform to share information and support discussion on specific topics within specialized communities.

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 2018, nine Welcome Sessions were held across the Group.

As described in *section 5.5.2.1 of the present chapter*, the Group Employee engagement survey is a key tool for fostering social dialogue and serves as a solid metric for assessing and understanding employee engagement across the Group. Upon completion of the 2017 engagement survey, local working groups were created and tasked with the elaboration of local action plans to focus on three or four areas where potential improvements are needed. By the end of 2018, a communication on the status and type of action launched for each business was shared across the Group intranet, not only to communicate on progress but also to share lessons learned openly.

5.5.2.4 DIVERSITY AND INCLUSION

The Group is committed to promote a culture based on mutual respect and appreciation, where the value and contribution of each individual is welcomed and recognized. Imerys does not tolerate any discrimination and/or harassment of its employees, contractors, customers, suppliers or other stakeholder 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 and inclusion are long-term ambitions and while the Group has not yet reached its full ambition, it is fully committed to its accelerate efforts and as such contribute further to SDG 5 to achieve gender equality and empower all women and girls and SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

The Group's Diversity and Inclusion Charter, which was updated in 2018 and translated to 23 languages, clearly articulate the shared commitment to achieving greater diversity, as well as inclusion across the Group. In 2017, the Group identified diversity and inclusion as a priority CSR themes for 2018 and 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 continued throughout all of 2018, was 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. Through the involvement of Executive Committee members and General Managers as sponsors, and with the support of two external Diversity and Inclusion experts, the working group has structured the fundamental elements of the program, with specific actions launched in 2018 and the full program that will begin to be rolled out in 2019. The program status and action plan was presented to the Board Nomination Committee in November 2018, with a restitution to the Board in early 2019.

√ For more information on Corporate Governance and Board and Committee compositions, *see chapter 3, section 3.1 of the Registration Document*.

The Group is committed to develop its programs focused on achieving greater diversity as well as inclusion both at global and local levels and to respect and promote the principle of non-discrimination and equal opportunity, in particular with regards to human resources management. To this effect in 2018, the Group recruitment and mobility policies and practices were updated to support the reinforcement of diversity. These policies were updated to include specific diversity and inclusion principles and requirements at the appropriate steps within each process. The adjustment of the Group recruitment policy have helped to produce results already with regards to gender diversity. In 2018, 40% of external recruits for senior management positions were women vs 6% in both 2016 and 2017. The 2016-2018 Graduate program participants represent 17 different nationalities and the 2018 new recruits within this program are 50% female. Diversity and inclusion requirements were likewise added to the Group Leadership Behaviors, the behavioral model against which the Group formal performance appraisals are conducted.

In continuity with the efforts launched in 2018, the Group worked to eliminate barriers, to raise awareness on the effects of implicit and/or unconscious bias and to help participants develop effective strategies for ensuring that such bias do not undermine Group efforts to ensure a diverse and fulfilling workplace for all employees. In 2018, various training and awareness raising sessions were held across the Group focusing on inclusion, conscious collaboration and unconscious bias. Over 700 employees from new graduates to senior managers participated to the numerous sessions held in Group locations around the world. Diversity and inclusion have likewise been included within the Group Senior Leadership training program. Within this program, the 28 senior managers participating dedicated over 14 hours to understanding and managing cultural diversity to enrich performance. The dedicated section on diversity and inclusion created within the IM-Pulse e-learning platform was enriched to provide a wider range of practical resources and tools for training and awareness campaigns related to inclusion.

Within the context of the 2018 SD Challenge, diversity and inclusion commitments were given greater visibility and included as a specific category, encouraging employees across the Group to reflect on and submit projects linked to the ambitions expressed in the Imerys Diversity and Inclusion Charter. Numerous initiatives were carried out in India, the United Kingdom, Denmark, Argentina, Chile and Italy covering a wide range of topics each essential to achieve more diverse and inclusive mindsets in the workplace such as unconscious bias training and increased sourcing of small suppliers who create employment opportunities for people with disabilities. Lessons learned and best practices from these projects have been made available to all through the Group internet platform.

Deployment of the diversity and inclusion plan that was defined at the end 2018 shall occur in 2019. Achieving the ambition of this plan is a long term goal with a high priority and shall continue to be the focus of particular efforts at all levels of the organization for several years to come. To this effect, the SustainAgility program includes a diversity and inclusion maturity matrix to measure and guide the deployment of the Group diversity and inclusion programs at all levels of the organization.

Gender diversity

	2018	2017
Percentage of females in the Group	17.5%	17.5%
Percentage of females in Manager/Expert/Professional roles(1)	25.6%	-
Percentage of females in Senior Management roles	17.2%	14.4%
Percentage of female Executive Committee Members	9.1%	-
Percentage of female Board Members	41.7%	40%

(1) This indicator was introduced in 2018 and as such not available for previous reporting periods.

Disability

	2018	2017
Number of employees with a disability	186	242
Percentage of registered headcount with a disability	1.1%	1.3%

Age and seniority

	2018	2017
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	29%	30%
From 50 to 54 years	15%	15%
More than 55 years	20%	19%
Percentage of permanent headcount by seniority		
Less than 10 years	50%	50%
More than 10 years	50%	50%
of which more than 20 years	23%	24%

The number of senior managers (both male and female) as a percentage of total employee headcount decreased in 2018 due primarily to a redefinition of the senior management job category as well as the Group reorganization that occurred in November 2018. These changes, in addition to the updated recruitment and mobility policies, resulted in an increase in the proportion of women in senior management roles at the end of 2018. The overall proportion of women in the Group has remained relatively stable over the past three years.

5.6 CARING FOR OUR PLANET

5.6.1 ENVIRONMENTAL STEWARDSHIP

Imerys' Commitment	2018 objectives	UNGC Principles	UN SDGS
Act as responsible environmental stewards by assessing environmental risks and continually improving control measures to reduce adverse environmental impacts, maximizing the efficient use of natural resources and conserving and creating biodiversity value	■ Environmental Management ✔ Develop an environmental management maturity matrix and assess the maturity on selected pilot sites ■ Non-Energetic Resources Efficiency • Ensure Imerys Industrial Improvement (I-Cube) Program Adoption on 195 sites across the Group ■ Biodiversity & Land Rehabilitation ✔ 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 **2019 objectives** ■ Environmental Management • Improve monitoring of environmental regulatory compliance through the roll-out of regulatory watch and compliance tools covering 40% of operations • Reduce environmental impacts through the deployment of a continuous improvement program and conduct 25% of environmental audits using the environmental matrix ■ Non-Energetic Resources Efficiency • Analyze the environmental impacts of Group products by rolling out a product sustainability analysis process and tool • Monitor indicators on recycling and mineral deposit optimization • Improve monitoring and reduce water consumption by developing new indicators and dashboards for each site ■ Biodiversity & Land Rehabilitation • Continue deployment of comprehensive biodiversity improvement program	Principle 7 Principle 8 Principle 9	SDG 6 SDG 8 SDG 12 SDG 15

Imerys is committed to respect regulations, to minimize negative environmental impacts associated with its operations and to ensure an environmental conservation approach. For this purpose, Imerys ensures it has identified and assessed the environmental risks related to its activities and implemented measures and controls to prevent and limit negative impacts. The efficient use of resources such as minerals and water is therefore at the core of the Group's concern. In parallel, aware of the importance of maintaining functional ecosystems where it operates, Imerys places a special focus on biodiversity preservation. By efficiently exploiting the resources at its disposal and creating positive biodiversity value in the long term, Imerys is committed to SDG 12 to ensure sustainable consumption and production patterns and 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.

5.6.1.1 ENVIRONMENTAL MANAGEMENT

Environmental stewardship rests upon the implementation of a robust Environmental Management Systems (EMS), which is a key factor to improve operating efficiency while reducing environmental impacts. 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 Group-wide environmental protocols, which include 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. Imerys' environmental policy forms the basis of the approach taken to the monitoring and continuous improvement with regards to environment, defining the responsibilities of site-level and senior managers and Group EHS personnel in managing and controlling potential exposures and risks in order to prevent adverse environmental impacts and to reduce the environmental footprint of operations.

In addition to implementation of mandatory EMS requirements, the Group encourages ISO 14001 and Eco-Management and Audit Scheme (EMAS) certifications. As of the end of 2018, 101 of 230 (44%) of Group operations are ISO 14001 or EMAS certified by external certification organizations.

To continue to strengthen environmental management across the Group, a maturity matrix covering the critical elements of sound environmental management was developed in 2018. This maturity matrix which, as with the other continuous improvement matrices developed and deployed across the Group in the context of the SustainAgility program, will be used to assess site level environmental performance and guide the development of action plans. To date this matrix has been tested on pilot Group sites and will be progressively deployed throughout 2019.

In 2018 the Group began the testing and pilot roll-out of a new integrated solution to manage environmental legal compliance and regulatory monitoring in 4 countries. This new solution supports the development of updated environmental legal registers, with regular alerts, register updates and regulatory assistance by environmental legal specialists for each country. This solution will be progressively tested and deployed in several geographic areas to support continuous improvement.

To confirm compliance and conformity with regulations and Group protocols, Imerys operations are audited at regular intervals as per the Group Environmental, Health and Safety (EHS) auditing protocol. In 2018, 34 Group EHS Audits were conducted, including comprehensive Environmental Management System audits.

ENVIRONMENTAL INCIDENTS, PROSECUTIONS AND FINES

The Group has a structured internal environmental incident reporting process and a database that requires reporting of five different types of issues, including any significant structural deterioration of an impound, any release of discolored water, any release of dust, any non-routine inspection, investigation or notice of non-compliance from an environmental regulatory agency or any credible complaint concerning an environmental condition related to the operations.

	2018	2017	2016
Number of environmental incidents	6	11	7
Number of prosecutions	5	6	12
Amount of fines *(€)*	17,232	148,868	346,402

In 2018, six environmental incidents were reported within the Group: two incidents related to water discharges in France, three incidents related to dust and air emissions in Italy, Netherlands and United States and one noise complaint from neighbors in France. Incident investigations were conducted and all corrective actions were completed and incident reports closed as per the Group protocol. The Group's ultimate aim is to have zero incident, but when they do occur, each incident is thoroughly investigated as an opportunity to learn.

The prosecutions that occurred in 2018 were associated with environmental permitting obligations and agreements related to air emissions limits and quarry rehabilitation. The concerned sites were located in France, China, Italy (2) 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*.

WASTEWATER MANAGEMENT

Imerys goal is to have zero environmental incidents. 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. Each wastewater discharge incident is investigated as per Group protocol, and corrective action plans are followed until closure.

Wastewater discharge incidents

	2018	2017	2016
Number of environmental incidents related to wastewater discharge	2	6	5

Both wastewater discharge incidents that occurred in 2018 were related to sediment runoff from a recently opened area of a quarry in France following a particularly intense precipitation event and the small overflow of mud along a ditch after the cleaning of settling basins.

The Group continues to explore solutions to improve discharged water quality though introduction of new technology. One such example is taken from the Refractories activity 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.

■ WASTE MANAGEMENT

Imerys processes minerals using methods that are primarily mechanical and physical. As such the Group's activities generate relatively small quantities of 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 valorised in the future. Overburden and unused minerals are also used in many cases as backfilling or re-profiling materials in post-mining restoration work. As such, this material is not classified as waste.

Waste generation and recycling

	2018	2017	2016
Total industrial waste *(tons)* **of which:**	**282,569**	**248,189**	**213,421**
Non-recycled hazardous industrial waste	3,995	1,908	1,734
Recycled hazardous industrial waste	2,358	1,763	1,641
Non-recycled non-hazardous industrial waste	160,087	92,712	78,538
Recycled non-hazardous industrial waste	116,129	151,806	131,508
Industrial waste generation/turnover *(kg/€)*	**0.06**	**0.05**	**0.05**

The Group's activities have generated 282kt of industrial waste in 2018 and 97.8% of this waste was non-hazardous. The industrial waste generation rate per Euro of turnover was 0.06kg/€ in 2018. The intensity of waste generation has remained steady at a relatively low level for several years.

The objective set by the French Energy Transition for Green Growth Act[(1)] to achieve a recovery rate of total non-hazardous inert waste (measured in mass) of 55% by 2020 was not achieved by Imerys this year (Global rate in 2018 equaled 42%). The Group expects to reach the required target of 65% by 2025.

The Group is committed to raise awareness on the importance of reducing food waste and organic waste, however, this impact is not material at Group level. The Group has approximately 2,242 employees in France at 28 operations. While most of these 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. Likewise, the Group operations do not impact on animal welfare or responsible, equitable and sustainable food supply and as such these subjects are not reported on within this Registration Document.

■ AIR EMISSIONS MANAGEMENT

Several of the Group's mineral conversion processes use calcination, which can emit nitrogen oxide (NO_x) and sulfur dioxide (SO_2).

The Group emission estimation methodology is described within a dedicated energy, emissions & production reporting protocol. Group NO_x and SO_2 emissions from energy consumption are made through applying specific emission factors to each energy source. Since 2018, the Group has focused on continuously improving the SO_2 estimation methodology by updating the emission factors used within the database in order to increase the accuracy of the estimation as well as conducting additional direct measurements where possible.

√ For more information on Group CSR reporting methodologies, *see section 5.8 of the present chapter*.

(1) Law No. 2015-992 of August to "energy transition for green growth".

Group SO_2 and NO_x emissions

(tons)	2018	2017	2016
Sulfur dioxide (SO_2)	4,740	4,621	4,088
Nitrogen oxide (NO_x)	6,929	6,503	5,912

SO_2 and NO_x emissions have increased in absolute terms due to changes in perimeter of the Group operations.

The Group continues its efforts to reduce both SO_2 and NO_x emissions related to its operations through technological upgrades and investments. For example, additional flue gas treatment systems installed in both the Tianjing and Zhengzhou plants in the Aluminates division in China have reduced their NO_x and SO_2 emissions and are equipped with a continuous air monitoring system to directly measure process emissions.

Some of the Group SO_2 emitting sites have likewise launched CAPEX projects to upgrade abatement systems, which once fully in place are expected to considerably reduce Group air emissions from the associated processes.

5.6.1.2 NON-ENERGETIC RESOURCES EFFICIENCY

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 capacity to optimize resource use efficiency across the globe, thereby contributing to SDG 12 to ensure sustainable consumption and production patterns.

▪ MINERAL RESOURCES OPTIMISATION

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.

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 2018, the Group has deployed the "I-Cube" program across a total of 185 sites, slightly below the objective of 195 sites. Excluding the sites divested and closed in 2018, the total is 175 sites, which represents 76% of the total Imerys sites and cover 84%[1] of the Group gross margin.

√ For more information on the "I-Cube" program, *see chapter 1, section 1.4 of the Registration Document*.

Opportunities to optimize mineral resource consumption are identified continuously during the implementation process of the "I-Cube" program and through other ongoing initiatives, including the Group SD Challenge. The Group is constantly seeking to develop ways to create a more sustainable, greener value chain and still produce high-performance end product for customers. An example of this approach is demonstrated by the "R3" project developed by the Monolithic Refractories division in India, which revolves around reducing the use of virgin raw materials, reusing the downgrades from processing and recycling of consumed refractory or industrial waste that would otherwise end up in landfills. This project has been launched in all three Monolithic Refractories plants in India and enabled the partial substitution of 25 raw materials to date. It shows a concrete approach to building supply chain partner capacity, while at the same time reducing industrial waste generation, amongst other benefits. Similar projects are being investigated in other areas across the Group.

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[2]. 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.

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).

(1) This percentage corresponds to the I-Cube coverage versus the total Gross Margin of the Group.
(2) Recycling Industrial Minerals https://www.ima-europe.eu/sites/ima-europe.eu/files/publications/IMA-Europe_Recycling%20Sheets_2018.pdf

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 the following axes:

- optimizing water consumption by limiting withdrawal from natural environment; and
- developing recycling possibilities for process water.

Imerys classifies water withdrawals according to source, including groundwater, surface water and water from 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

	2018	2017	2016
Total water withdrawals(1) *(millions of liters)*	47,624	45,187	38,910
Water withdrawn/turnover *(liters/€)*	10.4	9.9	9.3

(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 approximately 57% of total annual water withdrawal. Site-specific water management plans have been established at 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 3.4% of the Group's total 2018 withdrawal. As of December 2018, these operations have established water management plans and mitigation measures, including awareness of water footprint and community aid actions.

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. The Group is working towards the identification of innovative ways to reduce its water footprint. As an example, the Kaolin plant at the Port of Barcarena in northern Brazil, has introduced a new system to reuse some of the steam released in the kaolin evaporation process, so far saving 23% of water normally drawn from wells. Instead of being discarded, the steam is collected, cooled and stored for reuse in other main processes with high water demand.

Group water recycling

	2018	2017	2016
Total water recycled(1) *(millions of liters)*	49,290	44,898	43,293
Number of sites reporting recycled water	62	62	61
Recycled water rate(2)	0.51	0.51	0.52

(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).

(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.

5.6.1.3 BIODIVERSITY AND REHABILITATION

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 been committed to preserving biodiversity for many years. Given the serious global threat to biodiversity, Imerys is committed to further structure and harmonize its approach, in order to continue mobilizing the Group and its teams around this major issue. Imerys has designed and implemented a biodiversity project, aligned with the main goals of the French National Biodiversity Strategy, to continue to contribute to SDG 15 to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.

Rehabilitation is integrated into the Life of Mine (LOM) plan of each quarry operation at Imerys and considered throughout the conduct of its activity until closure. The Group has a specific protocol outlining the requirements related to rehabilitation. Rehabilitation planning starts from the very initial phase of mine permitting as it is included in the environmental impact assessment of the projected site operations. As most countries define the regulatory framework for the preparation, submission, consultation and approval of environmental impact assessments for resource operational permits, in most cases rehabilitation plans are disclosed through a public consultation process prior to final approval.

Between June and December 2017, Imerys carried out an assessment of the biodiversity issues, in collaboration and consultation with key stakeholders, based on the EBEvie[(1)] approach. The new program was drawn up between late 2017 and early 2018 by an internal working group comprising a range of support and operational functions. The program was designed to respond to identified challenges and will be implemented at all Imerys sites around the world. It consists of four key elements:

- design and deploy a global continuous improvement approach;
- initiate and conduct studies and research on biodiversity knowledge and conservation;
- develop pilot projects;
- raise awareness, train and involve internal and external stakeholders.

To support the development and implementation of the program, Imerys entered into a three year scientific partnership (2018-2021) with the UMS Patrimoine Naturel[(2)], a French natural heritage umbrella bringing together the French National Museum of Natural History, the French Agency for Biodiversity and the National Center for Scientific Research (CNRS).

Imerys, with the scientific support of the UMS, has launched an analysis of the impact of its activities, based on the environmental sensitivity mapping of its sites and an inventory of biodiversity practices. Imerys will design and implement, at each of its sites, an improvement framework based on the following key elements: knowledge of the environment, integration of the avoiding, reduction, offset approach, and the evaluation and monitoring of actions. The global approach will be informed by the findings of the studies carried out on pilot sites. Pilot projects will be launched in several countries. To date three pilots have been launched on Group sites in France, Greece and Brazil. The sites, selected to represent a diversity set of biodiversity challenges, will serve as "laboratories"; as such they will be used to test tools and methodologies and they will be studied and monitored regularly under the coordination of the UMS 2006 and with the support of local partners.

Furthermore, in addition to the UMS partnership, Imerys has committed to the French act4nature[(3)] initiative that has been launched by Entreprises pour l'Environnement (EpE)[(4)] and other partners with the aim of mobilizing businesses to protect biodiversity.

√ For more information on the Group biodiversity roadmap, *see imerys.com.*

In parallel with the development of the Group biodiversity roadmap, sites across Imerys have continued to develop local initiatives aimed at supporting biodiversity and promoting innovative rehabilitation projects, both during and after mining activities. One such example awarded top honors within the 2018 SD Challenge, can be found in the Group operations in Milos, Greece, where a project to propagate rare, endemic and endangered plants aims to protect and enhance biodiversity by ensuring the long-term survival of six endemic species found on the island. Seeds from the endangered plants are collected and then taken to the Imerys nursery. After careful cultivation, the seedlings are taken to specially selected spots in depleted areas for planting.

The Group follows two land use indicators across 36 quarries located in Western Europe, quantifying the surface disturbed by the Group's mining activities, as well as the surface rehabilitated. In 2018, the total disturbed surface area by these 36 quarries was 2,038 hectares, and the total rehabilitated area was 896 hectares.

(1) *EBEvie is a tool for assessing the interdependencies between companies and biodiversity developed by the French Ministry of Ecology, Sustainable Development and Energy.*
(2) *http://www.patrinat.fr/fr/ums-patrimoine-naturel-346*
(3) *http://www.act4nature.com/?lang=en*
(4) "Entreprises pour l'Environnement" *(EpE), is a forum that gathers nearly 40 large French and international companies from all sectors of the economy to work together to better integrate environment into both their strategies and their day-to-day management. http://www.epe-asso.org/en/*

5.6.2 CLIMATE CHANGE

Imerys' Commitment	2018 objectives	UNGC Principles	UN SDGS
Reduce the impacts of climate change through the implementation of a long-term climate change strategy to support international commitments and global targets	Climate Change Strategy ✔ Define the Group 2030 and 2050 CO_2 emission reduction targets in line with COP 21 2° C trajectory • Improve the Group energy efficiency by 2% relative to 2017 by the end of 2018 **2019 objectives** Climate Change Strategy • Reduce Group CO_2 emissions by 41% relative to revenue *(tCO_2/ €)* by 2030 Climate Solutions • Increase the carbon footprint analysis coverage of Group products to cover 35 new products	Principle 7 Principle 8 Principle 9	SDG 13

Imerys recognizes that climate change is a major global challenge. In 2017, on the occasion of the international One Planet Summit[(1)], the Group became signatory of the French Business Climate Pledge[(2)]. Through this Pledge, Imerys publicly affirms its engagement to contribute to the collective efforts and work towards SDG 13 to take urgent action to combat climate change and its impacts. As such Imerys has pledged to define its Climate Change strategy aligning its emission targets and trajectory to a 2° C scenario[(3)]. In September 2018, the Group committed to set its targets through the Science Based Targets initiative (SBTi) within the next 24 months.

5.6.2.1 CLIMATE CHANGE STRATEGY

Since the end of 2017, the Group's climate change working group, composed of environmental, energy, industrial, business development as well as financial managers, has been working to address climate change as a priority CSR theme. The cross-functional working group has completed a comprehensive climate change benchmark, assessed risks and opportunities as well as current CO_2 footprint of the Group, defined relevant KPI and targets, and began to identify concrete levers for carbon reduction in the context of the long-term climate change strategy. The defined strategy will ultimately cover every domain: organization, equipment, methods, technology, supplies, transportation, and renewable energies. The Group has defined its Scope 1 and 2 emissions[(4)] objectives and will define Scope 3 emissions[(5)] objectives in 2019.

A preliminary identification of climate change risks to which the Group is exposed was conducted in 2017. This assessment was updated during the Group risk mapping exercise conducted in 2018, which is detailed *in chapter 4, sections 4.1.2 and 4.2.3 of the Registration Document*.

For the past 11 years, Imerys has participated in the climate change program of the Carbon Disclosure Project (CDP). As of the end of 2018 the Group CDP performance score is ranked as Level C.

■ 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. Energy efficiency improvement makes it possible to use less energy to achieve the same level of productivity and consequently to contribute to climate change mitigation efforts. The Group energy efficiency strategy is based on two pillars: efficiency, which consists of measuring, decreasing consumption, and recovering energy losses, and sourcing, which is based on using alternative energies, promoting renewables, and building sustainable industrial assets.

The Group energy initiatives are driven collaboratively between the different operational and functional groups at Corporate, divisional and site levels, including operations, industrial management, environment, purchasing, geology and mining. The Group Corporate Energy function defines the analysis and reporting standards and provides necessary training to ensure consistency and reliability of the reported results. The Group Energy team is responsible for supporting plants for potential savings and implementation with plants full assessment, defined method and step-by-step approach and expertise on technical aspects as well as for the definition of the analysis and reporting standards. Detailed energy efficiency analysis is disclosed in a quarterly energy report. This analysis, together with the improvement plans, is reviewed by the Group senior management. Part of the Group variable performance-related components of compensation for concerned managers (energy managers, facility managers, process operation managers, *etc.*) has also been linked to performance against energy efficiency KPIs.

(1) The One Planet Summit, held in Paris, on December 12 2017, saw the creation of the One Planet coalition, which came together to put forward concrete initiatives to meet the shared objectives set by the Paris Agreement on climate.

(2) https://www.medef.com/uploads/media/node/0001/13/61b2c23e6aa96457510930a6251b3ac2ea909213.pdf

(3) The Paris Climate agreement in 2015 saw 195 of the world's governments commit to prevent the worst impacts of climate change by limiting global warming to below 2 degrees celsius, often referred to as the 2° C scenario.

(4) 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.

(5) 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.

Total energy consumption and breakdown by energy source

	2018	2017	2016
Total energy consumption[(1)] *(Tera Joules, TJ)*	**39,025**	**37,039**	**32.976**
Electricity (net), steam, hot water	29.7%	30.3%	30.6%
Natural gas	41.5%	45.7%	47.8%
Other fossil fuels	26.5%	21.6%	18.4%
Biomass	2.3%	2.3%	3.1%
Energy consumption/turnover *(MJ/€)*	**8.50**	**8.05**	**7.91**

(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.

Between 2017 and 2018, the total energy consumption increased by 5.4% at a constant perimeter. The overall change is mainly linked to the increase of recycled oil consumption.

At a constant perimeter, the overall energy efficiency improved by 0.6% from 2017, which is below the Group objective set for 2018. Four out of 11 business divisions improved their energy efficiency and three reached the objective of -2% for the year 2018.

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 8.50 in 2018, which represents an increase of 5.6% from 2017.

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 energy efficiency 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 2018. In total, over 100 energy saving projects were identified and initiated in 2018 within the "I-Cube" Program across the entire Group.

√ For more information on the Group "I-Cube" Program, *see chapter 1, section 1.4 of the Registration Document*.

In 2018, 12 energy assessments were conducted on Group sites across the globe as a means to improve energy efficiency as described above.

Energy workshops have been organized to raise awareness and bring on ideas relating to different energy efficiency topics like energy savings. Five energy workshops were carried out in different plants in 2018. Energy seminars have also been conducted to answer specific questions that could improve efficiency on specific energy-related subjects. A seminar on rotary kilns was held by the Group Energy team in 2018 in order to identify optimal actions to be integrated to improve the efficiency of these equipments.

Energy e-learning modules have been designed on IM-Pulse in 2018 to provide an overview of Imerys energy strategy as well as knowledge and awareness on energy efficiency. Virtual classes on various specific energy-related topics such as compressed air management, lighting, energy market or energy sourcing strategy were also given by the Group Energy team to promote energy management.

A dedicated energy community on the Group intranet serves as platform to share knowledge, good practices and events related to energy. Since 2017, Energy Challenges have been launched to promote best practices development and sharing across the operations and energy communities of the Group. In 2018, three Energy Challenges were launched, which focused on combustion optimization, management of peak power demand and heat recovery. One of the participating projects related to heat recovery, which was recognized in the 2018 SD Challenge, was started in 1980, demonstrating its clear long-term value, proven sustainable approach and full integration into local conditions. This heat recovery project of the talc industrial operations in Weisskirchen, Austria was started by the plant management, the local community and the heating network provider. The aim of the project was to recover the waste heat with heat exchangers and feed it into the local heating network, which distributes the clean energy to approximately 110 households in Weisskirchen, as well as to public buildings such as local schools and the kindergarten. In 2018, the project continued to grow as a modern district heating network extension allowed for the supply of heat to a new residential neighborhoods with 26 flats. This project requires the close cooperation between the plant and local stakeholders, has a positive societal impact, generated economic benefits and contributes to the Group's climate change objective.

RENEWABLE ENERGY SOURCES

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 16 renewable installations have been developed across Group sites: ten in the United Kingdom, four in France, one in Australia, and one in India, accounting in total for 52 MW (eight solar units, four wind turbines, and four hydraulic systems).

Since 2017 Imerys has also sponsored Phil Sharp Racing in the Energy Challenge project, a competitive ocean racing venture centered on innovation, performance and energy efficiency. The project focuses on demonstrating the performance advantages of clean technologies. In 2018 during the Route du Rhum race in the Class 40 category, Imerys Clean Energy was the only zero CO_2 competing boat, finishing 3rd after 16 days of sailing.

√ For more information, *see http://philsharpracing.com/energy-challenge.*

CARBON EMISSIONS MANAGEMENT

The majority of the Group Greenhouse Gas (GHG) emissions are generated through the production of thermal energy from natural gas, fossil fuels, biomass and steam. Indirect emissions from the consumption of electricity are the second source of emissions. Some processes used in Imerys operations result in a direct emission of CO_2 (*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 to SDG 13 to take urgent action to combat climate change and its impacts.

Group carbon emissions

(thousands of tons, kt)	**2018**	**2017**	**2016**
Scope 1 CO_2 emissions	2,194	1,945	1,641
Scope 2 CO_2 emissions	1,211	1,165	1,056
Total CO_2 emissions (Scope 1 and Scope 2)	**3,405**	**3,110**	**2,698**
Energy	83.9%	85.7%	86.7%
Processes	16.1%	14.3%	13.3%
CO_2 emission/turnover (ton CO_2e/€M)	**741.8**	**676.3**	**647.6**

Between 2017 and 2018, the annual total Scope 1 and Scope 2 CO_2 emissions increased by approximately 295 kt.

The overall carbon emission intensity of the Group is aggregated at 742 tCO_2e per million euros of turnover.

In order to progressively quantify the impacts along the Group value chain, the Group is increasing the attention it pays to the estimation and management of Scope 3 emissions.

Group upstream value chain suppliers

Purchasing categories	**Percentage of key purchases[(1)]**	**Upstream suppliers**
Raw materials[(2)]	17%	Principally, but not exclusively, bauxite, zircon sand, soda ash, silica sand
Mining and industrial supply	32%	Mining subcontractors, service vendors for maintenance and repair
Transportation	28%	Freight by rail, truck and ship, and business travel
Energy	14%	See energy mix above, counted in Scope 1 & 2 emissions
Chemicals and other consumables	8%	Mainly chemicals and packaging materials

(1) The analysis was based upon the 2017 data; the total spend of above-mentioned categories was represents approximately 90% of Group purchases (€1,962 million).

(2) Imerys self-supplies approximately two-thirds of raw materials and purchases one-third externally.

GROUP EMISSION ESTIMATION

Reliable emission data from Group suppliers is not readily available; as such the estimation of Scope 3 emissions does not yet represent a full calculation of all Scope 3 emissions linked with Imerys operations. The transportation services by vendors are principally measured by volume and cost, rather than distance traveled. Similarly, it is difficult to calculate the Scope 3 emissions for transportation of finished products. Yet, Imerys is committed to continue to improve the quantification of its Scope 3 emissions. In 2018, a macro-level Scope 3 emissions data estimation was done using Scope 3 Evaluator[1], a web-based tool developed by Greenhouse Gas Protocol[2] and Quantis that helps companies measure, report and reduce emissions throughout their value chain.

Source of Scope 3 emissions	Metric tons CO_2e	Percent of Scope 3 emissions	Emissions calculation methodology	Explanation
Purchased goods and services	3,095,568	75.7%	Emissions calculated with Scope 3 Evaluator	These emissions include upstream freight and distribution of purchased goods because are included in the price of the goods. Financial data are used
Fuel-and-energy-related activities (not included in Scope 1 or 2)	605,605	14.8%	Emissions calculated with Scope 3 Evaluator	These estimated emissions come from the production and distribution of energy (as opposed to its combustion), estimates from Scopes 1 and 2 are used to calculate this data
Waste generated in operations	51,813	1.3%	Emissions calculated with Scope 3 Evaluator	Calculations are based on waste quantity and an approximation of its treatment prices
Business travel of several regional headquarters	9,359	0.2%	Emissions were calculated from travel distances using GHG Protocol emission factors	Data were provided by Imerys main travel agencies for train, car rental and air travels
Downstream transportation and distribution	307,333	7.5%	Emissions calculated with Scope 3 Evaluator	Financial data have been used from freight purchases have been used, freight paid by clients is not included in the calculation
Employee Commuting	20,400	0.5%	Emissions calculated with Scope 3 Evaluator	This data is an estimate calculated with the number of Imerys total employees
Total	**4,090,078**			

Based on the above high level estimate, which is considered a preliminary approximation of Group Scope 3 emissions, 2017 Scope 3 emissions represent approximately 4.1 million tons CO_2e, representing over 40% of the Group total emissions (Scopes 1, 2 and 3).

5.6.2.2 CLIMATE SOLUTIONS

Imerys is committed not only to the management of emissions related to its operations but also to innovation of solutions at the service of a low-carbon economy, and as such support customers in this transition.

To this effect Imerys has focused on conducting studies of products within the Group portfolio to determine their carbon footprint. These studies serve a dual purpose as they provide complete and transparent information to customers and give the Group an improved visibility of the impacts linked to specific products or facilities, which is a precursor to initiating any eco-design approach.

In 2018, the Group calculated approximately 20 product carbon footprints, from cradle to gate, using the “Bilan Carbone®” methodology and tool of the French Environment and Energy Agency[3]. These study results were shared with customers to help encourage downstream efforts to calculate product impacts and differentiate Imerys products from other competitors’ higher carbon solutions.

These studies likewise contribute to the Group Product Sustainability approach presented *in section 5.7.2.1 of the present chapter*.

(1) *https://ghgprotocol.org/scope-3-evaluator*

(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).*

(3) Agence de l’environnement et de la maîtrise de l’énergie *(ADEME).*

5.7 BUILDING FOR THE FUTURE

5.7.1 BUSINESS CONDUCT

Imerys' Commitment	2018 objectives	UNGC Principles	UN SDGS
Ensure exemplary Business Conduct by maintaining the highest standard of corporate governance, respecting and implementing fair operating practices and ensuring a responsible supply-chain with all our partners, and engaging with local community to create shared value in particular through education and skills development	▪ Corporate Governance ✔ 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 program in 2019 ▪ Fair Operating Practices & Responsible Supply Chain • 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 ✔ 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 ▪ Community Engagement ✔ Develop a stakeholder relations and community engagement maturity matrix and assess the maturity of one division **2019 objectives** ▪ Corporate Governance • Complete an assessment of the Board, Committees and individual member contributions by an independent third party ▪ Fair Operating Practices & Responsible Supply Chain • Improve awareness of updated Code of Business Conduct and Ethics through roll-out of e-learning and training sessions • Ensure Supplier compliance with Imerys Supplier Environmental Social and Governance Standards through the implementation of the supplier audit program ▪ Community Engagement • Reinforce Group Stakeholder Management and Community Relations Protocol to support local community engagement	Principle 1 Principle 6 Principle 8 Principle 9	SDG 3 SDG 4 SDG 5 SDG 6 SDG 8 SDG 12 SDG 13 SDG 15 SDG 16

Ethical business conduct is the foundation upon which Imerys' business is built. At its core, Imerys is building the future together with stakeholders and supply-chain partners through ethical behavior and fair operating practices, engaging with communities and promoting sustainable products and technologies. This solid foundation is also a guarantee and a source of confidence for Group employees, customers and societies, as exemplary conduct is proof of reliability and long term sustainability. In addition to all the other SDGs referred to in this chapter, Imerys' commitment to responsible business conduct contributes 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.

5.7.1.1 CORPORATE GOVERNANCE

Imerys is committed to sound 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[1] applicable to French listed companies and most recently updated in 2018.

The Group risk mapping exercise was updated in 2018. Additional details and the results of this exercise are presented in *chapter 4, of the Registration Document*.

The Group revisited the global crisis management framework in 2018, which involved a comprehensive audit of the Group crisis management system by independent third-party experts, the definition of an action plan as well as delivery of training for new members with responsibilities within the crisis management framework. Improvement actions and additional training will continue to be rolled-out as appropriate.

In 2018, to further strengthen dialogue with external experts and stakeholders Imerys defined the framework for a new CSR Stakeholder Advisory Panel. The purpose of this Stakeholder Advisory Panel, composed of independent external experts from a range of fields and to be convened for the first time in 2019, is to assess the Group CSR program and challenge its development and roll-out through constructive transparent dialogue. Much to the same effect, the Group created a Scientific Advisory Board, which is described further in *section 5.7.2.1 of this chapter*.

- √ For more information regarding Corporate Governance, *see chapter 3 of the Registration Document*.
- √ For more information on Risk Factors and Internal Control, *see chapter 4, of the Registration Document*.

5.7.1.2 FAIR OPERATING PRACTICES & RESPONSIBLE SUPPLY CHAIN

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.

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 inclusion, 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 is a 'living document', regularly reviewed and updated in order to take into account internal and external changes and developments in applicable international regulations. In this context, in 2018 the Group launched a new Code following a wide consultation across Group functions and with employee representatives. This Code, translated into 23 languages, introduced by the Group CEO, applies to all Imerys employees, Imerys controlled joint ventures, Imerys suppliers, agents and other comparable long term business partners.

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. As such in 2018, Imerys updated and launched new Supplier ESG Standards ("the Standards"). These Standards, based on the Group Code and CSR Charter and aligned with the SustainAgility program, have been translated to 23 languages. The Standards, which must be formally acknowledged and complied with, are applicable to all suppliers and are considered a prerequisite for doing business with the Group, forming an important part of the Group Purchasing policy.

In 2017, the Group strengthened its antitrust compliance program, reviewing the Group policy and initiated training sessions on compliance with antitrust regulation and the Group program. The roll-out of the program training continued throughout 2018, with 6 sessions conducted by the Group Legal function.

In compliance with the new European Union General Data Protection Regulation (GDPR)[2], which came into force in May 2018, the Group 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.

The Group tax policy is fully in line with the best international standards with respect to anti-tax avoidance and tax evasion practices. It operates in countries chosen solely for industrial or commercial purposes and does not enter into artificial arrangement for tax planning purposes. It is committed to full compliance with its tax obligations, paying the right amount of tax in the right country at the right time.

(1) https://www.afep.com/wp-content/uploads/2018/06/Afep-Medef-Code-revision-June-2018-ENG.pdf

(2) General Data Protection Regulation 2016/679 on data protection and privacy for all individuals within the European Union and the European Economic Area as well as the export of personal data outside the European Union and European Economic Area.

In accordance with provisions of Article L. 225-102-3 of the French Code of Commerce, Imerys reports 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. This report is filed with the French Register of Commerce and available on the website of the Company as per the conditions prescribed by the Law.

√ For more information on the Group Code of Business Conduct and Ethics and Imerys Supplier ESG Standards, *see imerys.com*.

ESG RISK MAPPING PROCESS

Since 2017, a comprehensive cross-functional compliance working group overseen by an Executive Steering Committee has been leading the project aimed at reinforcing the Group compliance program in accordance with both the French "Sapin II" legislation[1] and "Duty of Care" legislation[2]. The purpose of the compliance program is to fight against corruption in all countries where it operates 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. Within the compliance working group exercise, the Group launched a detailed mapping of potential corruption, human rights, health & safety and environment risks within its operations as well as within its supply chain starting from two pilot geographical areas.

The risk mapping process began with the identification of key ESG risk categories divided between internal and external supplier categories. A series of dedicated interviews with key representatives of both businesses and support functions were conducted to design the initial version of both the "Sapin II" and the "Duty of Care" risk frameworks. These interviews were complemented by additional consultations with external agencies and non-governmental organizations to collect feedback on the framework and process. The consolidated outcomes of the risk framework was presented to the Executive Steering Committee and validated, on the basis of a first long list of risk scenarios (21 corruption and 13 Duty of Care risk scenarios, respectively) was developed.

The initial Group risk assessments for two first pilot geographic areas were conducted at the end of 2017. These first assessments confirmed the validity of the risk framework in addition to generating the assessments results. The second phase of geographic assessments were conducted in 2018 through questionnaires and interviews with business leaders from each of the remaining geographic areas where the Group operates.

An additional Group risk assessment was then done with regards to external supplier purchasing categories for key geographic areas in order to define the criticality of the impacts for each sub-item of the three categories (human rights, health & safety and environment). The inherent risk of each scenario was then ranked by taking into account a "composite country index" (based on the Corruption Perceptions Index[3], Human Freedom Index[4] and Environmental Performance Index[5]) and the economic weight of purchases to assess risk impact and exposure.

EVALUATION OF ESG RISKS

Evaluation of environmental, social and governance risks within Group operations, including identification, analysis and ranking processes are presented *in chapter 4, section 4.2 of the Registration Document*.

Based on the ESG risk mapping process and final ranking described above, suppliers in all the highest risk countries were assessed further. With support of approximately 60 members from purchasing, supply chain and site management, over 600 existing suppliers in 17 countries were screened. At the end of December 2018, nearly 500 of these existing suppliers have been assessed against "red flag" criteria linked to the human rights, health & safety and environment risk scenarios and categorized with a specific risk ranking of low, medium or high by local and Corporate CSR and purchasing teams.

The final supplier risk ranking of low, medium or high determines the control measures to be put in place to eliminate or mitigate the potential risk within the supply chain.

CONTROL MEASURES

The Group management framework is articulated through a series of policies, protocols and procedures based upon the ambitions and commitments expressed in the Code and the CSR Charter. This framework, covering human rights, health, safety and environment, amongst other themes, defines clear requirements for all Group operations. Implementation of Group policies, protocols and procedures are the responsibility of all business and support functions. Based on the Code, Group requirements for all suppliers are clearly defined within the Imerys Supplier Environmental Social and Governance Standards. Across the Group, divisions' purchasing policies define the process through which the elements of these Standards are implemented in their respective businesses.

(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".*
(3) *The Corruption Perceptions Index is published annually by Transparency International and ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.*
(4) *The Human Freedom Index is published by the Fraser Institute in conjunction with the Economic Freedom Network, a group of independent research and educational institutes in 90 nations and territories worldwide. It presents human freedom based on a broad measure that encompasses personal, civil, and economic freedom.*
(5) *The Environmental Performance Index is produced jointly by Yale University and Columbia University in collaboration with the World Economic Forum and ranks 180 countries on 24 performance indicators across ten issue categories covering environmental health and ecosystem vitality.*

In 2019, the Group purchasing policy shall be reviewed to integrate additional considerations related to the updated Standards as well as the risk assessment process undertaken in 2018. As of 2019, all suppliers will be required to sign the Standards, committing to compliance with the requirements stipulated within. In addition to the supplier self-declaration, specific ESG clauses linked to the Code are integrated within supplier contracts as appropriate. Furthermore, the Group General Terms and Conditions for CAPEX projects purchases encompass compliance with the Imerys Code and the Standards.

Awareness of and training on the requirements of the Group Code are provided to help managers and employees to understand and respect the Code. To support the roll-out of the new Code a specific e-learning module was developed. This e-learning module is compulsory for all Group employee, has been translated in 23 languages and will be delivered throughout 2019 via IM-Pulse, as well as through other delivery channels including in-class training and presentations led by internal experts.

In addition to the aforementioned dedicated e-learning, Imerys also conducted a series of training and awareness raising sessions for purchasing and supply chain professionals on UN Guiding Principles on Business and Human Rights and their application within Imerys. A total of 10 sessions were held in 2018. 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.

The verification of compliance with the Group Code and other Group policies and protocols is conducted through different internal assessment processes at both local and Group level. Such processes are led by different functions within the Group organization, including but not limited to Legal, CSR, Health and Safety, Geology and Mining and Internal Control as described in *chapter 4, section 4.2 of the Registration Document*.

The assessment of ESG performance of suppliers starts during supplier qualification and onboarding. Screening criteria for the qualification of suppliers includes ESG elements. The Group focuses in particular on assessments and audits of suppliers ranked as "high risk" based on the Group risk mapping and evaluation process described above. In such cases the Group conducts additional due diligence or specialized external third-party reviews prior to contract award. In 2019, the Group will focus on streamlining best practices on supplier onboarding across the Group.

The Group has launched various pilot projects focusing on certain categories of suppliers in key countries to help build the capacity and ensure the continuous improvement of ESG performance in line with Imerys requirements of these suppliers. A Kaolin site in Brazil was recognized in the 2018 SD Challenge for the work done with the suppliers of its local social projects to ensure they are meeting the Group Code. In partnership with a department of the Brazilian Industry Federation, which supports local businesses to develop their skills, Imerys began working with eight small companies to help them improve specific competencies and processes. This capacity building project will help these local suppliers to expand their services through a better understanding and alignment with international standards on organizational management, labor and taxes obligations, ethics, and financial management.

ALERT MECHANISM

A new alerts system, operated by an independent qualified third-party and open to all employees and external parties was designed and launched in 2018 to enable the reporting of any suspected violations of the Group Code. Reports can be made either by telephone or via a web platform[1]. Both telephone and web platform reporting is available in all main Imerys languages 24 hours per day, seven days per week. This platform safeguards confidentiality throughout the entire process. Based on the facts presented in all preliminary reports, the Group assigns an investigative team of trained, in-house professionals in the relevant fields to conduct the investigation. The investigative team collects and reviews documents, conducts interviews, inspects locations, and performs any other tasks necessary to come to a conclusion about the allegations in the report. Imerys encourages its employees and stakeholders to share any information believed to represent a threat to the ethical conduct of its business. Accordingly, Imerys and its employees shall take no action in retaliation against any person for making a good faith report or participating in an investigation under the alert system policy.

Imerys created a new Ethics Committee, chaired by the Group General Counsel and led by the Antitrust & Compliance General Counsel. The principal mission of this Committee is to validate the Group ethics program, including specific annual objectives and priorities. The Ethics Committee receives statistics on the alert system and establishes a periodic assessment of the reported cases in a Compliance Report that is presented to the Audit Committee.

MONITORING AND EVALUATION OF THE EFFECTIVENESS OF CONTROL MEASURES

Following the launch of the Group alert system, one report was submitted in October 2018. This case was reviewed as per the Group policy.

In 2018, five internal fraud cases were reported and investigated or still under investigation, three of these cases have been confirmed. Remedial actions have been implemented and monitored by the Audit and Internal Control department.

Every year, the Group Internal Control function conducts Internal Control Self-Assessment (ICSA) campaigns. These campaigns are conducted in order to identify any key missing controls and define action plans where any missing internal controls are identified. The 2018 campaign focused on compliance with the Code, thus providing a comprehensive evaluation of the effectiveness of existing control measures across the entire Group on ethics, anti-bribery, antitrust, lands permits & permissions, commercial transactions with sensitive countries, human rights and labor practices, community relations, and environment. Based on this review the Group has identified specific improvement actions, including but not limited to the roll-out of the new e-learning on the Code as well as the effective dissemination of the updated Imerys Supplier ESG Standards.

(1) *https://wrs.expolink.co.uk/Imerys.*

5.7.1.3 COMMUNITY ENGAGEMENT

Working around the world, Imerys operations and employees are a part of the local communities that surround Group sites and are seen as representatives of Imerys Group as a whole. As such, the Group actively encourages sites and employees to contribute to the socio-economic development of their respective communities by not only identifying and understanding stakeholder needs and expectations, but also by actively sharing talents and skills and supporting initiatives that create shared value. 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, which assists 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. A review of this framework was initiated in 2018 and a stakeholder relations and community engagement maturity matrix was developed in conjunction with this revised protocol.

In 2017, the Group launched a pilot community stakeholder engagement survey to incorporate feedback from local stakeholders within the Group materiality assessment. 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 2018, additional geographic areas were surveyed to further enrich the formal dialogue between Imerys operations and local stakeholders on global topics as presented in *section 5.2 of the present chapter*.

Since its creation, the SD Challenge has supported the development and sharing of best practices in stakeholder and local community engagement. In the 2018 SD Challenge, over 40% of the 143 initiatives competing were linked to community engagement projects launched by Imerys sites and divisions in 23 countries across the world.

Community engagement initiatives take many forms across the Group based on the local context. For example, in Hat Som Paen, a touristic village of the Mueang Ranong District in Thailand, Imerys Ceramics division supported small business opportunities within the local communities by providing technical training on natural indigo clothes dyeing, product design and equipment maintenance. While in Kadthal India, Imerys Ceramics division took action to create awareness and provide anti-venom for snakebites in eight rural communities, schools and hospitals lacking resources and located on remote areas. During 2018, 54 lives were saved through this initiative that Imerys is now looking to expand to other neighboring villages.

√ For more information on Imerys recent SD Challenge projects, *see "Imerys Replay" on YouTube:* www.youtube.com/user/ImerysReplay.

In addition to the above local community engagement programs and initiatives, Imerys' is committed to contribute to support education within neighboring communities, promoting equal opportunities and focusing its actions towards young adults, women and girls, and people in socially fragile situations in the areas surrounding the Group operations.

As children spend most of their time in school as students, school infrastructure becomes a major factor behind their academic performance. This is why during 2018, several local projects focused on contributing to improve school facilities in Zacoalco (Mexico), Ipoh (Malaysia), Bronkhortspruit and Limpopo (South Africa), Yên Bình District (Vietnam), Pingtung (Taiwan) and Sarapaka (India).

To support secondary school education programs and help ensure students have sufficient information and opportunities to guide their decision for their future education, Imerys has created opportunities for students through sponsorship in Ontario (Canada) and (Milos) Greece, vocational orientation in Ranong (Thailand), as well as apprenticeships and first jobs experiences in Barcarena (Brazil), Bekasi (Indonesia), Three Springs (Australia) and Cornwall (United Kingdom).

Finally, during 2018 Imerys commitment to ensure more children with disabilities have the opportunity to attend school has materialized through the contribution to different educational institutions in Ilion (Greece), Lac-des-îles (Canada) and Silvassa (India).

In addition to the direct efforts made locally across Group operations, Imerys continues to sponsor and collaborate with education partners acting in France and internationally. At Group level this partnership is through two different associations: United Way L'Alliance[1] and Institute Télémaque[2].

Imerys is a member of the UWA Coordination Committee together with other large French companies. In September 2017, United Way L'Alliance launched a new program: "Défi Jeunesse". Build upon the framework established by the French Ministry of National Education, the program aims to support young people in secondary school through individualized training, internships, orientation sessions and discovery of the professional world.

With Télémaque in 2018, eight Imerys employees in France have committed to a role as tutors volunteering their time to encourage the students and expose them to new cultural and professional perspectives.

(1) *United Way L'Alliance (UWA) is a non-profit organization whose mission is to co-build programs through which private, public and solidarity actors commit to collectively address education, health, economic stability issues across France. https://www.unitedway.fr/en*

(2) *Institute Télémaque is a non-profit organization whose mission is to accompany young motivated students from disadvantaged backgrounds through to the end of secondary school. http://www.institut-telemaque.org/*

5.7.2 PRODUCT MANAGEMENT

Imerys' Commitment	2018 objectives	UNGC Principles	UN SDGS
Innovate through our Product Management by assessing the sustainability of our products, processes and services to contribute solutions for society	■ Product Sustainability ✔ Develop a Group framework and methodology to evaluate product sustainability ✔ Develop a new Group product stewardship policy and supporting protocols **2019 objectives** ■ Product Sustainability • Assess Imerys product solutions according to additional sustainability criteria to support sustainable innovation and business development	Principle 7 Principle 8 Principle 9	SDG 12 SDG 13

Imerys is committed to providing high-quality products to its customers, and indirectly, to end-users through sound, responsible product management. By identifying and understanding the implications and opportunities linked to the global market trends presented in *chapter 1, section 1.2.2.2 of the Registration Document*, the Group is able to maximize the positive impacts linked to its business and satisfy current and future market and customers' needs. The Group's commitment to sustainable product management and the development of technologies is a means to contribute to SDG 12 to ensure sustainable consumption and production patterns and to SDG 13 to take urgent action to combat climate change and its impacts.

5.7.2.1 PRODUCT SUSTAINABILITY

Imerys' overarching goal is to identify and minimize the health, safety, environmental, and social impacts of all of Group products throughout their lifecycle, while maximizing their economic benefits and positive impacts to customers and their end consumers. Imerys is committed to the quality and safety of its products, which are assured through dedicated product stewardship programs.

The Group employs state-of-the art analytical methods, equipment, and testing to ensure that product assessments and associated decisions are driven first and foremost by sound science. The Group continually evaluates testing protocols and invests in innovation in health, safety, and sustainability across product ranges, locations, and production processes. These measures enable the Group to produce high-quality products, meet customers' expectations and operate in a stringent, dynamic regulatory environment.

For certain minerals, the Group applies the Mine to Market Mineral Management (M4) program, both for owned and external deposits. Owned deposits are those the Group operates itself. Those deposits are thoroughly vetted for geological properties and employ careful mine planning. The Group may also source from a select number of high-quality external deposits. During the vetting stage, thorough preliminary testing is conducted to ensure the site meets the Group quality and safety standards. Thorough, ongoing testing is then conducted before any material from these sites is accepted and materials that do not meet quality standards at any point is refused. In all cases, tests are regularly performed on finished products. As of the end of 2018, approximately 70% of Imerys operations were certified to the ISO 9001 Quality Management System. In addition, extensive tracking of employees' health is conducted, through ongoing industrial health program and medical surveillance programs.

In 2018 the Group develop a new Group product stewardship policy and supporting protocols, which defined the objectives, roles and responsibilities, guiding principles and specific requirements, as well as continuous improvement process to be followed.

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.

Going beyond compliance, Imerys is committed to developing materials and expertise to deliver relevant and innovative market-driven solutions to support the growth of the Group while that at the same time deliver solutions to society. The capacity to quantify the environmental and social impacts and steer the Group's' product portfolio to ensure long term product sustainability is a key theme within the Group SustainAgility program. For this purpose, in 2017 Group launched an interdisciplinary working group consisting of experts in environment, innovation, strategy, marketing, and product stewardship to define a consistent, high quality, scientifically robust and transparent methodology to assess product sustainability within Imerys, including the definition of relevant KPIs and targets. In 2018, Imerys assessed the various methodologies available and prepared for the launch of an assessment tool in line with the World Business Council for Sustainable Development (WBCSD)[2] framework for Portfolio Sustainability Assessments (PSA)[3], so as to objectively measure the sustainability of Imerys products and identify their environmental and social impacts.

In parallel with the definition of a larger framework to evaluate the Group products portfolio, Imerys has continued calculate products' environmental impacts from "cradle-to-gate", using a Life Cycle Assessment (LCA) methodology and will continue to develop it competencies and tools throughout 2019. In 2018, Life Cycle Assessments compliant with the requirements of ISO 14040 & ISO 14044[4] were completed for 14 products.

√ For more information on Group ISO 9001 certifications, *see chapter 1 of the 2017 Registration Document*.

(1) *GHS/CLP: Globally Harmonized System/Classification, Labelling and Packaging of chemicals.*

(2) *The WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world by making more sustainable businesses more successful.*

(3) *https://docs.wbcsd.org/2017/10/Framework4Port_Sustainability.pdf*

(4) *ISO 14040: 2006 describes the principles and framework for life cycle assessment and ISO 14044: 2006 specifies requirements and provides guidelines for life cycle assessment.*

5.7.2.2 SUSTAINABLE TECHNOLOGIES

An important complement to product sustainability, developing sustainable technologies is essential to the long term sustainability of the Group.

To support its internal efforts, Imerys has established a Scientific Advisory Board (SAB). The role of Imerys' SAB is to discuss technical advancements on specific topics with Imerys as well as to consider future technology needs and trends where Imerys may have a positive impact.

5.8 REPORTING METHODOLOGIES

5.8.1 METHODOLOGIES AND PROTOCOLS

Imerys Group reporting complies with the French "*Déclaration de Performance Extra-Financière*" (DPEF) law[(1)] and other applicable French reporting obligations. The Group CSR program and reporting approach is based on frameworks such as GRI's Sustainability Reporting Guidelines ("Core" option), the **UN Global Compact**, 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 "DPEF" law, the Group retains a third-party to verify its sustainability reporting and compliance status. Deloitte provided the verification services for the 2018 reporting and issued the report in *section 5.9.1 of the present chapter*.

The correlation table with regards to the reporting requirements of the "DPEF" 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, *see CSR Reporting Principles 2018 on www.imerys.com*.

(1) *Decree n° 2017-1265 of August 9, 2017 taken for the application of the ordinance n° 2017-1180 of July 19, 2017 relating to the publication of non-financial information by some large companies and certain groups of companies.*

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 (2016-2018). The perimeter of each category is Group level unless explicitly indicated otherwise.

Category	KPIs	Unit	2018	2017	2016	GRI
Empowering our people						
Safety and Health						
Fatalities	Fatalities - Imerys Employees	#	1	0	1	403-2
	Fatalities - Contractor Employees[1]	#	0	1	0	403-2
Life-changing injuries[2]	Life-changing injuries - Imerys Employees	#	4	3	2	403-2
	Life-changing injuries - Contractor Employees	#	0	0	0	403-2
Lost-Time Accident rates[3]	Imerys employees	/	1.45	1.52	1.35	403-2
	Contractor employees	/	1.16	1.17	1.40	403-2
	Combined rate (Imerys employees and Contractor employees)	/	1.36	1.42	1.36	403-2
Total Recordable Incident Rates[4]	Imerys employees	/	51	49	40	403-2
	Contractor employees	/	17	16	18	403-2
	Combined rate (Imerys employees and Contractor employees)	/	68	65	58	403-2
Severity rates[5]	Imerys employees	/	0.07	0.09	0.09	403-2
	Contractor employees	/	0.05	0.05	0.06	403-2
	Combined rate (Imerys employees and other employees)	/	0.07	0.08	0.08	403-2
Occupational illnesses	Occupational illnesses with lost time	#	1	2	2	403-2
	Occupational illnesses without lost time	#	0	6	7	403-2
Human Capital						
Human Rights and Labor Practices	Year-to-end total headcount on payroll	#	17,769	18,359	15,697	
	Full-time employees	#	17,324			102-8
	Women employees	#	2,898			102-8
	Men employees	#	14,426			102-8
	Part-time employees	#	445			102-8
	Women employees	#	220			102-8
	Men employees	#	225			102-8
	Permanent employees	#	16,220	17,381	15,003	102-8
	Women employees	#	2,805			102-8
	Men employees	#	13,415			102-8
	Fixed-term contract	#	1,549	978	694	102-8
	Women employees	#	313			102-8
	Men employees	#	1,236			102-8
	External employees (Full-Time Equivalent)	#	4,204			102-8
	Employees by region - Europe	#	8,455	9,421	8,006	102-8
	Permanent employees	#	7,815			102-8
	Fixed-term contract	#	640			102-8
	of which France	#	2,242			102-8
	Permanent employees	#	2,082			102-8
	Fixed-term contract	#	160			102-8
	Employees by region - Americas	#	4,634	4,419	4,234	102-8
	Permanent employees	#	4,600			102-8
	Fixed-term contract	#	34			102-8
	Employees by region - Asia-Pacific	#	3,882	3,801	2,875	102-8
	Permanent employees	#	3,242			102-8
	Fixed-term contract	#	640			102-8

Category	KPIs	Unit	2018	2017	2016	GRI
	Employees by region - Africa & Middle East	#	798	718	582	102-8
	Permanent employees	#	563	202	185	102-8
	Fixed-term contract	#	235	27	22	102-8
	Employees by function - Operations/Production/ Manufacturing	#	12,335	12,294	10,316	
	Employees by function - Logistics/Purchasing	#	1,044	827	700	
	Employees by function - R&D/Geology	#	488	792	673	
	Employees by function - Sales and Marketing	#	1,450	1,647	1,472	
	Employees by function - Support and Administration	#	2,452	2,880	2,537	
	Employees by Business Group - Energy Solutions & Specialties	#	5,313	4,990	4,798	
	Employees by Business Group - Filtration & Performance Additives	#	4,180	4,263	3,665	
	Employees by Business Group - Ceramic Materials	#	3,263	4,285	4,298	
	Employees by Business Group - High Resistance Minerals	#	4,442	4,400	2,583	
	Holding	#	571	421	353	
	Net variation of permanent employees (excluding acquisitions and divestitures)	#	(438)	0	(416)	
	External recruitments	#	1,446	1,717	1,290	401-1
	Redundancies (economical & non-economical)	#	(557)	(523)	(707)	401-1
	Retirement		(303)	(258)	(211)	
	Voluntary termination & other	#	1,024	(936)	(788)	401-1
	Turnover	*(%)*	6.1	5.8	5.1	401-1
	Net variation of temporary employees (excluding acquisitions and divestitures)	#	569	186	(9)	401-1
	Acquisitions - Divestiture	#	(721)	2,476	(8)	
	Percentage of employees under collective bargaining agreement	*(%)*	68[6]	68	69	
	Total absenteeism rate	*(%)*	2.84	2.78	2.81	403-2
	Absenteeism rate by geographical region			2.78		
	Europe	*(%)*	4.37	4.46	4.34	403-2
	Americas	*(%)*	1.44	0.98	1.26	403-2
	Asia-Pacific	*(%)*	1.23	2.00	2.31	403-2
	Africa & Middle East	*(%)*	1.64	1.22	0.42	403-2
	Number of reported human rights violations	#	0	0	0	412-1
Talent and Skills Management	Percentage of employees with regular performance and career development reviews	*(%)*	27			404-3
	Number of employees who received training at least once in the reporting year	#	13,636	13,166	12,428	
	Training hours	*Hours*	508,356	341,927	293,191	404-1
	Number of hours by category of program					
	Environment, Health & Safety	*Hours*	211,645	185,002	156,083	
	Technical skills	*Hours*	245,078	126,533	109,787	
	Management	*Hours*	51,633	30,393	27,322	
Social Dialogue	Working hours lost due to strikes	*Hours*	7,657	12,828	35,167	
	Employee Engagement Survey Results				-	
	Loyalty Rate	*(%)*	75 [7]	75		
Diversity & Inclusion	Age and seniority					
	Less than 30 years	*(%)*	11	11	11	405-1
	From 30 to 39 years	*(%)*	25	25	25	405-1
	From 40 to 49 years	*(%)*	29	30	29	405-1
	From 50 to 54 years	*(%)*	15	15	16	405-1
	More than 55 years	*(%)*	20	19	19	405-1

Category	KPIs	Unit	2018	2017	2016	GRI
	New hiring by age bracket					
	Less than 30	*(%)*	35	-	-	401-1
	More than 55	*(%)*	4	-	-	401-1
	Percentage of permanent headcount by seniority					
	Less than 10 years	*(%)*	50	50	49	405-1
	More than 10 years	*(%)*	50	50	51	405-1
	of which more than 20 years	*(%)*	23	24	26	405-1
	Gender - Group and Senior management					
	Total percentage of female employees	*(%)*	17.5	17.5	17.1	405-1
	Percentage of females in Manager/Expert/ Professional roles	*(%)*	25.6			405-1
	Percentage of females in Senior management	*(%)*	17.2	14.4	16.5	405-1
	Percentage of female Executive Committee members	*(%)*	9.1			405-1
	Percentage of female Board members	*(%)*	41.7	40	37.5	405-1
	Disability					
	Number of employees with disability	#	186	242	213	
Caring for our planet						
Environmental Stewardship						
Environmental Management	ISO 14001 or EMAS[7] certified operations	#	101	114	105	103
	Operations with Imerys 8-pillar EMS	#	129	153	145	103
	Number of environmental incidents	#	6	11	7	307
	Number of prosecutions	#	5	6	12	307
	Amount of fines	€	17,232	148,868	346,402	307
	Total industrial waste produced	*Tons*	282,569	248,189	213,421	306-1
	Hazardous industrial waste	*Tons*	3,995	1,908	1,734	306-2
	Recycled hazardous industrial waste	*Tons*	2,358	1,763	1,641	306-2
	Non-hazardous industrial waste	*Tons*	160,087	92,712	78,538	306-2
	Recycled non-hazardous industrial waste	*Tons*	116,129	151,806	131,508	306-2
	Industrial waste generation / Turnover	*kg/euro*	0.06	0.05	0.05	
	Recovery rate of non-hazardous inert waste	*(%)*	42	63	63	
	Air emissions produced					
	Sulfur dioxide (SO_2)	*Tons*	4,740	4,621	4,088	305-7
	Nitrogen oxide (NO_x)	*Tons*	6,929	6,503	5,912	305-7
Non-Energetic Resources Efficiency	Total water withdrawals	*M liters*	47,624	47,187	38,910	303-1
	Water obtained from water suppliers	*(%)*	11.8	12.6	11.0	303-1
	Water withdrawn from groundwater	*(%)*	54.8	54.5	57.1	303-1
	Water withdrawn from surface water	*(%)*	27.2	28.4	25.3	303-1
	Water obtained from other sources[8]	*(%)*	6.3	4.6	6.7	303-1
	Number of sites located in a water-scarcity area	#	19	19	19	303-2
	Quantity of water consumed by the sites located in a water-scarcity area	*(%)*	3.4	3.8	4.6	303
	Total water recycled	*M liters*	49,290	44,898	43,293	303-3
	Sites with recycled water reported	#	62	62	61	303-3
Biodiversity and Land Rehabilitation	Surfaces disturbed by the Group's mining activities[9]	*Hectares*	2,038	2,078	2,166	304-3
	Surfaces rehabilitated[9]	*Hectares*	896	1,173	1,216	304-3
	Number of sites identified as located in or near a high biodiversity value area	#	27	31	31	304-1

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Category	KPIs	Unit	2018	2017	2016	GRI
Climate Change						
Climate Change Strategy	Total energy consumption	*TJ*	39,025	37,039	32,976	302-1
	Natural gas	*%*	41.5	47.5	47.8	302
	Other fossil fuels	*%*	26.5	21.6	18.4	302
	Biomass	*%*	2.3	2.3	3.1	302
	Electricity (net) and steam	*%*	29.7	30.3	30.6	302
	Energy efficiency (base 100 in 2014)	*%*	0.6	(4.3)	(3.8)	302
	Energy consumption / Turnover	*MJ/euro*	8.50	8.05	7.91	302
	Total CO_2 emissions	*kt CO_2e*	3,405	3,110	2,698	305
	Scope 1 CO_2 emissions	*kt CO_2e*	2,194	1,945	1,641	305-1
	Scope 2 CO_2 emissions	*kt CO_2e*	1,211	1,165	1,056	305-2
	Emissions by source					
	CO_2 emissions from Energy	*%*	83.9	87.5	86.7	305-1
	CO_2 emissions from Processes	*%*	16.1	14.3	13.3	305-1
	CO_2 emission / Turnover	*Ton CO_2e/M euro*	741.8	676.3	647.6	
	Scope 3 emission estimation	*kt CO_2e*	4,090.1	379.7	273.0	305-3
	Number of product carbon footprints calculated	#	20	-	-	305-3

Building for the future

Category	KPIs	Unit	2018	2017	2016	GRI
Business Conduct						
Corporate Governance	Percentage of independent Board members	*(%)*	50	46.7	46.7	405-1
	Number of trainings on responsible supply chain	#	10	-	-	
	Number of suppliers assessed	#	484	-	-	308-1 414-1
	Number of alerts reported through the whistleblowing system	#	1	-	-	406-1
Community Engagement	Percentage of sites with a formal action plan managing the impacts of operations on communities	*(%)*	89	88	83	413-1
	Number of community engagement initiatives launched	*(%)*	62	64	-	
	Number of reported external grievances	#	0	-	-	-
Product Management						
Product Sustainability	Number of Life Cycle Assessments calculated for Group products	#	14	-	-	

(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 survey on collective bargaining coverage is conducted every two years. This result refers to the 2017 survey.

(7) The loyalty score is the sum of trust, empowerment and development survey responses.

(8) EMAS: Eco Management and Audit Scheme (European Standard).

(9) Water obtained from sources other than water suppliers, ground water or surface water (i.e. collection of rainwater or water obtained from customers).

(10) The two land use indicators are only applied to the open mining operations in Western Europe.

(11) The 2018 value is the energy efficiency compared to 2017.

5.9 ATTESTATION AND CORRELATION TABLE

5.9.1 ATTESTATION OF COMPLETENESS AND LIMITED ASSURANCE REPORT OF ONE OF THE STATUTORY AUDITORS

REPORT OF ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PUBLISHED IN THE GROUP MANAGEMENT REPORT

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

French public limited company with a share capital of €1,723,040
572 028 041 RCS Nanterre
Statutory Auditors
Member of the Compagnie régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex

French simplified joint-stock company with variable capital
438 476 913 RCS Nanterre
Statutory Auditors
Member of the Compagnie régionale de Versailles

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.

5

For the year ended December 31, 2018

To the Imerys shareholders',

In our capacity as Statutory Auditor of Imerys SA, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non-financial statement for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement was prepared by applying the Company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the Company's website or on request from its headquarters.

Independence and quality control

Our independence is defined by article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors *(Code de déontologie)*. 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.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of article R. 225 105 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on:

- the Company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation;
- the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with articles A. 225 1 *et seq.* of the French Commercial Code 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 *(Assurance engagements other than audits or reviews of historical financial information)*.

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- We familiarized ourselves with the Group's business activity, the report on the main social and environmental risks relating to this activity and the impacts thereof with regard to the respect for human rights and the fight against corruption and tax evasion, together with the subsequent policies and their results.
- We assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- We verified that the Statement covers each category of information stipulated in section III of article L. 225 102 1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion.
- We verified that the Statement includes an explanation justifying the absence of information required by paragraph 2 of section III of article L. 225-102-1.
- We verified that the Statement presents the business model and the main risks relating to the Group's business activity, including, where relevant and proportionate, the risks generated by its business relations, products or services as well as policies, measures and outcomes, including key performance indicators.
- We verified that, when relevant to the main risks or policies presented, the Statement presents the information stipulated in section II of article R. 225-105.
- We assessed the process of selecting and validating the main risks.
- We inquired as to the existence of internal control and risk management procedures set up by the Company.
- We assessed the consistency of the results and key performance indicators used with regard to the main risks and policies presented.
- We verified that the Statement includes a clear and reasoned explanation justifying the absence of policy regarding one or more of these risks.
- We verified that the Statement covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with article L. 233-16, with the limits specified in the Statement.
- We assessed the collection process set up by the entity to ensure the completeness and fairness of the Information.
- For the key performance indicators and other quantitative outcomes[(1)] that in our judgment were of most significance, we carried out
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities[(2)] and covered between 13% and 47% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that in our judgment were of most significance[(3)];
- We assessed the overall consistency of the Statement in relation to our knowledge of the Company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

(1) *Environmental quantitative information: Number of ISO 14001 (or equivalent) certified sites; Total industrial waste produced (hazardous and non-hazardous); Recycled industrial waste (hazardous and non-hazardous); Total water withdrawals; Total energy consumption; Total CO2 emissions (scope 1 and 2); Total SO2 and NOX emissions.*

Social quantitative information: Headcount as of December 31, 2018; External recruitments; Redundancies (economical and non-economical); Accident frequency rate (Imerys and non-Imerys employees); Accident severity rate (Imerys and non-Imerys employees); Total occupational illnesses

(2) *Selected entities: United-States (Andersonville – Aluminates, Sylacauga – Carbonates, Sandersville Deepstep Road plant – Kaolin, Greeneville – Fused Minerals, Lompoc – Filtration), China (Zhejiang – Fused Minerals, Zhengzhou – Aluminates), Brazil (Barcarena – Kaolin), Greece (Milos – Metallurgy), Switzerland (Bodio – Graphite & Carbon) and France (Salin de Giraud – Carbonates).*

(3) *Environmental qualitative information: Group scope 3 emission estimation; Mineral resources optimization.*

Social qualitative information: Diversity and inclusion charter; Diversity and inclusion plan; Stakeholder Advisory Panel.

Qualitative information in relation with human rights and corruption: Group code of conduct and business ethics; ESG risk mapping process.

Means and resources

Our work engaged the skills of five people between November 2018 and March 2019.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around ten interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non-financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Commentaires

Without qualifying the conclusion expressed above and in accordance with article A. 225-3 of the French Commercial Code, we make the following comments:

The change of the HR information system during the year, combined with a revision of the nomenclature, has required manual reprocessing of the database and has made it difficult to compare 2017 data with 2018 data, site by site.

Paris-La Défense, March 19, 2019

One of the Statutory Auditors

DELOITTE & ASSOCIÉS

Frédéric GOURD	Olivier JAN
Partner	*Partner, Sustainability Services*

5.9.2 CORRELATION TABLE WITH THE ELEMENTS OF THE "*DÉCLARATION DE PERFORMANCE EXTRA-FINANCIÈRE* (DPEF)"

Elements of the *"déclaration de performance extra-financière"*		**Pages**
Business model		**17-21**
Social		
Main social risks, and including:		
	Social commitments in favor of sustainable development	16; 136; 139-140
	Collective agreements and their impacts on the economic performance of the company	149; 163
	Employee working conditions	122; 141-148
	Discrimination	146; 149
	Diversity	149-151
	Measures for people with disabilities	149; 150; 166
Policies to mitigate social risks		16; 136-137; 142-143; 145-146; 149
Results and KPIs		141-151; 169-171
Environment		
Main environmental risks, and including:		
	Climate change	158-161
	Circular economy	154-156
	Food waste	154
	Animal welfare	154
	Responsible, equitable and sustainable food supply	154
Policies to mitigate environmental risks		16; 136-137; 153; 155; 157
Results and KPIs		152-161; 171-172
Human rights		
Main human rights risks		146; 164
Policies to mitigate human rights risks		16; 136-137; 145-146; 163-165
Results and KPIs		146; 165; 169-170
Corruption		
Main corruption risks		164
	Tax evasion	163
Policies to mitigate corruption risks		163; 165
Results and KPIs		164-165; 172

5.9.3 CORRELATION TABLE WITH THE ELEMENTS OF THE *"PLAN DE VIGILANCE"*

Elements of the *"plan de vigilance"*		Pages
Risk mapping		
Group risk mapping process		131
ESG risk mapping process		138; 164
Supplier risk mapping process and assessment		164
Evaluation of environmental social and governance risks		
Group ESG risk evaluation process		120-126; 164
Supplier ESG risk evaluation process		164
Control measures		
Management Framework		
	Human Rights and Fundamental Freedoms	145-151; 163-165
	Health and Safety	142-143; 163-165
	Environment	152-161; 163-165
	Training and awareness	147-150; 165
	Assessments	165
Alert mechanism		**165**
Monitoring and evaluation of the effectiveness of control measures		**165**

6 FINANCIAL STATEMENTS

6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	2018	2018 Discontinued operations[1]	2017	2017 Discontinued operations[1]
Revenue	**5**	**4,590.0**	**229.2**	**4,299.0**	**299.4**
Current income and expenses		**(4,027.9)**	**(153.1)**	**(3,747.7)**	**(202.6)**
Raw materials and consumables used	6	(1,503.2)	(61.0)	(1,351.2)	(78.6)
External expenses	7	(1,267.8)	(39.7)	(1,205.1)	(46.5)
Staff expenses	8	(997.7)	(43.0)	(930.5)	(56.9)
Taxes and duties		(41.2)	(3.9)	(46.2)	(4.8)
Amortization, depreciation and impairment		(265.9)	(5.4)	(251.8)	(13.8)
Other current income and expenses	9	47.9	(0.1)	37.2	(2.0)
Current operating income		**562.1**	**76.1**	**551.2**	**96.9**
Other operating income and expenses	**10**	**(651.5)**	**738.8**	**(52.2)**	**(1.4)**
Gain (loss) from changes in control		3.9	739.7	(11.0)	-
Other non-recurring items		(655.4)	(0.9)	(41.2)	(1.4)
Operating income		**(89.4)**	**814.9**	**499.1**	**95.5**
Net financial debt expense		**(42.0)**	**0.0**	**(46.4)**	**(0.0)**
Income from securities	11	4.9	-	10.2	-
Gross financial debt expense	11	(46.9)	-	(56.6)	-
Other financial income and expenses		**(18.2)**	**(0.4)**	**(31.9)**	**(0.8)**
Other financial income		285.4	0.1	212.1	-
Other financial expenses		(303.6)	(0.5)	(244.0)	(0.8)
Financial income (loss)	**12**	**(60.2)**	**(0.4)**	**(78.4)**	**(0.9)**
Income tax	13	(89.0)	(26.5)	(118.9)	(27.3)
Net income from discontinued operations[1]		**788.0**	**788.0**	**67.3**	**67.3**
Net income		**549.4**	**-**	**369.1**	**-**
Net income, Group share[2]	14	559.6	-	368.2	-
Net income attributable to non-controlling interests		(10.2)	-	0.9	-
(1) Roofing division (Note 25)					
(2) Net income per share:					
Basic net income per share (in €)	*15*	*7.06*	*9.94*	*4.66*	*0.85*
Diluted net income per share (in €)	*15*	*6.96*	*9.80*	*4.59*	*0.84*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Notes	2018	2017
Net income		**549.4**	**369.1**
Items not to be reclassified to profit			
Post-employment benefits		**25.8**	**(19.6)**
Actuarial gains (losses), surplus of the actual return on assets over their normative return in profit	23.1	25.8	(19.6)
Income tax on items not to be reclassified	**13**	**(5.4)**	**4.9**
Items to be reclassified to profit			
Cash flow hedges		**(8.2)**	**(5.7)**
Recognition in equity	24.4	(5.3)	11.2
Reclassification in profit	24.4	(2.9)	(16.9)
Translation reserve		**(39.6)**	**(238.7)**
Recognition in equity	26	(41.6)	(238.4)
Reclassification in profit	26	2.0	(0.3)
Income tax on items to be reclassified	**13**	**2.9**	**(11.3)**
Other comprehensive income (expense)		**(24.5)**	**(270.4)**
Total comprehensive income (expense)		**524.9**	**98.7**
Total comprehensive income (expense), Group share		535.2	100.5
Total comprehensive income (expense) attributable to non-controlling interests		(10.3)	(1.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	**Notes**	**2018**	**2017**
Non-current assets		**4,908.3**	**5,251.5**
Goodwill	16	2,143.3	2,135.5
Intangible assets	17	277.6	305.5
Mining assets	18	503.7	592.6
Property, plant and equipment	18	1,662.1	1,896.0
Joint ventures and associates	9	112.8	115.5
Other financial assets	21.1	42.0	52.1
Other receivables	21.1	35.1	46.3
Derivative financial assets	21.1	19.3	22.5
Deferred tax assets	13	112.4	85.5
Current assets		**2,685.6**	**2,216.5**
Inventories	20	867.0	840.2
Trade receivables	21.1	656.6	676.1
Other receivables	21.1	296.9	302.4
Derivative financial assets	21.1	7.3	7.0
Other financial assets(1)	24.2	8.9	8.8
Cash and cash equivalents(1)	24.2	848.9	381.9
Consolidated assets		**7,593.9**	**7,468.0**
Equity, Group share		**3,217.2**	**2,827.6**
Share capital		159.0	159.2
Premiums		520.4	529.1
Reserves		1,978.2	1,771.0
Net income, Group share		559.6	368.3
Equity attributable to non-controlling interests		**36.4**	**50.6**
Equity	**22**	**3,253.6**	**2,878.2**
Non-current liabilities		**3,095.5**	**2,859.8**
Provisions for employee benefits	23.1	290.0	321.3
Other provisions	23.2	666.2	394.6
Borrowings and financial debt(1)	24.2	1,995.9	1,986.3
Other debts	24.3	17.7	20.2
Derivative financial liabilities	24.1	0.4	2.7
Deferred tax liabilities	13	125.3	134.7
Current liabilities		**1,244.8**	**1,729.9**
Other provisions	23.2	23.7	27.1
Trade payables	24.1	557.3	510.9
Income tax payable		115.1	100.9
Other debts	24.3	358.9	417.2
Derivative financial liabilities	24.1	9.7	6.0
Borrowings and financial debt(1)	24.2	168.5	664.9
Bank overdrafts(1)	24.2	11.6	2.9
Consolidated equity and liabilities		**7,593.9**	**7,468.0**
(1) Included in the calculation of net financial debt	*24.2*	*1,297.4*	*2,246.4*

■ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity, Group share										
			Reserves								
(€ millions)	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves	Subtotal	Net income, Group share	Subtotal	Equity attributable to non-controlling interests	Total
Equity at January 1, 2017	**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 (expense)	**-**	**-**	**-**	**(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 (expense)	-	-	-	-	-	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 increase	0.8	22.4	-	-	-	-	0.0	-	23.2	2.7	25.9
Capital decrease	(0.8)	(23.0)	-	-	-	-	0.0	-	(23.8)	-	(23.8)
Treasury share transactions	-	-	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 at December 31, 2017	**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**
Change in accounting policy(1)	-	-	-	0.7	-	(0.7)	0.0	-	0.0	-	0.0
Equity at January 1, 2018 after change in accounting policy	**159.2**	**529.1**	**(44.4)**	**2.8**	**(409.4)**	**2,222.0**	**1,771.0**	**368.3**	**2,827.6**	**50.6**	**2,878.2**
Total comprehensive income (expense)	**-**	**-**	**-**	**(5.6)**	**(39.2)**	**20.4**	**(24.4)**	**559.6**	**535.2**	**(10.3)**	**524.9**
Transactions with shareholders	**(0.2)**	**(8.7)**	**27.6**	**0.0**	**0.0**	**204.0**	**231.6**	**(368.3)**	**(145.6)**	**(4.0)**	**(149.6)**
Allocation of 2017 net income (expense)	-	-	-	-	-	368.3	368.3	(368.3)	0.0	-	0.0
Dividend (€2.075 per share)	-	-	-	-	-	(164.6)	(164.6)	-	(164.6)	(3.4)	(168.0)
Contributions in kind	-	-	-	-	-	-	0.0	-	0.0	2.1	2.1
Capital increase	0.2	5.5	-	-	-	-	0.0	-	5.7	-	5.7
Capital decrease	(0.4)	(14.2)	-	-	-	-	0.0	-	(14.6)	-	(14.6)
Treasury share transactions	-	-	27.6	-	-	(14.3)	13.3	-	13.3	-	13.3
Share-based payments	-	-	-	-	-	14.9	14.9	-	14.9	-	14.9
Transactions with non-controlling interests	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)	(2.7)	(3.0)
Equity at December 31, 2018(2)	**159.0**	**520.4**	**(16.8)**	**(2.8)**	**(448.6)**	**2,446.4**	**1,978.2**	**559.6**	**3,217.2**	**36.3**	**3,253.5**

(1) IFRS 9 Financial Instruments: time value of options and forward points of forward contracts (Note 2.1)

(2) Proposed dividend (€2.150 per share)	-	-	-	-	-	*(170.9)*	*(170.9)*	-	*(170.9)*	-	*(170.9)*
Equity after proposed dividend	*159.0*	*520.4*	*(16.8)*	*(2.8)*	*(448.6)*	*2,275.5*	*1,807.3*	*559.6*	*3,046.3*	*36.3*	*3,082.6*

6

▪ CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	2018	2017
Cash flow from operating activities		**615.7**	**621.5**
Of which cash flow from discontinued operations[1]		59.7	73.0
Cash flow from current operations	Appendix 1	847.2	836.1
Interest paid		(46.1)	(76.8)
Income tax on current operating income (expense) and financial income (loss)		(135.7)	(132.9)
Dividends received from available-for-sale financial assets		0.1	(0.8)
Cash flow from other operating income and expenses	Appendix 2	(49.8)	(4.1)
Cash flow from investing activities		**378.4**	**(639.6)**
Of which cash flow from discontinued operations[1]		676.1	(20.4)
Acquisitions of intangible assets and property, plant and equipment	Appendix 3	(342.8)	(340.7)
Acquisitions of shares in consolidated entities, net of acquired cash		(23.7)	(311.9)
Transaction costs		(22.1)	(19.3)
Changes in the estimated contingent consideration of the seller		(0.8)	-
Acquisitions of available-for-sale financial assets		(0.1)	(3.2)
Disposals of intangible assets and property, plant and equipment	Appendix 3	26.8	19.7
Disposals of shares in consolidated entities, net of disposed cash		743.2	5.1
Net change in financial assets		(7.2)	0.1
Interest income		5.1	10.6
Cash flow from financing activities		**(529.2)**	**(380.1)**
Of which cash flow from discontinued operations[1]		(29.9)	(51.9)
Capital increase and decrease in cash		(6.9)	2.1
Disposals (acquisitions) of treasury shares		9.4	(2.6)
Dividends paid to shareholders		(164.6)	(148.2)
Dividends paid to non-controlling interests		(3.2)	(1.4)
Acquisitions of shares in consolidated entities from non-controlling interests		-	(0.2)
Loans issued		5.6	604.2
Repayment of borrowings		(32.7)	(1,136.9)
Net change in other debts		(336.8)	302.9
Change in cash and cash equivalents		**464.9**	**(398.2)**

(1) Roofing division (Note 25).

(€ millions)	2018	2017
Cash and cash equivalents at January 1	**379.0**	**798.1**
Change in cash and cash equivalents	464.9	(398.1)
Impact of currency fluctuations	(6.6)	(21.0)
Cash and cash equivalents at December 31[2]	**837.3**	**379.0**
Cash	509.1	289.7
Cash equivalents	339.8	92.2
Bank overdrafts	(11.6)	(2.9)

(2) At December 31, 2018, "Cash and cash equivalents at December 31" included a restricted balance of €7.1 million (€1.9 million at December 31, 2017) not available for Imerys S.A. and its subsidiaries, of which €5.6 million (€1.3 million at December 31, 2017) due to legal restrictions or foreign exchange controls and €1.5 million (€0.6 million at December 31, 2017) due to statutory requirements.

Appendix 1: cash flow from current operations

(€ millions)	Notes	2018	2017
Net income		**549.4**	**369.1**
Adjustments		**326.6**	**499.9**
Income tax		115.5	146.2
Share in net income of joint ventures and associates		(1.7)	(6.0)
Dividends received from joint ventures and associates		5.6	5.8
Share of net income from non-recurring operations of associates		7.7	0.1
Other operating income and expenses, net of impairment loss recognized against goodwill		(95.0)	53.5
Net operating amortization and depreciation	Appendix 3	270.8	265.5
Net operating impairment loss on assets		4.2	(7.2)
Net operating provisions		(29.9)	(16.7)
Net interest income and expenses		38.7	48.1
Share-based payment expenses		15.3	13.4
Change in the fair value of hedge instruments		(1.9)	2.6
Income (loss) from current disposals of intangible assets and property, plant and equipment		(2.7)	(5.4)
Change in working capital requirement		**(28.8)**	**(32.9)**
Inventories		(99.5)	(52.9)
Accounts receivable, advances and down payments received		15.0	(18.9)
Accounts payable, advances and down payments paid		59.0	60.1
Other receivables and debts		(3.3)	(21.2)
Cash flow from current operations		**847.2**	**836.1**

Appendix 2: cash flow from operating income and expenses

(€ millions)	Notes	2018	2017
Other operating income and expenses		**87.3**	**(53.6)**
Continuing operations		(651.5)	(52.2)
Discontinued operations[(1)]		738.8	(1.4)
Adjustments		**(137.1)**	**49.5**
Transaction costs		22.1	19.3
Changes in the estimated contingent consideration of the seller		0.8	-
Income from disposals of consolidated investments and available-for-sale financial assets		(766.5)	1.3
Income from non-recurring disposals of intangible assets and property, plant and equipment		(5.4)	1.0
Other net operating amortization and depreciation	Appendix 3	224.3	13.9
Other net operating provisions		351.3	0.4
Share of net income from non-recurring operations of associates		7.7	0.1
Income tax paid on other operating income and expenses		28.6	13.5
Cash flow from other operating income and expenses		**(49.8)**	**(4.1)**

(1) Roofing division (Note 25).

Appendix 3: table of indirect references to the notes

The following table is intended to help users of the financial statements reconcile the amounts presented in the consolidated statement of cash flows and its two appendices ("Total" column) and the amounts presented in the notes to the financial statements ("Continuing operations" column).

		2018			2017		
(€ millions)	Notes	Continuing operations	Discontinued operations(1)	Total	Continuing operations	Discontinued operations(1)	Total
Consolidated Statement of Cash Flows							
Acquisitions of intangible assets and property, plant and equipment		(333.5)	(9.3)	(342.8)	(319.2)	(21.5)	(340.7)
Intangible assets	17	(28.4)	(0.3)	(28.7)	(21.6)	(1.2)	(22.8)
Property, plant and equipment	18	(307.7)	(5.8)	(313.5)	(316.2)	(18.1)	(334.3)
Neutralization of activated restoration provisions	24.2	0.2	-	0.2	-	-	0.0
Neutralization of finance lease acquisitions		-	-	0.0	0.2	-	0.2
Change in payables on acquisitions of intangible assets and property, plant and equipment		2.9	(3.7)	(0.8)	18.4	(2.2)	16.2
Disposals of intangible assets and property, plant and equipment		26.0	0.8	26.8	19.7	0.0	19.7
Intangible assets	17	1.8	-	1.8	0.5	-	0.5
Property, plant and equipment	18	16.2	0.8	17.0	14.9	-	14.9
Income from asset disposals	9	2.7	-	2.7	5.4	-	5.4
Income from non-recurring asset disposals	10	5.4	-	5.4	(1.0)	-	(1.0)
Change in receivables on disposals of intangible assets and property, plant and equipment		(0.1)	-	(0.1)	(0.1)	-	(0.1)
Appendix 1							
Net operating amortization and depreciation		265.4	5.4	270.8	251.7	13.8	265.5
Increase in amortization – intangible assets	17	18.9	0.4	19.3	13.2	0.5	13.7
Increase in depreciation – property, plant and equipment	18	250.0	5.1	255.1	239.4	13.3	252.7
Amortization of prepaid expenses		0.2	-	0.2	(0.1)	-	(0.1)
Amortization and depreciation reversals – intangible assets and property, plant and equipment		(3.1)	-	(3.1)	(0.7)	-	(0.7)
Neutralization of finance lease depreciation		(0.6)	-	(0.6)	(0.1)	-	(0.1)
Appendix 2							
Other net operating amortization and depreciation		224.3	0.0	224.3	13.9	0.0	13.9
Impairment loss – intangible assets	17	22.6	-	22.6	-	-	0.0
Impairment loss – property, plant and equipment	18	218.3	-	218.3	15.7	1.1	16.8
Reversal of impairment loss – intangible assets and property, plant and equipment	18	(16.6)	-	(16.6)	(1.8)	(1.1)	(2.9)

(1) Roofing division (Note 25).

6.1.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

▪ 2018 SIGNIFICANT EVENTS

This paragraph helps readers to easily identify the main notes addressing significant events that occurred in 2018.

- Disposal of the Roofing division: *Note 25.* The aggregates for this division are presented in the following notes and statements: *Consolidated Income Statement, Consolidated Statement of Cash Flows, Information by Segment as well as Notes 14, 15 and 24.2 – Reconciliation of net financial debt*.
- Developments in the talc-related operational litigation in the North American Performance Additives division within the Filtration & Performance Additives business group: *Notes 23.2 and 30*.
- Finalization of the purchase accounting for Kerneos: *Note 16*.
- Impairment of Oilfield Solutions and Graphite & Carbon divisions: *Note 19*.
- Imerys and Brexit: *Information by Segment - Information by Geographical Location - Exposure to Country Risk*.
- Announcement of a change in structure within the Imerys Group: *Information by Segment*.

▪ BASIS OF PREPARATION

NOTE 1 ACCOUNTING PRINCIPLES

1.1 STATEMENT OF COMPLIANCE

Pursuant to European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements of Imerys, a group operating in the industrial minerals sector, headquartered at 43 quai de Grenelle, Paris, France and whose share is listed on compartment A of the Euronext Paris market, have been prepared at December 31, 2018 in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at the end of the reporting period (hereinafter "the Standards"). The consolidated financial statements were approved on February 13, 2019 by the Board of Directors of Imerys S.A., 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 STANDARDS AND IFRS

The European Union's adoption process may result in temporary differences at the end of the reporting period between the Standards and IFRS. However, at December 31, 2018, no such differences existed between the Standards and IFRS.

1.3 OPTIONAL STATEMENTS

First-time adoption. The first year the Standards were adopted, the financial statements published by Imerys at January 1, 2004 included a retrospective application, which was limited by some optional exemptions set out in IFRS 1, for the first-time adoption of IFRS and exercised by the Group. Acquisitions completed prior to the first-time adoption have not been adjusted. Carrying amounts of property, plant and equipment have not been adjusted, with the exception of mineral reserves and resources, which have been measured at fair value. The actuarial differences of post-employment benefits unrecognized at the date of first-time adoption were included in plan assets and provisions and measured against reserves. Finally, translation differences of foreign operations were reclassified in reserves.

Other optional statements. Some provisions in the Standards allow for recognition and measurement options. Amortized or depreciated historical cost provides the basis for measuring 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 "First-In, First-Out" (FIFO) accounting or the weighted average cost method *(Note 20)*. The rules of hedge accounting are applied to the recognition of derivatives for hedging exchange rate, 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, Executive Management has defined recognition and measurement policies for the following three areas: greenhouse gas allowances *(Note 17)*, mining assets *(Note 18)* and purchase commitments for non-controlling interests of an entity controlled by the Group *(Note 25)*.

1.5 ALTERNATIVE PERFORMANCE MEASURES (APM)

Definition. APMs are performance indicators that Imerys uses in addition to those reported in accordance with IFRS. The definition of APMs is provided in the notes to the financial statements, so that the users of the financial statements may understand how they are measured and relate to standardized indicators. The main APMs defined by Imerys include recurring operating income and other operating income and expenses *(Notes to the Consolidated Income Statement – Accounting policy)* as well as net financial debt and current free operating cash flow *(Note 24.2 – Reconciliation of net financial debt)*. APMs are not displayed with more prominence or emphasis than standardized indicators.

Modification. APMs are applied consistently over time and only changed to make them more reliable and more relevant. If modified, the reason for the change is explained, the new definition is communicated and comparatives are restated. The changes to accounting policies in 2018 and, in particular, those related to the application of IFRS 9 and IFRS 15 *(Note 2.1)* do not require the modification of any APMs. However, the ongoing work related to the adoption of IFRS 16 on January 1, 2019 *(Note 3.1)* has led Imerys to question the relevance of its definition of current free operating cash flow *(Note 24.2 – Reconciliation of net financial debt)*. According to the definition used until now, the acquisition of finance lease assets simultaneously resulted in a deterioration of current free operating cash flow, even though the associated cash outflows would only take place at a later date as lessors call for funds. Previously, these anticipated cash outflows had little impact due to the immaterial nature of finance lease contracts under IAS 17 *(Note 18 – Property, plant and equipment leases)*. However, the perspective of recurring changes to the right to use assets under IFRS 16 has led the Group to conclude that such changes are not expected to impact current free operating cash flow. Imerys has decided to implement this definition from 2018 onward, as it is more relevant. Comparative information has not been restated given the extremely limited impact of the change (€0.2 million).

NOTE 2 CHANGES IN ACCOUNTING POLICIES AND ERRORS

Accounting policy

Accounting policies are identical from one year to the next 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 relevance of information *(Note 2.2)*. Changes in accounting policies are applied retrospectively, unless specific transition measures have been identified in the standard or interpretation. The financial statements for all reported periods are modified, as if the new policy had always been applied. Errors *(Note 2.3)* are corrected retrospectively.

2.1 MANDATORY CHANGES

Early adoption

Imerys did not early adopt any standard or interpretation in 2017 or 2018.

Adoption upon effective date

Amendments to IFRS 2, Classification and Measurement of Share-Based Payment Transactions. This amendment clarifies the accounting for equity-settled share-based payment transactions. It specifies that such transactions are classified as equity-settled in their entirety, even if they incidentally result in a cash settlement with respect to a tax obligation. This clarification had no impact in 2018. Furthermore, the amendment contained clarifications on cash-settled share-based payments, a type of transaction that Imerys does not use.

IFRS 9, Financial Instruments. As of January 1, 2018, IFRS 9 replaced IAS 39 on financial instruments. IFRS 9 introduced new requirements for classifying financial instruments, which has the following impact on the information provided in *Notes 11, 12, 21.1 and 24.1*:

- **Old IAS 39 "Available-for-sale financial assets" category.** This IAS 39 category included the investments held by Imerys in non-listed entities over which the Group does not exercise control, joint control or significant influence, nor does it intend to sell in the short term. These investments are now designated at fair value through profit or loss in IFRS 9.
- **Old IAS 39 "Loans and receivables" and "Financial liabilities at amortized cost" categories.** Most of the IAS 39 "Loans and receivables" category corresponded to trade receivables from revenue as well as cash, *i.e.* cash on hand, bank deposits and cash equivalents. The IAS 39 category of "Financial liabilities at amortized cost" mainly applied to loans, trade payables and other financial liabilities. These assets and liabilities now come under the scope of the IFRS 9 amortized cost category.

According to the transition provisions set out in IFRS 7, it is not necessary to publish restated comparative financial statements in line with the new IFRS 9 categories during the reporting period that includes the date of initial application. However, the comparative information provided in *Notes 11, 12, 21.1 and 24.1* has been voluntarily presented according to the new IFRS 9 categories to make the statements easier to read. The new model for measuring financial instruments has no impact on the value of financial instruments held at the date of transition. The impairment model detailed in IFRS 9, which is based on setting aside provisions for expected losses *(Note 21.2),* has no material impact on measuring impairment of financial assets. Imerys is affected by the new requirements for hedge accounting, as changes to the time value of options and forward points of forward contracts are now recognized in equity rather than profit, as was the case under IAS 39 until December 31, 2017 *(Note 24.4 – Derivative instruments in the financial statements)*. At January 1, 2018, the time value of options and forward points of forward contracts credited to the income statement (€0.7 million) was therefore reclassified to the cash flow hedge reserve *(Consolidated Statement of Changes in Equity)*.

IFRS 15, Revenue from Contracts with Customers. Applicable to revenue *(Note 5)*, this standard is based on two principles: recognizing the sale when control of the goods or services is transferred to the customer and measuring the transaction price. For the sale of goods, the standard has no material impact on transactions combining the sale of goods and a freight service. For service contracts, the standard has no material impact on the timing of revenue recognition, irrespective of whether control is transferred at a given point in time or over time.

IFRIC 22, Foreign Currency Transactions and Advance Consideration. In the absence of indications in IAS 21, The Effects of Changes in Foreign Exchange Rates, on the exchange rate applicable to transactions that include the receipt or payment of advance consideration in a foreign currency resulting in the recognition of a non-monetary asset or liability, IFRIC 22 specifies that each payment and receipt must be measured at the exchange rate at the date of the transaction. As Imerys had already had to deal with the absence of indications in IAS 21 regarding this matter, the Group has applied the clarification in its accounting policies since 2014. Therefore, the adoption of this interpretation will have no impact.

Furthermore, the amendments to IAS 40, Transfers of Investment Property and IFRS 4, Insurance Contracts, as well as the application of IFRS 9, Financial Instruments, and IFRS 4, Insurance Contracts, do not apply to Imerys.

2.2 VOLUNTARY CHANGES

Imerys did not voluntarily change its accounting policy in 2017 or 2018.

2.3 ERRORS

Any material error in the current year financial statements identified before the financial statements are approved for publication is corrected. Any material error in financial statements for prior years is corrected in the comparative information. No errors were corrected in 2017 or 2018.

NOTE 3 STANDARDS AND INTERPRETATIONS EFFECTIVE AFTER THE CLOSING DATE

In line with the European Union's latest IFRS endorsement status report of February 11, 2019 published by the European Financial Reporting Advisory Group (EFRAG), Imerys will apply the following standards and interpretations as of December 31, 2018.

3.1 APPLICATION IN 2019

IFRS 16, Leases. This standard sets out a single lessee accounting model, eliminating the current distinction between operating leases recognized as an expense *(Note 7)* and finance leases recognized as property, plant and equipment *(Note 18)* against a financial debt *(Note 24.1)*. Lessees are now required to recognize the right of use against a financial debt for all leases. This will especially impact property, plant and equipment *(Note 18)*, the depreciation cost recognized in current operating income, the interest expense recognized in financial income (loss) *(Note 12)*, impairment tests *(Note 19)*, the covenants the Group is required to meet for some of its financing *(Note 24.5 – Borrower's liquidity risk)* and the level of commitments made under current operating leases *(Note 28 – Commitments given)*. The scope of contracts has been systematically reviewed, reassessing the existence of leases in each contract according to the criteria of the standard and excluding leases with a term of 12 months or less and assets of low value in line with the options set out in the standard. Imerys will apply the simplified approach, according to which the cumulative impact of initial adoption is recognized as an adjustment in equity at January 1, 2019. Comparative information for 2018 will not be restated. The right to use an asset is measured in relation to the amortized value at the date of transition. The Group believes that, depending on the assumptions made on lease terms, the non-discounted amount of its lease commitments at January 1, 2019 could range from €320.0 million to €345.0 million, corresponding to a lease liability of between €280.0 million to €310.0 million discounted over the residual terms of the leases. Imerys anticipates that the implementation of IFRS 16 will have the following consequences on its main Alternative Performance Measures: the right to use assets will be included in capital employed *(Information by Segment)*, lease liability will come within net financial debt *(Note 24.2 – Reconciliation of net financial debt)*, the interest expense on the lease liability will be added to net financial debt expense *(Consolidated Income Statement)* and lease payments will be presented as a cash outflow under current free operating cash flow *(Note 24.2 – Reconciliation of net financial debt)*.

IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation clarifies the accounting for uncertainties in the recognition and measurement of income tax. Entities must assume that a taxation authority will have full knowledge of all relevant information when examining any amounts reported to it. The interpretation sets out the criteria to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. It requires entities to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. Finally, the interpretation requires entities to reassess their judgments and estimates if facts and circumstances change. Imerys already integrated these criteria in its judgment process. The Group therefore does not expect to see any impact from this interpretation coming into force.

Amendments to IAS 19, Plan Amendment, Curtailment or Settlement. This amendment involves updating the actuarial assumptions used to calculate the current service cost, unwinding and normative return on plan assets and reimbursement rights after a plan amendment, curtailment or settlement. At December 31, 2018, the European Union was in the process of endorsing this amendment.

Furthermore, amendments to IFRS 9, Prepayment Features with Negative Compensation, and IAS 28, Long-term Interests in Associates and Joint Ventures, do not apply to Imerys.

3.2 APPLICATION IN 2020

Amendment to IFRS 3, Business Combinations. This amendment clarifies the description of a business by defining its three main elements: inputs, the substantive processes that create outputs, and the outputs themselves. The amendment narrows the definition of a business and outputs by focusing on goods and services provided to customers and removing the reference to an ability to reduce costs.

Amendment to IAS 1 and IAS 8, Definition of Material. By revisiting the definition of materiality, this amendment defines information as material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the users of the financial statements make on the basis of those statements.

3.3 APPLICATION IN 2021

IFRS 17, Insurance Contracts, does not apply to Imerys.

NOTE 4 ESTIMATES AND JUDGMENTS

Estimates. Estimates are intended to provide a reasonable assessment of the most recent reliable information available about elements of uncertainty. They are revised to reflect changes in circumstances, newly available information and past experience. Changes in estimates are recognized for future periods. The following significant estimates made by Executive Management are discussed in detail separately in the notes:

- estimated value 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, in particular mineral reserves, overburden assets and certain industrial assets of discontinuous use *(Note 18)*;
- duration and amount of future cash flows as well as the discount rate and perpetual growth rate used to calculate the value in use of CGUs for impairment tests performed on non-financial assets *(Note 19)*;
- actuarial assumptions applied to defined benefit plans *(Note 23.1)*;
- assessment of the probability of settlement as well as the amount of obligations, the planned schedule of future payments and the discount rates required to recognize and measure provisions *(Note 23.2)*.

Judgments. Judgments are made by analyzing and categorizing elements, transactions and situations. When a judgment is revised, it is recognized for future periods like for changes in estimates, except if the judgment has been revised to correct an error *(Note 2.3)*. The following significant judgments made by Executive Management are discussed in detail separately in the notes:

- allocation of certain transactions by levels within the income statement *(Notes to the Consolidated Income Statement)*;
- definition of Cash Generating Units (CGUs) and impairment indicators for impairment tests performed on non-financial assets *(Note 19)*.

6

▪ INFORMATION BY SEGMENT

Accounting policy

Imerys delivers high value-added, functional solutions to a wide variety of industries, ranging from process manufacturing to consumer goods. In each of its four business groups, Imerys draws on its understanding of applications, technological knowledge and expertise in materials science to deliver solutions by beneficiating its mineral resources, synthetic minerals and formulations. Our solutions contribute essential properties to customers' products and their performance, including heat resistance, hardness, conductivity, opacity, durability, purity, lightness, filtration, absorption and water repellency.

- Energy Solutions & Specialties (ESS): functional additives used in construction (plastics, paint, etc.) and paper production, monolithic refractory products to protect high-temperature industrial equipment for the iron and steel, foundry, petrochemical, glass and cement industries, *etc.*, and mineral specialties for the mobile energy, electronics and unconventional oil exploration markets;
- Filtration & Performance Additives (F&PA): process aids and functional additives used in the filtration of liquid foodstuffs, plastics, paint and polymers as well as foundry, iron and steel, for the construction, convenience goods (beverages, food, magazines, packaging, pharmaceutical products, health and beauty, *etc.*) and consumer durables (mainly automobile) industries;
- Ceramic Materials (CM): clay roof tiles *(Note 25)* and mineral solutions for floor tiles, sanitaryware, tableware, technical ceramics, paint, plastics and paper;
- High Resistance Minerals (HRM): fused minerals for industrial abrasives (cutting, grinding and polishing tools), high-performance binders for the construction (flooring screed mortars), refractory (refractory minerals used in high-temperature industries: iron and steel, foundry, power generation, *etc.*) and engineering industries (wastewater infrastructure, *etc.*).

Each of the reporting segments manufactures and sells goods and services presenting geological, industrial and commercial synergies. They are formed through the aggregation of Cash Generating Units monitored each month by Executive Management in its business reporting *(Note 19)*. Executive Management does not consider the holding structure that handles the Group's centralized financing to be a segment. The aggregates for this activity are therefore presented in a reconciliation column with inter-segment eliminations (IS&H). Financial information by segment is measured in accordance with the principles set out in the Standards *(Note 1)*. Transactions between segments are measured at the price upon which two independent parties would have agreed on an arm's length basis.

On November 26, 2018, Imerys announced the implementation of a new structure, organized around two segments – Performance Minerals and High Temperature Materials & Solutions – and grouping five newly created business areas to focus on Imerys' core markets. Despite the new organization coming into effect of December 1, 2018, no changes have been reflected in any of the financial information available at December 31, 2018 and Executive Management is not yet able to allocate any resources. As a result, the Information by Segment presented at December 31, 2018 continues to be split by the four segments ESS, F&PA, CM and HRM.

Consolidated income statement

The following tables present a breakdown of revenue by segment before and after any inter-segment eliminations, as well as the main levels of the consolidated income statement. Revenue from transactions made by Imerys with each of its external customers never exceeds the threshold of 10.0% of the Group's revenue.

At December 31, 2018

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
External revenue	**1,290.8**	**1,279.4**	**832.9**	**1,192.8**	**(5.9)**	**4,590.0**
Sale of goods	1,066.1	1,163.5	701.0	1,177.4	(6.6)	4,101.4
Rendering of services	224.7	115.9	131.9	15.4	0.7	488.6
Inter-segment revenue	**4.2**	**18.8**	**21.2**	**44.3**	**(88.5)**	**0.0**
Revenue	**1,295.0**	**1,298.2**	**854.1**	**1,237.1**	**(94.4)**	**4,590.0**
Current operating income	**123.2**	**240.1**	**102.9**	**152.5**	**(56.6)**	**562.1**
Of which amortization, depreciation and impairment	(57.2)	(72.3)	(62.2)	(70.2)	(4.0)	(265.9)
Other operating income and expenses	**(241.6)**	**(191.3)**	**(41.1)**	**(28.1)**	**(149.4)**	**(651.5)**
Operating income	**(118.4)**	**48.8**	**61.8**	**124.4**	**(206.0)**	**(89.4)**
Financial income (loss)	**(8.9)**	**(4.8)**	**15.1**	**(0.4)**	**(61.2)**	**(60.2)**
Interest income	2.0	0.2	2.6	0.3	0.2	5.3
Interest expenses	(0.1)	(0.8)	(0.1)	(2.2)	(41.8)	(45.0)
Income tax	**(17.7)**	**(58.5)**	**(23.2)**	**(21.9)**	**32.3**	**(89.0)**
Net income from discontinued operations	**-**	**-**	**48.3**	**-**	**739.7**	**788.0**
Net income	**(145.0)**	**(14.5)**	**102.0**	**102.1**	**504.8**	**549.4**

At December 31, 2017

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
External revenue	**1,319.9**	**1,230.3**	**854.9**	**878.0**	**15.9**	**4,299.0**
Sale of goods	1,098.1	1,125.4	731.5	865.6	14.8	3,835.4
Rendering of services	221.8	104.9	123.4	12.4	1.1	463.6
Inter-segment revenue	**6.7**	**6.8**	**33.4**	**36.5**	**(83.4)**	**0.0**
Revenue	**1,326.6**	**1,237.1**	**888.3**	**914.5**	**(67.5)**	**4,299.0**
Current operating income	**141.1**	**254.2**	**115.8**	**111.5**	**(71.4)**	**551.2**
Of which amortization, depreciation and impairment	(60.0)	(62.1)	(68.8)	(58.6)	(2.3)	(251.8)
Other operating income and expenses	**(4.3)**	**8.5**	**(22.7)**	**(40.8)**	**7.2**	**(52.1)**
Operating income	**136.8**	**262.7**	**93.1**	**70.7**	**(64.2)**	**499.1**
Financial income (loss)	**(11.5)**	**(12.0)**	**(6.9)**	**(20.8)**	**(27.2)**	**(78.4)**
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 tax	**(50.7)**	**(66.9)**	**(21.7)**	**(36.3)**	**56.7**	**(118.9)**
Net income from discontinued operations	**-**	**-**	**67.3**	**-**	**-**	**67.3**
Net income	**74.6**	**183.8**	**131.8**	**13.6**	**(34.7)**	**369.1**

Consolidated statement of financial position

At December 31, 2018

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
Capital employed – Assets	**1,401.6**	**1,952.5**	**1,224.1**	**2,000.5**	**(23.6)**	**6,555.1**
Goodwill(1)	315.2	833.9	256.0	737.4	0.8	2,143.3
Intangible assets and property, plant and equipment(2)	607.7	618.5	481.6	702.1	33.5	2,443.4
Inventories	170.6	189.0	158.4	350.3	(1.3)	867.0
Trade receivables	211.2	193.9	123.3	142.7	(14.5)	656.6
Other receivables – non-current and current	76.5	81.5	173.5	67.9	(67.4)	332.0
Joint ventures and associates	20.4	35.7	31.3	0.1	25.3	112.8
Unallocated assets						**1,038.8**
Total assets						**7,593.9**
Capital employed – Liabilities	**278.5**	**371.1**	**210.4**	**293.7**	**(104.7)**	**1,049.0**
Trade payables	159.6	131.8	115.8	142.8	7.3	557.3
Other debts – non-current and current	96.2	209.8	66.9	135.5	(131.8)	376.6
Income tax payable	22.7	29.5	27.7	15.4	19.8	115.1
Provisions	**161.6**	**387.4**	**179.0**	**111.3**	**140.5**	**979.8**
Unallocated liabilities						**2,311.5**
Total non-current and current liabilities						**4,340.3**
Total capital employed	**1,123.1**	**1,581.4**	**1,013.7**	**1,706.8**	**81.1**	**5,506.1**
(1) Increase in goodwill	*(0.8)*	*0.1*	*-*	*21.7*	*-*	*21.0*
(2) Acquisitions of intangible assets and property, plant and equipment	*93.7*	*77.1*	*67.9*	*75.4*	*18.9*	*333.0*

At 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 tax 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) Increase 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*

Information by region

Country risk. Due to the Group's mining activity and the variety of its end markets, its entities operate across many countries. Therefore, Imerys may be exposed to certain risks specific to these countries that may impact its financial statements in the future. Country risk includes two factors. The first concerns transfer and convertibility risk, *i.e.* the risk that government-imposed capital and exchange controls by a sovereign entity would prevent or materially impede the ability to convert local currency into foreign currency and/or transfer funds to non-resident creditors. The second factor takes into account the overall economic context, mainly in relation to the quality of public and private governance, as well as the risk of conflicts, expropriation, or civil and political instability.

Exposure to country risk. The transfer and convertibility component of country risk resulted an unavailable cash balance of €5.6 million at December 31, 2018 (€1.3 million at December 31, 2017) *(Consolidated Statement of Cash Flows)*. Country risk is also taken into account in the country-market risk premium of the discount rates used for impairment tests *(Note 19)*. However, the majority of the Group's sources of supply and end markets are located in developed countries, which limits Imerys' exposure to country risk. In order to identify high-risk countries, Imerys uses the "Business Climate" risk assessment published by Coface, the leading French insurance company specialized in international credit insurance, which measures the potential influence of a country's economic, financial and political outlook on businesses' financial commitments. Coface's risk assessment uses an eight-level ranking system from A1 to E, in ascending order of risk. Countries in which the Group operates ranked in categories C to E, the highest levels of risk, include Algeria and Ukraine (category C) as well as Venezuela (category E). In addition, Imerys may decide to conduct studies on specific situations. One such study has been carried out since 2016 to monitor the consequences of the UK's decision to leave the European Union (Brexit) on March 29, 2019. It found the potential risk to Imerys to be immaterial, affecting 6.19% of revenue by geographical location of Group operations in 2018 (5.27% in 2017), 3.46% of revenue by geographical location of customers in 2018 (3.11% in 2017) and 5.45% of the statement of financial position at December 31, 2018 after eliminating intragroup transactions (4.65% at December 31, 2017).

The following table presents a breakdown of revenue by geographical location of Group operations:

(€ millions)	**2018**	**2017**
France	537.8	650.5
Other European countries	1,827.0	1,656.2
North America	1,284.1	1,225.6
Asia – Oceania	733.8	574.7
Other countries	207.3	192.0
Revenue by geographical location of Group operations	**4,590.0**	**4,299.0**

In 2018, countries rated C to E by Coface's "Business Climate" risk assessment accounted for 0.35% of Group revenue (0.91% in 2017) and 0.42% of current operating income (1.07% in 2017).

The following table presents a breakdown of revenue by geographical location of customers:

(€ millions)	**2018**	**2017**
France	250.7	200.6
Other European countries	1,842.7	1,739.6
North America	1,187.3	1,187.6
Asia – Oceania	974.5	854.2
Other countries	334.8	317.0
Revenue by geographical location of customers	**4,590.0**	**4,299.0**

The following table presents the carrying amount of goodwill, intangible assets and property, plant and equipment by region:

	2018			2017		
(€ millions)	Goodwill	Intangible assets and property, plant and equipment	Total	Goodwill	Intangible assets and property, plant and equipment	Total
France	1,185.0	477.0	1,662.0	1,178.3	792.8	1,971.1
Other European countries	384.5	728.8	1,113.3	383.3	691.6	1,074.9
North America	314.7	682.6	997.3	303.7	744.0	1,047.7
Asia – Oceania	195.5	276.6	472.1	195.1	207.3	402.4
Other countries	63.6	278.4	342.0	75.2	358.4	433.6
Total	**2,143.3**	**2,443.4**	**4,586.7**	**2,135.6**	**2,794.1**	**4,929.7**

At December 31, 2018, countries rated C to E by Coface's "Business Climate" risk assessment accounted for 0.22% of the statement of financial position (0.28% at December 31, 2017) and -0.72% of consolidated equity, Group share (-0.96% at December 31, 2017).

▪ NOTES TO THE CONSOLIDATED INCOME STATEMENT

Accounting policy

Income and expenses recognized in the consolidated income statement are grouped according to materiality and are only offset when required by a standard or interpretation. Comparative information is presented for the prior year Y-1, while comparative information for Y-2 is included for reference *(chapter 9, section 9.4 of the Registration Document)*. The income statement is structured across two main levels: operating income and financial income (loss).

Although in the majority of cases, the allocation of transactions by level of profit or loss does not require any specific comment, the options available in some standards and the absence of guidance from other standards have led Executive Management to make certain judgments and decisions about presentation. The following three tables present these decisions and specify the corresponding note.

Operating income. Operating income is made up of current operating income and other operating income and expenses. Current operating income *(Notes 5 to 9)* includes revenue generated by Imerys as well as the following items:

	Notes
Share-based payment expenses	8
Changes in employee benefits excl. restructuring	
▪ plan curtailments, settlements and amendments	8
▪ contributions to funds and direct payments to beneficiaries	8
▪ decrease in provisions for 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
Asset disposals excl. restructuring	9
Net income from recurring operations of associates	9

Other operating income and expenses. In accordance with the ANC Recommendation No. 2013-03 issued by France's national accounting standards board on how to present IFRS financial statements, other operating income and expenses *(Note 10)* corresponds to items of income and expenses resulting from a limited number of clearly identified, non-recurring and significant events, such as the impact in profit of acquiring or losing control of a business, restructuring including any related asset disposals, impairment loss recognized against goodwill or major disputes. In particular, since applicable standards do not define restructuring as an infrequent or unusual occurrence, Executive Management has put in place approval criteria to ensure that only management decisions defined as both restructuring and non-recurring may be recognized in other operating income and expenses.

	Notes
Gain (loss) from changes in control	10
Impairment loss recognized against goodwill	10
Restructuring	10
Asset disposals due to restructuring	10
Changes in employee benefits due to restructuring	
▪ plan curtailments, settlements and amendments	10
▪ contributions and direct payments to beneficiaries	10
▪ decrease in provisions for contributions and direct payments	10
Major disputes	10
Net income from recurring operations of associates	10

Financial income (loss). Financial income (loss) mainly includes the cost of debt, exchange rate fluctuations, the financial components of defined benefit plans, the unwinding of discounts on provisions and impairment loss on financial assets *(Note 12)*, as well as the following specific items:

	Notes
Hedge accounting	
▪ ineffective portion of financial hedge instruments	11
▪ amortization of the effective portion of de-designated financial hedge instruments	11
Unrealized and realized translation gains (losses) on 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
▪ decrease in provisions for closed plans with mandatory funding requirement	12

NOTE 5 REVENUE

Accounting policy

Revenue is made up of two elements: (i) sales of goods, *i.e.* material specialties generally extracted from mineral deposits controlled by the Group and beneficiated in its plants, and (ii) services rendered, mainly invoicing customers the cost of shipping goods and providing industrial services. The contractual commitments made by the Group to transfer these goods and services to customers are categorized as performance obligations. When control of goods or services is transferred to customers, the performance obligation is deemed to have been satisfied and the revenue is recognized. Material specialties are therefore transferred to customers at a given point in time, which coincides with the transfer of all the risks and rewards defined in the contractual incoterms. The contract includes multiple incoterms due to the specificities of packaging (bulk, powder, paste, slurry, etc.) and freight (sea, rail, road, etc.). However, while certain services, such as molding work, are rendered at a given point in time, most are transferred to customers over time. This is the case for shipping services, the revenue for which is recognized after the delivery has been made, and certain specialized services spread over two to seven months in the construction of industrial facilities, for which the degree of completion is measured based on the the actual level of production costs committed. Collateral requirements on the sale of goods and rendering of services offer customers guarantees about the specifications agreed in the contracts, rather than an additional service on top of these guarantees. Consequently, guarantees are not recognized as performance obligations but as provisions *(Note 23.2)*. Sale of goods and rendering of services are measured at the fair value of the transaction, minus trade and volume rebates, as well as discounts for early payment.

Activity for the year

The following table presents a breakdown of revenue by sale of goods and rendering of services. In 2018, total revenue increased 6.8% to €4,590.0 million (€4,229.0 million in 2017, up 11.3% year on year), including a negative currency effect of €147.1 million (€33.5 million in 2017) and a positive scope effect of €290.4 million (€326.1 million in 2017). At constant scope and exchange rates, revenue grew by 3.4% (compared with 3.7% in 2017).

(€ millions)	**2018**	**2017**
Sale of goods	4,101.5	3,835.4
Rendering of services	488.5	463.6
Total	**4,590.0**	**4,299.0**

The following table presents a different breakdown of revenue by the time at which goods or services are transferred to customers, distinguishing between goods and services transferred to customers at a given point in time and services transferred to customers over time.

(€ millions)	**2018**	**2017**
Goods and services transferred to customers at a given point in time	**4,108.1**	**3,847.1**
Sale of material specialties	4,101.5	3,835.4
Rendering of industrial services	5.4	10.6
Rendering of other services	1.2	1.1
Services transferred to customers over time	**481.9**	**451.9**
Shipping revenue	303.1	278.3
Rendering of industrial services	177.7	172.5
Rendering of other services	1.1	1.1
Total	**4,590.0**	**4,299.0**

Furthermore, other breakdowns of revenue are presented in *Information by Segment*: by segment before and after inter-segment eliminations, by geographical location of Group operations and by geographical location of customers.

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NOTE 6 RAW MATERIALS AND CONSUMABLES USED

(€ millions)	**2018**	**2017**
Raw materials	(877.8)	(748.5)
Energy	(335.8)	(323.3)
Chemicals	(62.8)	(63.4)
Other consumables	(242.3)	(201.0)
Merchandise	(101.1)	(74.1)
Change in inventories	102.1	47.6
Self-constructed assets	14.5	11.5
Total	**(1,503.2)**	**(1,351.2)**

NOTE 7 EXTERNAL EXPENSES

(€ millions)	2018	2017
Transportation	(601.0)	(553.7)
Operating leases	(80.9)	(82.8)
Subcontracting	(140.2)	(136.0)
Maintenance and repair	(131.9)	(121.5)
Fees	(116.1)	(109.4)
Other external expenses	(197.7)	(201.7)
Total	**(1,267.8)**	**(1,205.1)**

NOTE 8 STAFF EXPENSES

(€ millions)	2018	2017
Salaries	(784.3)	(711.0)
Social security contributions	(138.5)	(138.2)
Net change in provisions for employee benefits	19.3	4.9
Contributions to defined benefit plans	(21.8)	(18.1)
Contributions to defined contribution plans	(29.0)	(25.9)
Profit-sharing schemes	(26.4)	(27.2)
Other employee benefits	(17.0)	(15.0)
Total	**(997.7)**	**(930.5)**

Management principles – Share-based payments

Since 2008, the Group's long-term incentive scheme has involved granting free performance shares acquired on the market. The corresponding expense is recognized in "Other employee benefits" and amounted to €14.1 million in 2018 (€13.4 million in 2017). The management principles applied to share-based payments are agreed by the Board of Directors based on proposals made by the Compensation Committee. With the exception of grants made as part of the Group's employee shareholding operations, free shares are in principle subject and proportionate to the achievement of economic and/or financial performance objectives set by the Board of Directors. Share-based payment plans are annual and the total number of rights granted each year is adjusted in accordance with the Group's overall performance or specific events. Grants are usually awarded on the date of the Shareholders' General Meeting. The actual or probable beneficiaries include the Group's executive directors (such as the Chief Executive Officer, members of the Executive Committee, the management committees of business groups and operations, as well as managers of the Group's main corporate departments) and the holders of certain key positions reporting to them, as well as managers with considerable potential and employees who 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 in 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, rights vest depending on employees' length of service in the Group and the fair value of services rendered is amortized in profit over the vesting period against an increase in equity. The accounting treatment is identical when, in addition to the length of service condition, rights vest subject to the achievement of pre-determined economic performance conditions. Volatility and assumptions related to the probability of rights vesting are revised at each closing date. The turnover rate of beneficiaries is adjusted definitively as vesting periods are closed.

Share-based payment expenses

	Number of free shares	Maturity	Turnover rate	Average dividend rate	Performance conditions	Fair value *(€)*	Total cost by plan *(€M)*	Cost of the plan in 2018 *(€M)*	Cost of the plan in 2017 *(€M)*
2013	233,500	4.0 years	15.7%	2.9%	76.6%	45.15	(6.5)	-	(0.3)
2013	30,000	4.0 years	0.0%	2.9%	76.6%	45.15	(1.0)	-	(0.1)
2014	276,975	4.0 years	14.2%	2.9%	78.6%	55.37	(10.3)	(0.7)	(2.7)
2015	20,700	2.0 years	0.0%	2.9%	-	63.01	(0.5)	-	(0.1)
2015	309,550	4.0 years	23.1%	2.9%	78.4%	61.17	(11.7)	(1.7)	(3.2)
2016	32,500	3.0 years	0.0%	2.9%	88.7%	58.29	(1.7)	(0.7)	(0.4)
2016	270,000	3.0 years	20.3%	2.9%	88.7%	57.43	(10.6)	(3.8)	(3.5)
2017	35,000	3.0 years	0.0%	3.0%	75.0%	70.66	(1.9)	(0.6)	(0.4)
2017	258,400	3.0 years	15.7%	3.0%	75.0%	70.66	(11.2)	(3.5)	(2.7)
2018	265,200	3.0 years	14.0%	3.0%	80.0%	67.12	(12.2)	(2.7)	-
2018	30,000	3.0 years	0.0%	3.0%	80.0%	69.64	(1.7)	(0.4)	-
Cost of plans recognized as staff expenses								**(14.1)**	**(13.4)**
Weighted average exercise price *(in €)*								48.9	53.4

NOTE 9 OTHER CURRENT INCOME AND EXPENSES

(€ millions)	**2018**	**2017**
Other income and expenses	21.5	0.2
Income from asset disposals	2.7	5.4
Grants received	2.6	4.6
Net change in operating provisions and write-downs	19.4	21.0
Share in net income of joint ventures and associates	1.7	6.0
Total	**47.9**	**37.2**

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Imerys holds stakes in businesses over which it exercises joint control or significant influence. The net income generated by these investments is presented under “Share in net income of joint ventures and associates” and corresponded to €1.7 million in 2018 (€6.0 million in 2017).

Accounting policy

Imerys uses the equity method to measure the value of its investments under joint control (joint ventures, *i.e.* those whose financial and operating strategy are subject to a unanimous vote from Imerys and a third party) and the investments over which it exercises significant influence (associates, *i.e.* those whose financial and operating strategy are governed by a third party and Imerys only participates in the strategies, without having control over them). The stakes held in the net assets and earnings of such entities are presented in distinct lines in operating income and assets.

Main joint ventures and associates

The main investments accounted for using the equity method include The Quartz Corporation, Stollberg & Samil (joint ventures) and MST Mineralien Schiffahrt (associate). The summarized financial information from these investments is presented hereinafter as 100.00% amounts. Debit amounts are negative and credit amounts are positive. Information is reported at December 31, except for MST Mineralien Schiffahrt where data is taken from the most recent financial statements to which the Group has access, *i.e.* those published for the end of their annual reporting period at September 30.

	Joint ventures				Associates	
	The Quartz Corporation		Stollberg & Samil		MST Mineralien Schiffahrt	
(€ millions)	2018	2017	2018	2017	2018	2017
Consolidated income statement						
Revenue	84.5	83.1	43.3	31.7	90.0	90.6
Net income	0.8	3.6	3.3	1.9	1.6	8.5
Consolidated statement of financial position						
Non-current assets	(80.5)	(72.6)	(18.2)	(15.6)	(207.8)	(207.8)
Current assets	(31.9)	(36.5)	(25.6)	(25.5)	(41.8)	(41.8)
Equity	52.0	50.3	28.6	26.0	84.9	84.9
Non-current liabilities	40.9	41.1	9.9	9.8	125.7	124.1
Current liabilities	19.5	17.7	5.3	5.3	39.0	40.6

The Ceramic Materials business group holds a 50.00% stake (50.00% at December 31, 2017) in The Quartz Corporation (joint venture) as part of a group of companies specialized in extracting and beneficiating high purity quartz in the US and Norway. The Filtration & Performance Additives business group holds a 50.00% stake (50.00% at December 31, 2017) in Stollberg & Samil (joint venture) as part of an entity that produces and distributes products for the foundry industry in South Korea. Imerys also holds a 27.34% interest (27.34% at December 31, 2017) in MST Mineralien Schiffahrt (associate), a German minerals shipping company. The commitment given by the Group to this company as part of a contract of affreightment is presented in *Note 28*. The following table presents the 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.

	2018				2017			
(€ millions)	Equity	Stake attributable to other shareholders	Goodwill	Imerys' stake	Equity	Stake attributable to other shareholders	Goodwill	Imerys' stake
The Quartz Corporation	52.0	(26.0)	2.3	28.3	50.3	(25.2)	2.3	27.5
Stollberg & Samil	28.6	(14.3)	-	14.3	26.0	(13.0)	-	13.0
MST Mineralien Schiffahrt	84.9	(61.7)	-	23.2	84.9	(61.7)	-	23.2
Other investments	108.8	(64.0)	2.2	47.0	118.0	(68.4)	2.2	51.8
Total	**274.3**	**(166.0)**	**4.5**	**112.8**	**279.2**	**(168.2)**	**4.5**	**115.5**

The following table analyzes the change in the carrying amount recognized in the Group's assets in accordance with the equity method.

(€ millions)	2018	2017
Carrying amount at January 1	**115.5**	**122.5**
Income	(6.0)	6.0
Dividends distributed by joint ventures and associates	(5.6)	(5.8)
Other	8.9	(7.2)
Carrying amount at December 31	**112.8**	**115.5**

NOTE 10 OTHER OPERATING INCOME AND EXPENSES

(€ millions)	**2018**	**2017**
Gain (loss) from changes in control	**3.9**	**(11.0)**
Transaction costs	(5.4)	(19.3)
Changes in the estimated contingent consideration of the seller	(0.8)	9.5
Income from disposals of consolidated businesses	10.1	(1.2)
Other non-recurring items	**(655.4)**	**(41.2)**
Impairment due to restructuring	(224.2)	(13.9)
Income from non-recurring asset disposals	5.5	(1.0)
Restructuring expenses paid	(76.3)	(25.0)
Change in provisions	(352.7)	(1.2)
Share of net income from non-recurring operations of associates	(7.7)	(0.1)
Other operating income and expenses	**(651.5)**	**(52.2)**
Income tax	56.2	18.1
Other operating income and expenses, net of income tax	**(595.3)**	**(34.1)**

Other operating income and expenses in 2018

In 2018, gross “Other operating income and expenses” represented a €651.5 million expense. Broken down by business group, the expense was made up of: €241.6 million for Energy Solutions & Specialties; €191.3 million for Filtration & Performance Additives; €41.1 million for Ceramic Materials; €28.1 million for High Resistance Minerals; and €149.4 million for the holding company. Income tax gains on “Other operating income and expenses” amounted to €56.2 million. Therefore, “Other operating income and expenses, net of income tax” reflected a total expense of €595.3 million, of which €597.8 million with no cash impact and a €2.5 million increase in cash.

Other operating income and expenses in 2017

In 2017, gross “Other operating income and expenses” represented a €52.2 million expense. Broken down by business group, the expense was made up of: €4.3 million for Energy Solutions & Specialties; €8.5 million in income for Filtration & Performance Additives; €22.8 million for Ceramic Materials; €40.8 million for High Resistance Minerals; and €7.2 million in income for the holding company. Income tax gains on “Other operating income and expenses” amounted to €18.1 million. Therefore, “Other operating income and expenses, net of income tax” reflected a total expense of €34.1 million, of which €25.1 million with no cash impact and a €9.0 million reduction in cash.

NOTE 11 FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments are defined as any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial instruments are divided into categories set by IFRS 9 in order to reflect their business model and contractual cash flow characteristics as well as to determine how they must be measured and recognized.

Amortized cost. Financial assets are measured at amortized cost when the objective of the business model is to collect the contractual cash flows. This applies to trade receivables from revenue *(Note 5)* as well as cash, *i.e.* cash on hand, bank deposits and cash equivalents. Cash equivalents are highly liquid investments indexed on a money market rate and the value of which is known or subject to very little uncertainty. In the Statement of Cash Flows, cash and cash equivalents also include "Bank overdrafts" presented as a liability. Borrowings *(Note 24.2 – Reconciliation of net financial debt)* are also included in the amortized cost category. They are initially measured at fair value of the amount borrowed, minus any transaction costs. They are subsequently measured at amortized cost using the effective interest rate method. The Group purchases raw materials and energy for its own use and not for trading purposes. Consequently, the purchase contracts are recognized as trade payables and not as derivatives. Trade payables and other financial liabilities *(Note 24.1)* are measured at amortized cost.

Fair value through profit or loss. Financial assets are measured at fair value through profit or loss when the objective of the business model is to both collect the contractual cash flows and make a trading profit in the short term. They are non-derivative financial assets held for trading and recognized as assets between the dates of purchase and disposal. Any change in fair value is recognized in other financial income and expenses *(Note 12)* at market prices published at the end of the reporting period. Assets designated at fair value through profit or loss also include investments in non-listed companies over which the Group does not exercise control, joint control or significant influence, nor does it intend to dispose of the investment in the short term *(Note 21.2)*, as well as non-hedge derivatives *(Note 24.4)*.

Analysis of financial instruments by category

Notes 11, 12, 21.1 and 24.1 analyze the income, expenses, assets and liabilities from financial instruments by category and presented in columns. They distinguish between the categories applied by default to all non-hedged items and those applied on an exceptional basis to hedged items. The categories of amortized cost and fair value through profit or loss set out in IFRS 9 and defined above apply to the majority of non-hedged items. Hedged items are categorized by fair value hedge or cash flow hedge *(Note 24.2 – Accounting policy)*, distinguishing in separate columns the value of hedged items and hedge instruments and in separate lines the type of risk hedged *(Note 24.2 – Foreign exchange risk – Interest rate risk – Energy price risk)*. Furthermore, in order to make the reconciliation between the IFRS 9 categories and the financial statements, *Notes 11, 12, 21.1 and 24.1* include a column containing the following items not covered by IFRS 9: share-based payments (IFRS 2), mining assets (IFRS 6), inventories (IAS 2), income tax assets and liabilities (IAS 12), property, plant and equipment (IAS 16), finance lease liabilities (IAS 17), short-term employee benefit assets and liabilities (IAS 19), subsidies and grants (IAS 20), provisions (IAS 37), intangible assets and prepaid expenses (IAS 38), overburden assets (IFRIC 20) and levies and taxes (IFRIC 21). The categorization of financial assets *(Note 21.1)* and liabilities *(Note 24.1)* is applied across all divisions of the Group to the change in profit *(Notes 11 and 12)*. For example, "Revenue" is included in "Amortized cost" as its consideration in "Trade receivables" or "Cash and cash equivalents" belong to this category in assets.

The following tables present income and expenses before income tax recognized in profit and equity by category of financial instruments. The balances of "Other financial income and expenses" are analyzed in more detail in *Note 12*.

At December 31, 2018

	Non-hedge accounting			Hedge accounting				
	IFRS 9 categories			Fair value		Cash flow		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Total
Operating income								
Revenue	4,227.6	-	-	-	-	369.0	(6.6)	4,590.0
Transactional currency risk	-	-	-	-	-	369.0	(6.6)	362.4
Raw materials and consumables used	(1,555.9)		129.0			(85.7)	9.4	(1,503.2)
Transactional currency risk	-	-	-	-	-	(62.9)	0.8	(62.1)
Energy price risk	-	-	-	-	-	(22.8)	8.6	(14.2)
External expenses	(1,267.8)	-	-	-	-	-	-	(1,267.8)
Other current income and expenses	13.7	-	34.2	-	-	-	-	47.9
Financial income (loss)								
Income from securities	-	4.9	-	-	-	-	-	4.9
Gross financial debt expense	(46.9)	-	-	-	-	-	-	(46.9)
Other financial income and expenses	(5.9)	1.0	(13.3)	(1.3)	1.3	-	-	(18.2)
Transactional currency risk – change in fair value	-	1.2	-	-	-	-	-	1.2
Other financial assets – change in fair value	-	(0.2)	-	-	-	-	-	(0.2)
Interest rate risk – effective portion	-	-	-	(1.3)	1.3	-	-	0.0
Equity								
Recognition in equity	-	-	-	-	-	-	(5.3)	(5.3)
Reclassification in profit	-	-	-	-	-	-	(2.9)	(2.9)
From the cash flow hedge reserve	-	-	-	-	-	-	(2.9)	(2.9)
Total	**1,364.8**	**5.9**	**149.9**	**(1.3)**	**1.3**	**283.3**	**(5.4)**	**1,798.5**
Of which impairment loss in profit	(16.0)	(0.3)	(0.4)	-	-	-	-	-
Of which reversals of impairment loss in profit	7.1	-	1.9	-	-	-	-	-

At December 31, 2017

	Non-hedge accounting			Hedge accounting				
	IFRS 9 categories			Fair value		Cash flow		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Total
Operating income								
Revenue	3,864.0	-	-	-	-	420.2	14.8	4,299.0
Transactional currency risk	-	-	-	-	-	420.2	14.8	435.0
Raw materials and consumables used	(1,324.5)	-	91.0	-	-	(119.8)	2.1	(1,351.2)
Transactional currency risk	-	-	-	-	-	(64.0)	0.3	(63.7)
Energy price risk	-	-	-	-	-	(55.8)	1.8	(54.0)
External expenses	(1,205.1)	-	-	-	-	-	-	(1,205.1)
Other current income and expenses	(2.5)	-	41.8	-	-	-	(2.1)	37.2
Transactional currency risk – ineffective portion	-	-	-	-	-	-	(2.1)	(2.1)
Financial income (loss)								
Income from securities	-	10.2	-	-	-	-	-	10.2
Gross financial debt expense	(56.2)	(0.4)	-	-	-	-	-	(56.6)
Interest rate risk – discontinued hedges	-	(0.4)	-	-	-	-	-	(0.4)
Other financial income and expenses	(20.4)	0.5	(12.0)	2.3	(2.3)	-	-	(31.9)
Transactional currency risk – change in fair value	-	(0.1)	-	-	-	-	-	(0.1)
Other financial assets – change in fair value	-	0.6	-	-	-	-	-	0.6
Interest rate risk – effective portion	-	-	-	2.3	(2.3)	-	-	0.0
Equity								
Recognition in equity	-	-	-	-	-	-	11.2	11.2
Reclassification in profit	-	-	-	-	-	-	(16.9)	(16.9)
From the cash flow hedge reserve	-	-	-	-	-	-	(16.9)	(16.9)
Total	**1,255.2**	**10.3**	**120.8**	**2.3**	**(2.3)**	**300.4**	**9.1**	**1,695.8**
Of which impairment loss in profit	(4.6)	-	(1.1)	-	-	-	-	-
Of which reversals of impairment loss in profit	13.5	-	0.4	-	-	-	-	-

NOTE 12 FINANCIAL INCOME (LOSS)

The following tables present the financial income (loss) by category of financial instrument. A description of the categories of financial instruments is provided in *Note 11*.

At December 31, 2018

	Non-hedge accounting			Hedge accounting				
	IFRS 9 categories			Fair value		Cash flow		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Total
Net financial debt expense	**(46.9)**	**4.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(42.0)**
Income from securities	-	4.9	-	-	-	-	-	4.9
Gross financial debt expense	(46.9)	-	-	-	-	-	-	(46.9)
Other financial income and expenses	**(5.9)**	**1.0**	**(13.3)**	**(1.3)**	**1.3**	**0.0**	**0.0**	**(18.2)**
Net exchange rate differences	(4.8)	1.2	(0.4)	-	-	-	-	(4.0)
Expense and income on derivative instruments	-	-	-	(1.3)	1.3	-	-	0.0
Financial income and expenses of defined benefit plans	-	-	(8.6)	-	-	-	-	(8.6)
Unwinding of other provisions	-	-	(4.0)	-	-	-	-	(4.0)
Other financial income and expenses	(1.1)	(0.2)	(0.3)	-	-	-	-	(1.6)
Financial income (loss)	**(52.8)**	**5.9**	**(13.3)**	**(1.3)**	**1.3**	**0.0**	**0.0**	**(60.2)**

At December 31, 2017

	Non-hedge accounting			Hedge accounting				
	IFRS 9 categories			Fair value		Cash flow		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Total
Net financial debt expense	**(56.2)**	**9.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(46.4)**
Income from securities	-	10.2	-	-	-	-	-	10.2
Gross financial debt expense	(56.2)	(0.4)	-	-	-	-	-	(56.6)
Other financial income and expenses	**(20.4)**	**0.5**	**(12.0)**	**2.3**	**(2.3)**	**0.0**	**0.0**	**(31.9)**
Net exchange rate differences	(10.6)	(0.1)	0.5	-	-	-	-	(10.2)
Expense and income on derivative instruments	-	-	-	2.3	(2.3)	-	-	0.0
Financial income and expenses of defined benefit plans	-	-	(8.2)	-	-	-	-	(8.2)
Unwinding of other provisions	-	-	(3.9)	-	-	-	-	(3.9)
Other financial income and expenses	(9.8)	0.6	(0.4)	-	-	-	-	(9.6)
Financial income (loss)	**(76.6)**	**10.3**	**(12.0)**	**2.3**	**(2.3)**	**0.0**	**0.0**	**(78.3)**

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NOTE 13 INCOME TAX

Accounting policy

Income tax is made up of two components: (i) tax paid in France and overseas on taxable profits, including similar contributions calculated on the difference between income and expenses, such as the French companies' added value contribution (*Cotisation sur la Valeur Ajoutée des Entreprises*, CVAE); (ii) and withholding tax paid by entities over which Imerys exercises control, joint control or significant influence on the dividends they distribute to the Group. Income tax is broken down into payable tax and deferred tax. Payable tax is recognized as a liability until it has been paid and an asset when the amount 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 taxable temporary 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 carrying amount and tax value of investment securities, when the Group is able to control the date of reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the 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 they will yield taxable amounts in the future, or there are taxable temporary differences in the same tax group that mature during the period these items remain recoverable. Imerys applies the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and will be applicable over the period of reversal of the temporary difference. Deferred tax is not discounted. Deferred tax assets and liabilities are offset by tax group, *i.e.* by legal entity or tax consolidation group. Payable and/or deferred tax is recognized in the same level of profit or loss as the item to which it is related. The principle of linking tax to its base also applies to transactions recognized directly in equity.

Tax consolidation scope

In several countries, Imerys has set up tax consolidation systems that enable the Group to offset potential tax gains and losses within the consolidation group. Such tax consolidation systems exist in France, the US, the UK, Spain, Germany and Italy.

Income tax paid

In 2018, income tax paid in cash and using tax credits amounted to €107.1 million (€119.4 million in 2017).

Tax loss carried forward

Deferred tax assets are recognized as carried forward tax losses when they are deemed to be recoverable and the expected recovery time frame does not exceed five years. Deferred tax assets recognized in this way are measured taking into account national legislation limiting the use of carried forward tax losses. At December 31, 2018, deferred tax assets represented €19.5 million (€16.5 million at December 31, 2017). On the other hand, deferred tax assets not recognized as a tax loss or tax credit (because their recovery is uncertain) amounted to €236.4 million and €14.7 million, respectively, at December 31, 2018 (€216.8 million and €13.8 million, respectively, at December 31, 2017), of which €206.9 million and €14.7 million, respectively, expire after 2023 or may be carried forward without any time limit. Deferred taxes are calculated using effective rates over the period in question in accordance with the tax laws applicable in each country.

Temporary differences controlled by the Group

No deferred tax liability is recognized for taxable temporary differences between the carrying amount and tax value of investment securities, when the Group is able to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not be reversed in the foreseeable future. The Group reported €16.4 million in unrecognized deferred tax liabilities at December 31, 2018 (€16.0 million at December 31, 2017).

Income tax recognized in profit

(€ millions)	2018	2017
Payable and deferred income tax		
Income tax payable	**(97.5)**	**(90.3)**
Income tax payable for the year	(117.3)	(85.9)
Income tax payable – prior year adjustments	19.8	(4.4)
Deferred tax	**8.5**	**(28.6)**
Deferred tax due to changes in temporary differences	7.1	(32.3)
Deferred tax due to changes in income tax rates	1.4	3.7
Total	**(89.0)**	**(118.9)**
Income tax by level of profit		
Income tax on current operating and financial income (loss)	**(145.2)**	**(136.9)**
Current operating and financial income (loss) tax payable	(127.1)	(103.2)
Current operating and financial income (loss) deferred tax	(18.1)	(33.7)
Income tax on other operating income and expenses	**56.2**	**18.0**
Income tax payable on other operating income and expenses	29.6	12.9
Deferred tax on other operating income and expenses	26.6	5.1
Total	**(89.0)**	**(118.9)**

Income tax recognized in equity

(€ millions)	2018	2017
Actuarial gains (losses), surplus of the actual return on assets over their normative return in profit	(5.4)	4.9
Income tax on items not to be reclassified	**(5.4)**	**4.9**
Cash flow hedges	**2.6**	**2.0**
Income tax recognized in equity	1.6	(3.8)
Income tax reclassified in profit or loss	1.0	5.8
Translation reserve	**0.3**	**(13.3)**
Income tax recognized in equity	0.3	(13.3)
Income tax reclassified in profit or loss	-	-
Income tax on items to be reclassified	**2.9**	**(11.3)**
Total	**(2.5)**	**(6.4)**

Tax reconciliation excluding non-recurring items

	2018	2017
Standard tax rate in France	**34.4%**	**34.4%**
National rate differences	(9.9)%	(7.8)%
Europe	(5.3)%	(4.1)%
North America	(3.9)%	(3.1)%
Asia – Oceania	(1.6)%	(1.0)%
Other countries	0.9%	0.4%
Permanent differences	(0.8)%	1.2%
Tax losses	3.4%	(0.8)%
Income tax at different rates and bases	3.3%	1.9%
Impact of equity-accounted companies	(0.1)%	(0.4)%
Other (tax credits, reassessments and tax provisions, deferred tax adjustments in bases and rates, etc.)(1)	(1.4)%	0.4%
Effective tax rate on current operating and financial income (loss)(2)	**28.9%**	**28.9%**

(1) Which in 2017 included a 2.5% reduction as a result of the US tax reform (0.3% on the remeasurement of deferred taxes and a 2.8% reduction after recognizing previously unrecognized Alternative Minimum Taxation credits); a 2.7% reduction corresponding to the refund from the French State for the 3.0% contribution to the Imerys S.A. dividend between 2013 and 2016; and a 5.6% increase mainly related to deferred taxes.

(2) In 2018, 28.9% = €145.2 million (income tax on current operating income and financial loss)/[€562.1 million (current operating income) - €60.2 million (financial loss)].

Tax reconciliation including non-recurring items

	2018	2017
Standard tax rate in France	**34.4%**	**34.4%**
National rate differences	(18.0)%	(7.6)%
Europe	3.7%	(3.9)%
North America	(25.6)%	(2.7)%
Asia – Oceania	6.3%	(1.3)%
Other countries	(2.4)%	0.3%
Permanent differences	(40.1)%	0.9%
Tax losses	(19.6)%	(0.9)%
Income tax at different rates and bases	(3.5)%	2.0%
Impact of equity-accounted companies	0.4%	(0.4)%
Other (tax credits, reassessments and tax provisions, deferred tax adjustments in bases and rates, etc.)(1)	(13.0)%	-
Effective tax rate on current operating income from continuing operations(2)	**(59.4)%**	**28.4%**

(1) Which in 2017 included a 3.2% reduction as a result of the US tax reform (0.1% on the remeasurement of deferred taxes and a 3.1% reduction after recognizing previously unrecognized Alternative Minimum Taxation credits); a 3.0% reduction corresponding to the refund from the French State for the 3.0% contribution to the Imerys S.A. dividend between 2013 and 2016; and a 6.2% increase mainly related to deferred taxes.

(2) In 2018, (59.4)% = €89.0 million (income tax)/[€(89.4) million (operating expense) - €60.2 million (financial loss)]. In 2018, the total gap between the theoretical income tax rate and the effective income tax rate equaled 94 basis points. This difference was mainly attributable to non-recurring expenses with no tax impact, regarding in particular the North American talc subsidiaries (58 basis points), ceramic proppants (27 basis points) and the Graphite & Carbon division (12 basis points).

Change in deferred taxes

At December 31, 2018

(€ millions)	01/01/2018	Profit or loss	Scope, equity and others	12/31/2018
Deferred tax assets	85.5	19.6	7.3	112.4
Deferred tax liabilities	(134.7)	(11.1)	20.5	(125.3)
Net deferred tax position	**(49.2)**	**8.5**	**27.8**	**(12.9)**

At 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)**

Deferred tax breakdown by nature

(€ millions)	2017	Profit or loss	Scope, equity and others	2018
Deferred tax assets	**283.8**	**2.8**	**7.3**	**293.9**
Provisions for employee benefits	59.8	(6.1)	(7.5)	46.2
Other provisions	38.1	(0.1)	1.9	39.9
Intangible assets	24.6	(20.0)	0.8	5.4
Property, plant and equipment	71.5	6.8	(3.0)	75.3
Financial assets	1.7	4.6	(2.3)	4.0
Current assets and liabilities	41.7	20.8	3.3	65.8
Tax losses carried forward	16.5	(1.5)	4.5	19.5
Other	29.9	(1.7)	9.6	37.8
Deferred tax liabilities	**(333.0)**	**5.7**	**20.5**	**(306.8)**
Intangible assets	(65.8)	(1.8)	1.2	(66.4)
Property, plant and equipment	(221.9)	23.9	21.9	(176.1)
Financial assets	(18.4)	(2.0)	(3.9)	(24.3)
Current assets and liabilities	(1.4)	(13.6)	0.4	(14.6)
Other	(25.5)	(0.8)	0.9	(25.4)
Net deferred tax position	**(49.2)**	**8.5**	**27.8**	**(12.9)**

NOTE 14 NET INCOME FROM CURRENT OPERATIONS AND NET INCOME, GROUP SHARE

(€ millions)	**2018**	**2017**
Current operating income	562.1	551.2
Financial income (loss)	(60.2)	(78.4)
Income tax on current operating income and financial income (loss)	(145.2)	(136.9)
Current operating income (expenses) and financial income (loss) attributable to non-controlling interests	0.1	(0.9)
Net income from current operations, Group share	**356.8**	**335.1**
Other operating income and expenses – gross	(651.5)	(52.2)
Income tax on other operating income and expenses	56.2	18.0
Other operating income (expenses) attributable to non-controlling interests	10.1	-
Net income from discontinued operations[1]	**788.0**	**67.3**
Net income, Group share	**559.6**	**368.2**

(1) Roofing division (Note 25).

NOTE 15 EARNINGS PER SHARE

Accounting policy

In its financial statements, Imerys presents both basic earnings per share and diluted earnings per share. Basic earnings per share is equal to 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 can be 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 increased by the average number of ordinary shares that would have been issued between the start and the end of the reporting period if all dilutive options had been exercised at the end of the reporting period. The number of dilutive shares is equal to the difference between the number of shares to be issued as free shares and options and the number of shares that would be issued at the average market price over the year for an issue of the same amount. To calculate the amount of this issue, each share issued by exercising share options is valued at the share option exercise price plus the fair value of services to be rendered *(Note 8)*, while each free share is valued solely at the fair value of services to be rendered with an exercise price of nil. The surplus number of shares to be issued as free shares and options above the number of shares issued under market conditions corresponds to the number of dilutive shares. However, shares to be issued through options are only taken into account in the calculation for diluted earnings per share when the options are in the money, *i.e.* the exercise price plus the fair value of services to be rendered is below the average market price for the Imerys share over the year.

Earnings per share

The number of potential ordinary shares taken into account to calculate diluted earnings per share excludes share options out of the money, *i.e.* options where the exercise price plus the fair value of services to be rendered is above the average market price of the Imerys share over the year (€67.82 in 2018 and €76.60 in 2017). No potentially dilutive option plans were excluded from the calculation of diluted earnings per share at December 31, 2018. No significant transaction has changed the number of ordinary shares and potential ordinary shares between December 31, 2018 and February 13, 2019, date at which the financial statements were approved for publication by the Board of Directors.

(€ millions)	2018	2018 Discontinued operations[1]	2017	2017 Discontinued operations[1]
Numerator				
Net income from continuing operations, Group share	(228.4)	-	300.9	-
Net income from discontinued operations	788.0	788.0	67.3	67.3
Net income, Group share	**559.6**	**-**	**368.2**	**-**
Net income from current operations, Group share	356.8	-	335.1	-
Denominator				
Weighted average number of shares used to calculate basic income per share	79,238,417	79,238,417	79,015,367	79,015,367
Impact of share option conversion	1,133,473	1,133,473	1,255,765	1,255,765
Weighted average number of shares used to calculate diluted income per share	80,371,890	80,371,890	80,271,132	80,271,132
Basic income per share, Group share *(in €)*				
Basic net income per share	7.06	9.94	4.66	0.85
Basic net income from current operations per share	4.50	9.94	4.24	0.85
Diluted income per share, Group share *(in €)*				
Diluted net income per share	6.96	9.80	4.59	0.84
Diluted net income from current operations per share	4.44	9.80	4.17	0.84

(1) Roofing division (Note 25).

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▪ NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Accounting policy

The assets and liabilities recognized in the consolidated statement of financial position are grouped by materiality and ranked in ascending order of liquidity and due date distinguishing between non-current and current items, according to whether they will be recovered or settled in more or less than 12 months after the end of the reporting period. They are only offset or incorporate the cost of revenue when required by a standard or interpretation. Comparative information is presented for the prior year Y-1, while comparative information for Y-2 is included for reference *(chapter 9, section 9.4 of the Registration Document)*.

NOTE 16 GOODWILL

Accounting policy

Goodwill is recognized when the acquisition price of a business is greater than the sum of the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is recognized at the date control is acquired. Transaction costs are recognized as they are incurred in profit under other operating income and expenses *(Note 10)*. When the value of the identifiable net assets of the acquired business is greater than its acquisition price, negative goodwill is credited to the acquirer's profit or loss account for the reporting period in which the entity was acquired under other operating income and expenses *(Note 10)*. The definitive value of goodwill is finalized within 12 months following the date at which control was acquired. Goodwill for a company based outside France is measured in the functional currency of the company and translated in accordance with the rules applicable to translating financial statements of foreign operations. Goodwill is not amortized and 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 end of the reporting period during which the entity was acquired and subsequently at least once a year or more frequently if there is an indication that it may be impaired. Impairment loss on goodwill is recognized in other operating income and expenses *(Note 10)* and cannot be reversed.

Estimates

The value of the assets and liabilities of an acquired business is estimated by Executive Management on the basis of a series of assumptions. Assets and liabilities are measured at their acquisition-date fair value except for certain items measured in accordance with specific rules, such as income tax, measured using the principles set out in *Note 13*, or employee benefits, measured using the principles set out in *Note 23.1*. When making its estimates, Executive Management may consult third-party specialists, in particular to estimate the value of certain material assets and liabilities or that require complex valuation techniques.

Table of changes

The goodwill recognized on acquisitions represents in particular the development prospects of the acquired businesses within Imerys. Impairment loss on goodwill is presented in *Note 19*. When an impairment loss is recorded against goodwill, it is only maintained on the Statement of Financial Position in the event of a partial write-down, as presented in the following table. When 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.

(€ millions)	2018	2017
Carrying amount at January 1	**2,135.5**	**1,674.7**
Gross amount	2,212.6	1,744.5
Impairment	(77.1)	(69.8)
Incoming entities	21.0	518.3
Outgoing entities	(11.6)	-
Exchange rate differences	(1.4)	(57.5)
Carrying amount at December 31	**2,143.3**	**2,135.5**
Gross amount	2,220.5	2,212.6
Impairment	(77.2)	(77.1)

The following table analyzes the lines for "Acquisitions of shares in consolidated entities" in the Consolidated Statement of Cash Flows.

(€ millions)	2018	2017
Cash paid	**(25.4)**	**(338.0)**
Cost of investments acquired	(12.5)	(329.0)
Payables on acquisitions of investments	(12.9)	(9.0)
Cash from acquired entities	**1.7**	**25.9**
Total	**(23.7)**	**(312.1)**
Acquisitions of shares in consolidated entities, net of acquired cash	(23.7)	(311.9)
Acquisitions of shares in consolidated entities from non-controlling interests	-	(0.2)
Incoming entities over the year – Settlement in cash	(9.2)	(327.1)
Incoming entities over the year – Cash from acquired entities	1.7	25.9
Incoming entities over the year – Payables on acquisitions of shares	0.9	1.3
Incoming entities in prior years	(17.1)	(12.0)

Purchase accounting finalized in 2018

Kerneos. On July 18, 2017, Imerys acquired from the investment fund Astorg Partners 100.00% of the voting rights of the French group Kerneos, the world's leading manufacturer of high performance calcium aluminate binders (revenue of €417.0 million in 2016). The purchase was agreed at €206.1 million. The fair value of the majority of identifiable assets and liabilities at the date control was obtained was measured by third-party experts. The valuations for the intangible assets, property, plant and equipment, mineral reserves, provisions for mining site restoration and provisions for employee benefits were adjusted. The goodwill that arose from the difference between the value of the partially adjusted net assets and the value of the investment provisionally amounted to €463.4 million at December 31, 2018.

Others. The Group also made other minor acquisitions for which the purchase accounting was finalized in 2018. These acquisitions, paid in cash for an amount of €61.9 million generated definitive goodwill of €27.5 million.

The fair value of assets, liabilities and contingent liabilities of the businesses for which the purchase accounting was finalized at December 31, 2018 are presented in the following table:

(€ millions)	Kerneos	Others	Total
Consideration transferred by the Group	**206.1**	**61.9**	**268.0**
Cash paid to the seller when control was acquired	206.1	61.9	268.0
Investment of non-controlling interests	**1.0**	**-**	**1.0**
Shareholders' investment	**207.1**	**61.9**	**269.0**
Assets – non-current	**525.3**	**40.3**	**565.6**
Intangible assets	196.8	2.6	199.4
Property, plant and equipment	276.2	34.7	310.9
Other receivables	0.7	(1.0)	(0.3)
Deferred tax assets	51.6	4.0	55.6
Assets – current	**195.2**	**36.7**	**231.9**
Inventories	107.5	11.4	118.9
Trade receivables	52.8	14.7	67.5
Other receivables	17.4	0.6	18.0
Other financial assets	0.2	2.1	2.3
Cash and cash equivalents	17.3	7.9	25.2
Liabilities – non-current	**(883.2)**	**(11.7)**	**(894.9)**
Provisions for employee benefits	(31.9)	(0.2)	(32.1)
Other provisions	(29.1)	(5.1)	(34.2)
Borrowings and financial debt	(722.4)	(5.4)	(727.8)
Other debts	(6.3)	-	(6.3)
Deferred tax liabilities	(93.5)	(1.0)	(94.5)
Liabilities – current	**(93.6)**	**(30.9)**	**(124.5)**
Other provisions	(5.1)	(0.4)	(5.5)
Trade payables	(42.1)	(13.7)	(55.8)
Income tax payable	1.0	(1.0)	0.0
Other debts	(44.7)	(9.4)	(54.1)
Borrowings and financial debt	(2.7)	(6.4)	(9.1)
Identifiable net assets	**(256.3)**	**34.4**	**(221.9)**
Goodwill	**463.4**	**27.5**	**490.9**
Goodwill, Group share	463.4	27.5	490.9

Provisional purchase accounting at December 31, 2018

Imerys made a few minor acquisitions in 2018. Paid for in cash and totaling €9.1 million, they generated provisional goodwill of €5.2 million.

NOTE 17 INTANGIBLE ASSETS

Accounting policy

Intangible assets controlled by Imerys are recognized as assets over their useful life. They are measured at acquisition cost, minus accumulated amortization and any impairment loss. The expenditure incurred by the research teams at Imerys in their efforts to improve the quality and properties of the Group's products is generally in response to customers' specific requirements. Such costs are therefore recognized immediately as an expense in current operating income. They are capitalized only if they correspond to a new or improved industrial process that is both technically feasible and a driver of future economic benefits. In the absence of any applicable standard or interpretation, Executive Management considers greenhouse gas emission rights as an intangible asset. Imerys uses this allocation with the sole intent to justify its emissions volume and not for trading purposes by making forward purchases or sales. Rights granted free of charge are recognized to have zero value and rights acquired on the market are recognized at acquisition cost. If at the end of the reporting period, the total rights allocation is not sufficient to cover actual emissions, a provision is recognized in current operating income for the value of rights to be acquired, measured at market value (net liability method). Disposals only relate to surplus rights and are recognized in current operating income as asset disposals *(Note 9)*. Executive Management makes estimates regarding the amortization methods applied to intangible assets.

Estimates

In the ordinary course of its business, Imerys uses intangible assets, the consumption of which is represented by amortization. Executive Management believes the best way to estimate this consumption is by using the straight-line method over the assets' useful life applied as follows:

- software: 1 to 5 years;
- trademarks, patents and licenses: 5 to 40 years;
- industrial processes and others: maximum 10 years.

The Group's greenhouse gas emission rights cannot be amortized.

Emission rights

Imerys is subject to greenhouse gas regulation schemes at 10 of its facilities in Europe and one facility in the US. In 2018, Imerys used 96.0% of the greenhouse gas emission allocation granted to its eligible sites (90.0% in 2017). Given the Group's actual emissions are below the authorized level, no provision was recognized at December 31, 2018.

Table of changes

(€ millions)	Software	Trademarks, patents and licenses	Industrial processes and others	Total
Carrying amount at January 1, 2017	**19.2**	**29.8**	**32.6**	**81.6**
Gross amount	78.2	48.5	100.4	227.1
Amortization and impairment	(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)
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 at December 31, 2017	**19.1**	**180.8**	**105.6**	**305.5**
Gross amount	94.2	201.0	171.8	467.0
Amortization and impairment	(75.1)	(20.3)	(66.1)	(161.5)
Incoming entities	(0.6)	(12.2)	1.8	(11.0)
Outgoing entities	(1.3)	(0.5)	(0.6)	(2.4)
Acquisitions	3.9	0.1	24.4	28.4
Disposals	(1.0)	-	(0.8)	(1.8)
Amortization	(7.6)	(1.4)	(9.9)	(18.9)
Impairment	-	-	(22.6)	(22.6)
Reversals of impairment loss	0.1	-	-	0.1
Reclassification and other	5.6	(3.4)	(2.7)	(0.5)
Exchange rate differences	0.2	0.3	0.3	0.8
Carrying amount at December 31, 2018	**18.4**	**163.7**	**95.5**	**277.6**
Gross amount	96.5	180.3	195.4	472.2
Amortization and impairment	(78.1)	(16.6)	(99.9)	(194.6)

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment. Items of property, plant and equipment are recognized as assets if Imerys owns the property rights, or the items are held under a finance lease that substantially transfers all the risks and rewards incidental to ownership. Items of property, plant and equipment are initially measured at acquisition or production cost. The initial cost of items held under finance leases corresponds to the fair value of the asset or the present value of future minimum lease payments, whichever is lower. The cost of property, plant and equipment includes the cost of borrowings that finance their construction or production, when this process takes a substantial period of time. Where applicable, the cost of property, plant and equipment is reduced by the value of government grants awarded to finance their acquisition or construction. Maintenance and repair costs are immediately recognized as an expense in current operating income. The cost of property, plant and equipment also includes the discounted value of restoring or dismantling obligations, where a present obligation exists, in particular for satellite industrial facilities built on land owned by customers *(Note 23.2)*. Items of property, plant and equipment are subsequently measured at cost, minus accumulated depreciation and any impairment loss. Executive Management makes estimates regarding the depreciation methods applied to property, plant and equipment.

Mining assets. In the absence of any specific applicable standard or interpretation, Executive Management has defined the following methods to recognize and measure mining assets. Prospecting expenditure, *i.e.* searching for new sites with mineral producing potential and studying the technical feasibility and commercial viability of a geographical area, is immediately recognized as an expense in current operating income. Mineral reserves are included in property, plant and equipment and are initially measured at acquisition cost minus subsoil, plus costs incurred to determine the tonnage of ore present in the deposit. Overburden work, *i.e.* the process of removing the topsoil to gain access to the deposit, is considered a component of mineral reserve assets. The initial measurement of overburden work includes production cost and the discounted value of restoration obligations as a result of the deterioration caused by construction. Mineral reserves and overburden assets form the “Mining assets” line in the table of changes below. Mining assets are subsequently measured at cost, minus accumulated depreciation and any impairment loss. Executive Management makes estimates regarding the depreciation methods applied to mining assets. Mining assets are allocated to Cash Generating Units *(Note 19)* in the same way as the Group’s other assets and are subject to the same impairment tests.

Estimates

In the ordinary course of its business, Imerys uses property, plant and equipment, the consumption of which is represented by depreciation. Executive Management believes the best way to estimate this consumption is by using the straight-line method over the assets’ useful life applied as follows:

- 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, Executive Management does not consider the straight-line depreciation method appropriate to reflect the consumption of property, plant and equipment related to mining activities such as mineral reserves (representing €392.6 million at December 31, 2018 and €447.4 million at December 31, 2017) and overburden assets (€111.0 million at December 31, 2018 and €145.2 million at December 31, 2017), as well as certain industrial assets of discontinuous use. Depreciation of mining assets is therefore estimated in units of production on the basis of actual extraction, while operational monitoring units such as production or operating hours are used to estimate depreciation of industrial assets. A mineral reserve is depreciated by the value of the geological inventory of the deposit minus discounts for the geological uncertainty inherent to the resource. Overburden assets, a component of mineral reserve assets, are depreciated over the quantity of reserve to which they specifically give access. Subsoil, *i.e.* the area of land not part of the mineral deposit, is not depreciated since it is not consumed by mining operations.

Property, plant and equipment leases

Items of property, plant and equipment held under finance leases are recognized as assets representing €6.3 million at December 31, 2018 (€2.1 million at December 31, 2017). They included mostly freight material and real estate assets. At December 31, 2018, the financial debt recognized with respect to finance leases amounted to €6.0 million (€2.1 million at December 31, 2017), of which €1.2 million due to mature in 2019, €2.1 million between 2020 to 2023 and €2.7 million beyond 2023. The Group has also entered into operating lease agreements that transfer the right of use, but not the control of items of property, plant and equipment. The items held under operating leases are therefore not recognized as assets. The lease fees are recognized in profit under “Operating leases“*(Note 7)* and the commitments to pay future rent are considered to be off balance sheet commitments *(Note 28 – Commitments given)*.

Table of changes

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments plant and under construction	Other plant and equipment	Total
Carrying amount at January 1, 2017	**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
Amortization and impairment	(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)
Amortization	(64.6)	(14.4)	(148.9)	(0.1)	(24.7)	(252.7)
Impairment	-	(1.8)	(14.2)	(0.8)	-	(16.8)
Reversals of impairment loss	-	-	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 at 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
Amortization and impairment	(375.6)	(270.6)	(2,855.8)	(3.6)	(247.2)	(3,752.8)
Incoming entities	(26.7)	4.8	153.3	(6.4)	(109.7)	15.3
Outgoing entities	(51.0)	(34.1)	(77.8)	(11.0)	(1.0)	(174.9)
Acquisitions	61.7	14.3	51.6	162.5	17.4	307.5
Disposals	(1.0)	(8.5)	(5.3)	(0.7)	(0.7)	(16.2)
Amortization	(58.7)	(15.7)	(154.5)	(0.5)	(20.6)	(250.0)
Impairment	(6.8)	(35.8)	(145.8)	(29.2)	(0.7)	(218.3)
Reversals of impairment loss	0.8	1.4	14.3	-	0.1	16.6
Reclassification and other	(4.4)	5.9	12.3	(137.9)	124.6	0.5
Exchange rate differences	(2.9)	(1.9)	2.1	(0.7)	0.1	(3.3)
Carrying amount at December 31, 2018	**503.6**	**325.0**	**1,053.8**	**197.9**	**85.5**	**2,165.8**
Gross amount	896.2	575.4	3,903.1	228.4	319.3	5,922.4
Amortization and impairment	(392.6)	(250.4)	(2,849.3)	(30.5)	(233.8)	(3,756.6)

NOTE 19 IMPAIRMENT TESTS

Accounting policy

Impairment tests are performed every 12 months on all Cash Generating Units (CGUs) at the end of the reporting period. The test compares the carrying amount of assets to their recoverable amount (fair value minus costs to sell or value in use, whichever is higher). 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, eventually, disposal. Consequently, a CGU's recoverable amount may not be considered as an indicator of the price at which that CGU could be sold. In addition to the annual test, impairment indicators may trigger immediate testing in the event of an unfavorable incident. Furthermore, each director of operations, under the supervision of business group directors, ensures that the individual assets within a CGU do not present any impairment risk. Impairment loss is recognized as soon as the recoverable amount of a CGU or an individual asset falls below 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, within the carrying amount that would have been obtained in the absence of impairment. Impairment losses on goodwill cannot be reversed. Executive Management makes judgments to define CGUs and impairment indicators along with estimates regarding the timeframe and amount of cash flow forecasts as well as the discount rates used to calculate the value in use of CGUs.

Judgments

Cash Generating Units (CGUs). Executive Management makes judgments to define CGUs in a way that corresponds to the smallest identifiable group of assets that meets the following three criteria:

- a homogeneous production process for the mineral portfolio, transformation processes and applications;
- an active market with homogeneous macroeconomic characteristics;
- a level of operating power in terms of continuation, restructuring or discontinuation of mining, industrial and/or business activity.

When a CGU satisfies these three criteria, their respective cash flows are deemed to be independent. CGUs are formed directly from the analysis structure monitored each month by Executive Management in its business reporting. All assets within the Group including mining assets and goodwill, are allocated to a CGU. CGUs are grouped together to form the reporting segments *(Information by segment)*.

Impairment indicators. Executive Management makes judgments as to which events should trigger an impairment test. They mainly include significant changes in the business, interest rates, technology, obsolescence and return on assets. An adverse change to one of these factors will trigger an immediate impairment test, conducted either on a CGU or an individual asset.

Estimates

Recoverable amount. The recoverable amount of a CGU or individual asset is equal to its fair value minus costs to sell or its value in use, whichever is higher. In practice, fair value is able to be reliably measured for individual assets only, where it corresponds to the transaction price of recently disposed similar assets. Value in use is the most frequently used measurement for both CGUs and individual assets.

Cash flow forecasts. The cash flow forecasts used to estimate value in use are taken from the 2019 budget and 2020-2022 plan. The key underlying assumption of these forecasts is the level of organic growth. To calculate the terminal growth rate, Imerys uses the Gordon Growth Model. Future cash flows correspond to current free operating cash flow *(Note 24.2 – Reconciliation of net financial debt)* adjusted for "Change in other items of working capital" *(Note 24.2 – Reconciliation of net financial debt)*.

Discount rates. The discount rate used to calculate value in use is determined using the weighted average cost of capital of groups comparable to Imerys in the industrial minerals sector. This rate, set at 6.50% for 2018 (6.50% for 2017), is adjusted for a country-market risk premium, which depending on the CGU or individual assets tested ranged from 0 to 170 basis points in 2018 (0 to 230 basis points in 2017). In 2018, the average discount rate after income tax amounted to 6.93% (7.01% in 2017). The calculations net of income tax are the same as those that would be performed with cash flows and rates before income tax, as required by applicable standards. In the following table, the discount and terminal growth rates used to calculate the value in use are presented by groups of CGUs and weighted by the cash flow forecasts of each CGU.

	2018		2017	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Energy Solutions & Specialties (ESS)	7.04%	1.59%	7.15%	1.48%
Filtration & Performance Additives (F&PA)	6.82%	2.14%	7.11%	2.27%
Ceramic Materials (CM)	7.03%	1.44%	6.75%	1.78%
High Resistance Minerals (HRM)	6.94%	2.00%	6.99%	2.00%
Total	**6.93%**	**1.89%**	**7.01%**	**1.93%**

Changes in cash flow forecasts, discount rates and terminal growth rates have the most significant impact on the Group's financial statements. The following table presents impairment by CGU that would be recognized as a result of adverse changes to the assumptions retained in the financial statements at December 31, 2018:

(€ millions)	Adverse change
Cash flow forecasts	**5.0% decrease**
Impairment	None
Discount rates	**1.0% increase**
Impairment	None
Terminal growth rate	**1.0% decrease**
Impairment	None

Annual impairment tests on CGUs

By allocating goodwill to all CGUs, Imerys must systematically test each CGU for impairment once a year. This test on CGUs did not lead to the recognition of any impairment loss in 2017 or 2018. The following table presents the carrying amount and impairment loss on goodwill recognized for the year by groups of CGUs (ESS, F&PA, CM and HRM).

	2018		2017	
(€ millions)	Carrying amount	Impairment loss for the year	Carrying amount	Impairment loss for the year
Energy Solutions & Specialties (ESS)	315.1	-	318.5	-
Filtration & Performance Additives (F&PA)	833.9	-	839.2	-
Ceramic Materials (CM)	256.1	-	262.5	-
High Resistance Minerals (HRM)	737.4	-	714.5	-
Goodwill in CGUs	**2,142.5**	**0.0**	**2,134.7**	**0.0**
Holdings	0.8	-	0.8	-
Total	**2,143.3**	**0.0**	**2,135.5**	**0.0**

Impairment tests on individual assets

An adverse change in impairment indicators may trigger an immediate impairment test on individual assets, in addition to the test carried out on CGUs. In 2018, Imerys recognized impairment of €240.0 million on the Group's industrial production assets, of which €198.7 million in the Energy Solutions & Specialties business group, mainly on the Oilfield Solutions and Graphite & Carbon divisions, €1.6 million in the Filtration & Performance Additives business group, €2.8 million in the Ceramic Materials business group, €7.6 million in the High Resistance Minerals business group and €29.3 million in the holding company. In 2018, €15.8 million was recognized in reversals of impairment, of which €1.5 million in the Energy Solutions & Specialties business group and €14.3 million in the Ceramic Materials business group. As a result, €224.2 million was recognized for impairment loss, net of reversals in "Other operating income and expenses" *(Note 10)*. In 2017, tests on individual assets led to the recognition of €16.7 million in impairment loss, 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. This impairment loss, recognized in "Other operating income and expenses" *(Note 10)*, related to the industrial production assets of the business groups in question. In 2017, €2.8 million was recognized in reversals of impairment in the Ceramic Materials business group. As a result, €13.9 million was recognized for impairment loss, net of reversals 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. When sold, inventories are recognized as an expense in current operating income at the same date as the corresponding revenue. Inventories are measured at cost of production or net realizable value, whichever is lower. When production is below normal capacity, fixed production overheads specifically exclude any idle capacity costs. Inventories with similar characteristics are measured using the same method. The Group uses "First-In, First-Out" (FIFO) accounting and the weighted average cost method. If the cost of production is not recoverable, it is written down to its net realizable value in accordance with the conditions existing at the end of the reporting period.

Gross amount and write-down of inventories

	2018			2017		
(€ millions)	Gross amount	Write-down	Carrying amount	Gross amount	Write-down	Carrrying amount
Raw materials	437.5	(40.9)	396.6	404.4	(31.0)	373.4
Work in progress	89.1	(2.1)	87.0	75.7	(1.5)	74.2
Finished goods	341.5	(24.6)	316.9	350.6	(12.9)	337.7
Merchandise	69.0	(2.5)	66.5	57.0	(2.1)	54.9
Total	**937.1**	**(70.1)**	**867.0**	**887.7**	**(47.5)**	**840.2**

NOTE 21 FINANCIAL ASSETS

21.1 CATEGORIES OF FINANCIAL ASSETS

The following tables present the value of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. The totals distinguish between operational hedge derivatives (hedge of operational foreign exchange risk and energy price risk) and financial hedge derivatives (hedge of financial foreign exchange risk, interest rate risk and conversion of financial statements risk). Financial hedge derivatives are used to calculate net financial debt *(Note 24.2 – Reconciliation of net financial debt)* The carrying amounts represent fair value, insofar as they correspond to the amount of cash to be received.

At December 31, 2018

	Non-hedge accounting			Hedge Accounting						
	IFRS 9 categories			Fair value		Cash flow		Net investment		
(€ millions)	**Amortized cost**	**Fair value through profit or loss**	**Non IFRS 9**	**Hedged item**	**Hedge**	**Hedged item**	**Hedge**	**Hedged item**	**Hedge**	**Total**
Non-current assets										
Other financial assets	33.0	2.5	6.5	-	-	-	-	-	-	42.0
Other receivables	6.9	-	28.2	-	-	-	-	-	-	35.1
Derivative financial assets	-	-	-	-	16.2	-	-	-	3.1	19.3
Interest rate risk	-	-	-	-	16.2	-	-	-	-	16.2
Conversion of financial statements risk	-	-	-	-	-	-	-	-	3.1	3.1
Current assets										
Trade receivables	656.6	-	-	-	-	-	-	-	-	656.6
Other receivables	71.8	-	225.1	-	-	-	-	-	-	296.9
Derivative financial assets	-	3.5	-	-	-	-	3.8	-	-	7.3
Transactional currency risk	-	3.5	-	-	-	-	1.7	-	-	5.2
Energy price risk	-	-	-	-	-	-	2.1	-	-	2.1
Other financial assets	1.6	7.3	-	-	-	-	-	-	-	8.9
Cash and cash equivalents	848.9	-	-	-	-	-	-	-	-	848.9
Total	**1,618.8**	**13.3**	**259.8**	**0.0**	**16.2**	**0.0**	**3.8**	**0.0**	**3.1**	**1,915.0**
Of which operational derivatives	-	-	-	-	-	-	3.8	-	-	3.8
Of which financial derivatives	-	3.5	-	-	16.2	-	-	-	3.1	22.8

At December 31, 2017

	Non-hedge accounting			Hedge accounting						
	IFRS 9 categories			Fair value		Cash flow		Net investment		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Hedged item	Hedge	Total
Non-current assets										
Other financial assets	33.6	12.0	6.5	-	-	-	-	-	-	52.1
Other receivables	8.4		37.9	-	-	-	-	-	-	46.3
Derivative financial assets	-	-	-	-	15.0	-	-	-	7.5	22.5
Interest rate risk	-	-	-	-	15.0	-	-	-	-	15.0
Conversion of financial statements risk	-	-	-	-	-	-	-	-	7.5	7.5
Current assets										
Trade receivables	676.1	-	-	-	-	-	-	-	-	676.1
Other receivables	75.0	-	227.4	-	-	-	-	-	-	302.4
Derivative financial assets	-	0.7	-	-	-	-	6.3	-	-	7.0
Transactional currency risk	-	0.7	-	-	-	-	2.9	-	-	3.6
Energy price risk	-	-	-	-	-	-	3.4	-	-	3.4
Other financial assets	1.4	7.4	-	-	-	-	-	-	-	8.8
Cash and cash equivalents	381.9	-	-	-	-	-	-	-	-	381.9
Total	**1,176.4**	**20.1**	**271.8**	**0.0**	**15.0**	**0.0**	**6.3**	**0.0**	**7.5**	**1,497.1**
Of which operational derivatives	-	-	-	-	-	-	6.3	-	-	6.3
Of which financial derivatives	-	0.7	-	-	15.0	-	-	-	7.5	23.2

21.2 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Accounting policy

After their initial recognition, receivables are measured at their amortized cost. At the end of the reporting period, a write-down is recognized for the value of expected credit losses. Such losses correspond to the estimated weighted probability of credit losses, *i.e.* the expected loss of cash over the life of the trade receivable, minus cash to be received from credit insurance where applicable *(Note 21.3)*. A receivable sold to a banking institution for financing purposes is only derecognized if the factoring agreement also transfers to the factor all the risks and rewards incidental to the receivable.

Table of changes

At December 31, 2018, other non-current financial assets corresponded to €22.3 million in loans to joint ventures and associates (€15.1 million at December 31, 2017), €10.7 million in loans and deposits (€18.4 million at December 31, 2017), €6.5 million in assets related to employee benefits (€6.5 million at December 31, 2017) *(Note 23.1)* and €2.5 million in available-for-sale financial assets (€12.0 million at December 31, 2017). A significant proportion of other non-current receivables and related write-downs is made up of tax receivables excluding income tax in Brazil. Other current receivables are also mainly made up of tax receivables excluding income tax.

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Carrying amount at January 1, 2017	**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-downs	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 at 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)
Changes in the scope of consolidation	(1.8)	(2.3)	(9.8)	(22.0)	(35.9)
Net change	8.6	(23.0)	(13.8)	22.9	(5.3)
Write-downs	(8.4)	0.2	(0.2)	1.3	(7.1)
Other	(8.8)	16.6	3.6	(9.3)	2.1
Exchange rate differences	0.3	(2.7)	0.7	1.8	0.1
Carrying amount at December 31, 2018	**42.0**	**35.1**	**656.6**	**297.0**	**1,030.7**
Gross amount	63.2	66.5	688.5	303.0	1,121.2
Write-down	(21.2)	(31.4)	(31.9)	(6.0)	(90.5)

The table below presents details of the main factoring agreements signed by the Group as well as the amounts derecognized at the end of the reporting period.

(€ millions)	ESS	CM
Effective date of the agreement	Sept. 2009	Sept. 2009
Possible redress for factor from Imerys on derecognized receivables	No	No
Since 90 days and more	20.0	20.0
Contractual duration	Indefinite	Indefinite
Maximum outstanding amount including all taxes	21.0	21.0
Pre-identification of derecognized receivables	Yes	Yes
Transfer of all risks and benefits to the factor, including default and late payment risks	Yes	Yes
Carrying amount of derecognized receivables at December 31, 2018	4.2	4.7
Carrying amount of derecognized receivables at December 31, 2017	4.7	5.0

21.3 MANAGING RISK IN RESPECT OF FINANCIAL ASSETS

Credit risk

Description. Credit risk is the risk that a debtor of Imerys does not reimburse their debt at the agreed due date. It mainly affects the loans and receivables category.

Management. Credit risk is monitored at entity level by analyzing the breakdown of receivables by maturity. Generally due between 30 and 90 days, the Group's receivables are not covered by any material financing arrangement. The following table presents a breakdown by maturity at the end of the reporting period.

(€ millions)	2018
Receivables not yet due	**526.1**
Receivables due	**222.6**
1 to 30 days	129.6
31 to 60 days	37.5
61 to 90 days	35.1
More than 90 days	20.4
Total	**748.7**

At the end of the reporting period, loans and receivables are written down to their recoverable amount *(Note 21.2)*. Group entities may hedge credit risk through credit insurance contracts or warranties *(Note 28 – Commitments received)*. At December 31, 2018, the Group's maximum exposure to credit risk before credit insurance and warranties, *i.e.* gross receivables net of write-downs, amounted to €1,028.2 million (€1,064.8 million at December 31, 2017). The following table summarizes the total write-downs on loans and receivables (€82.4 million at December 31, 2018 and €79.0 million at December 31, 2017) and write-downs on available-for-sale financial assets (€8.1 million at December 31, 2018 and €8.6 million at December 31, 2017).

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Balance at January 1, 2017	**(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 at December 31, 2017	**(13.0)**	**(36.1)**	**(31.1)**	**(7.4)**	**(87.6)**
Changes in the scope of consolidation	0.3	0.3	(0.4)	-	0.2
Increases	(9.6)	-	(6.6)	(0.4)	(16.6)
Utilizations	1.2	0.2	6.4	1.7	9.5
Other	-	0.5	(0.5)	-	0.0
Exchange rate differences	(0.1)	3.7	0.3	0.1	4.0
Balance at December 31, 2018	**(21.2)**	**(31.4)**	**(31.9)**	**(6.0)**	**(90.5)**

Transactional currency risk

Description. Transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by unfavorable fluctuations in its cross-entry in functional currency. In assets, transactional currency risk mainly affects trade receivables.

Management. In assets, 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 SHAREHOLDERS' EQUITY

Management principles

The management of capital covers three main fields: consolidated equity, share-based payments and share buybacks. Consolidated equity is managed to maintain a stable financial structure that generates dividends for shareholders by increasing earnings at a sustained, regular pace. Incentive schemes in which share options and free shares are granted to certain key employees help Imerys to reach this objective *(Note 8)*. Share buyback programs are intended to improve the transaction liquidity and price stability of the Imerys share and well as make certain share-based payments and cancellations necessary to offset the dilutive impact of exercised share options and vested free share grants.

Consolidated equity is composed of the capital and premiums of Imerys S.A. as well as its consolidated income and reserves. There are no hybrid instruments that combine the characteristics of liabilities and equity instruments. At December 31, 2018:

- consolidated equity amounted to €3,253.5 million (€2,878.2 million at December 31, 2017) on the basis of which the Board of Directors has proposed a dividend of €2.150 per share (€2.075 in 2017);
- a total of 283,113 share options and 1,001,025 performance shares have not been exercised or not yet vested, which represents 1.59% of the capital of Imerys S.A. after dilution (1.79% of the capital after dilution at December 31, 2017);
- after transactions made throughout the year to purchase, sell, cancel or transfer shares, Imerys S.A. held 237,342 Imerys shares (632,227 shares at December 31, 2017).

The capital of Imerys S.A. is subject to a number of mandatory requirements under the French Commercial Code *(Code de commerce)*. These requirements do not have any material impact on the financial statements. However, the Statutory Auditors carry out verifications to ensure Imerys S.A. is compliant. Furthermore, part of the Group's financing is secured through debt instruments, issued on the condition of compliance with covenants, some of which are related to the amount of consolidated equity. The covenants and the corresponding value recorded at the end of the reporting period are presented in *Note 24.5 – Borrower's liquidity risk*.

Accounting policy

Treasury share buybacks are recognized at acquisition cost as a decrease in equity. The income generated from any subsequent disposal is directly recognized in equity.

Activity for the year

	2018			2017		
(number of shares)	Shares issued	Treasury shares	Outstanding shares	Shares issued	Treasury shares	Outstanding shares
Number of shares at January 1	**79,604,285**	**(632,227)**	**78,972,058**	**79,567,874**	**(932,821)**	**78,635,053**
Capital increase	117,290	-	117,290	436,411	-	436,411
Capital decrease	(235,881)	235,881	0	(400,000)	400,000	0
Treasury share transactions	-	159,004	159,004	-	(99,406)	(99,406)
Number of shares at December 31	**79,485,694**	**(237,342)**	**79,248,352**	**79,604,285**	**(632,227)**	**78,972,058**

On December 13, 2018, as part of the share buyback programs approved by the Shareholders' General Meeting, and in accordance with the authorization given by the Shareholders' General Meeting held on May 3, 2017, the Board of Directors canceled 235,881 treasury shares acquired on the market through an investment services provider. The cancellation of these shares caused the share capital to decrease by a nominal amount of €471,762.

On January 7, 2019, the Chief Executive Officer, using the powers granted to him by the Board of Directors on December 13, 2018, acknowledged that the share capital at December 31, 2018 had increased by a nominal amount of €234,580 after 117,290 stock options were exercised between January 1 and December 31, 2018, which consequently created an equal number of new Imerys shares.

As a result of these transactions, Imerys' fully paid up share capital at December 31, 2018 totaled €158,971,388. It was made up of 79,485,694 shares each with a par value of €2, including 47,165,575 shares that carried double voting rights, pursuant to article 22 of Imerys' by-laws. In total, 126,651,269 theoretical voting rights were attached to outstanding shares. Taking into account the 237,342 treasury shares held at December 31, 2018, the total number of net voting rights attached to outstanding shares was 126,413,927 at that date. No directly registered shares have been pledged. The share capital has not changed and the number of voting rights has not undergone any significant change between December 31, 2018 and February 13, 2019, *i.e.* the date at which the annual consolidated financial statements at December 31, 2018 were approved by the Board of Directors.

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NOTE 23 PROVISIONS

23.1 PROVISIONS FOR EMPLOYEE BENEFITS

In accordance with the regulatory framework and business practices in each country, Imerys makes contributions to pension plans for its employees. Benefits are granted either through defined contribution plans, the future value of which is not guaranteed by Imerys *(Note 8)*, or defined benefit plans, the future value of which is guaranteed by Imerys by the provisions analyzed in this note.

(€ millions)	**2018**	**2017**
Retirement plans	232.1	268.5
Medical plans	21.9	26.6
Other long-term employee benefits	11.5	13.7
Termination benefits	24.5	12.5
Total	**290.0**	**321.3**

Accounting policy

Defined contribution plans. In accordance with the regulatory framework and business practices in each country, Imerys makes contributions to pension plans for its employees by making, either on a mandatory or voluntary basis, contributions to third-party institutions such as pension funds, insurance companies or financial institutions. These plans, called defined contribution plans, do not provide beneficiaries with a guarantee of the total benefit that will be paid in the future. Contributions to these plans are recognized as “Staff expenses” *(Note 8)*.

Defined benefit plans. In contrast, Imerys provides beneficiaries of defined benefit plans with a guaranteed future benefit. The corresponding obligations are measured using the Projected Unit Credit Method by means of economic and demographic actuarial assumptions. These assumptions are used to measure the value of the rights acquired by beneficiaries on the basis of an estimated salary at retirement date. Provisions and assets are recognized for the discounted value of the obligation, minus the fair value of plan assets, and capped where necessary. The rates used to discount obligations and calculate the normative return on assets in profit are fixed by reference to the rates of bonds issued by AA-rated companies (high quality) within the main iBoxx GBP and USD Corporate AA indices. Executive Management makes estimates concerning actuarial assumtions. Contributions to the funds and direct payments to beneficiaries are recognized in current operating income *(Note 8)* except for contributions and payments related to restructuring operations, which are recognized in other operating revenue and expenses *(Note 10)* and contributions to under-funded closed plans with mandatory funding requirements, which are recognized in financial income (loss) *(Note 12)*. The impact in profit of these contributions is neutralized by decreases in provisions recognized in each of these three levels of profit or loss. Other items of change in post-employment plans are recognized in current operating income *(Note 8)*, except for amendments, curtailments and settlements related to restructuring operations, which are recognized in other operating income and expenses *(Note 10)* and unwinding of obligations and normative return on assets, which are recognized in financial income (loss) *(Note 12)*. Administrative fees are recognized in current operating income *(Note 8)* except for administrative fees for under-funded closed plans with mandatory funding requirements, which are recognized in financial income (loss) *(Note 12)*. Plan amendments, curtailments and settlements are immediately recognized in profit. Actuarial differences and caps on post-employment plan assets are fully recognized in equity, net of asset management fees, with no subsequent reclassification in profit.

Characteristics of defined benefit plans

At December 31, 2018, Imerys recognized €1,374.6 million in defined employee benefit obligations (€1,500.3 million at December 31, 2017), made up of retirement benefits, post-employment medical plans and other pre-retirement benefits such as jubilee awards. The obligations, the value of which is presented as negative values in the following table, are mainly incurred in the UK and the US.

	2018				2017			
(€ millions)	UK	US	Rest of the world	Total	UK	US	Rest of the world	Total
Retirement benefits	(852.6)	(244.7)	(242.5)	(1,339.8)	(923.2)	(276.0)	(260.6)	(1,459.8)
Post-employment medical plans	-	(14.9)	(6.9)	(21.8)	-	(17.8)	(8.8)	(26.6)
Other pre-retirement benefits	-	-	(13.0)	(13.0)	-	-	(13.9)	(13.9)
Total	**(852.6)**	**(259.6)**	**(262.4)**	**(1,374.6)**	**(923.2)**	**(293.8)**	**(283.3)**	**(1,500.3)**

At December 31, 2018, 25,257 beneficiaries were covered by these obligations (27,607 beneficiaries at December 31, 2017), including employees who have been granted rights in return for the years of service they accumulate within the Group (active beneficiaries), employees who will no longer acquire rights in return for the years of service accumulated within the Group as well as former employees still in employment outside the Group (deferred beneficiaries) and former employees now in retirement (retired beneficiaries). The following table breaks down the main characteristics of these beneficiaries:

	2018				2017			
	UK	US	Rest of the world	Total	UK	US	Rest of the world	Total
Headcount								
Active beneficiaries	544	1,324	12,774	14,642	585	1,338	14,988	16,911
Deferred beneficiaries	1,629	1,395	424	3,448	1,679	1,451	391	3,521
Retired beneficiaries	4,041	2,346	780	7,167	4,102	2,287	786	7,175
Total	**6,214**	**5,065**	**13,978**	**25,257**	**6,366**	**5,076**	**16,165**	**27,607**
Average age								
Active beneficiaries	54	51	43	46	54	51	45	45
Deferred beneficiaries	54	55	50	54	54	53	49	53
Retired beneficiaries	75	73	71	74	75	64	74	71
Length of service *(years)*								
Active members	29	17	14	16	28	19	15	16

At December 31, 2018, 69.9% of the Group's total obligation was accounted for by just two plans (69.9% at December 31, 2017) – the Imerys UK Pension Scheme (Imerys UK) and the Imerys USA Retirement Growth Account Plan (Imerys USA). The following table presents the main characteristics of these two plans:

	2018		2017	
	Imerys UK	**Imerys USA**	**Imerys UK**	**Imerys USA**
Obligation by category of beneficiaries *(€ millions)*				
Active beneficiaries	(154.5)	(38.0)	(175.0)	(36.2)
Deferred beneficiaries	(168.9)	(36.0)	(188.1)	(33.5)
Retired beneficiaries	(529.2)	(34.2)	(560.0)	(56.5)
Total	**(852.6)**	**(108.2)**	**(923.2)**	**(126.2)**
Average age				
Active beneficiaries	54	54	54	53
Deferred beneficiaries	54	55	54	55
Retired beneficiaries	75	72	75	71
Eligibility				
Recruitment cut-off date	Dec. 31, 2004	Mar. 31, 2010	Dec. 31, 2004	Mar. 31, 2010
Retirement age	65	65	65	65
Description of the benefit				
Mode of payment	Annuity(1)	Capital(2)	Annuity(1)	Capital(2)
Pegged to retail price index	Yes	No	Yes	No
Closing date for future accruals	Mar. 31, 2015	Dec. 31, 2014	Mar. 31, 2015	Dec. 31, 2014
Regulatory framework				
Minimum employer funding requirement	Yes(3)	Yes(3)	Yes(3)	Yes(3)
Minimum beneficiary contribution requirement	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 responsibility				
Defining the investing strategy	Yes	Yes	Yes	Yes
Negotiating deficit refinancing with the employer	Yes	-	Yes	-
Administrative management of the benefit payment	Yes	Yes	Yes	Yes

(1) The annuity is calculated according to the number of years of service accumulated, annual salary at retirement and an 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 accumulated at 100.0% on the basis of a funding valuation.

Managing employee benefit risk

Description. Through the financial management of employee benefits, Imerys seeks to 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 be deteriorated by a decorrelation between a change in value (generally negative) of plan assets and a change in value (generally positive) of obligations. The value of plan assets may be reduced by deteriorating the fair value of investments. The value of obligations may rise for (i) all plans after a drop in discount rates or (ii) benefits paid as life annuities, either due to an increase in the inflation rates used to remeasure the obligations of certain plans, or due to an increase in the life expectancy of beneficiaries.

Management. In order to control the funding ratio of obligations, Imerys aims first and foremost to optimize the value of plan assets. Investment strategies are therefore devised to deliver a steady return while also taking advantage of opportunities with limited or moderate risks levels. The choice of investments is specific to each plan and factors in the duration of the plan as well as minimum funding regulatory constraints. Since 2011, Imerys has pursued a specific strategy to control the funding ratio of obligations in the UK in particular, which defines plan asset investments to match the obligation. The strategy, known as Liability Driven Investment (LDI), controls the funding ratio of the obligation by pegging cash inflows to cash outflows over the duration of the obligation. In practice, it involves 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. It hedges the risk of an increase in the obligation due to a drop in discount rates (or an increase in inflation rates) by covering a portion of the value of the regularly revised obligation.

Financing employee benefits

Imerys finances the majority of employee benefits with investments unavailable to third parties in trusts or insurance contracts legally separate from the Group. At December 31, 2018, the value of these investments designated as plan assets amounted to €1,109.9 million (€1,191.7 million at December 31, 2017). Imerys also holds reimbursement rights, *i.e.* investments held directly by the Group, which amounted to €5.7 million at December 31, 2018 (€6.3 million at December 31, 2017). Therefore, the funding ratio of obligations equaled 81.2% at December 31, 2018 (79.9% at December 31, 2017). The total deficit of funded plans and unfunded plans amounted to €259.0 million at December 31, 2018 (€302.3 million at December 31, 2017), as disclosed in the following table:

	2018				2017			
(€ millions)	**UK**	**US**	**Rest of the world**	**Total**	**UK**	**US**	**Rest of the world**	**Total**
Obligations funded by plan assets	(852.6)	(243.5)	(130.0)	(1,226.1)	(923.2)	(274.6)	(133.1)	(1,330.9)
Obligations funded by reimbursement rights	-	-	(25.8)	(25.8)	-	-	(30.1)	(30.1)
Plan assets	847.5	186.7	75.7	1,109.9	900.5	214.4	76.8	1,191.7
Reimbursement rights	-	-	5.7	5.7	-	-	6.3	6.3
Funded plans surplus (deficit)	**(5.1)**	**(56.8)**	**(74.4)**	**(136.3)**	**(22.7)**	**(60.2)**	**(80.1)**	**(163.0)**
Unfunded obligations	-	(16.1)	(106.6)	(122.7)	-	(19.2)	(120.1)	(139.3)
Total surplus (deficit)	**(5.1)**	**(72.9)**	**(181.0)**	**(259.0)**	**(22.7)**	**(79.4)**	**(200.2)**	**(302.3)**

The following table presents the contributions paid to the funds by profit or loss level in 2017 and 2018 as well as an estimate for 2019. Contributions are generally recognized in current operating income. They are recognized in other operating revenue and expenses when they relate to restructuring. Contributions recognized in financial income (loss) are intended to recover the deficit of closed plans (absence of current service) with mandatory funding requirements. In this respect, each euro of service rendered before the plan was closed has been funded by a contribution of the same amount in current operating income. However, a drop in discount rates, increase in inflation rates and reduction in the fair value of investments has broken this initial balance and additional contributions are now required to restore it.

(€ millions)	2019 (estimate)	2018	2017
Contributions in current operating income	(5.0)	(11.6)	(8.9)
Contributions in other operating income and expenses	-	(0.5)	(0.9)
Contributions in financial income (loss) (closed plans)	(6.6)	(5.4)	(11.3)
Employer contributions	**(11.6)**	**(17.5)**	**(21.1)**

Plan assets are mainly invested in instruments whose market values are listed on an active market:

	2018				2017			
	UK	US	Rest of the world	Total	UK	US	Rest of the world	Total
Listed assets	**100.0%**	**99.0%**	**69.0%**	**97.7%**	**100.0%**	**100.0%**	**75.0%**	**98.4%**
Equity	3.2%	51.7%	7.9%	11.7%	14.4%	52.1%	8.7%	20.8%
Debt	94.2%	47.0%	6.1%	80.3%	78.2%	47.6%	7.8%	10.3%
Real estate	2.4%	-	-	1.8%	5.4%	-	-	4.1%
Money	0.2%	0.3%	55.0%	4.0%	2.1%	0.3%	58.5%	63.3%
Non-listed assets	**0.0%**	**1.0%**	**31.0%**	**2.3%**	**0.0%**	**0.0%**	**25.0%**	**1.6%**
Money	-	1.0%	31.0%	2.3%	-	-	25.0%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

In 2018, the assets held by Imerys to finance employee benefits generated €12.7 million in actual interest expenses (earnings of €71.5 million in 2017), *i.e.* an actual rate of return, including currency effects, of -1.1% in 2018 (6.3% in 2017), as presented in the following table. In accordance with applicable legal and regulatory standards, this return was only credited to financial income (loss) to the extent of a normative share of €29.6 million in 2018 (€32.8 million in 2017), calculated on the basis of the risk-free rate used to discount the obligations. The deficit of the actual return in relation to the normative return was debited from equity for €42.3 million in 2018 (surplus of €38.7 million in 2017).

	2018				2017			
(€ millions)	UK	US	Rest of the world	Total	UK	US	Rest of the world	Total
Assets at January 1	**900.5**	**214.4**	**83.1**	**1,198.0**	**923.3**	**212.6**	**85.1**	**1,221.0**
Changes in the scope of consolidation	-	-	(0.2)	(0.2)	-	15.6	1.8	17.4
Contributions	1.5	6.2	11.2	18.9	6.9	7.8	7.8	22.5
Payments to beneficiaries	(36.3)	(42.3)	(12.9)	(91.5)	(40.2)	(20.1)	(8.7)	(69.0)
Reclassification	-	-	-	0.0	-	-	(2.3)	(2.3)
Exchange rate differences	(6.9)	9.0	1.0	3.1	(32.5)	(26.8)	(3.8)	(63.1)
Actual return on assets	**(11.3)**	**(0.6)**	**(0.8)**	**(12.7)**	**43.0**	**25.3**	**3.2**	**71.5**
Normative return (financial income (loss)	21.3	7.3	1.0	29.6	23.9	7.8	1.1	32.8
Adjustment to actual return (equity)	(32.6)	(7.9)	(1.8)	(42.3)	19.1	17.5	2.1	38.7
Assets at December 31	**847.5**	**186.7**	**81.4**	**1,115.6**	**900.5**	**214.4**	**83.1**	**1,198.0**
Actual rate of return	**(1.3)%**	**(0.3)%**	**(0.8)%**	**(1.1)%**	**5.0%**	**13.5%**	**3.9%**	**6.3%**

Estimates

Executive Management makes estimates regarding the actuarial assumptions used to measure defined benefit plans. The following assumptions are weighted by the amount of obligations or assets, depending upon the item to which they apply.

	2018				2017			
	UK	US	Rest of the world	Total	UK	US	Rest of the world	Total
Discount rates	2.70%	4.09%	1.69%	2.77%	2.40%	3.41%	1.41%	2.41%
Retail price index	2.20%	-	-	2.20%	2.10%	-	-	2.10%
Salary increase rate	2.55%	0.21%	2.29%	2.31%	2.35%	-	2.56%	2.39%
Changes in medical expense rates	-	-	7.04%	7.04%	-	-	7.17%	7.17%
Duration *(years)*	14	9	12	11	15	12	12	14

Among these estimates, it is the discount rate that has most significant impact on the Group's financial statements. The following table presents the impact of a reasonably estimated change in discount rates following a possible decrease (lower case) or increase (higher case) in the assumption applied to the financial statements at December 31, 2018 (actual 2018). The impact of these changes is measured on three aggregates (obligation, net interest and current service cost) in the two monetary zones in which the most significant obligations have been undertaken (UK and US). The reasonably estimated change in discount rates has been set at 50 basis points, based on the weighted average change in discount rates in the UK and the US over the last five years.

(€ millions)	Lower case	Mid case	Higher case
UK			
Discount rates	2.2%	2.7%	3.2%
Obligation at the end of the reporting period	(917.9)	(852.6)	(794.3)
Net interest in 2019 profit or loss(1)	(1.5)	(0.1)	1.7
Current service cost in 2019 profit or loss(2)	-	-	-
US			
Discount rates	3.6%	4.1%	4.6%
Obligation at the end of the reporting period	(270.9)	(259.6)	(247.4)
Net interest in 2019 profit or loss(1)	(3.0)	(2.9)	(2.7)
Current service cost in 2019 profit or loss	(0.9)	(1.3)	(0.8)

(1) Unwinding of the obligation, net of normative return on assets.

(2) Plan closed and frozen since April 1, 2015.

Tables of changes

At December 31, 2018

(€ millions)	Obligations	Assets	Assets (provision)
Balance at January 1, 2018	**(1,500.3)**	**1,198.0**	**(302.3)**
Plan assets			0.2
Reimbursement rights			6.3
Provisions			(308.8)
Unwinding	(35.6)	-	(35.6)
Current service cost	(17.6)	-	(17.6)
Plan amendments	1.8	-	1.8
Curtailments	10.0	-	10.0
GMP Equalization(1)	(5.0)	-	(5.0)
Actuarial gains (losses) of other employee benefits	0.6	-	0.6
Normative return on plan assets	-	29.5	29.5
Normative return on reimbursement rights	-	0.1	0.1
Change recognized in profit			**(16.2)**
Surplus (deficit) of actual return on assets over normative return	-	(42.3)	(42.3)
Actuarial gains (losses) of post-employment benefits on			
■ changes in demographic assumptions	25.9	-	25.9
■ changes in financial assumptions	52.2	-	52.2
■ experience adjustments	(10.0)	-	(10.0)
Change recognized in equity			**25.8**
Outgoing entities	9.5	(0.2)	9.3
Routine benefit payments	79.1	(69.5)	9.6
Settlement payments	22.6	(22.0)	0.6
Employer contributions	-	17.5	17.5
Employee contributions	(1.4)	1.4	0.0
Exchange rate differences	(6.4)	3.1	(3.3)
Balance at December 31, 2018	**(1,374.6)**	**1,115.6**	**(259.0)**
Plan assets			0.8
Reimbursement rights			5.7
Provisions			(265.5)

(1) The Imerys pension plan in place in the UK includes the Guaranteed Minimum Pension (GMP). The GMP system applies to employees that contracted the second component of the old UK state pension before April 6, 1997. In the past, inequalities existed between men and women with GMP benefits. On October 26, 2018, the UK's High Court ruled that benefits had to be equalized between men and women for the unequal effect of GMPs and clarified how this could be achieved. Given this new information, Imerys applied the equalization between men and women, which led to an expense of €5.0 millions recognized in Other operating income and expenses (Note 10).

"Change recognized in profit" can be broken down as follows:

(€ millions)	Assets (provision)
Current operating income	**(2.5)**
Net change in provisions for employee benefits	19.3
Contributions to defined benefit plans	(21.8)
Other operating income and expenses	**(5.1)**
Net change in provisions for employee benefits	(4.6)
Contributions to defined benefit plans	(0.5)
Financial income (loss)	**(8.6)**
Net change in employee benefit liabilities – Closed plans	2.8
Contributions to defined employee benefit plans – Closed plans	(5.4)
Normative return on assets of defined benefit plans	29.6
Unwinding of defined employee benefit liabilities	(35.6)
Change recognized in profit or loss	**(16.2)**

At December 31, 2017

(€ millions)	Obligations	Assets	Assets (provision)
Balance at January 1, 2017	**(1,494.8)**	**1,221.0**	**(273.8)**
Plan assets			1.3
Reimbursement rights			6.1
Provisions			(281.2)
Unwinding	(38.9)	-	(38.9)
Current service cost	(16.3)	-	(16.3)
Settlements	(0.7)	-	(0.7)
Actuarial gains (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
Change recognized in profit			**(22.7)**
Surplus (deficit) of actual return on assets over normative return	-	38.7	38.7
Actuarial gains (losses) of post-employment benefits on			
▪ changes in financial assumptions	(63.6)	-	(63.6)
▪ experience adjustments	5.3	-	5.3
Change 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
Settlement 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 at December 31, 2017	**(1,500.3)**	**1,198.0**	**(302.3)**
Plan assets			0.2
Reimbursement rights			6.3
Provisions			(308.8)

"Change recognized in profit" can be broken down as follows:

(€ millions)	Assets (provision)
Current operating income	**(13.6)**
Net change in provisions for employee benefits	5.1
Contributions to defined benefit plans	(18.7)
Other operating income and expenses	**(0.9)**
Contributions to defined 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)
Change recognized in profit or loss	**(22.7)**

Change recognized in equity

	2018				2017			
(€ millions)	Actuarial gains (losses)	Surplus of actual return on assets over normative actual return in profit	Asset cap	Total	Actuarial gains (losses)	Surplus of actual return on assets over normative actual return in profit	Asset cap	Total
Balance at January 1	**(598.3)**	**370.9**	**2.3**	**(225.0)**	**(581.1)**	**357.6**	**2.5**	**(221.0)**
Fluctuations in obligations	68.1	-	-	68.1	(58.3)	-	-	(58.3)
Fluctuations in assets	-	(42.3)	-	(42.3)	-	38.7	-	38.7
Change recognized in equity	**68.1**	**(42.3)**	**0.0**	**25.8**	**(58.3)**	**38.7**	**0.0**	**(19.6)**
Outgoing entities	3.1	-	-	3.1	0.2	-	-	0.2
Exchange rate differences	(10.9)	6.8	-	(4.1)	40.9	(25.4)	(0.2)	15.4
Balance at December 31	**(538.0)**	**335.4**	**2.3**	**(200.2)**	**(598.3)**	**370.9**	**2.3**	**(225.0)**

23.2 OTHER PROVISIONS

(€ millions)	2018	2017
Other non-current provisions	666.2	394.6
Other current provisions	23.7	27.1
Total	**689.9**	**421.7**

Accounting policy

A provision is recognized as soon as it becomes likely that a present obligation will require a settlement and a reliable estimate can be made of the amount of that obligation. Provisions are recognized against profit or loss, except provisions for dismantling and certain provisions for restoration, which are included in the cost of the assets of which the construction created the obligation. This treatment mainly applies to certain industrial facilities and mining overburden assets. Provisions are measured using the best estimate of the amount required to settle the obligation. Discounts are not applied to provisions that are expected to be settled within 12 months after the end of the reporting period and those that may be settled at any time. Discounts are applied to provisions that are not expected to be settled within 12 months after the end of the reporting period. This treatment applies in particular to provisions accrued with respect to environmental obligations for pollution remediation (€8.5 million at December 31, 2018 and €13.0 million at December 31, 2017), obligations to dismantle plants (€105.2 million at December 31, 2018 and €82.1 million at December 31, 2017) and obligations to restore mining sites that are no longer operational (€137.3 million at December 31, 2018 and €123.3 million at December 31, 2017). Changes in discounted provisions after revisions to the amount of the obligation, the timing of settlement or the discount rate are recognized in profit or as an adjustment to the cost of assets for provisions recognized against assets. Unwinding is recognized as a debit in other financial income and expenses *(Note 12)*. Executive Management makes estimates to assess the probability of settlement, amount of the obligation, expected timing of future payments and discount rates.

Estimates

Probability of settlement and amount of the obligation. The probability of settlement and the amount of the obligations are estimated by Executive Management, who generally call upon in-house company experts to approve the key assumptions, taking into account the anticipated effects, regulatory changes where applicable, and independent counsel regarding material disputes and claims. Independent counsel handles allegations of personal or financial damage implicating the civil liability of Imerys and potential breaches of contractual obligations or regulations on HR, real estate and environmental issues. The provisions set aside for these risks are included in the €434.3 million of provisions for legal, social and regulatory risks in the table of changes published at the end of the present note. This amount includes in particular a provision for litigation in the US regarding claims over the alleged hazards of the use of talc in certain products. The majority of this operational litigation relates to sales made by three entities within the North American Performance Additives division of the Filtration & Performance Additives (F&PA) business group prior to their acquisition by Imerys in 2011.

In the fourth quarter of 2018, following a material increase in the number of claims filed against the three entities and the heightened media coverage of US cosmetic talc-related lawsuits, Executive Management and the entities involved sought the opinion of outside professionals and independent consultants to analyze the various strategic options to tackle the situation. As part of the process, the consultants took into account the estimates made by experts on the Group's potential long-term financial exposure, after stripping out the forecast for defense and settlement costs that may be covered by long-standing insurance or contractual guarantees available immediately or at December 31, 2018. Executive Management considered an additional provision of around €250 million would be necessary to reflect the developments that occurred in the fourth quarter of the year and the recommendations made by the independent consultants. This additional provision was recognized in "Other operating income and expenses" *(Note 10)*. At the end of the reporting period, this provision represented a reasonable estimate of the amount required to eliminate the long-standing liabilities related to the ongoing disputes in the US and the potential developments in the future. As part of the estimation for the provision set aside for this risk, Executive Management considered the following items in particular: (i) the possibility of transferring to third parties the coverage of insurance or contractual guarantees that currently exist or are potentially accessible by the entities involved, for all or part of the risks; (ii) the potential to appeal and contest the manifestation or amount of all or part of the related risks; and (iii) the specificities of US legal framework applicable to product liability claims (thousands of individual claims in various jurisdictions, high defense costs, unpredictable verdicts issued by trial juries and media coverage of certain court decisions).

Furthermore, the three North American entities whose talc operations are exposed to this litigation have, with the support of the Imerys Board of Directors as expressed at its meeting of December 13, 2018, begun to closely study and prepare for the process and any consequences resulting from a potential decision to file for bankruptcy protection under Chapter 11, a special legal process in US law. The main benefits the process is expected to provide the entities concerned include (i) the immediate suspension of all ongoing talc-related litigation in the US, along with all related defense cost savings; and (ii) a potential resolution by negotiating a plan with representatives of existing and future claimants in ongoing and future claims made against these entities and related to past sales of talc in the US. After having considered the opportunity available to the entities concerned and the potential consequences for the Group, the Imerys Board of Directors recommended at its meeting held on February 4, 2019 to prepare for the possibility of these entities seeking the protection of Chapter 11 within the near future *(Note 30)*. At its meeting held on February 13, 2019, the Board of Directors decided to support the decision taken that same day by the three North American entities involved to file for the protection of Chapter 11 with immediate effect. The Board of Directors and Executive Management will continue to closely monitor the developments of the process and its impact on these entities, as well as the negotiation of the plan. It will adjust its best estimate for the amount of related risks.

Expected timing of future payments. The following table presents the discounted value of future cash outflows required to settle the obligations included in "Other provisions":

(€ millions)	**2019-2023**	**2024-2033**	**2034 and beyond**	**Total**
Product warranties	4.6	-	-	4.6
Environmental and dismantling obligations	28.2	36.1	49.4	113.7
Mining site restoration	36.6	40.8	59.9	137.3
Legal, social and regulatory risks	434.3	-	-	434.3
Other provisions	**503.7**	**76.9**	**109.3**	**689.9**

Discount rates. Discount rates integrate the time value of money and monetary inflation to take into account the spread of future payments over time. For the main discounted provision (mining site restoration), the following assumptions are applied to the major monetary zones:

	2018			**2017**		
	Euro zone	**UK**	**US**	**Euro zone**	**UK**	**US**
Time value of money	1.1%	2.5%	3.9%	0.8%	1.5%	3.2%
Monetary inflation	1.5%	2.1%	1.9%	1.3%	2.9%	2.1%

Table of changes

(€ millions)	Product warranties	Environmental and dismantling obligations	Mining site restoration	Risk social and regulatory risks	Total
Balance at January 1, 2017	**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)
Unused 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 at December 31, 2017	**30.2**	**95.1**	**123.3**	**173.1**	**421.7**
Changes in the scope of consolidation	(22.2)	0.8	6.1	4.3	(11.0)
Increases	1.7	24.1	10.3	308.7	344.8
Utilizations	(2.1)	(3.8)	(6.1)	(14.9)	(26.9)
Unused decreases	(2.7)	(4.6)	-	(38.9)	(46.2)
Unwinding expense	-	1.1	2.8	0.1	4.0
Reclassification and other	(0.2)	1.3	0.1	(4.1)	(2.9)
Exchange rate differences	(0.1)	(0.3)	0.8	6.0	6.4
Balance at December 31, 2018	**4.6**	**113.7**	**137.3**	**434.3**	**689.9**

NOTE 24 FINANCIAL LIABILITIES

24.1 CATEGORIES OF FINANCIAL LIABILITIES

The following tables analyze the value of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. The totals distinguish between operational hedge derivatives (hedge of operational foreign exchange risk and energy price risk) and financial hedge derivatives (hedge of financial foreign exchange risk, interest rate risk and conversion of financial statements risk). Financial hedge derivatives are used to calculate net financial debt *(Note 24.2 – Reconciliation of net financial debt)*.

Since they correspond to the amount of cash to be paid, carrying amounts represent fair value for all instruments except bonds. The tables are followed by an analysis of the difference between carrying amounts and fair value. The fair value of listed bonds is directly observable as it corresponds to the market value at the end of the reporting period (level 1 fair value). The fair value of unlisted bonds including accrued interests is calculated by a model using observable data, *i.e.* a revised valuation of discounted future contractual flows (level 2 fair value).

At December 31, 2018

	Non-hedge accounting			Hedge accounting						
	IFRS 9 categories			Fair value hedge		Cash flow hedge		Net investment hedge		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Hedged item	Hedge	Total
Non-current liabilities										
Borrowings and financial debt	1,922.2	(0.1)	1.7	55.9	16.2	-	-	-	-	1,995.9
Interest rate risk – continued hedges	-	-	-	55.9	16.2	-	-	-	-	72.1
Interest rate risk – discontinued hedges	-	(0.1)	-	-	-	-	-	-	-	(0.1)
Other debts	1.1	-	16.6	-	-	-	-	-	-	17.7
Derivative financial liabilities	-	-	-	-	-	-	-	-	0.4	0.4
Conversion of financial statements risk	-	-	-	-	-	-	-	-	0.4	0.4
Current liabilities										
Trade payables	557.3	-	-	-	-	-	-	-	-	557.3
Other debts	138.2	-	220.7	-	-	-	-	-	-	358.9
Derivative financial liabilities	-	1.6	-	-	-	-	8.1	-	-	9.7
Transactional currency risk	-	1.6	-	-	-	-	3.5	-	-	5.1
Energy price risk	-	-	-	-	-	-	4.6	-	-	4.6
Borrowings and financial debt	167.7	0.4	0.4	-	-	-	-	-	-	168.5
Transactional currency risk	-	0.4	-	-	-	-	-	-	-	0.4
Bank overdrafts	11.6	-	-	-	-	-	-	-	-	11.6
Total	**2,798.1**	**1.9**	**239.4**	**55.9**	**16.2**	**0.0**	**8.1**	**0.0**	**0.4**	**3,120.0**
Of which operational derivatives	-	-	-	-	-	-	8.1	-	-	8.1
Of which financial derivatives	-	1.6	-	-	-	-	-	-	0.4	2.0

The fair value of fixed rate bonds included in “Borrowings and financial debt” exceeded their carrying amount by €14.1 million:

Nominal amount *in millions*		Maturity	Listing	Interest rate Nominal	Interest rate Effective	Carrying amount	Fair value	Difference
7,000.0	JPY	Sept. 16, 2033	Unlisted	3.40%	3.47%	72.1	80.6	8.5
167.6	EUR	Nov. 26, 2020	Listed	2.50%	2.60%	168.7	174.7	6.0
55.9	EUR	Nov. 26, 2020	Listed	2.50%	1.31%	55.9	58.3	2.4
300.0	EUR	Mar. 31, 2022	Listed	0.88%	0.96%	300.6	304.1	3.5
300.0	EUR	Mar. 31, 2028	Listed	1.88%	1.92%	302.3	296.4	(5.9)
500.0	EUR	Dec. 10, 2024	Listed	2.00%	2.13%	496.1	513.8	17.7
600.0	EUR	Jan. 15, 2027	Listed	1.50%	1.63%	600.1	582.0	(18.1)
Total at December 31, 2018 *(€ millions)*						**1,995.8**	**2,009.9**	**14.1**

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At December 31, 2017

	Non-hedge accounting			Hedge accounting						
	IFRS 9 categories			Fair value hedge		Cash flow hedge		Net investment hedge		
(€ millions)	Amortized cost	Fair value through profit or loss	Non IFRS 9	Hedged item	Hedge	Hedged item	Hedge	Hedged item	Hedge	Total
Non-current liabilities										
Borrowings and financial debt	1,917.8	(0.2)	1.7	52.1	14.9	-	-	-	-	1,986.3
Interest rate risk – continued hedges	-	-	-	52.1	14.9	-	-	-	-	67.0
Interest rate risk – discontinued hedges	-	(0.2)	-	-	-	-	-	-	-	(0.2)
Other debts	4.0	-	16.2	-	-	-	-	-	-	20.2
Derivative financial liabilities	-	(0.1)	-	-	-	-	0.1	-	2.7	2.7
Interest rate risk	-	(0.1)	-	-	-	-	0.1	-	-	0.0
Conversion of financial statements risk	-	-	-	-	-	-	-	-	2.7	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
Transactional currency risk	-	3.5	-	-	-	-	1.6	-	-	5.1
Energy price risk	-	-	-	-	-	-	0.9	-	-	0.9
Borrowings and financial debt	642.5	(3.0)	0.4	-	-	-	-	-	25.0	664.9
Transactional currency risk	-	(3.0)	-	-	-	-	-	-	-	(3.0)
Conversion of financial statements risk	-	-	-	-	-	-	-	-	25.0	25.0
Bank overdrafts	2.9	-	-	-	-	-	-	-	-	2.9
Total	**3,254.5**	**0.2**	**259.1**	**52.1**	**14.9**	**0.0**	**2.6**	**0.0**	**27.7**	**3,611.1**
Of which operational derivatives	-	-	-	-	-	-	2.5	-	-	2.5
Of which financial derivatives	-	3.4	-	-	-	-	0.1	-	2.7	6.2

The fair value of fixed rate bonds included in “Borrowings and financial debt” exceeded their carrying amount by €101.0 million:

Nominal amount *in millions*		Maturity	Listing	Interest rate: Nominal	Interest rate: Effective	Carrying amount	Fair value	Difference
7,000.0	JPY	Sept. 16, 2033	Unlisted	3.40%	3.47%	67.0	75.4	8.4
30.0	USD	Aug. 6, 2018	Unlisted	5.28%	5.38%	25.5	26.1	0.6
167.6	EUR	Nov. 26, 2020	Listed	2.50%	2.60%	169.1	178.6	9.5
55.9	EUR	Nov. 26, 2020	Listed	2.50%	1.31%	55.9	59.5	3.6
300.0	EUR	Mar. 31, 2022	Listed	0.88%	0.96%	300.2	307.4	7.2
300.0	EUR	Mar. 31, 2028	Listed	1.88%	1.92%	302.1	316.3	14.2
500.0	EUR	Dec. 10, 2024	Listed	2.00%	2.13%	495.3	533.9	38.6
600.0	EUR	Jan. 15, 2027	Listed	1.50%	1.63%	598.9	617.8	18.9
Total at December 31, 2017 *(€ millions)*						**2,014.0**	**2,115.0**	**101.0**

24.2 CASH FLOWS RELATED TO FINANCIAL LIABILITIES

Changes in liabilities arising from financing activities

The *Consolidated Statement of Cash Flows* analyzes the change in "Cash and cash equivalents" broken down across operating activities, investing activities and financing activities. In the following tables, "Cash flow from financing activities" is presented in the "Cash changes" column, in accordance with their source positions in the Statement of Financial Position.

In 2018, "Cash flow from financing activities" represented a net cash outflow of €529.2 million, including €363.9 million broken down in the following table that arose from changes in liabilities arising from financing activities. The majority of this decrease was driven by an outflow of €548.0 million to reimburse short term negotiable debt securities maturing before December 31, 2018, made possible by the receipt of proceeds from the disposal of the Roofing division *(Note 25)*.

			Non-cash changes					
(€ millions)	01/01/2018	Cash changes	Scope changes	Accrued interest	Fair value	Reclas-sification	Exchange rate differences	12/31/2018
Non-current assets	**(22.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**3.2**	**0.0**	**(19.3)**
Derivative financial assets	(22.5)	-	-	-	-	3.2	-	(19.3)
Current assets	**(15.8)**	**(0.3)**	**0.0**	**0.0**	**2.8**	**(3.1)**	**0.2**	**(16.2)**
Derivative financial assets	(7.0)	-	-	-	2.8	(3.1)	-	(7.3)
Other financial assets	(8.8)	(0.3)	-	-	-	-	0.2	(8.9)
Non-current liabilities	**1,989.0**	**663.5**	**(186.0)**	**1.5**	**1.3**	**(496.0)**	**23.0**	**1,996.3**
Borrowings and financial debt	1,986.3	663.5	(186.0)	1.5	1.3	(493.7)	23.0	1,995.9
Derivative financial liabilities	2.7	-	-	-	-	(2.3)	-	0.4
Current liabilities	**670.9**	**(1,027.1)**	**34.9**	**(2.0)**	**2.5**	**500.9**	**(1.9)**	**178.2**
Hedge instruments – liabilities	6.0	-	-	-	1.3	2.4	-	9.7
Borrowings and financial debt	664.9	(1,027.1)	34.9	(2.0)	1.2	498.5	(1.9)	168.5
Total	**2,621.6**	**(363.9)**	**(151.1)**	**(0.5)**	**6.6**	**5.0**	**21.3**	**2,139.0**
Loans issued	-	5.6	-	-	-	-	-	-
Repayments of borrowings	-	(32.7)	-	-	-	-	-	-
Net change in other debts	-	(336.8)	-	-	-	-	-	-

In 2017, "Cash flow from financing activities" represented a net cash outflow of €380.1 million, including a €604.2 million cash inflow for loan issues – mainly made up of a €600.0 million inflow for a bond issue as part of the Euro Medium Term Note program (EMTN) *(Note 24.5 – Borrower's liquidity risk)* – a €1,136.9 million cash outflow for loan repayments – mainly made up of a €500.0 million matured bond repayment, a €176.5 million partial repurchase of a bond issue maturing in November 2020 and €415.3 million for the anticipated repayment of Kerneos fundings – and a €302.9 million net cash inflow for the net change in other debts – mainly made up of a €589.0 million net increase in short term negotiable debt securities *(Note 24.5 – Borrower's liquidity risk)* and an outflow of €298.8 million for anticipated repayment of Kerneos fundings.

			Non-cash changes					
(€ millions)	01/01/2017	Cash changes	Scope changes	Accrued interest	Fair value	Reclas-sification	Exchange rate differences	12/31/2017
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**
Borrowings and financial debt	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
Borrowings and financial debt	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**
Loans issued	-	604.2	-	-	-	-	-	-
Repayments of borrowings	-	(1,136.9)	-	-	-	-	-	-
Net change in other debts	-	302.9	-	-	-	-	-	-

Reconciliation of net financial debt

Net financial debt reflects the Group's net position on the market and with financial institutions. It is used to manage the financial resources of the Group, in particular to calculate covenants with which Imerys has to comply as part of the financing agreements entered into with financial markets *(Note 24.5 – Borrower's liquidity risk)*.

Net financial debt corresponds to the total financing liabilities subscribed on the market and with financial institutions in the form of bonds, bank credits, finance lease credits and bank overdrafts, minus cash, cash equivalents and other current financial assets. Although offset in the calculation of net financial debt, overdrafts and surplus cash are presented separately on the statement of financial position, either in the form of bank overdrafts or cash, in accordance with the agreements signed between Imerys and its bank counterparties. In general, these agreements stipulate 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 a single position with certain bank counterparties across a given scope. A single position is organized by the entity heading the netting scope, either directly through its own bank account, or indirectly through an investment made at the bank counterparty that is credited in the form of loans to the entities within the scope. Direct netting is practiced on agreements in force in Europe and the US, while indirect netting is applied in China.

The following table presents the link between 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 net financial debt correspond to financing hedge assets and liabilities since they are part of the future cash outflows of this aggregate *(Note 24.5 – Borrower's liquidity risk)*. Operational hedge instruments *(Note 24.4 – Derivative instruments in the financial statements)* are not included in the calculation of net financial debt.

(€ millions)	Notes	2018	2017
Non-derivative financial liabilities		**2,176.0**	**2,654.1**
Borrowings and financial debt – non-current		1,995.9	1,986.3
Borrowings and financial debt – current		168.5	664.9
Bank overdrafts		11.6	2.9
Non-derivative financial assets		**(857.8)**	**(390.7)**
Other financial assets		(8.9)	(8.8)
Cash and cash equivalents		(848.9)	(381.9)
Hedge derivatives		**(20.8)**	**(17.0)**
Financing hedge instruments – liabilities	24.1	2.0	6.2
Financing hedge instruments – assets	21.1	(22.8)	(23.2)
Net financial debt		**1,297.4**	**2,246.4**

In 2018, the change in net financial debt corresponded to a net cash outflow of €981.7 million (compared with a net cash inflow of €901.3 million in 2017) as presented in the following table.

(€ millions)	2018	2017
Net financial debt at January 1	**(2,246.4)**	**(1,366.5)**
Change in net financial debt	981.7	(901.3)
Modification in the definition of current free operating cash flow[1]	(4.7)	-
Impact of currency fluctuations	(28.0)	21.4
Net financial debt at December 31	**(1,297.4)**	**(2,246.4)**

(1) Note 1.5.

The following tables analyze the change in net financial debt in two steps. Firstly, cash flow from recurring operations (current free operating cash flow); and secondly, cash flow from non-recurring operations.

Current free operating cash flow corresponds to the residual cash flow from recurring operations after current operating income tax and operating capital expenditure, taking into account proceeds from operating asset disposals and cash changes in operational working capital requirement. In comparison with the cash flow presented in the *Consolidated Statement of Cash Flows*, current free operating cash flow corresponds to the recurring portion of "Cash flow from operating activities" adjusted for acquisitions and disposals of intangible assets and property, plant and equipment in "Cash flow from investing activities" after income tax.

(€ millions)	2018	2018 Discontinued operations[(1)]	2017	2017 Discontinued operations[(1)]
Current operating income	562.1	76.1	551.2	96.9
Operating amortization, depreciation and impairment[(2)]	265.9	5.4	251.8	13.8
Net change in operating provisions	(38.6)	(0.4)	(25.9)	2.0
Share in net income of joint ventures and associates	(1.7)	-	(6.0)	-
Dividends received from joint ventures and associates	5.6	-	5.8	-
Operating cash flow before taxes (current EBITDA)	**793.3**	**81.1**	**777.0**	**112.7**
Notional tax on current operating income[(3)]	(162.6)	(26.6)	(159.6)	(28.0)
Current net operating cash flow	**630.7**	**54.5**	**617.4**	**84.7**
Capital expenditure[(4) & (5)]	**(333.0)**	**(9.9)**	**(319.4)**	**(21.4)**
Intangible assets	(28.4)	(0.3)	(21.6)	(1.2)
Property, plant and equipment	(251.6)	(5.9)	(258.2)	(18.1)
Overburden mining assets[(6)]	(55.9)	-	(58.0)	-
Debt on acquisitions	2.9	(3.7)	18.4	(2.2)
Carrying amount of current asset disposals	**13.5**	**0.8**	**8.9**	**-**
Change in operational working capital requirement	**(25.4)**	**(0.1)**	**(13.1)**	**1.4**
Inventories	(99.9)	0.4	(47.0)	(5.9)
Accounts receivable, advances and down payments received	15.1	(0.1)	(24.5)	5.5
Accounts payable, advances and down payments paid	59.4	(0.4)	58.4	1.7
Current free operating cash flow	**285.8**	**45.3**	**293.8**	**64.7**

(1) Roofing division (Note 25)				
(2) Operating amortization, depreciation and impairment	*265.9*	*5.4*	*251.8*	*13.8*
Net operating amortization and depreciation (Appendix 1 of the Consolidated Statement of Cash Flows)	*265.4*	-	*251.7*	-
Finance lease depreciation (Appendix 3 of the Consolidated Statement of Cash Flows)	*(0.6)*	-	*(0.1)*	-
(3) Effective tax rate on current operating income	*28.9%*	-	*28.9%*	-
(4) Capital expenditure	*(333.0)*	*(9.9)*	*(319.4)*	*(21.4)*
Acquisitions of intangible assets and property, plant and equipment (Consolidated Statement of Cash Flows)	*(332.9)*	-	*(319.3)*	-
Finance lease acquisitions (Appendix 3 of the Consolidated Statement of Cash Flows)	-	-	*0.2*	-
(5) Recognized capital expenditure/asset depreciation ratio	*126.3%*	-	*134.1%*	-
The recognized capital expenditure/asset depreciation ratio is equals to capital expenditure (except for debt on acquisitions) divided by the increase in amortization and depreciation.				
Increase in amortization and depreciation	*265.9*	-	*251.8*	-
(6) Overburden mining assets	*(55.7)*	-	*(48.9)*	-
Overburden mining assets – capital expenditure	*(55.9)*	-	*(48.9)*	-
Neutralization of activated restoration provisions	*0.2*	-	-	-

The following table presents the cash flow from non-recurring operations, *i.e.* non-recurring operating transactions, changes in the scope of consolidation, financing transactions and transactions with shareholders. These cash flows, added to the current free operating cash flow from the previous table, give the total change in net financial debt.

	2018		2017	
(€ millions)		Discontinued operations(1)		Discontinued operations(1)
Current free operating cash flow	**285.8**	**45.3**	**293.8**	**64.7**
Financial income (loss)	(60.2)	(0.5)	(78.4)	(0.9)
Financial impairment loss and unwinding of the discount	10.9	0.2	(1.3)	0.2
Income tax on financial income (loss)	17.4	0.2	22.7	0.2
Change in income tax debt	16.5	1.7	2.0	3.0
Change in deferred taxes on current operating income	17.3	0.6	34.0	(7.2)
Change in other items of working capital	(9.2)	6.0	(14.5)	(6.7)
Share-based payment expenses	14.9	0.4	12.9	0.5
Change in the fair value of operational hedge instruments	(0.7)	-	2.1	-
Change in dividends receivable from available-for-sale financial assets	0.1	-	(0.8)	-
Current free cash flow	**292.8**	**53.9**	**272.3**	**53.8**
Acquisitions	**(23.2)**	**0.0**	**(1,056.9)**	**(3.2)**
Acquisitions of shares in consolidated entities minus net debt acquired	(22.9)	-	(1,053.7)	(3.2)
Acquisitions of shares in consolidated entities from non-controlling interests	-	-	(0.2)	-
Acquisitions of available-for-sale financial assets	(0.3)	-	(3.0)	-
Disposals	**51.9**	**851.5**	**10.2**	**0.0**
Disposals of investments in consolidated entities minus net debt disposed	42.2	851.5	4.8	-
Non-recurring disposals of intangible assets and property plant and equipment	9.7	-	5.4	-
Transaction costs	**(5.4)**	**(16.7)**	**(19.3)**	**-**
Changes in the estimated contingent consideration of the seller	**(0.8)**	**-**	**9.5**	**-**
Cash flow from other operating income and expenses	**(46.6)**	**(3.3)**	**(11.3)**	**(2.3)**
Dividends paid to shareholders and non-controlling interests	**(104.9)**	**(62.9)**	**86.5**	**(236.1)**
Financing requirement	**163.8**	**822.5**	**(709.0)**	**(187.7)**
Transactions on equity	2.4	-	(0.5)	-
Net change in financial assets	(7.1)	0.1	(4.2)	-
Cash flow of assets held for sale	**822.6**	**822.6**	**(187.7)**	**(187.7)**
Change in net financial debt	**981.7**	**-**	**(901.3)**	**-**

(1) Roofing division (Note 25).

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24.3 OTHER DEBTS

(€ millions)	2018	2017
Non-current liabilities		
Income tax payable	0.4	0.6
Capital expenditure payables	0.8	2.6
Tax debt	1.0	0.6
Social debt	13.7	13.1
Other	1.8	3.3
Total	**17.7**	**20.2**
Current liabilities		
Capital expenditure payables	69.0	98.9
Tax debt	34.1	34.8
Social debt	184.5	203.2
Contract liabilities	10.2	34.8
Other	61.1	45.5
Total	**358.9**	**417.2**

Contract liabilities correspond to the value of goods and services to be transferred after the end of the reporting period as part of agreements signed with customers *(Note 5)* for which compensation is due before the transfer of the good or service. Of the €10.2 million of goods and services to be transferred at December 31, 2018 (€34.8 million at December 31, 2017), €8.0 million had been received (€21.9 million at December 31, 2017) and €2.2 million was still outstanding (€2.8 million at December 31, 2017). At December 31, 2017, current capital expenditure payables were made up of €15.5 million for the acquisition of the S&B group, of which €4.0 million to be paid in Imerys shares and €11.5 million in cash as contingent consideration. Contingent consideration was measured and included in a rider to the acquisition agreement between Imerys and the seller, signed on December 21, 2017 *(chapter 2, paragraph 2.2.3 and chapter 8, paragraph 8.1.2 of the 2017 Registration Document)*. The €9.5 million adjustment resulting from the rider was credited to other operating income and expenses *(Note 10)*.

24.4 DERIVATIVE INSTRUMENTS

Management principles

The use of derivative instruments is controlled by a policy defined and implemented by the Group Treasury Department and periodically presented to the Board of Directors. The policy specifies that derivative instruments are exclusively used to hedge risks related to operating transactions (transactional currency risk and energy price risk), foreign investments (conversion of financial statements risk) and financing (transactional currency risk and interest rate risk). Imerys does not take speculative positions. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with the highest rated banking institutions. Imerys prohibits its entities from subscribing derivative instruments directly outside the Group, except to comply with local legal or regulatory requirements. The application of this policy to foreign exchange risk (transactional currency and conversion of financial statements), interest rate risk and energy price risk is detailed in *Note 24.5*.

Accounting policy

Derivatives are recognized at the transaction date, *i.e.* the date at which the hedging contract is agreed, in non-current and current assets and liabilities by maturity and that of underlying transactions. Derivatives are initially measured at fair value and subsequently re-measured at the end of each period in line with market conditions. The fair value including accrued interests of derivatives is measured by 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 for counterparty credit risk and the Group's own credit risk. Therefore, when the market value of a derivative is positive (derivative asset), its fair value includes the probability of counterparty default (Credit Value Adjustment, CVA). When the market value of a derivative is negative (derivative liability), its fair value includes the probability of Imerys defaulting (Debit Value Adjustment, DVA). These adjustments are measured using the spread of bonds outstanding on the secondary market, as issued by Imerys and its counterparties (level 2 fair value). The sole purpose of these instruments is to hedge the financial risks to which the Group is exposed.

However, only those that meet hedge accounting criteria undergo the accounting treatment described below. All hedge accounting transactions are documented in reference to the hedging strategy by identifying the risk hedged, item hedged, hedging instrument, hedging relationship and method used to measure the hedge effectiveness. The measurement of hedge effectiveness is reviewed at the end of each reporting period. The recognition of hedge derivatives may vary depending upon their designation as either a fair value hedge, a cash flow hedge or a hedge of a net investment in foreign operations *(Notes 11, 12 and 24.5)*. Any derivative that is not eligible for hedge accounting is recognized in financial income (loss).

Fair value hedges. When changes in the fair value of a recognized asset or liability or an unrecognized firm commitment are likely to impact profit or loss, they may be hedged using a fair value hedge. The hedged item and hedging instrument are both re-measured against profit or loss at the end of each reporting period. The impact in profit is limited to the ineffective portion of the hedge *(Note 11)*.

Cash flow hedge. Cash flow hedges cover adverse changes in the cash flow of a recognized asset or liability or a highly probable future transaction, if these changes are likely to impact profit or loss. At the end of each reporting period, the effective portion of the hedge and any fluctuations in the time value of options or forward points of forward contracts are recognized in equity. The ineffective portion is recognized in profit. When the transaction is recognized, the items previously recognized in equity are reclassified in profit at the same time the hedged item is recognized *(Note 11)*. If a derivative is de-designated, *i.e.* hedge accounting is discontinued, the effective portion of the hedge previously recognized in equity is amortized in operating income or financial income (loss), depending on the nature of the hedged item.

Hedge of a net investment in foreign operations. Currency fluctuations generated by 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 reporting period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit. The effective portion in equity is reclassified in other operating income and expenses only when control over 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). 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 Flows, the cash flows of derivatives are presented in the same levels as the cash flows of the underlying transactions.

Derivative instruments in the financial statements

Assets and liabilities. Derivative instruments recognized in assets and liabilities are presented by type of risk covered, *i.e.* foreign exchange risk, interest rate risk, energy price risk and conversion of financial statements risk, in *Notes 21.1 and 24.1*. At December 31, 2018, no legally enforceable right existed to offset the amounts recognized above. Imerys intends neither to settle the net amount, nor to realize the asset and settle the liability simultaneously. However, in accordance with applicable framework agreements, 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 the event of default would reduce total derivative assets and liabilities by €4.2 million at December 31, 2018 (€6.8 million at December 31, 2017).

Equity. As part of its strategy to manage foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments to hedge certain future purchases and sales in foreign currencies, as well as part of its floating rate financing and part of its future energy consumption in the US, UK and France. These positions are considered cash flow hedges. The following table presents the amounts before income tax recognized in equity in this respect as well as the reclassifications in profit. Details of these reclassifications in underlying income and expenses are presented in *Note 11*. Cash flow hedges are further outlined in the context of managing foreign exchange, interest rate and energy price risks in *Note 24.5*.

(€ millions)	Transactional currency risk	Interest rate risk	Energy price risk	Total
Balance at January 1, 2017	**2.0**	**0.0**	**6.8**	**8.8**
Continuing hedges	2.0	-	6.8	8.8
Effective portion of hedges	13.7	-	(2.5)	11.2
Recognition in equity	**13.7**	**0.0**	**(2.5)**	**11.2**
Continuing hedges	(15.1)	-	(1.8)	(16.9)
Reclassification in profit	**(15.1)**	**0.0**	**(1.8)**	**(16.9)**
Balance at December 31, 2017	**0.6**	**0.0**	**2.5**	**3.1**
Continuing hedges	0.6	-	2.5	3.1
Effective portion of hedges	(3.9)	-	3.7	(0.2)
Forward points of forward derivative instruments	(5.1)	0.0	0.0	(5.1)
▪ Transaction related hedged item	(5.1)	-	-	(5.1)
Recognition in equity	**(9.0)**	**0.0**	**3.7**	**(5.3)**
Continuing hedges	5.7	-	(8.6)	(2.9)
Reclassification in profit	**5.7**	**0.0**	**(8.6)**	**(2.9)**
Balance at December 31, 2018	**(2.7)**	**0.0**	**(2.4)**	**(5.1)**
Continuing hedges	(2.7)	-	(2.4)	(5.1)

24.5 MANAGING RISKS ARISING FROM FINANCIAL LIABILITIES

Transactional currency risk

Description. Transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable fluctuations in its cross-entry in functional currency.

Management. The transactions performed by the Group's entities are accounted for, wherever possible, in the functional currency of the entity that carries out the transaction.

The following table presents the impact of a change in foreign exchange rates on the underlying items of net financial debt, *i.e.* before foreign exchange rates derivatives at December 31, 2018. The analysis involves simulating both a decrease (lower case) and an increase (higher case) in 2018 foreign exchange rates *(Note 26)* (actual 2018).

(€ millions)	Lower case	Actual 2018	Higher case
Foreign exchange rates	10.0% decrease	-	10.0% increase
Net financial debt	1,324.5	1,297.4	1,270.3

When it is not possible to record a transaction in the functional currency of the entity, the transactional currency risk may be hedged on an individual basis using forwards, swaps or options. These instruments are used to hedge highly probable budget flows and qualify as cash flow hedges. At December 31, 2018, Imerys held €159.9 million in transactional currency hedges at nominal value (€185.5 million at December 31, 2017). The following table presents the amount before income tax recognized in equity within the translation reserve as well as reclassifications in profit.

(€ millions)	2018	2017
Balance at January 1	**0.6**	**2.0**
Recognition in equity	(9.0)	13.7
Reclassification in profit	5.7	(15.1)
Balance at December 31	**(2.7)**	**0.6**
Of which reclassification in profit expected within 12 months	(2.7)	0.6

The following table presents the impact of a change in foreign exchange rates on the portfolio of derivative instruments held at December 31, 2018 with respect to highly probable future purchases and sales in foreign currencies. The analysis involves simulating both a decrease (lower case) and an increase (higher case) in 2018 foreign exchange rates *(Note 26)* (actual 2018). The impact of changes in the effective portion of cash flow hedges is measured in equity while the impact of changes in the ineffective portion of cash flow hedges and non-hedge derivative instruments is measured in profit.

(€ millions)	Lower case	Actual 2018	Higher case
Foreign exchange rates	10.0% decrease	-	10.0% increase
Effective portion in equity at December 31	10.1	(2.7)	(11.5)
Ineffective portion in profit for the year	-	-	-

Interest rate risk

Description. Interest rate risk is the risk whereby interest due on financial debt may be subject to a deterioration by a rise in the market interest rates.

Management. Managing interest rate risk aims to guarantee the medium-term cost of net financial debt. Net financial debt is calculated in a report that records the financial debt of each entity with details of its components and characteristics. Reviewed each month by the Financial Department and each quarter by the Board of Directors, the report makes it possible to monitor the debt situation and adapt the management strategy where necessary. The management strategy 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 the highest rated banking institutions and obtains financial data and pricing from information providers. The Group's strategy focuses on obtaining finances mainly in euros, which is the most accessible fixed-rate financial resource. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. Given the expected trends in interest rates in 2018, the Group has fixed the interest rate for part of its future financial debt on various terms. The following table presents the impact of a change in interest rates on the interest expense generated by the underlying items of net financial debt, *i.e.* before interest rate derivatives at December 31, 2018. The analysis involves simulating both a decrease (lower case) and an increase (higher case) in 2018 interest rates (actual 2018).

(€ millions)	Lower case	Actual 2018	Higher case
Interest rate	0.5% decrease	-	0.5% increase
Net financial debt expense	(45.1)	(42.0)	(38.9)

Imerys usually holds a certain number of derivative instruments to hedge a portion of its floating rate debt. These instruments include interest rate swaps as well as options, including caps, floors, swaptions and futures. These instruments qualify as cash flow hedges. At December 31, 2018, Imerys held €55.6 million in interest rate risk hedges at nominal value (€51.8 million at December 31, 2017). The following table presents the amounts before income tax recognized in equity in this respect as well as the reclassifications in profit.

(€ millions)	2018	2017
Balance at January 1	**0.0**	**0.0**
Recognition in equity	-	-
Reclassification in profit	-	-
Balance at December 31	**0.0**	**0.0**
Of which reclassification in profit expected within 12 months	-	-

Furthermore, at December 31, 2018, Imerys held an interest rate swap to hedge the exposure to changes in the fair value of borrowings. This instrument qualifies as a fair value hedge. It hedges the risk of change in the risk-free rate rather than the rate differential of the Group's credit risk. Hedged borrowings present the same characteristics as derivative instruments.

Currency	Notional amount *(in millions)*	Fixed rate received	Floating rate paid
JPY	7,000	2.39%	Libor Yen 6 months

The following table presents a breakdown of financial net debt between floating and fixed rate by currency at December 31, 2018:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Debt at fixed rate	**1,923.3**	**0.0**	**0.2**	**0.0**	**1,923.5**
Debt at fixed rate on issue	1,923.3	-	55.8	-	1,979.1
Fixed-for-floating swap	-	-	(55.6)	-	(55.6)
Debt at floating rate	**(610.1)**	**303.2**	**25.7**	**(344.9)**	**(626.1)**
Debt at floating rate on issue	130.5	4.5	0.2	29.3	164.5
Net cash and marketable securities	(485.4)	(34.1)	(7.4)	(319.3)	(846.2)
Fixed-for-floating swap	-	-	55.6	-	55.6
Exchange rate swap	(255.2)	332.8	(22.7)	(54.9)	0.0
Net financial debt at December 31, 2018	**1,313.2**	**303.2**	**25.9**	**(344.9)**	**1,297.4**

The following table presents a breakdown of interest rate hedging transactions by foreign currency at December 31, 2018:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Exposure at floating rate before hedging	**(610.1)**	**303.2**	**25.7**	**(344.9)**	**(626.1)**
Fixed rate hedges	-	-	-	-	-
Swap at average rate of	-	-	-	-	-
Capped rate hedges	-	-	-	-	-
Cap at average rate of	-	-	-	-	-
Exposure at floating rate after hedging	**(610.1)**	**303.2**	**25.7**	**(344.9)**	**(626.1)**

The following table presents the changes in interest rate hedging transactions at December 31, 2018 for 2018 and beyond by maturity:

(€ millions)	2018	2019-2023	2024 and beyond
Total exposure before hedging	**(626.1)**	**(626.1)**	**(626.1)**
Fixed rate hedges	-	-	-
Swap at average rate of	-	-	-
Capped rate hedges	-	-	-
Cap at average rate of	-	-	-
Total exposure after hedging	**(626.1)**	**(626.1)**	**(626.1)**

The following table presents the impact of a change in the interest rate of net financial debt on the portfolio of interest rate derivative instruments held at December 31, 2018. The analysis involves simulating both a decrease (lower case) and an increase (higher case) in 2018 interest rates (actual 2018). The impact of changes in the effective portion of cash flow hedges is measured in equity while the impact of changes in the ineffective portion of cash flow hedges and non-hedge derivative instruments is measured in profit.

(€ millions)	Lower case	Actual 2018	Higher case
Interest rate	0.5% decrease	-	0.5% increase
Effective portion in equity at December 31	-	-	-
Ineffective portion in profit for the year	-	-	0.1

Energy price risk

Description. Energy price risk is the risk whereby the cash outflow due in relation to energy purchases may be subject to a deterioration by a rise in its market price. Imerys is exposed to the price risk of energy used in the production cycle of its activities, mainly natural gas, electricity and, to a lesser extent, coal.

Management. To manage energy price risk, Imerys sources its energy from a variety of geographical locations and sources. The Group looks to pass on any energy price increases in the selling price of its products. Furthermore, Imerys has centralized price risk management for natural gas in Europe and the US. The Group Treasury Department is responsible for implementing the framework and resources needed for the single management strategy, which includes the appropriate use of financial instruments available in the market. Since 2006, the Group has strengthened its research programs on alternative energy sources as well as its projects to reduce energy consumption under the supervision of a Group Energy Supervisor. Since 2008, energy managers have been appointed across the Group. Energy price risk is hedged using forward and option contracts, instruments that qualify as cash flow hedges. At December 31, 2018, Imerys held €21.5 million in energy price risk hedges at nominal value (€40.6 million at December 31, 2017). The following table presents the amounts before income tax recognized in equity in this respect as well as the reclassifications in profit.

(€ millions)	2018	2017
Balance at January 1	**2.5**	**6.8**
Recognition in equity	3.7	(2.5)
Reclassification in profit	(8.6)	(1.8)
Balance at December 31	**(2.4)**	**2.5**
Of which reclassification in profit expected within 12 months	(2.4)	2.5

The following table summarizes the main energy price risk hedge positions at December 31, 2018.

	Net notional amounts *(in MWh)*	**Maturity**
Underlying position	5,716,890	<24 months
Management transactions	1,022,556	<24 months

The following table presents the impact of a change in natural gas and Brent prices on the portfolio of derivative instruments held at December 31, 2018 with respect to highly probable future purchases of natural gas and Brent Crude. The analysis involves simulating both a decrease (lower case) and an increase (higher case) in 2018 natural gas and Brent prices (actual 2018). The impact of changes in the effective portion of cash flow hedges is measured in equity while the impact of changes in the ineffective portion of cash flow hedges and non-hedge derivative instruments is measured in profit.

(€ millions)	Lower case	Actual 2018	Higher case
Natural gas and Brent prices	10.0% decrease	-	10.0% increase
Effective portion in equity at December 31	(4.3)	(2.4)	(0.5)
Ineffective portion in profit for the year	-	-	-

Borrower's liquidity risk

Description. Borrower's liquidity risk is the risk whereby Imerys would not be in a position to meet the repayment obligations of its financial liabilities. To assess the exposure of the Group to this risk, the following table presents maturity on issue at December 31, 2018.

	2019		2020-2024		2025 and beyond		
(€ millions)	Capital	Interest	Capital	Interest	Capital	Interest	Total
Non-derivative financial liabilities	**166.2**	**29.9**	**1,026.5**	**121.7**	**955.6**	**50.8**	**2,350.7**
Eurobond/EMTN	-	28.0	1,026.5	112.2	900.0	33.8	2,100.5
Private placements	-	1.9	-	9.5	55.6	17.0	84.0
Short term negotiable debt securities issued	120.0	-	-	-	-	-	120.0
Bilateral facilities	-	-	-	-	-	-	0.0
Facilities due within one year	46.2	-	-	-	-	-	46.2
Hedge derivatives	**(20.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(20.8)**
Financing hedge instruments – liabilities	2.0	-	-	-	-	-	2.0
Financing hedge instruments – assets	(22.8)	-	-	-	-	-	(22.8)
Future cash outflows with respect to gross financial debt	**145.4**	**29.9**	**1,026.5**	**121.7**	**955.6**	**50.8**	**2,329.9**
Non-derivative financial liabilities	**11.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**11.6**
Bank overdrafts	11.6	-	-	-	-	-	11.6
Non-derivative financial assets	**(857.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(857.8)**
Other current financial assets	(8.9)	-	-	-	-	-	(8.9)
Cash and cash equivalents	(848.9)	-	-	-	-	-	(848.9)
Future cash outflows with respect to net financial debt	**(700.8)**	**29.9**	**1,026.5**	**121.7**	**955.6**	**50.8**	**1,483.7**
Of which items recognized at December 31, 2018 (Net financial debt)	(700.8)	16.1	1,026.5	-	955.6	-	1,297.4
Non-derivative financial liabilities	**916.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**916.2**
Trade payables	557.3	-	-	-	-	-	557.3
Other debts	358.9	-	-	-	-	-	358.9
Hedge derivatives	**4.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4.3**
Operational hedge instruments – liabilities	8.1	-	-	-	-	-	8.1
Operational hedge instruments – assets	(3.8)	-	-	-	-	-	(3.8)
Future cash outflows	**219.7**	**29.9**	**1,026.5**	**121.7**	**955.6**	**50.8**	**2,404.2**

As a large portion of the debt issued at a fixed rate is swapped into floating rate, the maturity of the net financial debt after interest rate swaps is as follows:

(€ millions)	2019	2020-2024	2025 and beyond	Total
Debt at fixed rate	**0.0**	**1,023.5**	**900.0**	**1,923.5**
Debt at fixed rate on issue	-	1,023.5	955.6	1,979.1
Fixed-for-floating swap	-	-	(55.6)	(55.6)
Debt at floating rate	**(684.7)**	**3.0**	**55.6**	**(626.1)**
Debt at floating rate on issue	161.5	3.0	-	164.5
Net cash and other current financial assets	(846.2)	-	-	(846.2)
Fixed-for-floating swap	-	-	55.6	55.6
Net financial debt	**(684.7)**	**1,026.5**	**955.6**	**1,297.4**

Management. Imerys is required to maintain a number of covenants for a portion of its finance agreements. The main restrictive terms and conditions attached to certain bilateral facilities and bonds issued as private placements are as follows:

- purpose: general corporate financing requirement ;
- covenant compliance obligations:
  - consolidated net financial debt/consolidated equity shall, in accordance with the related financing agreements, be less than or equal to 1.50 or 1.60 at the end of each reporting period for half-yearly or annual consolidated financial statements. At December 31, 2018, the ratio worked out at 0.40 (0.78 at December 31, 2017),
  - consolidated net financial debt/consolidated EBITDA from the last 12 months shall, in accordance with the related financing agreements, be less than or equal to 3.75 at the end of each reporting period for half-yearly or annual consolidated financial statements. At December 31, 2018, the ratio worked out at 1.64 (2.53 at December 31, 2017) ;
- absence of any collateral in favor of lenders.

Failure to comply with the above obligations in any of the related financing agreements could lead to the available amount being canceled and the corresponding financial debt becoming immediately due, upon demand of the lender(s) in question. Other than with two exceptions, the Group's financing agreements do not provide for any cross default if a mandatory covenant is breached. At December 31, 2018, Moody's maintained its long-term rating of Baa2, outlook stable (Baa2, outlook stable at December 31, 2017). Similarly, S&P reaffirmed its rating of BBB outlook stable (BBB, outlook stable at December 31, 2017).

On June 8, 2018, Imerys updated its Euro Medium Term Note program (EMTN) with the Financial Industry Regulatory Authority in Luxembourg, the *Commission de Surveillance du Secteur Financier*. The program amounted to €3.0 billion and is approved to issue notes similar to ordinary bonds with maturities from one month to 30 years. At December 31, 2018, outstanding securities amounted to €1,979.1 million (€1,975.3 million at December 31, 2017). Imerys also has a commercial paper program capped at €1,000.0 million (€1,000.0 million at December 31, 2017) rated P-2 by Moody's (P-2 at December 31, 2017). At December 31, 2018, outstanding securities amounted to €120.0 million (€589.0 million at December 31, 2017). At December 31, 2018, Imerys had access to €1,330.0 million in bilateral facilities (€1,330.0 million at December 31, 2017), a portion of which secures the commercial papers issued, in accordance with the Group's financial policy.

Market liquidity risk

Description. Market liquidity risk is the risk whereby a non-confirmed financial resource (commercial paper, bank facility and accrued interests, or other debt and facilities) would not be renewed.

Management. Imerys tends to use financial resources to adjust its financing capabilities, which exist either as financial debt that has been drawn or financing commitments granted by the highest rated banking institutions. Medium-term financial resources provided by bilateral facilities may be used over very short drawing periods (between one and 12 months) while remaining available over longer maturities (five years). The financial resources of the Group amounted to €3,312.1 million at December 31, 2018 (€3,333.3 million at December 31, 2017). Imerys manages the value of financial resources through regular comparison with the amount drawn down in order to measure available funds to which the Group may have access.

The robustness of financial resources is assessed on the basis of their amounts and average maturity as presented in the following table:

	2018	2017
Financial resources by maturity *(€ millions)*		
Maturity within one year	120.0	28.0
Maturity between one and five years	1,736.5	1,853.5
Maturity beyond five years	1,455.6	1,451.8
Total	**3,312.1**	**3,333.3**
Financial resources by nature *(€ millions)*		
Bond resources	**1,982.1**	**2,003.3**
Eurobond/EMTN	1,926.5	1,926.5
Private placements	55.6	76.8
Bank resources	**1,330.0**	**1,330.0**
Miscellaneous bilateral facilities	1,330.0	1,330.0
Total	**3,312.1**	**3,333.3**
Average maturity of financial resources *(in years)*		
Bond resources	6.5	7.4
Bank resources	2.8	3.5
Total	**5.0**	**5.8**

The following table measures the available financial resources after repayment of financing from uncommitted resources. It measures the actual exposure of Imerys to an illiquidity crisis on both financial and banking markets. At December 31, 2018, available financial resources after repayment of uncommitted resources corresponded to €1,168.5 million (€699.1 million at December 31, 2017), which gives the Group substantial room for maneuver and guarantees financial stability.

	2018			2017		
(€ millions)	**Resources**	**Utilization**	**Available**	**Resources**	**Utilization**	**Available**
Bonds	1,982.1	1,982.1	0.0	2,003.3	2,003.3	0.0
Commercial papers	-	120.0	(120.0)	-	589.0	(589.0)
Committed bank facilities	1,330.0	-	1,330.0	1,330.0	-	1,330.0
Bank facilities and accrued interests	-	9.6	(9.6)	-	16.3	(16.3)
Other debts and facilities	-	31.9	(31.9)	-	25.6	(25.6)
Total	**3,312.1**	**2,143.6**	**1,168.5**	**3,333.3**	**2,634.2**	**699.1**

Conversion of financial statements risk

Description. Conversion of financial statements risk is a form of foreign exchange risk whereby the value in euros of the financial statements of a foreign operation may be subject to a deterioration due to an unfavorable change in the foreign exchange rate of the functional currency of that business.

Management. Imerys hedges part of its net investments in foreign operations by granting loans specifically allocated to financing the operations in the long term and by controlling the proportion of its financial debt stated in foreign currencies. The exchange rate differences generated by the loans and borrowings qualified as hedges of net investments in foreign operations are recognized in equity *(Note 26 – Translation reserve)* so as to neutralize, to a certain extent, the translation gains or losses on hedged net investments. At December 31, 2018, the borrowings and exchange rate swaps taken out to hedge net investments in foreign entities included: USD679.0 million, CHF47.5 million, GBP34.5 million, ZAR503.6 million and SGD5.5 million (compared with USD467.3 million, CHF47.5 million, GBP8.2 million, ZAR503.6 million and SGD5.5 million at December 31, 2017).

The following table presents financial debt before and after the impact of these foreign currencies swaps.

	2018			2017		
(€ millions)	**Before currency swap**	**Currency swap**	**After currency swap**	**Before currency swap**	**Currency swap**	**After currency swap**
EUR	2,053.8	(255.2)	1,798.6	2,530.7	(134.3)	2,396.4
USD	4.5	332.8	337.3	25.1	237.7	262.8
JPY	56.0	(22.7)	33.3	51.8	(10.4)	41.4
Other foreign currencies	29.3	(54.9)	(25.6)	26.6	(93.0)	(66.4)
Total	**2,143.6**	**0.0**	**2,143.6**	**2,634.2**	**0.0**	**2,634.2**

At December 31, 2018, the portion of financial debt in each foreign currency, after swaps, was as follows:

(€ millions)	**EUR**	**USD**	**JPY**	**Other foreign currencies**	**Total**
Gross financial debt	1,798.6	337.3	33.3	(25.6)	2,143.6
Net cash and marketable securities	(485.4)	(34.1)	(7.4)	(319.3)	(846.2)
Net financial debt at December 31, 2018	**1,313.2**	**303.2**	**25.9**	**(344.9)**	**1,297.4**

The following table presents the impact of a change in foreign exchange rates on the portfolio of foreign exchange swaps held at December 31, 2018 with respect to hedges of net investments in foreign operations. The analysis involves simulating both a decrease (lower case) and an increase (higher case) in 2018 foreign exchange rates *(Note 26)* (actual 2018). The impact of changes in the effective portion of hedges of net investments in foreign operations is measured in equity while the impact of changes in the ineffective portion of hedges of net investments in foreign operations and non-hedge derivative instruments is measured in profit.

(€ millions)	**Lower case**	**Actual 2018**	**Higher case**
Foreign exchange rates	10.0% decrease	-	10.0% increase
Effective portion in equity at December 31	(274.5)	(191.4)	(123.4)
Ineffective portion in profit for the year	-	-	-

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 contribute to the various items in the consolidated financial statements. Intragroup transactions are eliminated. An entity's losses are allocated to non-controlling interests in proportion to the interest held, even if the result presents a negative balance. Where there is no impact on control, changes in interest are recognized in equity. In the absence of sufficient detail in existing standards and interpretations, Executive Management considers that any commitment entered into by Imerys with the intent to acquire shares from non-controlling interests is recognized as 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 non-controlling interests is recognized in equity. If, at the end of the reporting period, it is highly probable that non-current assets or groups of directly related assets and liabilities will be disposed of, they are designated as non-current assets or groups of assets held for sale. Disposal is considered highly probable if, at the end of the reporting period, a plan to sell them at a reasonable price given their fair value has been initiated to identify a buyer and definitively conclude the disposal within a maximum of one year. Non-current assets or groups of assets held for sale are presented in separate items in the financial statements. They cease to be amortized or depreciated and are measured either at carrying amount or fair value less costs to sell, whichever is lower. Non-current assets or groups of assets that are to be closed rather than sold are considered non-current assets to be abandoned and not held for sale. When non-current assets corresponding to a disposal, held for sale or to be abandoned are allocated to a separate line item for the main operation and are to be abandoned as part of a single coordinated plan, they are categorized as discontinued operations and their related flows are disclosed separately in the income statement and statement of cash flows.

Changes in the scope of consolidation

Energy Solutions & Specialties (ESS). The most recent significant change in the scope of consolidation of the Energy Solutions & Specialties business group occurred on October 30, 2015 with the acquisition of the PCC (Precipitated Calcium Carbonate) business of the Belgium-based Solvay group, the leading European producer 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 oil and chemical absorbents.

Ceramic Materials (CM). On April 17, 2018, Imerys published a press release stating it was currently reviewing its strategic options for the future of its Roofing division. On May 17, 2018, the Group concluded that the Roofing division should be sold as the following criteria had been met: the Group was able to dispose of the division immediately in its current state and a potential buyer had been identified in order to complete the disposal within a 12-month period. Amortization and depreciation was no longer recognized after this date. As the Roofing division constituted a major business line, it was accounted for in discontinued operations at June 30, 2018. On October 11, 2018, the sale of the division to Lone Star Funds was completed, generating a gain of €756.3 million before income tax, which was recognized in net income from discontinued operations *(Consolidated Income Statement)*. At December 31, 2018, contributions from discontinued operations were presented in separate line items in the *Consolidated Income Statement* and the *Consolidated Statement of Cash Flows.*

High Resistance Minerals (HRM). On July 18, 2017, the High Resistance Minerals business group acquired the French group Kerneos, the world's leading manufacturer of high performance calcium aluminate binders *(Note 16)*.

2018 Scope of consolidation

The following table presents the main consolidated entities in 2018. 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					
Calderys France SAS U	ESS	100.00	Imerys Refractory Minerals International Sales SAS U	HRM	100.00
Damolin Etrechy SAS U	F&PA	100.00	Imerys S.A.	Holding	Parent
Imerys Aluminates S.A.	HRM	100.00	Imerys Services SAS U	Holding	100.00
Imerys Ceramics France SAS	CM	99.99	Imerys Tableware France SAS	CM	100.00
Imerys Filtration France SAS U	F&PA	100.00	Imerys Talc Luzenac France SAS U	F&PA	100.00
Imerys Fused Minerals Beyrede SAS U	HRM	100.00	Imerys TC SAS U	CM	100.00
Imerys Metalcasting France Sarl	F&PA	100.00	Mircal S.A.	Holding	100.00
Imerys PCC France SAS	ESS	100.00	Mircal Europe SAS	Holding	100.00
Imerys Refractory Minerals Clérac SAS U	HRM	100.00	Profimo SAS	CM	85.00(1)
Imerys Refractory Minerals Glomel SAS	HRM	100.00			
Europe					
Austria					
Imerys Carbonates Austria GmbH	ESS	100.00	Imerys Talc Austria GmbH	F&PA	100.00
Imerys Fused Minerals Villach GmbH	HRM	100.00			
Belgium					
Imerys Graphite & Carbon Belgium S.A.	ESS	100.00	Imerys Minéraux Belgique S.A.	ESS/CM	100.00
Imerys Kaolin Belgium S.A.	CM	100.00	Imerys Talc Belgium NVC	F&PA	100.00
Denmark					
Imerys Industrial Minerals Denmark A/S	F&PA	100.00			
Finland					
Calderys Finland O.Y.	ESS	100.00	Imerys Minerals O.Y.	CM	100.00
Germany					
Calderys Deutschland GmbH	ESS	100.00	Imerys Fused Minerals Zschornewitz GmbH	HRM	100.00
Imerys Aluminates GmbH	HRM	100.00	Imerys Metalcasting Germany GmbH	F&PA	100.00
Imerys Fused Minerals Laufenburg GmbH	HRM	100.00	Imerys Minerals GmbH	ESS	99.99(1)
Imerys Fused Minerals Murg GmbH	HRM	100.00	Imerys Tableware Deutschland GmbH	CM	100.00
Imerys Fused Minerals Teutschenthal GmbH	HRM	100.00			
Greece					
Elmin Bauxites S.A.	F&PA	100.00	Imerys Industrial Minerals Greece S.A.	F&PA	100.00
Hungary					
Imerys Kiln Furniture Hungary KFT	CM	100.00			
Italy					
Calderys Italia Srl	ESS	100.00	Imerys Minerali SpA	ESS/CM	100.00
Imerys Aluminates Italia Srl	HRM	100.00	Imerys Talc Italy SpA	F&PA	99.66
Imerys Bentonite Italy SpA	F&PA	100.00	QS Abrasivi Marengo Srl	HRM	51.00
Imerys Fused Minerals Domodossola SpA	HRM	100.00			
Luxembourg					
Imerys Minerals International Sales S.A.	F&PA	100.00			
Netherlands					
Calderys The Netherlands B.V.	ESS	100.00			
Russia					
OOO Calderys	ESS	100.00	LLC Imerys Aluminates	HRM	100.00
Slovenia					
Imerys Fused Minerals Ruse doo	HRM	100.00			
Spain					
Imerys Diatomita Alicante S.A.	F&PA	100.00	Imerys Perlita Barcelona S.A.	F&PA	100.00
Sweden					
Calderys Nordic A.B.	ESS	100.00	Peramin A.B.	HRM	100.00
Imerys Mineral A.B.	ESS/CM	100.00			
Switzerland					
Imerys Graphite & Carbon Switzerland S.A.	ESS	100.00			
Ukraine					
Vatutinsky Kombinat Vognetryviv PSC	HRM	89.34			
United Kingdom					
Imerplast UK Ltd	F&PA	100.00	Imerys Minerals Ltd	ESS/CM/HRM/Holding	100.00
Imerys Aluminates Ltd	HRM	100.00	Imerys PCC UK Ltd	ESS	100.00
Imerys Fused Minerals Hull Ltd	HRM	100.00	Imerys UK Ltd	Holding	100.00

(1) Percentage of control: 100.00%.

Countries Entities	Business groups	% of interest	Entities	Business groups	% of interest
US					
Americarb Inc.	ESS	100.00	Imerys Refractory Minerals USA Inc.	HRM	100.00
Calderys USA Inc.	ESS	100.00	Imerys Steelcasting USA Inc.	F&PA	100.00
Imerys Carbonates USA Inc.	ESS	100.00	Imerys Talc America Inc.	F&PA	100.00
Imerys Clays Inc.	CM/Holding	100.00	Imerys Talc Vermont Inc.	F&PA	100.00
Imerys Filtration Minerals Inc.	F&PA	100.00	Imerys USA Inc.	Holding	100.00
Imerys Fused Minerals Greeneville Inc.	HRM	100.00	Imerys Wollastonite USA LLC	F&PA	100.00
Imerys Fused Minerals Niagara Falls Inc.	HRM	100.00	Kentucky-Tennessee Clay Company Corp.	CM	100.00
Imerys Minerals USA Inc.	F&PA	100.00	Kerneos Inc.	HRM	100.00
Imerys Perlite USA Inc.	F&PA	100.00	Pyramax Ceramics Southeast LLC	ESS	100.00
Rest of the World					
Australia					
Imerys Talc Australia Pty Ltd.	F&PA	100.00			
Bahrain					
Imerys Al Zayani Fused Minerals Co. WLL	HRM	70.00			
Brazil					
Imerys Do Brasil Comercio De Extracao de Minerios Ltda	ESS/F&PA	100.00	Micron-Ita Industria e Comercio de Minerais Ltda	ESS	100.00
Imerys Fused Minerals Salto Ltda	HRM	100.00	Pará Pigmentos S.A.	CM	100.00
Imerys Itatex Solucoes Minerais Ltda	F&PA	100.00			
Imerys Rio Capim Caulim S.A.	CM	100.00			
Canada					
Imerys Canada LP	CM	100.00	Imerys Mica Suzorite Inc.	F&PA	100.00
Imerys Graphite & Carbon Canada Inc.	ESS	100.00	Imerys Talc Canada Inc.	F&PA	100.00
Chile					
Imerys Minerales Chile SpA	F&PA	100.00			
China					
Calderys China Co. Ltd.	ESS	100.00	Kerneos China Aluminate Technologies Co. Ltd.	HRM	100.00
Guiyang Jianai Special Aluminates Co. Ltd.	HRM	100.00	Linjiang Imerys Diatomite Co. Ltd.	F&PA	100.00
Imerys Fused Minerals Yingkou Co. Ltd.	HRM	100.00	S&B Bentonite Chaoyang Co. Ltd.	F&PA	50.00
Imerys Shanghai Investment Management Co. Ltd.	ESS/F&PA/CM/ HRM/Holding	100.00	Zhengzhou Jianai Special Aluminates Co. Ltd.	HRM	90.00
Imerys Zhejiang Zirconia Co. Ltd.	HRM	99.00			
India					
Calderys India Refractories Ltd.	ESS	100.00	Imerys Minerals India Private Ltd.	ESS	100.00
Imerys Ceramics India Private Ltd.	CM	100.00	Imerys Newquest India Private Ltd.	ESS	74.00
Indonesia					
PT ECC Corp.	ESS	51.00	PT Indoporlen Corp.	ESS	70.00
Japan					
Calderys Japan Co. Ltd.	ESS	100.00	Imerys Specialities Japan Co. Ltd.	F&PA	100.00
Imerys High Resistance Minerals Japan KK	HRM	100.00	Niigata GCC Co. Ltd.	ESS	60.00
Imerys Minerals Japan KK	ESS/CM	100.00			
Malaysia					
Imerys Minerals Malaysia SDN BHD	ESS	100.00			
Mexico					
Imerys Diatomita Mexico S.A. de CV	F&PA	100.00	Minera Roca Rodando S. de RL de CV	F&PA	100.00
K-T Clay de Mexico S.A. de CV	CM	100.00			
Singapore					
Imerys Aluminates Asia Pacific Pte Ltd.	HRM	100.00	Imerys Asia Pacific Pte Ltd.	ESS	100.00
South Africa					
Calderys South Africa Pty Ltd.	ESS	79.86[1]	Imerys Refractory Minerals South Africa Pty Ltd.	HRM	79.86[1]
South Korea					
Imerys Minerals Korea Ltd.	F&PA	100.00			
Taiwan					
Calderys Taiwan Co. Ltd.	ESS	100.00			
Thailand					
MRD ECC Co. Ltd.	CM	68.89			

(1) Percentage of control: 100.00%.

NOTE 26 TRANSLATION OF FOREIGN CURRENCIES

Accounting policy

The consolidated financial statements of Imerys are presented in euros. The main consolidated entities *(Note 25)* use the local currency as their functional currency. The accumulated impact of translating the financial statements of foreign operations is recognized in equity within the translation reserve. Assets and liabilities of foreign operations are translated at the exchange rate at the end of the reporting period and their income and expenses at the average exchange rate for the year. Non-monetary assets and liabilities from transactions in foreign currencies are measured at the exchange rate of the day or the average rate for the month of the transaction. With the exception of derivative financial instruments, monetary assets and liabilities from transactions in foreign currencies are measured at the exchange rate at the end of the reporting period. The corresponding exchange rate differences are recognized in other financial income and expenses *(Note 12)* except for those generated by monetary assets and liabilities from net investments in foreign operations and their hedges, which 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 translating financial statements and hedges is recognized in other operating income and expenses with the proceeds from the disposal of the business segment *(Note 10)*.

Exchange rates

The following table presents the exchange rates applied to translate the financial statements of the main consolidated entities at December 31, 2018 *(Note 25)*.

(€1 =)	Foreign Currencies	2018 Closing	2018 Average	2017 Closing	2017 Average
Australia	AUD	1.6220	1.5798	1.5346	1.4732
Bahrain	BHD	0.4323	0.4455	0.4527	0.4263
Brazil	BRL	4.4366	4.3092	3.9673	3.6071
Canada	CAD	1.5605	1.5294	1.5039	1.4647
Chile	CLP (100)	7.9551	7.5682	7.3783	7.3268
China	CNY	7.8611	7.8033	7.8365	7.6225
Denmark	DKK	7.4673	7.4532	7.4449	7.4386
Hungary	HUF (100)	3.2098	3.1888	3.1033	3.0919
India	INR	79.9122	80.7041	76.6680	73.5441
Indonesia	IDR (100)	165.0000	168.0413	162.3912	151.1795
Japan	JPY (100)	1.2585	1.3040	1.3501	1.2671
Malaysia	MYR	4.7433	4.7623	4.8698	4.8533
Mexico	MXN	22.4921	22.7017	23.6612	21.3298
Russia	RUB	79.7153	74.0465	69.3920	65.9379
Singapore	SGD	1.5591	1.5927	1.6024	1.5588
South Africa	ZAR	16.4594	15.6180	14.8054	15.0492
South Korea	KRW (100)	12.8067	12.9888	12.8493	12.7693
Sweden	SEK	10.2548	10.2582	9.8438	9.6351
Switzerland	CHF	1.1269	1.1550	1.1702	1.1117
Taiwan	TWD	34.9674	35.6010	35.5340	34.3654
Thailand	THB	37.0520	38.1648	39.1210	38.2958
Ukraine	UAH	31.7750	32.0999	33.6798	30.0459
UK	GBP	0.8945	0.8847	0.8872	0.8767
US	USD	1.1450	1.1810	1.1993	1.1297

Translation reserve

The following table presents the amount before income tax recognized in equity within the translation reserve with respect to the translation of the financial statements of entities in the main foreign currencies. This table provides details of movements related to hedges of net investment in foreign operations *(Note 24.5 – Conversion of financial statements risk)*.

(€ millions)	BRL	GBP	INR	SGD	TRY	USD	Other foreign currencies	Total
Balance at January 1, 2017	**(161.3)**	**(58.7)**	**(59.8)**	**121.9**	**(31.8)**	**35.8**	**(61.1)**	**(215.0)**
Of which net investment hedge reserve	2.1	(27.0)	(0.7)	(2.3)	(6.2)	(141.5)	(25.4)	(201.0)
▪ continuing hedges	2.1	(27.0)	(0.7)	(2.3)	(6.2)	(141.5)	(25.4)	(201.0)
Recognition in equity	(55.7)	(18.9)	(3.4)	(24.9)	(5.6)	(100.2)	(29.7)	(238.4)
Of which net investment hedge reserve	(0.4)	(0.9)	-	0.1	(0.1)	35.2	0.1	34.0
Reclassification in profit	-	(0.3)	-	-	-	-	-	(0.3)
Balance at December 31, 2017	**(217.0)**	**(77.9)**	**(63.2)**	**97.0**	**(37.4)**	**(64.4)**	**(90.8)**	**(453.7)**
Of which net investment hedge reserve	1.7	(27.9)	(0.7)	(2.2)	(6.3)	(106.3)	(25.3)	(167.0)
▪ continuing hedges	1.7	(27.9)	(0.7)	(2.2)	(6.3)	(106.3)	(25.3)	(167.0)
Recognition in equity	(44.6)	(3.8)	(8.7)	13.1	(6.3)	19.3	(10.6)	(41.6)
Of which net investment hedge reserve	(2.2)	(0.1)	(0.1)	(0.6)	(0.1)	(22.0)	0.7	(24.4)
Reclassification in profit	0.7	-	-	-	-	(0.2)	1.5	2.0
Changes in the scope of consolidation	-	-	-	-	-	-	1.3	1.3
Balance at December 31, 2018	**(260.9)**	**(81.7)**	**(71.9)**	**110.1**	**(43.7)**	**(45.3)**	**(98.6)**	**(492.0)**
Of which net investment hedge reserve	(0.5)	(28.0)	(0.8)	(2.8)	(6.4)	(128.3)	(24.6)	(191.4)
▪ continuing hedges	(0.5)	(28.0)	(0.8)	(2.8)	(6.4)	(128.3)	(24.6)	(191.4)

NOTE 27 RELATED PARTIES

Related parties outside Imerys

Imerys has related party relationships with 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 jointly control the Swiss group Pargesa, which 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 involved in any transactions with these related parties.

Key management personnel of Imerys

The managers qualifying as related parties at December 31, 2018 are the 14 members of the Board of Directors, including the Chief Executive Officer (17 members at December 31, 2017) and the 10 members of the Executive Committee, including the Chief Executive Officer (10 members at December 31, 2017). On December 21, 2017, Imerys signed a rider to the acquisition contract of the S&B group with Blue Crest Holding S.A., holder of 6.37% of the voting rights in Imerys. As Imerys and Blue Crest Holding S.A. have a director in common, this rider was deemed to be a related party transaction.

Compensation and assimilated benefits granted to these related parties are presented in the following table:

		2018		2017	
(€ millions)	Notes	Expense	Liability	Expense	Liability
Short-term benefits	1	(7.7)	3.2	(7.4)	3.3
Long-term benefits		-	-	-	-
Directors' attendance fees	2	(1.0)	0.5	(0.8)	0.4
Post-employment benefits	3	(1.4)	12.3	(1.5)	11.3
Contributions to defined contribution plans		(0.8)	-	(0.8)	-
Termination benefits		-	-	-	-
Share-based payments	4	(4.6)	-	(4.9)	-
Total		**(15.5)**	**16.0**	**(15.4)**	**15.0**

Note 1. Short-term benefits. These amounts include the fixed part of the compensation paid for the year as well as the variable part also due for the year, but paid the subsequent year.

Note 2. Directors' attendance fees. These amounts correspond to the attendance fees paid to the members of the Board of Directors.

Note 3. Post-employment benefits. These amounts include in particular post-employment defined benefit plans available to the main executives of the Group's entities in France who meet the eligibility criteria. They are recognized for the beneficiaries qualifying as related parties, some of whom are among the above mentioned executives (one in both 2017 and 2018). The maximum life annuity that can be paid to the beneficiaries of these plans upon liquidation of their retirement rights is calculated to guarantee a life annuity:

- equal to a total gross annual amount (after recognition of pensions from mandatory and complementary retirement plans) that corresponds to 60.0% of their reference salary, which is capped at 30 times the annual French Social Security ceiling at December 31, 2018 (30 times at December 31, 2017);
- subject to a payment ceiling of 25.0% of the above mentioned reference salary over the last 12 calendar months preceding the withdrawal from the Group's payroll.

Note 4. Share-based payments. These amounts correspond to expenses recognized with respect to Imerys share options and free shares granted to related parties.

Post-employment benefits for Imerys employees

The post-employment benefit plans to which Imerys employees are entitled are deemed to be related party agreements. The amount of the contributions to external funds recognized as an expense in 2018 amounted to €17.5 million (€21.1 million in 2017), including €1.5 million for Imerys UK Pension Fund Trustees Ltd., United Kingdom (€6.9 million in 2017) and €5.6 million for Comerica, United States (€5.8 million in 2017).

FCPE Imerys Actions

The corporate mutual fund holding Imerys shares, known as FCPE Imerys Actions, is managed by BNP Paribas Asset Management SAS and overseen by a Supervisory Board of eight members made up of four shareholder representatives and four Imerys representatives. As Imerys, together with the shareholders, exercises joint control over FCPE Imerys Actions, the fund is deemed to be a related party. The amounts recognized in 2017 and 2018 for the FCPE Imerys Actions are immaterial.

NOTE 28 COMMITMENTS

To the best of Imerys' knowledge, other than contracts agreed (i) in the ordinary course of business, including contracts covering operating rights for mineral reserves and resources, (ii) as part of an acquisition or disposal of assets or companies already completed or announced or (iii) in relation to the financing operations mentioned in the present Registration Document, no major contracts have been signed by any Group company in the two years prior to the date the present Registration Document was filed that are currently still in force and contain provisions imposing any obligations or commitments likely to have a material impact on the Group's business, financial position or cash flow. Nevertheless, in the ordinary course of its business, Imerys is liable to third parties for obligations, often related to conditions or subsequent events, that do not (or only partially) meet the criteria for recognizing liabilities but may impact the future financial position. The unrecognized portion of the obligation is designated hereinafter by the term commitment. Identified in accordance with applicable accounting standards, material commitments, both given and received, are presented in the following tables.

Commitments given

(€ millions)	Notes	2018	2017
Operating leases	1	240.3	250.1
Site restorations	2	58.0	45.2
Operational commitments	3	241.2	236.8
Financial commitments	4	146.4	63.1
Other commitments	5	126.6	30.5
Total		**812.5**	**625.7**

Note 1. Operating leases. These commitments correspond to commitments to pay future rent as part of lease contracts for real estate, equipment, rail cars, trucks and vehicles under which Imerys is the lessee. The non-discounted value of these commitments amounted to €240.3 million, of which €44.9 million for 2019, €120.8 million for between 2020 and 2023 and €74.6 million for 2023 and beyond.

Note 2. Site restorations. These commitments correspond to sureties and guarantees obtained from financial institutions in accordance with legal requirements minus any recognized provisions *(Note 23.2)*. Sureties and guarantees are generally taken out with government agencies to secure the financial capacity of Imerys to meet its environmental obligations.

Note 3. Operating commitments. These commitments correspond to firm purchase commitments made by Imerys as part of purchase contracts of goods, services, energy and freight. They were mainly made up of two commitments to purchase services that aim to guarantee the Group's shipping logistics until 2022 (contracts of affreightment entered into with an entity over which Imerys exercises significant influence, the main elements of which are set out in *Note 9*, and a storage and handling contract entered into with a third party) for a total amount of €97.4 million at December 31, 2018 (€122.8 million at December 31, 2017). Energy supply commitments (mainly electricity and gas) amounted to €64.5 million at December 31, 2018 (€51.0 million at December 31, 2017).

Note 4. Financial commitments. These commitments correspond to letters of credit as well as 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 item encompasses all commitments given that are not mentioned above, including seller warranties and price adjustment clauses given by the Group upon business disposals.

Commitments received

(€ millions)	Notes	2018	2017
Operating leases	1	17.3	19.8
Operational commitments	2	51.1	45.3
Financial commitments	3	0.2	0.1
Available financial resources	4	1,330.0	1,330.0
Other commitments	5	75.4	149.0
Total		**1,474.0**	**1,544.2**

Note 1. Operating leases. These commitments correspond to commitments to future rent payments on lease contracts in which Imerys is the lessor.

Note 2. Operating commitments. These commitments correspond to firm purchase commitments made by customers in favor of Imerys as part of sales contracts of goods and services.

Note 3. Financial commitments. These commitments correspond to letters of credit as well as sureties, guarantees, mortgages and pledges obtained by certain suppliers from their financial institutions, in order to guarantee 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 item encompasses all commitments received that are not mentioned above, including €63.5 million at December 31, 2018 (€63.8 million at December 31, 2017) in seller warranties and price adjustment clauses in favor of the Group upon business acquisitions.

NOTE 29 AUDIT FEES

For many years, the Group has endeavored to appoint in priority ERNST & YOUNG et Autres and Deloitte & Associés as the two Statutory Auditors of Imerys to audit its entities across equal scopes. However, for practical or historical reasons, other audit firms have been involved in a marginal capacity. The following table presents the fees charged for the statutory audit of the consolidated financial statements broken down by firm.

Year	2018	2017
Audit fees *(€ millions)*	8.1	7.4
Breakdown of fees		
ERNST & YOUNG et Autres	49%	54%
Deloitte & Associés	43%	40%
Other firms	8%	6%

The following table presents the breakdown of fees awarded to ERNST & YOUNG et Autres (EY) and Deloitte & Associés (DA) by the type of service rendered. "Other services" correspond to services other than statutory audit services as defined in legal and regulatory texts, as well as services requested by the entity. In 2018, they included services provided by the Statutory Auditors to Imerys S.A. as part of the disposal of a division for €0.1 million, services provided as part of agreed upon procedures for €0.1 million and the certification of consolidated social, environmental and societal information. They also involved services provided by their network to consolidated entities, including various tax services, for a total of €0.4 million, as well as services provided as part of agreed upon procedures and various certifications.

	2018				2017			
	EY		DA		EY		DA	
	(€M)	*(%)*	*(€M)*	*(%)*	*(€M)*	*(%)*	*(€M)*	*(%)*
Individual and consolidated statutory audit services	**4.0**	**85.1%**	**3.5**	**87.5%**	**4.0**	**90.9%**	**2.9**	**63.0%**
Imerys S.A.	0.7		0.7		0.6		0.6	
Consolidated entities	3.3		2.8		3.4		2.3	
Other services	**0.7**	**14.9%**	**0.5**	**12.5%**	**0.4**	**9.1%**	**1.7**	**37.0%**
Imerys S.A.	0.1		0.3		0.0		1.6	
Consolidated entities	0.6		0.2		0.4		0.1	
Total	**4.7**	**100.0%**	**4.0**	**100.0%**	**4.4**	**100.0%**	**4.6**	**100.0%**

NOTE 30 SUBSEQUENT EVENTS

Accounting policy

Events occurring between the end of the reporting period and the date at which the Board of Directors approve the financial statements for publication result in an adjustment to the financial statements only if they reveal, specify or confirm situations existing at the end of the reporting period.

Subsequent events

The annual consolidated financial statements at December 31, 2018 were approved by the Board of Directors at its meeting held on February 13, 2019. At its meeting held on February 4, 2019, the Board of Directors recommended to prepare for the possibility of the three entities from the North American Performance Additives division of the Filtration & Performance Additives (F&PA) business group, whose operations have been impacted by the litigation concerning personal injury claims relating to the use of certain products sold in the US containing talc, seeking the protection of Chapter 11 bankruptcy procedure within the near future in order to benefit from the necessary conditions required to find a resolution to such litigation. At December 31, 2018, the additional provision set aside to cover the developments of this litigation totaled €250.0 million *(Note 23.2)*. At its meeting held on February 13, 2019, the Board of Directors decided to support the decision taken that same day by the three North American entities to file for the protection of Chapter 11 with immediate effect. In accordance with the provisions of Chapter 11 on bankruptcy in the US, the Group remains the legal owner of all the shares that make up the capital of the three North American entities involved, but they are frozen and subject to the jurisdiction of the Delaware US federal courts, which will oversee the confirmation and consummation of a business continuity plan that these entities will seek to negotiate with representatives of existing and future claimants. The process also suspends all ongoing and future litigation against these entities relating to past sales of talc in the US. Given control of the three entities was taken over on February 13, 2019 by the court to repay creditors, the assets and liabilities held by the entities were removed from the scope of consolidation of the Group's financial statements from this date forward. No other significant event occurred between the end of the reporting period and the meeting of the Board of Directors.

6.2 STATUTORY FINANCIAL STATEMENTS

6.2.1 FINANCIAL STATEMENTS

▪ INCOME STATEMENT

(€ thousands)	Notes	2018	2017
Operating revenue		**73,515**	**55,722**
Rendering of services		68,605	51,615
Other revenue and decreases in provisions		4,910	4,107
Operating expenses		**(159,928)**	**(140,982)**
Purchases and external services		(90,978)	(79,245)
Taxes and duties		(1,299)	(1,304)
Staff expenses		(51,872)	(54,848)
Amortization, depreciation, write-downs and provisions		(14,101)	(3,707)
Other expenses		(1,678)	(1,878)
Operating income	**10**	**(86,413)**	**(85,260)**
Financial income	**11**	**171,369**	**411,250**
Revenue from subsidiaries and affiliates		198,641	465,228
Net financial expenses		(41,805)	(58,052)
Increases and decreases in write-downs and provisions		28,046	(31,985)
Exchange rate gains and losses		(13,513)	36,059
Current income		**84,956**	**325,990**
Exceptional income (loss)	**12**	**(38,280)**	**(3,841)**
Exceptional revenue		729,345	58,597
Exceptional expenses		(767,625)	(62,438)
Income tax	**13**	**26,226**	**51,282**
Net income		**72,902**	**373,431**

BALANCE SHEET

(€ thousands)	Notes	2018	2017
Net intangible assets		**22,108**	**10,025**
Intangible assets	14	35,531	21,708
Accumulated depreciation	14	(13,423)	(11,683)
Net property, plant and equipment		**6,773**	**7,565**
Property, plant and equipment	14	11,430	11,046
Accumulated depreciation	14	(4,657)	(3,481)
Net investments		**4,517,447**	**4,069,328**
Equity interests	15	4,520,450	4,072,331
Write-downs	15	(3,003)	(3,003)
Loans related to direct investments and other subsidiaries, net value	**16**	**1,217,697**	**2,185,207**
Loans related to direct investments and other subsidiaries		1,217,723	2,185,265
Write-downs		(26)	(58)
Other financial investments	**17**	**17,357**	**27,206**
Other financial investments		18,283	27,206
Write-downs		(926)	-
Non-current assets		**5,781,382**	**6,299,331**
Other receivables	16	68,689	67,318
Marketable securities	18	160,090	18,707
Cash and cash equivalents		348,013	100,636
Current assets		**576,792**	**186,661**
Regularization accounts	16	34,342	45,189
Assets		**6,392,516**	**6,531,181**
Share capital		158,971	159,209
Additional paid-in capital		520,412	529,149
Reserves		959,939	959,939
Retained earnings		396,663	187,807
Net income for the year		72,902	373,431
Shareholders' equity	**19**	**2,108,887**	**2,209,535**
Provisions for risks and charges	**20**	**56,656**	**96,722**
Financial debt	21	4,111,370	4,109,513
Other debts	21	83,919	60,235
Debt		**4,195,289**	**4,169,748**
Regularization accounts	21	31,684	55,176
Shareholders' equity and liabilities		**6,392,516**	**6,531,181**

6.2.2 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

▪ ACCOUNTING PRINCIPLES AND POLICIES

Imerys S.A. presents its annual financial statements in accordance with the accounting principles and policies established by the General Accounting Plan, as required by ANC Regulation No. 2014-03 issued by France's national accounting standards board on June 5, 2014 and amended by subsequent regulations. French generally accepted accounting principles were applied using a conservative approach in accordance with the following fundamental assumptions: going concern, consistent accounting policies from one year to the next, independence of financial years and in accordance with the general rules of preparation and presentation of annual financial statements. The generally applied methodology uses the historical cost method for the items recognized in the financial statements. The statutory financial statements present comparative information for the prior year Y-1. Comparative information for Y-2 is incorporated by reference to the financial statements included in the Y-2 Registration Document *(chapter 9, section 9.4 of the Registration Document).*

NOTE 1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets

Intangible assets recorded on the balance sheet are measured at acquisition cost. Software is amortized over three years using 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.

The depreciation methods and useful lives are applied as follows:

- machinery and equipment: straight-line method, over 10 years;
- equipment and office furniture: straight-line method, over 5 to 10 years;
- office equipment: straight-line method, over 5 years;
- IT equipment: straight-line method, over 3 to 5 years.

NOTE 2 LONG-TERM INVESTMENTS

Long-term investments are measured at acquisition cost, excluding ancillary expenses. Securities and other long-term investments are measured at value in use. Value in use is calculated on the basis of the equity value of the entities concerned at end of the reporting period, as well as their level of profitability and business forecasts. If value in use exceeds the carrying amount recognized on the balance sheet, the carrying amount is not modified. On the contrary, if value in use is less than the carrying amount recognized on the balance sheet, a write-down of the investment is recognized. Securities and other long-term investments in foreign currencies are not remeasured at the closing exchange rate. Unrealized losses from fluctuations in foreign currencies in which long-term investments are denominated are not destined to realize. Therefore, unrealized foreign exchange losses are not in themselves sufficient to systematically justify a write-down.

NOTE 3 RECEIVABLES AND DEBT IN FOREIGN CURRENCIES

Receivables and debt in foreign currencies are translated at the closing exchange rate.

NOTE 4 MARKETABLE SECURITIES

Their value in use is assessed at the average market price over the last month of the period for listed securities, at the last known redemption price for money market funds and at net asset value for mutual funds. Unrealized losses result in a write-down and unrealized gains are not recognized.

NOTE 5 PROVISIONS

Provisions for risks

Provisions for risks cover identified risks and are determined as follows:

- provisions for operational risks include ongoing disputes related to recurring operations;
- provisions for restructuring relate to restructuring plans that have been officially approved and initiated before the end of the reporting period;
- provisions for the risk of fluctuations in the value of certain equity interests are determined in accordance with the latest financial information available taking into account the outlook for the future;
- provisions for risks relating to free share grants are determined by maturity, on the basis of the opening share price at the date of their allocation to the plan or, if the shares have not been purchased before the end of the reporting period, at the share price at that date, in accordance with CNC Recommendation No. 2008-17 issued by France's national accounting standards commission. The calculation for these provisions takes into account an assessment of the fulfillment of economic and/or financial performance objectives to which these shares are conditioned and apportioned. Increases and decreases in provisions and expenses for employer contributions are presented in staff expenses.

Provisions for charges

Provisions for charges include:

- provisions for the refurbishment of the company headquarters;
- provisions for complementary pension plans and pensions for former employees;
- the retirement indemnities expense, calculated using the Projected Unit Credit Method. Imerys applies ANC Recommendation No. 2013-R02 to recognize and measure retirement benefits commitments and similar benefits. Actuarial differences are recognized using the corridor rule.

NOTE 6 FINANCIAL DEBT

Financial debt includes:

- commission due and external costs incurred in connection with new borrowings, which are recognized in “Expenses to be allocated over several periods” and are spread on a straight-line basis over the maturity of borrowings;
- bond reimbursement premiums, which are amortized on a straight-line basis over the maturity of each bond.

NOTE 7 DERIVATIVE INSTRUMENTS

Management principles

As the holding company of the Imerys Group, Imerys S.A. implements the Group’s risk management strategy relating to the financial markets identified within the Group: foreign exchange risk, interest rate risk and energy price risk. Derivatives subscribed by Imerys S.A. are intended solely to hedge the financial risks to which the Group is exposed. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with the highest rated banking institutions. Imerys prohibits its entities from subscribing derivative instruments directly outside the Group.

Accounting policy

Derivative instruments are accounted for in accordance with ANC Regulation No. 2015-05 issued on July 2, 2015 by France's national accounting standards board.

Simple hedge. A derivative instrument qualifies as a simple hedge if it is the subject of documentation identifying the hedged item, the type of hedging instrument, the type of risk hedged, the hedging relationship and the method used to assess its effectiveness. The designation of a simple hedge is only tested for swaps executed to hedge the interest rate risk of borrowings in JPY. When the swap is agreed, the nominal value of the derivative instrument is recognized in off balance sheet commitments *(Note 23 – Commitments on interest rate risk)*. Realized and unrealized interest coupons are recognized symmetrically with the hedged item in profit.

Isolated open position. Any derivative instrument that does not meet the documentation criteria of a simple hedge is classified as an isolated open position. This designation applies in particular to derivative instruments subscribed to hedge foreign exchange risk (swaps, forwards and options) and energy price risk (swaps and options). When the instruments are agreed, the nominal value of the derivative instrument is recognized in off balance sheet commitments *(Note 23 – Commitments on foreign exchange risk, Commitments on energy price risk)*. Subsequently, the fair value of derivative instruments is measured as follows. With foreign exchange risk hedges, the value of derivatives measured at the closing exchange rate is aggregated with the value of the underlying assets (loans and borrowings in foreign currencies) in a comprehensive foreign exchange position calculated by currency or strongly correlated currencies. The resulting unrealized exchange rate gains and losses are recognized separately in regularization accounts – in assets for unrealized exchange rate losses *(Note 16)* and in liabilities for unrealized exchange rate gains *(Note 21)*.

A provision is recorded to fully cover unrealized exchange rate losses *(Note 20)*. With energy price risk, the value of derivative instruments measured at the closing price is aggregated into a comprehensive commodity position calculated for all energy sources. A provision is recorded to fully cover unrealized losses *(Note 20)*.

Fair value

The following table presents the derivative instruments held by Imerys S.A. at the end of the reporting period for interest rate risk (simple hedging) as well as foreign exchange and energy price risks (isolated open positions).

	2018				
	Derivative assets		Derivative liabilities		Net
(€ millions)	External	Internal	External	Internal	
Foreign exchange risk (forwards, swaps, options)	**5.3**	**3.4**	**5.0**	**2.8**	**0.9**
Forward derivative instruments	5.3	3.2	5.0	2.7	0.8
Optional derivative instruments	-	0.2	-	0.1	0.1
Interest rate risk (swaps)	**16.3**	**0.0**	**0.0**	**0.0**	**16.3**
Forward derivative instruments	16.3	-	-	-	16.3
Optional derivative instruments	-	-	-	-	0.0
Energy price risk (swaps, options)	**2.1**	**5.0**	**4.6**	**1.3**	**(2.5)**
Forward derivative instruments	2.1	5.0	4.6	1.3	(2.5)
Optional derivative instruments	-	-	-	-	0.0
Total	**23.7**	**8.4**	**9.6**	**4.1**	**14.7**

NOTE 8 TAX CONSOLIDATION

Since 1993, Imerys and some of its French subsidiaries have been taxed in accordance with article 223-A of the French Tax *Code (Code général des impôts)* on tax consolidation. In 2018, four entities left the tax consolidation scope: Damolin Etrechy SAS, Imerys TC, Captelia and La Française des Tuiles et Briques. At December 31, 2018, the tax consolidation scope included the following 28 entities:

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▪ Ardoise et Jardin	▪ Imerys Services
▪ Ardoisières d’Angers	▪ Imerys Metalcasting France Sarl
▪ Calderys France	▪ Imerys Tableware France
▪ Imertech	▪ Imerys Talc Europe SAS
▪ Imerys	▪ Imerys Talc Luzenac France
▪ Imerys Aluminates S.A.	▪ Kerneos Corporate
▪ Imerys Ceramics France	▪ Kerneos Group
▪ Imerys Filtration France	▪ Mircal
▪ Imerys Fused Minerals Beyrede	▪ Mircal Brésil
▪ Imerys PCC France	▪ Mircal Europe
▪ Imerys Refractory Minerals International Sales	▪ Parimetal
▪ Imerys Minéraux France	▪ Parnasse 32
▪ Imerys Refractory Minerals Clerac	▪ Parnasse 33
▪ Imerys Refractory Minerals Glomel	▪ Société de Valorisation des Mineraux Industriels

Relationships within the tax group, headed by Imerys S.A., are governed by an agreement that sets out the following principles:

- each entity in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis;
- all additional liabilities arising as a result of tax consolidation are recorded by Imerys S.A., which benefits from any savings resulting from consolidation.

NOTE 9 TRANSFER OF EXPENSES

"Transfer of expenses" includes:

- transfers of expenses to balance sheet accounts (expenses incurred on new borrowings, capital increase expenses);
- transfers 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 income amounted to €73.5 million (€55.7 million in 2017), *i.e.* a €17.8 million increase due to a greater proportion of services rendered by the holding company being reinvoiced to subsidiaries. Purchases and external services represented €90.9 million (€79.2 million in 2017), *i.e.* a €11.7 million increase in expenses related to sustained business growth. Payroll costs fell by €2.9 million, mainly as a result of the lower cost of free shares grants to certain employees within the Group, offset by the costs incurred as part of the restructuring plan implemented before the end of the 2018 reporting period.

NOTE 11 FINANCIAL INCOME

(€ thousands)	2018	2017
Financial revenue	**479,337**	**662,024**
Revenue from subsidiaries and affiliates(1)	198,641	465,228
Other financial income(1)	37,352	26,191
Decrease in provisions and transfer of expenses	37,971	9,176
Exchange rate gains	205,373	161,429
Financial expenses	**307,968**	**250,774**
Financial interest and expenses on financial instruments(2)	79,157	84,243
Increase in financial amortization and provisions	9,925	41,161
Exchange rate losses	218,886	125,370
Financial income	**171,369**	**411,250**
(1) Of which revenue related to controlled entities	*211,717*	*478,529*
(2) Of which expenses related to controlled entities	*21,904*	*8,505*

Revenue from subsidiaries and affiliates amounted to €198.7 million, down €266.6 million on 2017. Imerys S.A. managed the foreign exchange risk related to changes in directly or indirectly held foreign net assets, as well as that resulting from loans and advances granted to subsidiaries and entities under cash pooling agreements, by adjusting the proportion of its debt drawn in foreign currencies. In 2018, Imerys S.A. recognized in this respect a net foreign exchange loss of €13.5 million (compared with a gain of €36.1 million in 2017). Increases and decreases in financial provisions are presented in *Note 20*. Net financial expenses included in "Financial interest and expenses on financial instruments" fell following the reimbursement of a bond issue for USD30 million on August 6, 2018 (5.28% annual coupon).

NOTE 12 EXCEPTIONAL INCOME (LOSS)

(€ thousands)	2018	2017
Gains and losses on asset disposals	(38,809)	252
Other exceptional revenue	-	24
Decrease in provisions and transfer of expenses	1,780	7
Increase in provisions	(1,227)	(4,059)
Other exceptional expenses	(24)	(65)
Exceptional income (loss)	**(38,280)**	**(3,841)**

Reversals of provisions were recorded for management risks for €1.2 million and staff-related risks for €0.6 million. A further provision of €1.2 million for management risks was added in 2018. In 2018, Imerys S.A. recorded an accounting loss of €33.1 million following the disposal of its Imerys TC subsidiary.

NOTE 13 INCOME TAX

(€ thousands)	2018	2017
Tax on long-term capital gains	-	-
Income tax	26,226	51,282
Total	**26,226**	**51,282**

Breakdown of tax expenses

(€ thousands)	Earnings before tax	Tax	Earnings after tax
Current income	84,956	-	84,956
Exceptional income (loss)	(38,280)	-	(38,280)
Impact of tax consolidation	-	26,226	26,226
Total	**46,676**	**26,226**	**72,902**

In accordance with the terms of the tax consolidation agreements signed by each company from the Imerys Group in France, the tax expense or savings recognized in the accounts of Imerys S.A. is made up of the tax expense of Imerys S.A., calculated on a stand-alone basis, and the net amount of additional expenses and savings resulting from tax consolidation. In this respect, Imerys S.A. recognized savings of €26.2 million in 2018 (€51.3 million in 2017).

In 2018, Imerys S.A. recorded a loss of €71.0 million on a stand-alone basis. Imerys S.A. carried forward losses on a stand-alone basis for a cumulated amount of €1,263.0 million at December 31, 2018 (€1,192.0 million at December 31, 2017).

Deferred tax

The deferred tax position is due to temporary differences in the treatment of certain items of revenue and expenses between tax rules and accounting rules. In accordance with French generally accepted accounting principles, decreases and increases in the future tax expense resulting from such differences are not recognized, but are subject to the following disclosure:

(€ thousands)	2018	2017
Deferred tax assets (decrease in the future tax expense)	12,355	35,756
Deferred tax liabilities (increase in the future tax expense)	2,472	12,830

▪ NOTES TO THE BALANCE SHEET

NOTE 14 CHANGE IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Gross amount 12/31/2017	Acquisitions	Disposals	Gross amount 12/31/2018
Intangible assets	21,708	14,266	443	35,531
Property, plant and equipment	11,046	384	-	11,430
Total gross intangible assets and property, plant and equipment	**32,754**	**14,650**	**443**	**46,961**

(€ thousands)	Amortization and depreciation 12/31/2017	Increase	Decrease	Amortization and depreciation 12/31/2018
Amortization of intangible assets	11,683	1,840	100	13,423
Depreciation of property, plant and equipment	3,481	1,176	-	4,657
Total amortization and depreciation of intangible assets and property, plant and equipment	**15,164**	**3,016**	**100**	**18,080**

NOTE 15 CHANGE IN THE VALUE OF INVESTMENTS

In 2018, the gross amount of investments increased by €448.1 million as a result of the €1,205.5 million share capital increase of its subsidiary Mircal S.A. and the disposal of its Roofing division to Lone Star Funds on October 11, 2018 for €758.4 million. Investment write-downs amounted to €3.0 million at December 31, 2018.

NOTE 16 RECEIVABLES AND REGULARIZATION ACCOUNTS

(€ thousands)	Gross amount	Maturity in less than 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years
Loans and receivables related to investments	**1,217,697**	**613,473**	**310,722**	**293,502**
Loans and receivables related to direct investments	632,063	316,561	276,463	39,039
Loans and receivables related to other Group subsidiaries	585,634	296,912	34,259	254,463
Other receivables	**68,689**	**59,899**	**5,636**	**3,154**
Operating receivables	58,752	58,752	-	-
Bond issuance premium	9,937	1,147	5,636	3,154
Regularization accounts	**34,342**	**29,144**	**3,333**	**1,865**
Prepaid expenses(1)	1,910	1,839	71	-
Bond issuance cost	6,125	998	3,262	1,865
Unrealized exchange rate losses(2)	26,307	26,307	-	-
Total	**1,320,728**	**702,516**	**319,691**	**298,521**

(1) Prepaid expenses mainly comprise purchases of external services.

(2) Unrealized exchange rate gains and losses derive from remeasuring loans and receivables in foreign currencies at the closing exchange rate and adjustments on cash instruments.

The gross amount of loans and receivables related to investments fell by €967.5 million. Loans and receivables related to investments are governed by loan agreements and intragroup credit agreements aimed at optimizing cash management.

NOTE 17 OTHER FINANCIAL INVESTMENTS

At December 31, 2018, other financial investments represented €18.3 million and primarily corresponded to treasury shares held to be canceled. A €0.9 million provision was set aside in 2018 for the depreciation of shares purchased under a liquidity agreement.

NOTE 18 MARKETABLE SECURITIES

Net value

(€ thousands)	2018	2017
Money market funds and mutual funds	81	81
Deposit certificates	160,009	-
Treasury shares	-	18,626
Total	**160,090**	**18,707**

At December 31, 2018, the gross amount of marketable securities amounted to €160.1 million.

Value of marketable securities at December 31, 2018

Marketable securities	Quantity	Average cost price per unit *(€)*	Closing price December 2018 *(€)*
BNP money market fund	1	57,261.81	56,716.53
SG money market fund	1	23,895.95	23,778.48

NOTE 19 CHANGE IN SHAREHOLDERS' EQUITY

(€ thousands)	Share capital	Premiums	Reserves[1] Legal	Regulated	Other	Retained earnings	Income for the year	Total
Shareholders' equity at 01/01/2017 before appropriation of net income	**159,136**	**529,772**	**15,986**	**273,471**	**670,482**	**230,459**	**105,574**	**1,984,880**
Appropriation of 2016 income	-	-	-	-	-	(42,652)	(105,574)	(148,226)
Movements in 2017								
Cancellation of 400,000 shares at €2	(800)	(23,041)	-	-	-	-	-	(23,841)
Options exercised granting 436,411 shares	873	22,418	-	-	-	-	-	23,291
Net income at 12/31/2017	-	-	-	-	-	-	373,431	373,431
Shareholders' equity at 01/01/2018 before appropriation of net income	**159,209**	**529,149**	**15,986**	**273,471**	**670,482**	**187,807**	**373,431**	**2,209,535**
Appropriation of 2017 income	-	-	-	-	-	208,856	(373,431)	(164,575)
Movements in 2018								
Cancellation of 235,881 shares at €2	(472)	(14,232)	-	-	-	-	-	(14,704)
Options exercised granting 117,290 shares	234	5,495	-	-	-	-	-	5,729
Net income at 12/31/2018	-	-	-	-	-	-	72,902	72,902
Shareholders' equity at 01/01/2019 before appropriation of net income	**158,971**	**520,412**	**15,986**	**273,471**	**670,482**	**396,663**	**72,902**	**2,108,887**
Proposed appropriation of income[2]	-	-	-	-	-	(97,992)	(72,902)	(170,894)
Shareholders' equity at 01/01/2019 incl. proposed appropriation of income	**158,971**	**520,412**	**15,986**	**273,471**	**670,482**	**298,671**	**0**	**1,937,993**

(1) Imerys' shareholders' equity does not include remeasurement differences.

(2) Submitted for approval to the Shareholders' General Meeting on May 10, 2019.

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Number of shares

	2018	2017
Number of shares outstanding at January 1	**79,604,285**	**79,567,874**
Capital increase	117,290	436,411
Capital decrease	(235,881)	(400,000)
Number of shares outstanding at December 31	**79,485,694**	**79,604,285**

In 2018, the following share transactions took place:

- On December 13, 2018, as part of the share buyback programs approved by the Shareholders' General Meeting held on May 3, 2017, the Board of Directors canceled 235,881 treasury shares acquired on the market through an investment services provide (for further detail, *see chapter 7, paragraph 7.2.4 of the Registration Document*). The cancellation of these shares caused the share capital of the Company to decrease by a nominal amount of €471,762.
- On January 7, 2019, the Chief Executive Officer, using the powers granted to him by the Board of Directors on December 13, 2018, acknowledged that the share capital at December 31, 2018 had increased by a nominal amount of €234,580 after 117,290 stock options were exercised between January 1 and December 31, 2018, which consequently created an equal number of new Imerys shares.
- As a result of these transactions, Imerys' fully-paid up share capital at December 31, 2018 totaled €158,971,388. It was made up of 79,485,694 shares with a par value of €2, including 47,165,575 that carried double voting rights pursuant to article 22 of Imerys' by-laws. In total, 126,651,269 theoretical voting rights were attached to outstanding shares. Taking into account the 237,342 treasury shares held at December 31, 2018 *(see chapter 7, paragraph 7.2.4 of the Registration Document*), the total number of net voting rights attached to outstanding shares was 126,413,927 at the same date. Taking into account the 283,113 share options and 1,001,025 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired at December 31, 2018, the maximum potential dilution of the share capital was 1.59% at this date (*i.e.* a nominal amount of €161,545,664). The share capital has not changed since that date and no directly registered shares have been pledged by the Company.

Detailed information about the share capital is presented in *chapter 7, paragraph 7.2.1 of the Registration Document*.

Change in treasury shares

(€ thousands)	2018	2017
Gross amount of treasury shares at January 1	**44,360**	**56,679**
Disposals (acquisitions) of treasury shares	4,441	26,799
Transfer of treasury shares (free shares)	(17,295)	(15,277)
Capital decrease by canceling treasury shares	(14,704)	(23,841)
Gross amount of treasury shares at December 31[(1)]	**16,802**	**44,360**

(1) At December 31, 2018, €16.8 million in treasury shares was recognized in other financial investments.

NOTE 20 WRITE-DOWNS AND PROVISIONS

(€ thousands)	Amount at the biginning of the period	Increases			Decreases[1]			Amount at the end of the period
		Operating	Financial	Exceptional	Operating	Financial	Exceptional	
Write-downs								
Equity interests	3,003	-	-	-	-	-	-	3,003
Trade receivables	-	-	-	-	-	-	-	0
Loans and receivables related to investments	58	-	-	-	-	(32)	-	26
Non-consolidated investments	-	-	926	-	-	-	-	926
Bond issuance premium[2]	(409)	-	1,779	-	-	(633)	-	737
Marketable securities	-	-	-	-	-	-	-	0
Total assets	**2,652**	**0**	**2,705**	**0**	**0**	**(665)**	**0**	**4,692**
Provisions								
Provisions for risks	**89,146**	**22,690**	**6,139**	**1,227**	**(37,507)**	**(37,265)**	**(1,780)**	**42,650**
Management risks	50,374	22,690	13	1,227	(37,507)	-	(1,180)	35,617
Provisions for exchange rate losses	37,265	-	6,126	-	-	(37,265)	-	6,126
Staff-related risks	690	-	-	-	-	-	(600)	90
Financial instruments	-	-	-	-	-	-	-	0
Risks on subsidiaries and investments	817	-	-	-	-	-	-	817
Provisions for charges	**7,577**	**11,075**	**79**	**0**	**(4,684)**	**(41)**	**0**	**14,006**
Refurbishment of Company premises	1,496	-	-	-	-	-	-	1,496
Future employee benefits	6,081	11,075	79	-	(4,684)	(41)	-	12,510
Total liabilities	**96,723**	**33,765**	**6,218**	**1,227**	**(42,191)**	**(37,306)**	**(1,780)**	**56,656**
Total write-downs and provisions	**99,375**	**33,765**	**8,923**	**1,227**	**(42,191)**	**(37,971)**	**(1,780)**	**61,348**

(1) Provisions decreased in line with used amounts for €19,218 thousand.

(2) Amortization of the bond issuance premium at the beginning of the year was reduced by €1,425 thousand corresponding to fully amortized premiums at December 31, 2017.

As head of the Group, Imerys S.A. recognizes provisions for management risk, specifically in relation to future performance share grants, as well as environmental provisions. In 2018, a €22.7 million provision for risks was set aside in view of future performance share grants with respect to shares not yet acquired. The provision for risks recorded in 2017 for €37.4 million was fully reversed in 2018 following the grant of 189,710 treasury shares during the year and new plans granted in 2018.

Future employee benefits

The defined benefit plans include both retirement benefits awarded in accordance with the collective bargaining agreement applicable to the metalworking industry, and complementary retirement plans, including the French managers' plan. The provision for future employee benefits is calculated using the following assumptions:

	Retirement plans	Other long-term employee benefits
Discount rates	0.9%	1.0%
Expected rate of return on plan assets	1.0%	-
Expected rate of salary increases	2.5%	2.5%
Annual turnover rate:		
▪ Managers and non-managers under 30 years old	20.0%	20.0%
▪ Managers and non-managers between 30 and 40 years old	15.0%	15.0%
▪ Managers and non-managers between 40 and 50 years old	10.0%	10.0%
▪ Managers and non-managers between 50 and 55 years old	5.0%	5.0%
▪ Managers and non-managers over 55 years old	-	-

Change in the discounted value of obligations

	2018			2017		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Obligations at January 1	**(18,871)**	**(712)**	**(19,583)**	**(20,976)**	**(880)**	**(21,856)**
Interest cost	(75)	(4)	(79)	(116)	(8)	(124)
Current service cost	(482)	(70)	(552)	(1,235)	(70)	(1,305)
Benefit payments	4,613	20	4,633	4,962	57	5,019
Curtailments and settlements	31	19	50	-	-	0
Actuarial gains (losses)	(4,039)	67	(3,972)	(1,506)	189	(1,317)
Obligations at December 31(1)	**(18,823)**	**(680)**	**(19,503)**	**(18,871)**	**(712)**	**(19,583)**
Funded by plan assets	(17,475)	-	(17,475)	(17,553)	-	(17,553)
Unfunded	(1,348)	(680)	(2,028)	(1,318)	(712)	(2,030)

(1) Of which retirement obligations toward the Chef Executive Officer representing €6,478 thousand in 2017.

Change in the fair value of plan assets

	2018			2017		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Assets at January 1	**7,327**	**0**	**7,327**	**9,540**	**0**	**9,540**
Expected return on assets	41	-	41	75	-	75
Benefit payments	(4,613)	-	(4,613)	(4,726)	-	(4,726)
Employer contributions	4,613	-	4,613	2,480	-	2,480
Actuarial gains (losses)	(646)	-	(646)	(42)	-	(42)
Assets at December 31	**6,722**	**0**	**6,722**	**7,327**	**0**	**7,327**

Assets/liabilities recorded in the balance sheet

	2018			2017		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Funded obligations	(17,475)	-	(17,475)	(17,553)	-	(17,553)
Fair value of assets	6,722	-	6,722	7,327	-	7,327
Funded status	**(10,753)**	**0**	**(10,753)**	**(10,226)**	**0**	**(10,226)**
Unfunded obligations	(1,348)	(680)	(2,028)	(1,318)	(712)	(2,030)
Unrecognized past service cost	78	-	78	971	-	971
Net unrecognized actuarial differences	194	-	194	5,205	-	5,205
Assets (provisions) in the balance sheet	**(11,829)**	**(680)**	**(12,509)**	**(5,368)**	**(712)**	**(6,080)**
Provisions for pensions	-	-	0	-	-	0
Provisions for future employee benefits	(11,829)	(680)	(12,509)	(5,368)	(712)	(6,080)

Change in assets (provisions) in the balance sheet

	2018			2017		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Assets (provisions) at January 1	**(5,368)**	**(712)**	**(6,080)**	**(6,211)**	**(880)**	**(7,091)**
Current service cost after curtailments/settlements	(11,106)	(7)	(11,113)	(1,873)	111	(1,762)
Contributions	4,645	39	4,684	2,716	57	2,773
Assets (provisions) at December 31	**(11,829)**	**(680)**	**(12,509)**	**(5,368)**	**(712)**	**(6,080)**

NOTE 21 DEBT AND REGULARIZATION ACCOUNTS

(€ thousands)	Amount	Maturity in less than 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years
Financial debt	4,111,370	1,695,942	526,482	1,888,946
Other debts	83,919	83,919	-	-
Deferred revenue	0	-	-	-
Unrealized exchange rate gains	31,684	31,684	-	-
Total	**4,226,973**	**1,811,545**	**526,482**	**1,888,946**

The Group's various bank overdrafts do not provide any grants or guarantees to the benefit of the lending banks. The following table presents the breakdown of financial debt by foreign currency:

(€ thousands)	Amount
EUR	3,009,880
USD	703,929
GBP	126,398
JPY	57,517
Other foreign currencies	213,646
Total	**4,111,370**

The following table analyzes financial debt by type and maturity:

(€ thousands)	Amount	Maturity in less than 1 year	Maturity from 1 to 5 years	Maturity beyond 5 years
Bonds	1,982,104	-	526,482	1,455,622
Commercial papers	120,000	120,000	-	-
Bank loans	0	-	-	-
Subsidiary loans	433,765	441	-	433,324
Group financial current accounts	1,556,789	1,556,789	-	-
Bank overdrafts and accrued interests	18,712	18,712	-	-
Total	**4,111,370**	**1,695,942**	**526,482**	**1,888,946**

Debt due to mature in less than one year is 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 at December 31, 2018 is presented in *Note 23*.

NOTE 22 ACCRUED RECEIVABLES AND PAYABLES

(€ thousands)	Accrued receivables	Accrued payables
Operating	-	27,269
Financial	830[1]	1,500
Total	**830**	**28,769**

(1) Accrued receivables are mainly made up of accrued interests on financial instruments.

▪ OTHER INFORMATION

NOTE 23 OFF BALANCE SHEET COMMITMENTS

Endorsements, sureties, guarantees

At December 31, 2018, the amount of confirmed, non-utilized and available multi-currency bilateral credit lines granted to Imerys and maturing between 2019 and 2023 totaled €1,330.0 million.

The following table presents the amount of commitments received and given for endorsements, sureties and guarantees to subsidiaries (direct investment), equity interests (indirect investment) and other entities:

Commitments given

(€ thousands)	Subsidiaries	Equity interests	Other	Total
Endorsements, sureties, guarantees	100,437	168,388	158,995	427,820

Commitments received

(€ thousands)	Subsidiaries	Equity interests	Other	Total
Endorsements, sureties, guarantees	-	-	41,800	41,800

Commitments on foreign exchange risk

The following table presents the breakdown of net commitments on forward purchases and sales against euros by foreign currencies at December 31, 2018:

	(local currency thousands)		*(€ thousands)*	
	Forward purchases	**Forward sales**	**Forward purchases**	**Forward sales**
AUD	36,067	5,308	22,236	3,272
CAD	19,579	9,331	12,546	5,979
CHF	7,902	137,450	7,012	121,971
CNY	54,640	-	6,951	-
CZK	-	13,326	-	518
DKK	-	312,228	-	41,813
GBP	124,128	39,701	138,763	44,382
HUF	286,000	360,683	891	1,124
JPY	3,905,982	1,032,210	31,037	8,203
MXN	1,277,114	168,843	56,780	7,507
NOK	102	-	10	-
NZD	5,396	-	3,163	-
PLN	2,362	-	549	-
SEK	79,164	-	7,720	-
SGD	216,897	20,860	139,117	13,379
THB	-	383,252	-	10,344
TRY	37,292	38,917	6,155	6,423
USD	314,000	690,567	274,236	603,115
ZAR	9,400	1,461,468	571	88,792
Total			**707,737**	**956,822**

These transactions were entered into to hedge the foreign exchange risk generated by intragroup funding 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 strategy to manage foreign exchange risk.

Commitments on interest rate risk

At December 31, 2018, Imerys S.A. held an interest rate swap with a nominal amount of JPY7,000.0 million as part of its strategy to manage interest rate risk.

Commitments on energy price risk

The following table presents the positions taken at December 31, 2018 to hedge energy price risk:

	Net notional amounts *(MWh)*	**Maturity**
Underlying position	5,716,890	< 24 months
Management transactions	1,022,556	< 24 months

NOTE 24 ITEMS RECOGNIZED IN MORE THAN ONE LINE ON THE BALANCE SHEET (NET VALUE)

(€ thousands)	**Total**	**Of which controlled entities**[(1)]
Investments	4,517,447	4,517,265
Loans related to direct investments and other subsidiaries	1,217,697	1,215,114
Other financial investments	18,283	-
Operating receivables	58,752	39,635
Financial debt	4,111,370	1,990,770
Other debts	83,919	36,074

(1) Controlled entities are companies that are fully consolidated in the same group.

NOTE 25 MAJOR SHAREHOLDERS

	Number of shares	% of interest	% of voting rights(1)
Belgian Securities B.V.(2)	42,851,473	53.91%	67.67%
Blue Crest Holding S.A.	3,866,275	4.86%	6.02%
Group employees	500,648	0.63%	0.70%
Treasury shares	237,342	0.30%	0.19%
Public float	32,029,956	40.30%	25.42%
Total at December 31, 2018	**79,485,694**	**100.00%**	**100.00%**

(1) Total theoretical voting rights: 126,651,269.
(2) A wholly-owned subsidiary of Groupe Bruxelles Lambert.

The consolidated financial statements of Imerys are included in the scope of consolidation of the Belgian group GBL.

NOTE 26 2018 AVERAGE HEADCOUNT

	Non-managers	Managers	Total
Full-time	13	201	214
Part-time	1	3	4
Total employees of the entity	**14**	**204**	**218**

NOTE 27 COMPENSATION AWARDED TO DIRECTORS AND EXECUTIVE MANAGERS

(€ thousands)	2018	2017
Board of Directors(1)	1,046	825
Executive management	2,152	1,818
Total	**3,198**	**2,643**

(1) Directors' attendance fees.

The total amount of retirement commitments contracted for members of the Board of Directors and Executive Management is presented in *Note 20*.

NOTE 28 SUBSEQUENT EVENTS

The annual statutory financial statements at December 31, 2018 were approved by the Board of Directors at its meeting on February 13, 2019.

NOTE 29 APPROPRIATION OF INCOME

The appropriation of income is proposed in accordance with the provisions of article L. 232-7 of the French Commercial Code *(Code de commerce)*(1).

(€)	
Income for the period	72,901,776.86
Increase in legal reserve to reach 10% of the share capital	-
Retained earnings	396,662,784.93
Distributable income	**469,564,561.79**
Dividend of €2.15 paid for each of the 79,485,694 shares outstanding at January 1, 2019	(170,894,242.10)
Retained earnings	**298,670,319.69**

(1) Which will be submitted for approval at the Shareholders' General Meeting on May 10, 2019.

NOTE 30 TABLE OF SUBSIDIARIES AND EQUITY INTERESTS

	Countries	SIREN Number	Share capital *(local currency thousands)*	Shareholders' equity other than share capital *(local currency thousands)*	Number of treasury shares held by Imerys	Type of securities
Subsidiaries (at least 50% of equity held by Imerys)						
Mircal	France	333 160 620	1,352,038	1,765,461	90,135,848	shares of €15
Imerys USA	US	-	594,700	620,349	1,000	shares of USD1
Imerys Services	France	320 750 730	371	637	24,700	shares of €15
Mircal Europe	France	444 384 234	56,365	555,967	56,365,195	shares of €1
S&B Minerals Finance	Luxembourg	-	121,505	212,394	12,150,505,599	shares of €0.01
Imertech	France	509 434 296	5,037	(486)	503,700	shares of €10
Imerys (SHANGHAI) Investment Management Company Limited	China	-	14,404	60,458	1	share of CNY14,404,000

(€ thousands)

	% of interest held by Imerys	Gross carrying amount of securities held	Net carrying amount of securities held	Loans and advances granted by Imerys and not repaid	Borrowings taken out by Imerys and not repaid	Sureties and endorsements given by Imerys	Dividends received by Imerys in 2018	2018 revenue	2018 net profit (loss)
Subsidiaries (at least 50% of equity held by Imerys)									
Mircal	100.00	2,511,060	2,511,060	-	130,509	-	70,379	-	577,849
Imerys USA	100.00	721,734	721,734	321,223	209,425	100,437	-	-	13,927
Imerys Services	100.00	1,043	1,043	-	200	-	-	20,127	(9)
Mircal Europe	100.00	565,483	565,483	310,021	-	-	65,384	-	29,041
S&B Minerals Finance	100.00	711,319	711,319	-	57,672	-	-	-	877
Imertech	100.00	5,037	5,037	-	88	-	-	-	(457)
Imerys (SHANGHAI) Investment ManagementCompany Limited	100.00	1,359	1,359	-	-	-	-	-	1,564
Equity interests									
Between 10 and 50% of equity held by Imerys		-	-	-	-	-	-	-	-
Miscellaneous equity interests									
Immaterial French entities(1)		3,415	412	819	519	-	-	-	-
Total		**4,520,450**	**4,517,447**	**632,063**	**398,413**	**100,437**	**135,763**	**20,127**	**622,792**

(1) Including Parnasse 32 and Parnasse 33, wholly owned by Imerys S.A.

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7 INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

In accordance with articles L. 225-37 and L. 225-37-4 of the French Commercial Code *(Code de commerce)*, the information presented in this chapter includes details on financial authorizations currently in force *(see paragraph 7.2.3 of the present chapter)* and elements that could have an impact in the event of a takeover bid *(see section 7.4 of the present chapter)*, which form an integral part of the Corporate Governance Report referred to in *chapter 2, section 2.2 of the Registration Document*.

7.1 INFORMATION ABOUT IMERYS

CORPORATE NAME

Imerys.

REGISTERED OFFICE

43, quai de Grenelle, 75015 Paris, France.
Telephone: +33 (0) 1 49 55 63 00.

INCORPORATION DATE AND TERM

Imerys was incorporated on April 22, 1880.

An extension to the Company's term was approved by the Shareholders' General Meeting held on May 3, 2017 until May 3, 2116 (article 5 of the by-laws).

REGISTRATION

The Company is registered at the Paris Trade and Companies Registry under number 562 008 151. Its N.A.F. code (French industry classification) is 7010Z.

LEGAL FORM AND APPLICABLE LEGISLATION

Imerys is a French Company *(Société Anonyme)* with a Board of Directors *(Conseil d'Administration)* governed by French law.

TIMELINE – KEY DATES

The Group was originally formed as a mining and metallurgy business. Initially, its core business involved extracting and processing non-ferrous metals. Numerous acquisitions led the Group to withdraw from the metallurgy of non-ferrous metals to focus on industrial minerals.

In the early 1970s, united under the name Imetal, the Group acquired the French company Huguenot Fenal, marking its entry into the clay roof tile market. It then purchased Copperweld Corporation (US), a company specialized in steel production and metals processing.

In 1985, the Group made its first material investment in refractory minerals and ceramics with the acquisition of Damrec (France). It then structured its business around three sectors: Building Materials, Industrial Minerals and Metals Processing. This reorganization was part of the Group's later withdrawal from non-ferrous metallurgy activities.

From 1990, the Group began to focus heavily on developing industrial minerals[1], entering the markets for kaolin (Dry Branch Kaolin Company, US), calcium carbonate (Georgia Marble, US), refractory minerals (C-E Minerals, US), monolithic refractories (Plibrico, Luxembourg), ball clays (Ceratera, France), ceramic bodies (KPCL, France), graphite (Stratmin Graphite, Canada and Timcal, Switzerland) and technical ceramics (Imerys Kiln Furniture, France). Through its Timcal subsidiary (North America, Europe, Asia) acquired in 1994, Imerys became a leading supplier of technical applications for high performance graphite.

In 1999, the Group became one of the world's leading producers[2] of white pigments following the acquisition of industrial mineral specialist English China Clays plc (ECC, UK). It then strengthened its presence in kaolin resources by acquiring Rio Capim Caulim S.A. (Brazil) and continued to grow its industrial base in refractory minerals with the acquisitions of Transtech and Napco (US) and Rhino Minerals (South Africa). By acquiring ECC and consequently divesting from Copperweld (US) and ECC's specialty chemicals business (Calgon, US), the Group focused on processing industrial minerals. To reflect this development, Imetal changed its name to Imerys.

Since then, Imerys has continued to develop by continually growing its range of products, extending its geographic network into high-growth areas and expanding into new markets.

From 2000 to 2002, Imerys added new minerals to its portfolio, including halloysite (New Zealand China Clays, New Zealand), clays and feldspar (K-T Clay, US and Mexico). The Group increased its carbonate resources in South America (Quimbarra, Brazil), Asia (Honaik, Malaysia) and France (AGS-BMP's carbonate activity). The takeover of the world's leading producer of corundum (fused alumina and bauxite), Treibacher Schleifmittel (Austria), was followed by further acquisitions in the sector in Brazil, China, the Czech Republic and Germany. By acquiring local kaolin producer MRD-ECC (Thailand), the Group increased its presence in the Asian market for applications designed mainly for the sanitaryware industry.

In early 2005, Imerys became the leading European supplier of monolithic refractories following the acquisition of Lafarge Réfractaires Monolithiques. 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 (US), a leading producer of filtration and performance minerals, which introduced diatomite and perlite into the Group's activities. The year ended with the acquisition of Denain Anzin Minerals, providing the Group with deposits of feldspar, mica, quartz and kaolin in Europe.

(1) *Industrial minerals: non-metallic and non-combustible rocks or minerals, mined and processed for industrial purposes.*

(2) *Throughout the Registration Document, information on market positions corresponds to assessments made by Imerys on the basis of its market knowledge, or is derived from trade publications such as Roskill and Industrial Minerals.*

From 2006 to 2008, the Group continued to grow, acquiring calcined clay specialists AGS (France) and Vatutinsky (Ukraine), extensive reserves of high-quality white marble in China, Malaysia and Vietnam as well as Europe, and several feldspar mines across the world including Jumbo Mining (India), The Feldspar Corporation (US) and others in Turkey. The acquisition of ACE, the leading company in monolithic refractories in India, took Calderys to a new level. This was reinforced by the acquisitions of B&B (South Africa) and Svenska Silikaverken A.B. (Sweden). Imerys added fused zircon (a mineral for the refractory, technical ceramics and automotive markets) to its portfolio, becoming the world's leading provider with the successive acquisitions of UCM Group Plc (UK) and Astron China. The perlite businesses were bolstered in South America with the acquisition of Perfiltra (Argentina). The acquisitions of Kings Mountain Minerals, Inc. (North Carolina, US) and Suzorite Mining, Inc. (Quebec, Canada) added high-quality mica to the Group's mineral portfolio.

In 2010, 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's leading talc processing company. A production unit was inaugurated in Andersonville (Georgia, US) to manufacture ceramic proppants, used to keep fractures open in unconventional oil and gas exploration. Through "The Quartz Corp S.A.S.", a joint venture created with the Norwegian group Norsk Mineral A.S., the Group was able to meet the increasing demand for high-purity quartz in the semiconductor and photovoltaic markets. The Group extended the production capacity of its calcium carbonate plant in Malaysia and the Miyagi plant in Japan, which was rebuilt after the tsunami, in order to meet higher demand from its main customer.

In 2012, the Group strengthened its operations in Brazil, extending its product range for the paint, polymer and rubber markets with the acquisition of Itatex and a refractory bauxite deposit from the Vale Group.

In 2013, several acquisitions were made by the Group's businesses: PyraMax Ceramics LLC (US) and its ceramic proppant manufacturing plant, Goonvean (UK) and its kaolin reserves in Cornwall, and local feldspar producer Ceraminas (Thailand). To support soaring demand in the mobile energy sector, the Group doubled capacity at 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 brought into the Group's Monolithic Refractories division. The disposal of Imerys Structure (brick walls, partitions and flues) to Bouyer Leroux group (France) was finalized.

In 2014, the acquisition of Termorak (Finland) strengthened the Group's expertise in designing and installing 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 Group's major local graphite and carbon black customers. The result of a joint venture with Al Zayani Investments, the fused alumina production plant in Bahrain went into production after construction began in 2012. It represented Imerys' first industrial base in the Middle East, enabling the Group to gain a foothold in the region. At the same time, the Group disposed of four calcium carbonate paper plants in Europe and the US as well as a production plant in Tunisia, and it permanently closed the Ardoisières d'Angers site (France).

In 2015, Imerys acquired the S&B Group, the world's leading producer of steel casting fluxes, wollastonite and perlite-based solutions and the leading European supplier of bentonite. The Group also acquired the Precipitated Calcium Carbonate divisions (Austria, France, Germany and UK) of the Solvay Group, Europe's leading producer of fine and ultrafine PCC, which is used as a functional additive in specialty applications (polymers, paints, hygiene, health and beauty), and the Matisco Development Group (France), a company specialized in metal profile manufacturing.

In 2016, Imerys stepped up its development strategy by signing an agreement to acquire the Kerneos group, a leading global expert in high-performance calcium aluminate-based binders. The Group also purchased the specialty alumina business from the Alteo group (France and Germany) and completed its geographical coverage of monolithic refractories by acquiring the industrial production site SPAR (US), and extending its service offer with the acquisition of Fagersta Eldfasta (Sweden).

In 2017, Imerys finalized its acquisition of the Kerneos group initiated in 2016. A major year in the rollout of Imerys' strategy, 2017 also saw the completion of several further acquisitions, allowing the Group to broaden its specialty offering and continue to develop its presence in countries such as Brazil, China and India.

In 2018, Imerys completed the disposal of its Roofing division to the private equity fund Lonestar.

The operations conducted in 2018 are detailed in *chapter 1, paragraph 1.4.2 and chapter 2, paragraph 2.1.1 of the Registration Document.* Imerys ended 2018 by launching its transformation plan, which has restructured the Group's organization around two segments and five business areas. Details of the transformation plan and the Group's new organization which came into effect on December 1, 2018, are presented in *chapter 1, paragraph 1.3.1 of the Registration Document*.

CORPORATE PURPOSE (ARTICLE 3 OF THE BY-LAWS)

Imerys is the parent company of an industrial and business group that 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 overseas, is:

- the research, acquisition, farmout, sale and operation of mines and quarries, of any kind whatsoever;
- the processing, transformation and trading of any minerals, metals, organic or non-organic materials and mineral substances, as well as their by-products and alloys;
- the manufacturing of any product in which minerals, metals, organic or non-organic materials and mineral substances are used;
- the purchase, acquisition, operation, concession, sale and full or partial, temporary or permanent handover, of any patents, certificates or licenses pertaining to the aforementioned purposes;
- the creation, acquisition, sale and concession of any buildings, plants, means of transportation and energy sources;
- the participation in any country in any mining, quarrying, commercial, industrial and maritime operations to promote or develop the Company's own industries and businesses, through the creation of new companies, alliances, joint ventures or otherwise; and, generally, any mining, quarrying, commercial, industrial, maritime, real estate, personal property and financial operations related directly or indirectly, in whole or in part, to any of the purposes specified above or any other similar or related purposes."

FINANCIAL YEAR (ARTICLE 28 OF THE BY-LAWS)

The financial year spans a 12-month period that 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 composed of at least three but no more than eighteen members, subject to certain exceptions permitted by law.

Directors are appointed and their term of office is renewed by the Ordinary Shareholders' General Meeting, which may remove them at any time. The term of office is three years. In accordance with legal provisions, the number of directors over the age of seventy (70) may not exceed 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 Board of Directors also includes one employee representative director designated by the European Works Council. When the Shareholders' General Meeting appoints more than 12 directors, the Group Work Council in France designates a second employee representative director.

Furthermore, the Board of Directors may appoint up to two non-voting observers for a three-year term, who may or may not already be an Imerys shareholder.

√ For further details regarding the powers, structure and operating procedures of the Board of Directors, *see chapter 3, section 3.1 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 at the registered office or any other place specified in the notice of meeting.

Conditions for admission

All shareholders have the right to take part in Shareholders' General Meetings – whether in person, by proxy or by mail – simply by providing proof of their identity and share ownership by means of either registering shares, or providing a share certificate proving the registration of bearer shares. These formalities must be completed no later than two business days prior to the meeting. All shareholders may also, by decision of the Board of Directors indicated in the notice of meeting, take part in General Meetings and vote electronically and/or by any other means of communication under the conditions provided by current legal provisions.

Conditions for exercising voting rights

All documents specified by articles R. 225-81 and R. 225-83 of the French Commercial Code, including a postal or proxy voting form, are sent to shareholders on request. This form can only be effectively taken into account if it is completed in accordance with current legislation and returned to the registered office or to the address given in the notice of meeting. Moreover, any shareholder may, by decision of the Board of Directors indicated in the notice of meeting, receive and return the voting form by mail, proxy, email or by any other means of communication, under the terms and conditions provided by current legal provisions.

Double voting rights

Shares held in registered form under the name of the same shareholder for at least two years carry double voting rights. This right is provided by article 22 of the by-laws and aims to reward the Company's loyal shareholders. The double voting right is also granted to new free shares in the event of a capital increase, on the basis of the old shares that also carried this right. The double voting right ceases automatically when a registered share is converted to a bearer share or is transferred, except in cases of collateral assignment, transfer as life interest, inheritance or family bequest. Finally, double voting rights may be canceled by decision of an Extraordinary Shareholders' General Meeting after having obtained the prior authorization of the Special General Meeting of the holders of this right.

Restriction of voting rights

None.

ALLOCATION OF INCOME (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 income for the financial year, less any prior losses where applicable, are withheld to be allocated to the legal reserve. This withholding ceases to be a mandatory requirement when the reserve reaches 10% of the share capital;
- income for the financial year, less any prior losses plus any earnings carried forward, subject to the Shareholders' General Meeting deducting any retained earnings carried forward or assigning them to one or more reserves, is 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, the option to choose between payment of the dividend in cash or in shares.

IDENTIFIABLE BEARER SHARES (ARTICLE 9 OF THE BY-LAWS)

The Company is authorized to ask Euroclear France to provide it with, under the terms and conditions provided by current legal provisions, 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, where applicable, any restrictions that may apply to these securities.

DISCLOSURE OF THE CROSSING OF THRESHOLDS

The Imerys by-laws do not contain any clauses requiring disclosures to be made when thresholds are crossed, other than those required by law.

Any shareholder, whether acting alone or in concert, whose ownership exceeds or drops below one of the 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 Commercial Code and, more specifically, notify the Company (or, where applicable, any person that the Company has designated for that purpose) and the French financial markets authority (*Autorité des marchés financiers*, AMF), within four trading days of crossing the threshold in question, in accordance with article 223-14 of the AMF's General Regulations. If they fail to meet this requirement, the provisions of article L. 233-14 of the French Commercial Code shall apply.

PUBLICLY AVAILABLE DOCUMENTS

The by-laws, minutes of Shareholders' General Meetings, statutory and consolidated financial statements, Statutory Auditors' reports and all documents made available to shareholders may be accessed *via* the Company's registered office or on the Company's website (www.imerys.com – Media Center – Regulated Information and Publications).

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 SHARE CAPITAL AMOUNT

On December 13, 2018, as part of the share buy-back programs authorized by the Shareholders' General Meeting and pursuant to the authorization granted by the Shareholders' General Meeting held on May 3, 2017, the Board of Directors canceled 235,881 treasury shares acquired on the market through an investment services provider (for further details, *see paragraph 7.2.4 of the present chapter*). The cancellation of these shares decreased the share capital of the Company by a nominal amount of €471,762.

On January 7, 2019, the Chief Executive Officer, using the powers granted to him by the Board of Directors on December 13, 2018, acknowledged that the share capital at December 31, 2018 had increased by a nominal amount of €234,580 after 117,290 stock options were exercised between January 1 and December 31, 2018, which consequently created an equal number of new Imerys shares.

As a result of these transactions, Imerys' fully paid up share capital at December 31, 2018 totaled €158,971,388. It was made up of 79,485,694 shares each with a par value of €2.00, including 47,165,575 shares that carried double voting rights, pursuant to article 22 of Imerys' by-laws. In total, 126,651,269 theoretical voting rights were attached to outstanding shares. Taking into account the 237,342 treasury shares held by the Company at December 31, 2018 *(see paragraph 7.2.4 of the present chapter)*, the total number of net voting rights attached to outstanding shares was 126,413,927 at that date.

Taking into account the 283,113 share options and 1,001,025 free shares granted to certain employees and executive corporate officers and not yet exercised or vested at December 31, 2018, the maximum potential dilution of the share capital would be 1.59% at that date (representing a nominal amount of €161,545,664). The share capital has not changed since that date and no directly registered shares have been pledged by the Company.

No directly registered shares have been pledged by the Company.

7.2.2 CHANGES IN SHARE CAPITAL OVER THE PAST FIVE YEARS

Over the past five years, the following changes have occurred in the number of shares and the Company's share capital:

Year	Transaction	Nominal change in capital *(€)*	Additional paid-in capital/Issue premium *(€)*	Number of shares created	Par value *(€)*	Subsequent amounts of the capital *(€)*	Number of shares that make up the capital
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 exchange for 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*
	Cancellation of shares	(471,762)	14,232,373	(235,881)	2	158,736,808	79,368,404
2018	Exercise of stock options	234,580	5,495,695	117,290	2	158,971,388	79,485,694*

* *At December 31.*

7.2.3 FINANCIAL AUTHORIZATIONS

In accordance with the provisions of articles L. 225-37 and L. 225-37-2 of the French Commercial Code, the authorizations and delegations of authority granted to the Board of Directors by the Shareholders' General Meeting in force at the date this Registration Document and presented in the table below, form an integral part of the Corporate Governance Report referred to in *chapter 2, section 2.2 of the Registration Document*.

SUMMARY OF THE FINANCIAL AUTHORIZATIONS AND DELEGATIONS OF AUTHORITY IN FORCE

Type of authorizations	Expiration and term of the authorization	Maximum nominal amount authorized	Use in 2018
Issue of shares and securities			
Issue of shares or securities carrying rights to shares of the Company with pre-emptive subscription rights(1) (Shareholders' General Meeting of May 3, 2017, 13th resolution)	July 2, 2019 (26 months)	Capital: €75 million Debt securities: €1 billion	None
Issue of shares or securities carrying rights to shares of the Company without pre-emptive subscription rights, but with, where applicable, a priority period granted by the Board of Directors(2) (Shareholders' General Meeting of May 3, 2017, 14th resolution)	July 2, 2019 (26 months)	Capital: €15 million Debt securities: €1 billion	None
Issue of shares or securities carrying rights to shares of the Company, through private placements without pre-emptive subscription rights granted to qualified institutional buyers or a imited number of investors(3) (Shareholders' General Meeting of May 3, 2017, 15th resolution)	July 2, 2019 (26 months)	10% of the capital at the date of issue, the amount issued being included in the ceiling set in the 14th resolution of the Shareholders' General Meeting of May 3, 2017	None
Authorization to increase the number of shares to be issued in the event of excess demand for shares or securities issued with or without pre-emptive subscription rights(4) (Shareholders' General Meeting of May 3, 2017, 16th resolution)	July 2, 2019 (26 months)	10% of the capital at the date of issue, the amount issued being included in the sub-ceiling set in the 13th, 14th and 15th resolutions of the Shareholders' General Meeting of May 3, 2017	None
Authorization to set the issue price of shares or securities carrying rights to shares of the Company in the event pre-emptive subscription rights are canceled(5) (Shareholders' General Meeting of May 3, 2017, 17th resolution)	July 2, 2019 (26 months)	10% of the capital per year, the amount issued being included in the sub-ceiling set in the 14th and 15th resolutions of the Shareholders' General Meeting of May 3, 2017	None
Issue of shares or securities carrying rights to shares of the Company in consideration for contributions in kind made up of shares or securities carrying rights to shares of the Company without pre-emptive subscription rights(6) (Shareholders' General Meeting of May 3, 2017, 18th resolution)	July 2, 2019 (26 months)	10% of the capital per year, the amount issued being included in the sub-ceiling set in the 14th resolution of the Shareholders' General Meeting of May 3, 2017	None
Increase of share capital paid up by capitalizing retained earnings, profits, additional paid-in capital or issue premiums(7) (Shareholders' General Meeting of May 3, 2017, 19th resolution)	July 2, 2019 (26 months)	€75 million, the amount issued being included in the ceiling set in the 13th resolution of the Shareholders' General Meeting of May 3, 2017	None
Overall ceiling for share capital increases with or without pre-emptive subscription rights (Shareholders' General Meeting of May 3, 2017, 20th resolution)	July 2, 2019 (26 months)	Capital: €75 million Debt securities: €1 billion	None

(1) In accordance with articles L. 225-129 et seq. *and L. 228-91* et seq. *of the French Commercial Code*

(2) In accordance with articles L. 225-129 et seq.*, L. 225-135* et seq.*, L. 225-136 and L. 228-91* et seq. *of the French Commercial Code.*

(3) In accordance with articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. *of the French Commercial Code and article L. 411-2 of the French Monetary and Financial Code.*

(4) In accordance with articles L. 225-135-1 of the French Commercial Code.

(5) In accordance with articles L. 225-129-2 and L. 225-136-1 paragraph 2 of the French Commercial Code.

(6) In accordance with articles L. 225-147 and L. 228-91 et seq. *of the French Commercial Code.*

(7) In accordance with articles L. 225-129, L. 225-129-2 et seq. *and L. 225-130 of the French Commercial Code.*

Type of authorizations	Expiration and term of the authorization	Maximum nominal amount authorized	Use in 2018
Share buy-back and cancellation of shares			
Treasury shares purchase by the Company[8] (Shareholders' General Meeting of May 4, 2018, 13th resolution)	November 3, 2019 (18 months)	5% of outstanding shares at January 1, 2018	870,537 shares purchased[9]
Share capital decrease by canceling treasury shares (Shareholders' General Meeting of May 3, 2017, 22nd resolution)	May 2, 2019 (24 months)	10% of the capital per 24-month period	635,881 shares canceled
Issues granted to employees and executives			
Issue of shares or securities carrying rights to shares of the Company reserved for Group employees who are members of a Company or Group savings plan[10] (Shareholders' General Meeting of May 3, 2017, 21st resolution)	July 2, 2019 (26 months)	€1.6 million	None
Grant of Imerys stock options to employees and corporate officers or certain categories among them[11] (Shareholders' General Meeting of May 3, 2017, 23rd resolution)	July 2, 2020 (38 months)	Common ceiling: 3% of the share capital at the date of the Board's decision to grant stock options or free shares Sub-ceiling for stock option and free share grants to executive corporate officers: 0.5% of share capital at the grant date	None[12]
Grant of free Imerys shares to employees and corporate officers or certain categories among them[13] (Shareholders' General Meeting of May 4, 2018, 14th resolution)	July 3, 2020 (26 months due to aligning the term of this authorization with that of the authorization to grant stock options or share purchase options approved by the Shareholders' General Meeting of May 3, 2017 in its 23rd resolution)		295,200 performance shares were granted in 2018, representing 0.37% of the Company's share capital[14]

(8) *In accordance with articles L. 225-209* et seq. *of the French Commercial Code, articles 241-1 to 241-7 of the AMF's General Regulations and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse.*

(9) *For further details regarding corporate actions taken as part of the Company share buy-back program, see paragraph 7.2.4 of the present chapter.*

(10) *In accordance with articles L. 225-129* et seq. *and L. 225-138-1 of the French Commercial Code and L. 3332-1* et seq. *of the French Labor Code.*

(11) *In accordance with articles L. 225-177* et seq. *of the French Commercial Code.*

(12) *For further details regarding stock option grants in prior years see chapter 3, paragraph 3.4.1 of the Registration Document.*

(13) *In accordance with articles L. 225-197-1* et seq. *of the French Commercial Code.*

(14) *For further details regarding performance share grants, see chapter 3, paragraph 3.4.2 of the Registration Document.*

The following table sets out the financial authorizations for which renewals will be submitted for approval at the Ordinary and Extraordinary Shareholders' General Meeting to be held on May 10, 2019.

√ For further details, *see chapter 8, paragraphs 8.1.6, 8.1.7, 8.1.8 and section 8.4 of the Registration Document.*

SUMMARY OF THE FINANCIAL AUTHORIZATIONS FOR WHICH RENEWALS WILL BE SUBMITTED FOR APPROVAL AT THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING TO BE HELD ON MAY 10, 2019

Type of authorizations	Expiration and term of the authorization	Maximum nominal authorized amount
Issue of shares and securities		
Issue of shares or securities carrying rights to shares of the Company with pre-emptive subscription rights(1) (Shareholders' General Meeting of May 10, 2019, 13th resolution)	July 9, 2021 (26 months)	Capital: €75 million (representing approx. 47.2% of capital) Debt securities: €1 billion
Issue of shares or securities carrying rights to shares of the Company without pre-emptive subscription rights, but with, where applicable, a priority period granted by the Board of Directors(2) (Shareholders' General Meeting of May 10, 2019, 14th resolution)	July 9, 2021 (26 months)	Capital: €15 million (representing approx. 9.4% of capital) Debt securities: €1 billion
Issue of shares or securities carrying rights to shares of the Company, through private placements without pre-emptive subscription rights granted to qualified institutional buyers or a limited number of investors(3) (Shareholders' General Meeting of May 10, 2019, 15th resolution)	July 9, 2021 (26 months)	10% of the capital at the date of issue, the amount issued being included in the ceiling set in the 14th resolution of the Shareholders' General Meeting of May 10, 2019
Authorization to increase the number of shares to be issued in the event of excess demand for shares or securities issued or without pre-emptive subscription rights(4) (Shareholders' General Meeting of May 10, 2019, 16th resolution)	July 9, 2021 (26 months)	10% of the capital on the issue day, the amount issued being included in the sub-ceiling set in the 13th to 15th resolutions of the Shareholders' General Meeting of May 10, 2019
Authorization to set the issue price of shares or securities carrying rights to shares of the Company in the event pre-emptive subscription rights are canceled(5) (Shareholders' General Meeting of May 10, 2019, 17th resolution)	July 9, 2021 (26 months)	10% of the capital per year, the amount issued being included in the sub-ceiling set in the 14th resolution of the Shareholders' General Meeting of May 10, 2019
Issue of shares or securities carrying rights to shares of the Company in consideration for contributions in kind made up of shares or securities carrying rights to shares of the Company without pre-emptive subscription rights(6) (Shareholders' General Meeting of May 10, 2019, 18th resolution)	July 9, 2021 (26 months)	10% of the capital per year, the amount issued being included in the sub-ceiling set in the 14th resolution of the Shareholders' General Meeting of May 10, 2019
Increase of share capital paid up by capitalizing retained earnings, profits, additional paid-in capital or issue premiums(7) (Shareholders' General Meeting of May 10, 2019, 19th resolution)	July 9, 2021 (26 months)	€75 million, the amount issued being included in the ceiling set in the 13th resolution of the Shareholders' General Meeting of May 10, 2019
Overall ceiling for share capital increases with or without pre-emptive subscription rights (Shareholders' General Meeting of May 10, 2019, 20th resolution)	July 9, 2021 (26 months)	Capital: €75 million Debt securities: €1 billion
Share buy-back and cancellation of shares		
Treasury share purchase by the Company(8) (Shareholders' General Meeting of May 10, 2019, 12th resolution)	November 9, 2020 (18 months)	10% of outstanding shares at January 1, 2019 (representing 7,948,569 shares)
Share capital decrease by canceling treasury shares (Shareholders' General Meeting of May 10, 2019, 22nd resolution)	May 9, 2021 (24 months)	
Issues granted to employees and executives		
Issue of shares or securities carrying rights to shares of the Company reserved for Group employees who are members of a Company or Group savings plan(9) (Shareholders' General Meeting of May 10, 2019, 21st resolution)	July 9, 2021 (26 months)	€1.6 million

(1) In accordance with articles L. 225-129 et seq. *and L. 228-91* et seq. *of the French Commercial Code.*
(2) In accordance with articles L. 225-129 et seq.*, L. 225-135* et seq.*, L. 225-136 and L. 228-91* et seq. *of the French Commercial Code.*
(3) In accordance with articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. *of the French Commercial Code and article L. 411-2 of the French Monetary and Financial Code.*
(4) In accordance with articles L. 225-135-1 of the French Commercial Code.
(5) In accordance with articles L. 225-129-2 and L. 225-136-1 paragraph 2 of the French Commercial Code.
(6) In accordance with articles L. 225-147 and L. 228-91 et seq. *of the French Commercial Code.*
(7) In accordance with articles L. 225-129, L. 225-129-2 et seq. *and L. 225-130 of the French Commercial Code.*
(8) In accordance with articles L. 225-209 et seq. *of the French Commercial Code and articles 241-1 to 241-7 of the AMF's General Regulations.*
(9) In accordance with articles L. 225-129 et seq. *and L. 225-138-1 of the French Commercial Code and L. 3332-1* et seq. *of the French Labor Code.*

OTHER SECURITIES

On May 4, 2018, as the decision to issue ordinary bonds falls within the competence of the Board of Directors, in accordance with article L. 228-40 of the French Commercial Code, the Board of Directors delegated full powers to the Chief Executive Officer for the purposes of carrying out such issues and deciding their conditions, in particular for the Company's EMTN program (Euro Medium Term Note program), within the period of one year and a maximum nominal amount per year of €1.5 billion and a maximum nominal amount per operation of €350 million.

This authorization was not exercised in 2018.

7.2.4 SHARE BUY-BACK PROGRAM

LEGAL FRAMEWORK OF SHARE BUY-BACK PROGRAMS IMPLEMENTED IN 2018

The Ordinary and Extraordinary Shareholders' General Meeting held on May 4, 2018 renewed for a period of 18 months, *i.e.* until November 3, 2019, the authorization previously granted to the Board of Directors by the Ordinary and Extraordinary Shareholders' General Meeting held on May 3, 2017, in accordance with articles L. 225-209 *et seq.* of the French Commercial Code, to buy back the Company's own shares within the limit of 5% of the shares existing and outstanding at January 1, 2018, representing 3,980,214 shares, and within the limit of a total investment of €378 million. It was also decided at the 2018 Shareholders' General Meeting that the number of shares likely to be held, directly or indirectly, at any time by the Company, shall not exceed 5% of the total share capital. Lastly, the maximum acquisition price was set at €95 per share.

On May 4, 2018, in accordance with article L. 225-209 paragraph 3 of the French Commercial Code, the Board of Directors delegated full powers for the purposes of purchasing Company shares to the Chief Executive Officer, within the conditions and limits set by the Shareholders' General Meeting.

TRANSACTIONS CARRIED OUT IN 2018[(1)]

In accordance with article L. 225-211 of the French Commercial Code, the following transactions were carried out as part of the Company's share buy-back programs in force in 2018.

Transactions completed between January 1 and May 3, 2018 as part of the share buy-back program approved by the Shareholders' General Meeting of May 3, 2017

As part of the liquidity agreement, which complies with the Code of Conduct drawn up by the French association of financial and investment firm (AMAFI) and approved by the AMF on March 21, 2011, concluded by the Company with Rothschild & Cie Banque on February 16, 2017 (the **"Liquidity Agreement"**):

- 378,633 shares were purchased on the market at an average weighted price of €80.69; and
- 373,633 shares were sold on the market at an average weighted price of €81.00.

Furthermore, 19,875 shares were initially allocated to be subsequently transferred to satisfy the earnout clause for S&B shares and 2,948 shares initially allocated to performance share grants for certain employees and corporate officers were reallocated on February 26, 2018 and April 30, 2018, respectively, to be canceled at a later date.

Transactions completed between May 4 and December 31, 2018 as part of the share buy-back program approved by the Shareholders' General Meeting of May 4, 2018

As part of the Liquidity Agreement:

- 491,904 shares were purchased on the market at an average weighted price of €65.61; and
- 416,904 shares were sold on the market at an average weighted price of €67.47.

Furthermore, on June 7, 2018, the Company renewed the share purchase authorization initially agreed on June 1, 2016 (and renewed for the first time on June 1, 2017) with an investment services firm, in accordance with Regulation (EC) No 2273/2003, articles 241-1 *et seq.* and 631-5 *et seq.* of the AMF's General Regulations and the AMF's position on the implementation of share buy-back programs.

No transaction to purchase or sell shares was conducted under this purchase authorization in 2018.

The conclusion of the share purchase authorization and the Liquidity Agreement was published on the Company's website on February 16, 2017 and June 8, 2018.

Treasury shares held at December 31, 2018

Taking into account:

- the balance of treasury shares held at January 1, 2018, representing 632,227 shares;
- the delivery in 2018 of 49,294 shares in the third and final earnout payment for the S&B group acquisition and 189,710 vested shares to the beneficiaries of performance share grants (for further details, *see chapter 3, paragraph 3.4.2 of the Registration Document*);
- 870,537 shares purchased and 790,537 shares sold as part of the Liquidity Agreement; and
- the cancellation of 235,881 shares by the Board of Directors at its meeting held on December 13, 2018;
- the balance of treasury shares held at December 31, 2018 totaled 237,342. These shares, which have a par value of €2 and were purchased on the market at an average weighted price of €70.75, represented 0.30% of share capital at December 31, 2018.

(1) *All prices and amounts are given excluding fees and commissions.*

It should be noted that:

- the transactions carried out by the Company in 2018 as part of its share buy-back programs were made in full and without opening any buying or selling positions;
- the Company does not use derivatives as part of its share buy-back programs;
- as the shares bought back in 2018 were exclusively made under the Liquidity Agreement, the Company did not incur any trading fees, nor did it pay any financial transaction tax for the year;
- on February 14, 2019, the Company concluded a new liquidity contract, primarily in order to comply with AMF Decision 2018-01 of July 2, 2018, applicable as from January 1, 2019.

▪ RENEWAL OF THE SHARE BUY-BACK PROGRAM

As the authorization granted to the Board of Directors by the Ordinary and Extraordinary Shareholders' General Meeting held on May 4, 2018 expires on November 3, 2019, its renewal will be submitted for approval at the Ordinary and Extraordinary Shareholders' General Meeting of May 10, 2019 for a further period of 18 months, *i.e.* until November 9, 2020 *(see chapter 8, paragraph 8.1.6 and section 8.4 of the chapter 8 of the Registration Document)*.

Details of the new program, drawn up in accordance with articles 241-1 to 242-6 of the AMF's General Regulations, will be sent to the AMF and published on the Company's website (*www.imerys.com* – Media Center – Regulated Information). The details can also be received by simply sending a request to the Company's headquarters.

7.2.5 EMPLOYEE SHAREHOLDING

At December 31, 2018, Group employees held 0.63% of share capital and 0.70% of voting rights in the Company, particularly through operations intended to promote employee share ownership.

7.3 SHAREHOLDING

7.3.1 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS OVER THE PAST THREE YEARS

The following changes in the breakdown of share capital and voting rights have occurred over the past three years:

	At December 31, 2016				At December 31, 2017				At December 31, 2018			
	Number of shares	% of share capital	Voting rights(1)	% of voting rights(2)	Number of shares	% of share capital	Voting rights(1)	% of voting rights(2)	Number of shares	% of share capital	Voting rights(1)	% of voting rights(2)
Belgian Securities B.V.	42,851,473	53.86	85,602,946	69.67	42,851,473	53.83	85,702,946	67.47	42,851,473	53.91	85,702,946	67.67
Blue Crest Holding S.A.	4,122,150	5.18	4,122,150	3.35	4,116,981	5.17	8,089,765	6.37	3,866,275	4.86	7,628,425	6.02
Group employees	390,457	0.49	686,619	0.56	604,757	0.76	1,068,091	0.84	500,648	0.63	881,303	0.70
Treasury shares	932,821	1.17	932,821(3)	0.76	632,227	0.79	632,227(3)	0.50	237,342	0.30	237,342(3)	0.18
Public	31,270,973	39.30	31,530,689	25.66	31,398,847	39.44	31,526,945	24.82	32,029,956	40.30	32,201,253	25.43
Total	**79,567,874**	**100**	**122,875,225**	**100**	**79,604,285**	**100**	**127,019,974**	**100**	**79,485,694**	**100**	**126,651,269**	**100**

(1) In accordance with article 22 of the by-laws, shares held in registered form for over two years carry double voting rights.

(2) Percentages are calculated on the basis of the theoretical voting rights existing at December 31 of each year.

(3) These figures reflect theoretical voting rights, as treasury shares are stripped of voting rights at Shareholders' General Meetings.

7.3.2 CROSSING OF STATUTORY THRESHOLDS

No threshold crossing disclosures were brought to the attention of the Company in 2018 and up to the date the Registration Document was filed.

To the best of Imerys' knowledge, no shareholder other than those mentioned in *paragraph 7.3.1 of the present chapter* either directly or indirectly held more than 5% of the Company's share capital or voting rights at the date of the Registration Document was filed.

7.3.3 CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENT

CONTROL OF THE COMPANY

Given the number of voting rights held by Belgian Securities B.V., which is directly controlled by Groupe Bruxelles Lambert and indirectly by Pargesa Holding S.A. (for further details, *see the diagram in paragraph 7.3.5 of this chapter*), the Pargesa-GBL concert party exercises control rights over the Company. Nevertheless, the Company does not believe there is a risk such control be exerted abusively. The Company and its Board of Directors have always considered protecting shareholder interests a major focus and consistently spare no effort to comply with Corporate Governance rules and best practices, as demonstrated, in particular, by the number of independent members of the Board of Directors and the Audit, Appointment and Compensation committees (for further details 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. Governed by Luxembourg law, the agreement came into force on February 26, 2015 for a renewable period of seven years and includes the following conditions:

- a commitment to hold for a period of three years(1) the 3,728,308 shares created in exchange for the shares transferred from S&B Minerals S.A. to Imerys and held since February 26, 2015 by Blue Crest Holding S.A. (as well as the Imerys shares that Blue Crest Holding S.A. received in exchange for the earnout clause contained in the acquisition agreement concluded on November 5, 2014);
- joint tag-along rights granted by Groupe Bruxelles Lambert to Blue Crest Holding S.A. for a three-year period, in the event that Groupe Bruxelles Lambert transfers Imerys shares to a third party, causing its interest to fall below 40% of Imerys' capital;
- a pre-emptive right granted to Groupe Bruxelles Lambert, as Blue Crest Holding S.A. pledged, after its holding commitment expired, to grant Groupe Bruxelles Lambert a pre-emptive right to purchase any Imerys shares that Blue Crest Holding S.A. may wish to sell;
- a right for Blue Crest Holding S.A. to be represented on the Board of Directors and the Strategic Committee for as long as Blue Crest Holding S.A. holds at least 3% of Imerys shares.

The shareholders' agreement also includes an early termination clause in the event that:

- Blue Crest Holding S.A. comes to directly or indirectly hold less than 50% of the 3,728,308 shares created in exchange for the share transfer completed on February 26, 2015;
- the agreement is terminated by Groupe Bruxelles Lambert, which it would be authorized to do if Blue Crest Holding S.A.'s current controlling shareholders were to change or no longer directly or indirectly hold 100% of capital in Blue Crest Holding S.A.;
- Groupe Bruxelles Lambert's direct or indirect interest in Imerys was to fall below 40%.

It should be noted that the shareholders' agreement does not constitute a concert party as defined in article L. 233-10 of the French Commercial Code. It was sent to the AMF and the Company on March 5, 2015 (AMF decision and information No. 215C0360 dated March 27, 2015, and available on the AMF website: www.amf-france.org).

At the date this Registration Document was filed, the Company has not been made aware of any other agreement between its shareholders, nor of any agreement that, if implemented, could trigger a change of control.

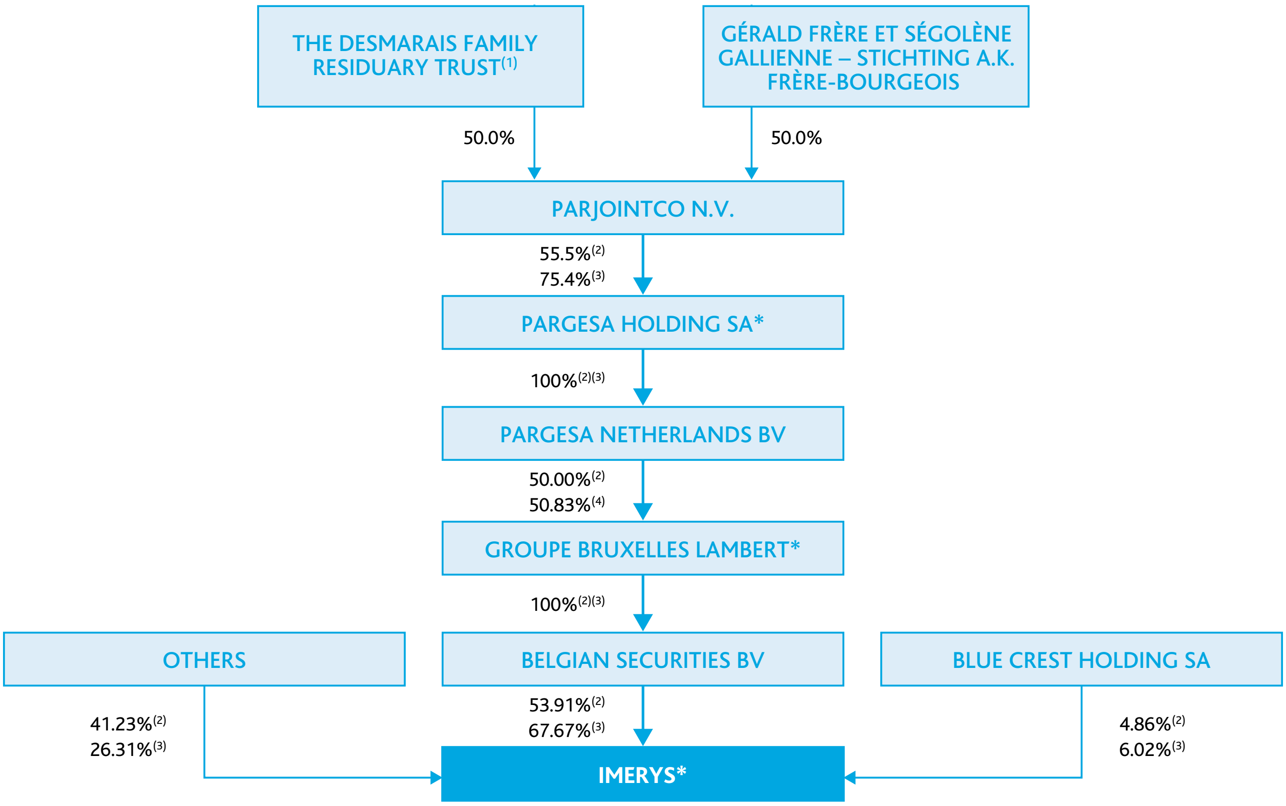
7.3.4 IDENTIFICATION OF BEARER SHARES

Imerys has tasked Euroclear France with conducting a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 30,000 shares. Excluding the controlling shareholder (Belgian Securities B.V.), the survey identified 3,431 holders of bearer shares, each with over 200 shares, representing 38.7% of share capital at December 31, 2018 (of which 381 institutional investors holding 35.79% of share capital).

(1) *This three-year term having expired on February 26, 2018.*

7.3.5 GROUP SHAREHOLDING STRUCTURE

The following organization chart represents the relationships between Imerys shareholders by share capital and voting rights at December 31, 2018:



** Listed company.*
(1) i.e. Paul Desmarais, Jr. et 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 whose registered office is located at Veerkade 5, 3016 DE-Rotterdam (Netherlands). It is jointly owned and controlled by The Desmarais Family Residuary Trust, held by the Desmarais family (Canada), and Stichting A.K. Frère controlled by the Frère family (Belgium).

Pargesa Holding S.A. is a company governed by Swiss law whose registered office is located at 11, Grand-Rue, CH-1204 Geneva (Switzerland). Pargesa Netherlands B.V. is a company governed by Dutch law whose registered office is located at Herengracht 483, 1017 BT Amsterdam (Netherlands).

Groupe Bruxelles Lambert is a company governed by Belgian law whose registered office is located at Avenue Marnix 24, 1000 Brussels (Belgium). Belgian Securities B.V. is a company governed by Dutch law whose registered office is located at Herengracht 555, 1017 BW Amsterdam (Netherlands).

The direct affiliation of Imerys to the Pargesa-GBL concert party resulted from the Company's merger with Parfinance completed on June 30, 1998. Parfinance was the Company's controlling shareholder at that time and had been so for several years.

Blue Crest Holding S.A. is a company governed by Luxembourg law whose registered office is located at 19, rue Eugène Ruppert, L-2453 Luxembourg (Luxembourg). It is owned and controlled by the Kyriacopoulos family (Greece).

7.4 ELEMENTS THAT COULD HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

The elements presented below, which could have an impact in the event of a takeover bid for the Company's shares, form an integral part of the Corporate Governance Report referred to in *chapter 2, section 2.2 of the Registration Document.*

It should be noted 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 share ownership (structure of the share capital, threshold crossings and control of the Company) appear in *section 7.3 of the present chapter.*

Restrictions on voting rights and transfers of shares or agreements known by the Company

See paragraph 7.3.3 of the present chapter.

Holders of shares carrying specific control rights

The Company's by-laws state that shares held in registered form by the same shareholder for over two years carry double voting rights *(see section 7.1 of the present chapter).*

Control mechanisms applied to employee shareholding schemes

None.

Agreements between shareholders known by the Company that could lead to restrictions of share transfers and voting rights

See paragraph 7.3.3 of the present chapter.

Specific rules governing the appointment or replacement of directors and amendments to the Company's by-laws

None.

Powers of the Board of Directors, in particular regarding issues of shares or share buy-backs

The terms and conditions of share buy-backs are set out in *paragraphs 7.2.3 and 7.2.4 of the present chapter.*

It should be noted that when expired financial authorizations were submitted for renewal at the Ordinary and Extraordinary Shareholders' General Meetings held on May 3, 2017 and May 4, 2018, shareholders excluded the option for the Board of Directors to buy back shares or use the delegations of authority granted to it during a takeover bid for 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 contain a clause which provides for 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 include an exit clause in the event of a change of control.

Agreements including compensation clauses to be paid to members of the Board of Directors or employees if they resign or are dismissed without genuine or serious cause or if their contract is terminated as a result of a takeover bid

The terms and conditions applicable to compensation payable to executive managers for termination of office are detailed in *chapter 3, paragraph 3.3.2 of the Registration Document.*

7.5 IMERYS STOCK MARKET INFORMATION

Imerys shares are listed on Euronext Paris and are eligible for the deferred settlement service (*Service à Règlement Différé* – SRD) (ISIN code FR 0000120859-Mnemo NK). Imerys is included in the 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 in the CAC Basic Materials index. Imerys shares are also included in "Dow Jones Euro Stoxx", the benchmark index for the euro zone. Since November 2, 2009, Imerys shares have been listed on the SBF 120 and Dow Jones Euro Stoxx 600 under the general mining sector ("1,175 General Mining" according to ICB classification) and are also included in more than 60 international indices.

The Group also places great importance on the ratings of non-financial rating agencies *(see chapter 5, section 5.2 of the Registration Document).*

No shares belonging to any subsidiary of Imerys are traded on a stock exchange.

7.5.1 STOCK MARKET HIGHS AND LOWS BETWEEN 2014 AND 2018

Year	Highest market price* *(€)*	Lowest market price* *(€)*	Final market closing price of the year *(€)*
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
2018	87.45	41.04	41.98

* *Market prices observed during trading (sources: Bloomberg and Euronext).*

7.5.2 TRADING SINCE JANUARY 2017

	Highest market price* *(€)*	Lowest market price* *(€)*	Total monthly trading volume		Average daily trading		
			Number of shares	Capital *(€ millions)*	Number of shares	Capital *(€ millions)*	Number of transactions
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**			
2018							
January	86.85	78.05	1,736,353	144.40	78,925	6.56	1,073
February	87.80	77.55	1,865,177	154.53	93,259	7.73	1,282
March	84.00	77.50	1,825,129	146.69	86,911	6.99	1,122
April	81.65	75.05	2,005,247	157.26	100,262	7.86	1,249
May	77.40	71.00	2,433,704	180.66	110,623	8.21	1,374
June	75.00	64.85	2,707,496	190.00	128,928	9.05	1,385
July	69.95	64.45	2,227,391	149.29	101,245	6.79	1,084
August	65.95	61.70	2,092,422	132.85	90,975	5.78	1,006
September	65.30	58.55	2,244,191	138.22	112,210	6.91	1,039
October	63.80	52.10	2,502,720	144.14	108,814	6.27	1,073
November	57.40	47.20	2,552,616	130.31	116,028	5.92	1,319
December	49.54	39.72	2,751,137	121.65	144,797	6.40	1,461
Total 2018			**26,943,583**	**1,790.0**			

* *Market prices observed during trading (sources: Bloomberg and Euronext).*

7.6 DIVIDENDS

Imerys bases the distribution of dividends on the net income from current operations recorded in the financial year in question.

In accordance with the provisions of article 243 *bis* of the French General Tax Code *(Code général des impôts)*, the dividends paid in respect of the last three financial years were as follows:

	2017	2016	2015
Net income from current operations, per share	€5.11	€4.60	€4.31
Net dividend per share	€2.075	€1.87	€1.75
Gross dividend per share	€2.075	€1.87	€1.75
Number of shares receiving the dividend	79,313,151	79,265,238	78,557,578
Total net distribution	**€164.6 million**	**€148.2 million**	**€137.5 million**

As a general rule, Imerys does not distribute interim dividends. Dividends are paid once a year following the Shareholders' General Meeting held to approve the management and financial statements for the previous financial year.

Dividends that have not been claimed within five years after the dividend payment date are time-barred. Unclaimed dividends are paid to the French State in the first 20 days of January of the year following the expiration of the period of limitation.

7.7 RELATIONS WITH SHAREHOLDERS

Imerys pays special attention to its shareholders, ensuring they are regularly informed about changes in its business, strategy, investments, earnings and outlook. This is reflected in the various communication tools that are made available to involve shareholders in the life of the Group, such as:

- the website www.imerys.com, which enables shareholders to keep up to date in real time with changes in the Group and share prices, including a specific section dedicated to individual shareholders, where they can find the "Individual Shareholder's Guide";
- a Letter to Shareholders published several times a year, detailing the Group's news, earnings and outlook;
- the Annual Report;
- the Registration Document including the Annual Financial Report, as well as the Half-year Financial Report;
- the Sustainable Development Report;
- a direct phone number and e-mail address.

All these documents are published in both English and French and are sent to every holder of registered or bearer shares that wishes to receive them regularly.

Imerys also informs the financial community and individual shareholders about the Company's business through financial announcements published in the press (print and web format) whenever results are published and the annual Shareholders' General Meeting is held.

Through the intermediary of CACEIS Corporate Trust, in charge of share registry services, Imerys provides holders of shares in registered form with an online service that allows them to consult their share portfolio *via* the secure website www.nomi.olisnet.com. The website gives shareholders access to the prices and characteristics of the shares in their portfolio, their recent transactions as well as the availability of their stocks and the attached voting rights. It also contains all documentation concerning the annual Shareholders' General Meeting and gives them the option to vote on-line.

Imerys maintains regular, open and transparent relations with the entire financial, institutional and socially responsible community through individual meetings, industry conventions and conference calls. Executive Management and the Investor Relations team organized nearly 400 meetings throughout 2018 to connect with financial analysts, institutional investors and international fund managers in France, the UK and the US as well as in Belgium, Germany, Italy and Switzerland. In 2018, many road shows were held in second-tier cities in countries such as Finland and Spain with a view to developing and expanding Imerys' shareholder base.

The Group Finance Department is responsible for Financial Communication:

- Telephone: +33 (0) 1 49 55 64 01
- Fax: +33 (0) 1 49 55 63 16
- e-mail: finance@imerys.com

Imerys share registry services are provided by:

- 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: ct-contact@caceis.com

  CACEIS Corporate Trust is more specifically at the service of registered shareholders to provide support and manage their Imerys shares.

7.8 PARENT COMPANY/SUBSIDIARY ORGANIZATION

At December 31, 2018, the Group was made up of 355 companies based in 58 countries (the main consolidated entities of the Group are listed in *Note 25 to the consolidated financial statements*); up to December 1, 2018, the Group's operations were structured around four business groups. From that date onward, Imerys put in place a new organization, details of which are published in *chapter 1, paragraph 1.3.1 of the Registration Document*.

Imerys is the Group's holding company and therefore does not directly carry out any industrial or business activity. The Company's assets are mainly comprised of the investments it holds directly in certain Group subsidiaries. For further details about the subsidiaries directly controlled by the Company, *see Note 30 to the statutory financial statements*.

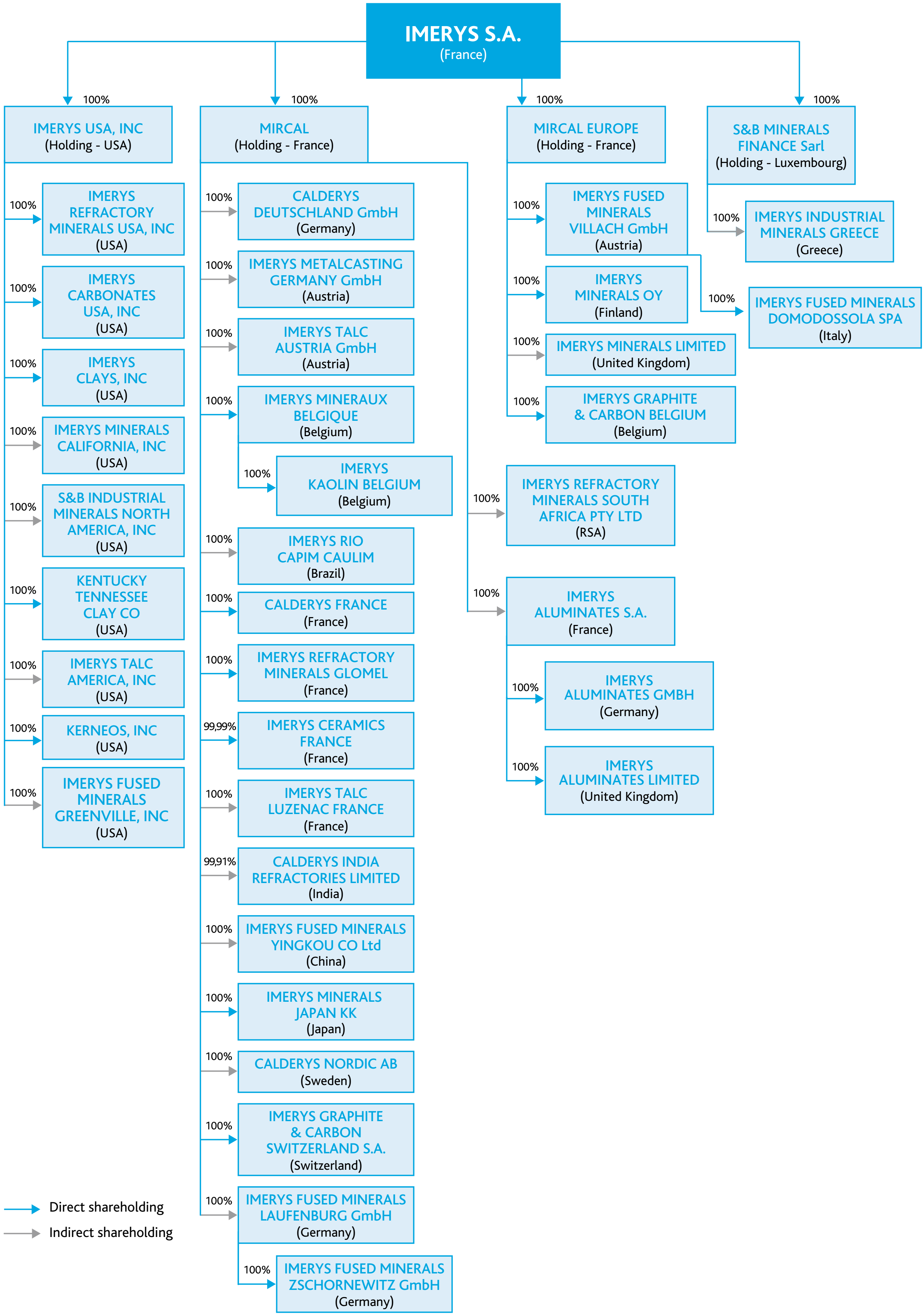
Imerys, along with certain local holding companies (in Belgium, Brazil, China, Singapore, the UK and the US) provide all their subsidiaries with general support and expertise in the following areas in particular:

- Purchasing;
- Insurance;
- Audit;
- Communication;
- Accounting & Financial Control;
- Environment, Health & Safety;
- Tax;
- IT;
- Innovation, Research & Development;
- Legal;
- Intellectual Property;
- Human Resources;
- Strategy;
- Cash.

These services include: support and advice in *ad-hoc* requests from its subsidiaries, as well as more general studies and analyses or even recommendations or suggested preventive measures.

Compensation for these services is determined on the basis of the costs incurred by Imerys and its local holding companies. These costs are allocated to the subsidiaries that benefit from the services, either in proportion to their total revenue compared to the total revenue of their operating segment or in proportion to the number of their employees. In addition, external costs incurred specifically on behalf of a subsidiary along with the cost of seconding employees to a subsidiary are allocated to that subsidiary separately. In 2018, the Company invoiced a net total amount of €62.6 million for services provided to its subsidiaries. Imerys is also the parent company of the tax consolidation group for the Group's companies based in France, more than 95% of the share capital of which is held by Imerys *(see Note 8 to the statutory financial statements)*.

The simplified organization chart presented below illustrates the main operating entities of the Group whose gross revenue exceeded €50 million at December 31, 2018.



8 ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 10, 2019

8.1 PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

The resolutions agreed by the Board of Directors at its meeting of February 13, 2019 are submitted for shareholder approval. Resolutions 1 through 12, 19 and 24 will be put to the Ordinary Shareholders' General Meeting and resolutions 13 through 18 and 20 through 23 will be put to the Extraordinary Shareholders' General Meeting.

Pursuant to the provisions of articles L. 225-37, L. 225-37-2 and L. 225-100 of the French Commercial Code *(Code de commerce)*, *paragraphs 8.1.3 and 8.1.4 and section 8.4 of the present chapter* form an integral part of the Corporate Governance Report referred to in *chapter 2, section 2.2 of the Registration Document.*

8.1.1 2018 ANNUAL FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

(Three resolutions put to the Ordinary Shareholders' General Meeting)

Shareholders are invited to approve the Company's annual financial statements **(first resolution)** and the Group's consolidated financial statements **(second resolution)** for the year ended December 31, 2018.

These financial statements, along with the financial situation, business and results of the Group and the Company for the year ended December 31, 2018, as well as various items of information required by current laws and regulations, are published in *chapter 2 and chapter 6 of the Registration Document.*

Shareholders are then called upon to approve the allocation of the Company's distributable profit for 2018 **(third resolution).** The Company's net income for 2018 totaled €72,901,776.86 to which is added the amount of the retained earnings brought forward from the prior year for €396,662,784.94, representing a total distributable amount of €469,564,561.80. The Board of Directors recommends paying a per-share dividend of €2.15, *i.e.* a 3.6% increase on the dividend paid in 2018 with respect to the previous financial year.

The total dividend payout would be adjusted to take into account the number of shares issued following the exercise of stock options since January 1, 2019 and which are eligible for the 2018 dividend at the date of payment. Consequently, the amount allocated to retained earnings would be determined on the basis of the total actual dividend payout. Furthermore, if the Company holds any treasury shares on the date at which the dividend is paid, the corresponding unpaid dividends would also be allocated to retained earnings.

The dividend would be payable from May 22, 2019.

Pursuant to the provisions of article 243 *bis* of the French Tax Code *(Code général des impôts)*, individual shareholders domiciled in France for tax purposes may benefit from a 40% tax allowance on the totality of the proposed dividend for 2018, as stipulated in article 158-3-2° of the French Tax Code, subject to the taxpayer opting to be taxed according to the standard income tax bands set out in article 200-A-2 of said Code.

Dividends paid for the past three financial years were as follows:

Financial year ending	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net dividend per share	€2.075*	€1.87*	€1.75*
Number of shares carrying dividend rights	79,313,151	79,265,238	78,557,578
Total net payout	**€164.6 M**	**€148.2 M**	**€137.5 M**

* *Fully eligible for the 40% tax allowance for individual shareholders domiciled in France for tax purposes stipulated in article 158-3-2° of the French Tax Code.*

8.1.2 RELATED PARTY AGREEMENTS AND COMMITMENTS

(Two resolutions put to the Ordinary Shareholders' General Meeting)

Pursuant to the provisions of article L. 225-40 of the French Commercial Code, shareholders are asked to approve the Statutory Auditors' special report on related party agreements and commitments governed by articles L. 225-38 *et seq.* of said Code and published in *chapter 2, paragraph 2.3.3 of the Registration Document.* Shareholders are also asked to approve the agreements and commitments made during 2018 and referred to the aforementioned report.

8.1.2.1. COMMITMENTS GIVEN TO CONRAD KEIJZER IN 2018

Pursuant to the provisions of article L. 225-42-1 of the French Commercial Code, shareholders are invited to approve the commitments given by the Company to Conrad Keijzer in his capacity as Deputy Chief Executive Officer appointed on March 8, 2018 then Chief Executive Officer of the Company since May 4, 2018. Based on the recommendations of the Compensation Committee, these commitments were approved by the Board of Directors at its meeting held on March 8, 2018 **(fourth resolution):**

Termination benefit

Conrad Keijzer's contract as executive corporate officer includes a severance package that would be due if he were forced to step down from his duties following a change of control or strategy or as a result of a major disagreement over such issues. No compensation would be due if Conrad Keijzer were to voluntarily step down and be eligible to claim retirement benefits in the short term or if he were to be dismissed for gross or serious misconduct.

If his term of office exceeds two years, the maximum amount of the severance package is calculated on the basis of two years' compensation (fixed and variable). Payment of the severance package is subject and proportionate to a performance condition assessed solely on the average extent in percentage terms to which the quantitative targets set over the last three financial years to determine variable compensation for each year were achieved. The condition states that:

- if the average achievement percentage (calculated over the last three years) for such objectives is less than 40%, no severance pay would be due;
- If the average achievement percentage exceeds 80%, the maximum amount of severance pay would be due.

Non-compete indemnity

Conrad Keijzer is subject to a non-compete period of two years following the date at which his duties as Chief Executive Officer are terminated. He is not eligible for any compensation other than his severance package, if applicable.

Complementary pension plan

Conrad Keijzer benefits from a complementary defined contribution pension plan that the Company put in place on October 1, 2009 contributing 8% of the compensation of eligible employees and capped at eight times the annual French social security ceiling. Employee contributions are set at 3% and employer contributions at 5%.

Unemployment insurance for corporate officers

Conrad Keijzer benefits from unemployment insurance for corporate officers (GSC).

Beyond this measure, the Company has not given any other commitment, as defined by article L. 225-42-1 of the French Commercial Code, to Conrad Keijzer concerning him starting, terminating or changing his duties as Deputy Chief Executive Officer, then Chief Executive Officer.

8.1.2.2 COMMITMENTS GIVEN TO GILLES MICHEL IN 2018

Pursuant to the provisions of article L. 225-46 of the French Commercial Code, shareholders are invited to approve the exceptional compensation awarded to Gilles Michel in his capacity as Chairman of the Board, as agreed by the Board of Directors, based on the recommendations of the Compensation Committee, at its meeting held on May 4, 2018 **(fifth resolution)**.

In order to ensure a seamless transition within the Group's Executive Management team, and based on the recommendations of the Compensation Committee, the Board of Directors entrusted Gilles Michel in his capacity as Chairman of the Board with the specific responsibility to support Conrad Keijzer in his position as Chief Executive Officer appointed on May 4, 2018. The compensation for this responsibility may not exceed €150,000 and is subject to a qualitative evaluation conducted by independent consultants. Furthermore, it constitutes a related party commitment as defined by article L. 225-46 of the French Commercial Code (for further details, *see chapter 3, paragraphs 3.1.2 and 3.3.2.2 of the Registration Document*). The total amount payable for this responsibility was decided by the Board of Directors at its meeting held on February 13, 2019 and amounts to €150,000. Payment is subject to approval from the present Shareholders' General Meeting *(see paragraph 8.1.4 and section 8.4 of the present chapter)*.

Shareholders are also informed that at its meeting held on February 13, 2019 and in accordance with legal requirements, the Board of Directors reviewed all the related party agreements and commitments that were authorized and concluded by the Company in previous years and that remained in force in 2018.

The Board of Directors also noted that the commitments given to Gilles Michel in his capacity as Chairman and Chief Executive Officer remained valid until May 4, 2018, date at which he stepped down from the office of Chief Executive Officer it being specified that the commitment made by the Company under the complementary defined benefit pension plan for Gilles Michel continued as of December 31, 2018 pending the full liquidation of his rights (for further details of this plan, *see chapter 3, paragraph 3.3.2 of the Registration Document*).

All related party agreements and commitments are detailed in the Statutory Auditors' special report published in *chapter 2, paragraph 2.3.3 and chapter 3, paragraph 3.3.2 of the Registration Document*.

8.1.3 PRINCIPLES AND CRITERIA USED TO DETERMINE THE VARIOUS COMPONENTS OF COMPENSATION PAID TO EXECUTIVE CORPORATE OFFICERS

(One resolution put to the Ordinary Shareholders' General Meeting)

Pursuant to the provisions of article L. 225-37-2 of the French Commercial Code, shareholders are asked to approve the principles and criteria used to determine, allocate and grant the fixed, variable and exceptional components of the total compensation and benefits payable to executive corporate officers **(sixth resolution)**. For 2019, the components include those approved in 2018, plus the official accommodation provided to executive corporate officers, where necessary, as decided by the Board of Directors at its meeting held on February 13, 2019 and based on the recommendations of the Compensation Committee.

The compensation policy that applies to executive corporate officers in 2019 is set out in detail in *chapter 3, paragraph 3.3.2.1 of the Registration Document*.

8.1.4 COMPENSATION OWED OR GRANTED TO EXECUTIVE CORPORATE OFFICERS IN 2018

(Two resolutions put to the Ordinary Shareholders' General Meeting)

Pursuant to the provisions of article L. 225-100 of the French Commercial Code, shareholders are asked to approve the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the year ending December 31, 2018 to executive corporate officers.

The following details, presented in accordance with the provisions of article L. 225-37-3, form an integral part of the Corporate Governance Report, published in *chapter 2, section 2.2 of the Registration Document*. The payment of the components of variable and exceptional compensation owed to executive corporate officers with respect to 2018 is subject to shareholders' approval.

8.1.4.1 COMPONENTS OF COMPENSATION PAID OR GRANTED WITH RESPECT TO THE YEAR ENDED DECEMBER 31, 2018 TO CONRAD KEIJZER, DEPUTY CHIEF EXECUTIVE OFFICER FROM MARCH 8 TO MAY 4, 2018, THEN CHIEF EXECUTIVE OFFICER FROM THAT DATE ONWARD (SEVENTH RESOLUTION)

Component of compensation	Amount or accounting valuation	Details
Fixed compensation	Annual: €700,000 prorata temporis: €570,076	Annual gross compensation approved by the Board of Directors on March 8, 2018.
Annual variable compensation	€500,347 granted in 2019 with respect to 2018	At its meeting of February 13, 2019 and based on the recommendations of the Compensation Committee, the Board of Directors considered the extent to which Conrad Keijzer, had achieved the quantitative and qualitative targets set for 2018 in order to determine the amount of variable compensation payable to him for the year. The quantitative criteria for 2018 were tied to targets for the Group's net income from current operations, free operating cash flow and return on capital employed, accounting for 50%, 30% and 20%, respectively. The qualitative criteria were based on achieving objectives linked to the effective implementation of Group strategy, sustained growth, deployment of certain talent management programs and the successful adoption of his role as Chief Executive Officer. After assessing the extent to which the quantitative criteria have been met, the resulting amount of annual variable compensation is calculated based on the reference compensation equal to 100% of annual fixed compensation, multiplied by a factor of between 0.8 and 1.2 depending on the fulfillment of the qualitative criteria. The overall percentage achievement for the qualitative criteria may be increased or decreased by 3% depending on whether or not the workplace health & safety objective (applicable to all senior executives in the Group) was met. The maximum total variable compensation that may be granted is capped at 132% of annual fixed compensation. Consequently, the variable compensation payable to Conrad Keijzer for 2018 amounts to €500,347, representing 87.8% of his fixed compensation paid in 2018. This figure results from the achievement of 71.6% of the quantitative targets and 95.8% of the qualitative targets, and the application of a 3% reduction given the specific workplace health & safety objective was not achieved. This sum will be paid to Conrad Keijzer, subject to the approval of the 7th resolution submitted to the Shareholders' General Meeting of May 10, 2019. For further details, *see chapter 3, paragraph 3.3.2.2 of the Registration Document*.
Impatriation bonus	€321,127	Conrad Keijzer benefits from an annual impatriation bonus, equal to 30% of his fixed and variable compensation paid in respect of each financial year. As an advance payment, Conrad Keijzer received € 342,047 in 2018, which will be regularized upon payment of the annual variable compensation.
Multi-annual variable compensation in cash	N/A	No multi-annual variable compensation is paid to the Chief Executive Officer.
Exceptional compensation	N/A	No exceptional compensation is paid to the Chief Executive Officer.

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Component of compensation	Amount or accounting valuation	Details
Stock options, performance shares and any other component of long-term compensation	Stock options: N/A	No stock options were granted to the Chief Executive Officer in 2018.
	Performance shares €1,671,300 (accounting value)	At its meeting held on May 4, 2018 and based on the recommendations of the Compensation Committee, the Board of Directors decided to grant Conrad Keijzer, 30,000 performance shares, representing 0.04% of the Company's share capital at that date. This grant was made pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2018 (14th resolution). The shares are subject to the same financial performance conditions as those applicable to the 2018 general performance share plan offered to the Group's main executives. The objectives are equally weighted between the increase in net income from current operations per share and the Group's return on capital employed over the period 2018-2020. For further details, *see chapter 3, paragraph 3.4.2 of the Registration Document*.
Attendance fees	N/A	No attendance fees are paid to the Chief Executive Officer.
Benefits in kind	€46,012 (accounting value)	The benefits in kind awarded to the Chief Executive Officer include official accommodation, provided from September 1, 2018, a company car with driver and the contributions to an unemployment insurance scheme for corporate officers.
Sign-on bonus	N/A	Conrad Keijzer did not receive a sign-on bonus when he was appointed Deputy Chief Executive Officer on March 8, 2018, and Chief Executive Officer on May 4, 2018.
Severance indemnity	€0	Conrad Keijzer would be owed a severance package if he were forced to step down from his duties following a change of control or strategy or as a result of a major disagreement over such issues. No compensation would be due if Conrad Keijzer were to voluntarily step down and be eligible to claim retirement benefits in the short term or if he were to be dismissed for gross or serious misconduct. If his term of office exceeds two years, the maximum amount of the severance package is calculated on the basis of two years' compensation (fixed and variable). Its payment would be subject and proportionate 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 for the determination of the variable compensation with respect to each of those financial years. The condition states that: ▪ if the average achievement percentage (calculated over the last three years) for such objectives is less than 40%, no severance indemnity would be due; ▪ if the average achievement percentage exceeds 80%, the maximum amount of severance indemnity would be due. For further details, *see chapter 3, paragraph 3.3.2.1 of the Registration Document*.
Non-compete indemnity	N/A	Conrad Keijzer is subject to a non-compete period of two years following the date at which his duties as Chief Executive Officer are terminated. He is not eligible for any compensation other than his severance package, if applicable.
Complementary pension plan	€0	Conrad Keijzer benefits from a complementary defined contribution pension plan, which the Company put in place on October 1, 2009 contributing 8% of the compensation of eligible employees and capped at eight times the annual French social security ceiling. Employee contributions are set at 3% and employer contributions at 5%. For further details, *see chapter 3, paragraph 3.3.2.1 of the Registration Document*.

8.1.4.2 COMPONENTS OF COMPENSATION PAID OR GRANTED WITH RESPECT TO THE YEAR ENDED DECEMBER 31, 2018 TO GILLES MICHEL, CHAIRMAN AND CHIEF EXECUTIVE OFFICER UNTIL MAY 4, 2018, THEN CHAIRMAN OF THE BOARD FROM THAT DATE ONWARD (EIGHTH RESOLUTION)

Component of compensation	Amount or accounting valuation	Details
Fixed compensation	Annual: €800,000 prorata temporis: €278,261	Annual gross compensation approved by the Board of Directors on March 8, 2018 and unchanged since 2010, applicable up to May 4, 2018.
Annual variable compensation	€246,635 granted in 2019 with respect to 2018	At its meeting of February 13, 2019 and based on the recommendations of the Compensation Committee, the Board of Directors considered the extent to which Gilles Michel, in his capacity as Chairman and Chief Executive Officer until May 4, 2018, had achieved the quantitative and qualitative criteria set for 2018 in order to determine the amount of variable compensation payable to him for the year. The quantitative criteria for 2018 were tied to targets for the Group's net income from current operations, free operating cash flow and return on capital employed, accounting for 50%, 30% and 20%, respectively. The qualitative criteria were based on achieving objectives linked to the effective implementation of Group strategy, sustained growth and deployment of certain talent management programs. After assessing the extent to which the quantitative criteria have been met, the resulting amount of annual variable compensation is calculated based on the reference compensation equal to 100% of annual fixed compensation, multiplied by a factor of between 0.8 and 1.2 depending on the fulfillment of the qualitative criteria. The overall percentage achievement for the qualitative criteria may be increased or decreased by 3% depending on whether or not the workplace health & safety objective (applicable to all senior executives in the Group) was met. The maximum total variable compensation that may be granted is capped at 132% of annual fixed compensation. Consequently, the variable compensation payable to Gilles Michel for 2018 amounts to €246,635, representing 88.6% of his fixed compensation paid in 2018. This amounts results from the achievement of 71.6% of the quantitative targets and 100% of the qualitative targets and the application of a 3% given the specific workplace health & safety objective was not achieved. This sum will be paid to Gilles Michel, subject to the approval of the 8th resolution submitted to the Shareholders' General Meeting of May 10, 2019. For further details, *see chapter 3, paragraph 3.3.2.2 of the Registration Document*.
Multi-annual variable compensation in cash	N/A	No multi-annual variable compensation was paid to Gilles Michel.
Exceptional compensation	€150,000	At its meeting held on February 13, 2019, the Board of Directors assessed the extent to which Gilles Michel had successfully fulfilled the specific responsibility to support Conrad Keijzer with which he was entrusted by the Board on May 4, 2018. Based on the recommendations of the Compensation Committee, the Board of Directors decided to award Gilles Michel €150,000 in compensation. This sum will be paid to Gilles Michel, subject to the approval of the 5th and 8th resolutions submitted to the Shareholders' General Meeting of May 10, 2019. For further details, *see chapter 3, paragraph 3.3.2.2 of the Registration Document and paragraph 8.1.2.2 of the present chapter*.

Component of compensation	Amount or accounting valuation	Details
Stock options, performance shares and any other component of long-term compensation	Stock options: N/A	No stock options were granted to Gilles Michel in 2018.
	Performance shares: N/A	No performance shares were granted to Gilles Michel in 2018. Concerning the performance shares previously granted to Gilles Michel for which the conditions have not yet been met, the condition that he must still be working with the Group when the shares vest was exceptionally waived from May 4, 2018 onward. All other terms and conditions of the plans concerned, in particular those relating to performance and the vesting period, continue to apply. For further details, *see chapter 3, paragraph 3.4.2 of the Registration Document.*
Attendance fees	€65,514 (net amount) / €93,591 (gross amount) prorata temporis	In accordance with the revised allocation scale for attendance fees awarded to members of the Board and its committees agreed by the Board of Directors on May 4, 2018, Gilles Michel in his capacity as Chairman of the Board since this date receives fixed annual compensation of €100,000, plus the same attendance fees awarded to other directors for their attendance at meetings of the Board and the Strategic Committee of which he is a member. For further details, *see chapter 3, paragraph 3.3.1 of the Registration Document.*
Benefits in kind	€6,315 (accounting value)	The benefits in kind awarded to Gilles Michel up to May 4, 2018 included a company car with driver and the contributions to an unemployment insurance scheme for corporate officers.
Termination benefit	N/A	Gilles Michel is not entitled to any termination benefit.
Non-compete indemnity	N/A	Gilles Michel is not subject to any non-compete clause.
Complementary pension plan	€11.45 million	Gilles Michel remained eligible in 2018 for the complementary defined benefit pension plan put in place by the Company until he receives the full rights to which he is entitled and he exercised on June 1, 2018.

8.1.5 STRUCTURE OF THE BOARD OF DIRECTORS

(Three resolutions put to the Ordinary Shareholders' General Meeting)

The terms of office of Odile Desforges, Lucile Ribot and Ian Gallienne are due to expire at the close of the present Shareholders' General Meeting.

At its meeting of February 13, 2019 and based on the examination and recommendations of the Compensation Committee, the Board of Directors decided to submit for approval by Shareholders' General Meeting of May 10, 2019 the re-appointment of Odile Desforges, Lucile Ribot and Ian Gallienne as directors each for a three-year term of office, *i.e.* until the 2022 Shareholders' General Meeting held to approve the 2021 financial statements (**ninth to eleventh resolutions**).

Details of the career and mandates of the directors put forward for re-appointment are published in *chapter 3, paragraph 3.1.3 of the Registration Document*.

In accordance with the principles applied by the Company to determine the independent status of its directors, and after assessing their individual situations, based on the recommendations of the Appointments Committee, the Board of Directors recognized the independent status of Odile Desforges and Lucile Ribot, but not Ian Gallienne (for further details, *see chapter 3, paragraph 3.1.2 of the Registration Document)*.

At the close of the Shareholders' General Meeting of May 10, 2019 and subject to approval of the above proposals, the Board of Directors will be made up of the following 14 members:

Expiration of term of office	Name	Independent
2020	Aldo Cardoso	Yes
	Paul Desmarais III	No
	Marion Guillou	Yes
	Colin Hall	No
	Martina Merz	Yes
	Éliane Augelet-Petit, employee representative Director	N/A
	Éric d'Ortona, employee representative director	N/A
2021	Conrad Keijzer	No
	Ulysses Kyriacopoulos	No
	Gilles Michel	No
	Marie-Françoise Walbaum	Yes
2022	Odile Desforges	Yes
	Ian Gallienne	No
	Lucile Ribot	Yes

8.1.6 SHARE BUY-BACK PROGRAM AND CANCELLATION OF TREASURY SHARES

(One resolution put to the Ordinary Shareholders' General Meeting and one resolution put to the Extraordinary Shareholders' General Meeting)

Share buy-back program

The authorization to buy back the Company's shares granted to the Board of Directors for an 18-month period by the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2018 is due to expire on November 3, 2019. Shareholders are therefore asked to renew the authorization as of now in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, articles 241-1 to 241-7 of the AMF's General Regulations and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse **(twelfth resolution)**.

√ For further details about the implementation by the Company of its share buy-back programs in 2018, see *chapter 7, paragraph 7.2.4 of the Registration Document.*

This authorization enables the Board of Directors to purchase a maximum of 10% of Company shares outstanding at January 1, 2019 (*i.e.* 7,948,569 shares) mainly for the purpose of:

- canceling the shares at a later date to reduce the Company's share capital, subject to shareholders approving the 22nd resolution;
- covering the stock option plans and/or free share grants, as well as any grants under employee share ownership plans set up by the Company (or assimilated plans), or with respect to profit-sharing programs for current employees, former employees and/or corporate officers of the Company and/or any related companies as defined by articles L. 225-180 and L. 233-16 of the French Commercial Code, within the current legal framework or *ad hoc* plans set up by the Company;

- granting or exchanging shares purchased, in particular, on exercise of rights or issue of shares or securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- maintaining 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 the AMF.

The number of shares that may be held, directly or indirectly at any time, may not exceed 10% of the Company's share capital. Finally, the purchase price may not exceed €85 per share, representing a maximum total investment of €675.6 million.

Shares may be purchased by any means, including block transfers and the use of derivatives, at any time except during a public offer for the Company's shares.

Details of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-7 of the AMF's General Regulations, will be available on the Company's website (www.imerys.com – Media Center – Regulated Information) prior to the Shareholders' General Meeting of May 10, 2019. A copy of this information can also be obtained on request from the Company's headquarters.

Cancellation of treasury shares

Shareholders are also invited in the **twenty-second resolution** to renew the authorization granted to the Board of Directors to cancel all or part of the treasury shares held due to a Company share buy-back program, representing up to 10% of its capital per 24-month period, reducing its share capital by an equal amount and allocating the difference between the purchase price of the canceled shares and their par value to issue premiums and retained earnings.

8.1.7 FINANCIAL AUTHORIZATIONS

(One resolution put to the Ordinary Shareholders' General Meeting and seven resolutions put to the Extraordinary Shareholders' General Meeting)

The Board of Directors has been granted a number of financial authorizations, renewed most recently at the Ordinary and Extraordinary Shareholders' Meeting held on May 3, 2017, which enable it to increase the Company's capital by issuing shares, debt securities or securities carrying rights to shares of the Company, either immediately or at a later date, with or without pre-emptive subscription rights, or by capitalizing retained earnings, profits, additional paid-in capital or any other means (the table summarizing the delegations and financial authorizations currently in force is published in *chapter 7, paragraph 7.2.3 of the Registration Document*).

As in previous years, these financial authorizations are designed to give the Board of Directors the greatest scope and flexibility to decide the most effective and appropriate way of issuing shares to drive growth for the Company and the Group that are also the best suited to market conditions and the economic context at that time.

These delegations and authorizations will expire on July 2, 2019. Shareholders are therefore asked to approve their renewal under similar conditions as presented hereafter (the table summarizing the delegations and financial authorizations submitted for renewal is published in *chapter 7, paragraph 7.2.3 of the Registration Document*). The new delegations and authorizations will remain in force for a period of 26 months and will supersede those previously granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 3, 2017, which would no longer be valid.

Furthermore, the Board of Directors cannot exercise these delegations or authorizations during a public offer for the Company's shares without prior approval from the shareholders.

Issue of shares or securities carrying rights to shares of the company with pre-emptive subscription rights

The **thirteenth resolution** seeks approval to renew the delegation of authority granted to the Board of Directors to issue ordinary shares and any other securities with pre-emptive subscription rights. The Board of Directors proposes to maintain the ceiling for capital increases of this kind at €75 million (representing approximately 47% of the Company's share capital at December 31, 2018). The total nominal amount of debt securities that may be issued under the present delegation may not exceed €1 billion. The nominal amount of such issues is included in the blanket ceiling for issues of debt securities set in the **twentieth resolution**.

Issue of shares or securities carrying rights to shares of the company without pre-emptive subscription rights

The **fourteenth resolution** proposes to renew the delegation of authority granted to the Board of Directors to issue ordinary shares or any other securities without pre-emptive subscription rights open to the public. The possibility to carry out such issues enables the Company to attract a wider pool of investors both in France and overseas as well as reduce the time it takes to implement share issues, making them easier to carry out. The Board of Directors may grant shareholders a priority subscription period, set up in accordance with the legal requirements in force.

The Board of Directors proposes to maintain the ceiling for capital increases of this kind at €15 million (representing approximately 9.4% of the Company's share capital at December 31, 2018). The amount would constitute a sub-ceiling in which all issues without pre-emptive subscription rights would be included.

The total nominal amount of debt securities that may be issued under the present delegation may not exceed €1 billion. The amount is included in the overall ceiling for issues of debt securities set in the twentieth resolution.

The subscription price for shares that may be issued under the present delegation is set by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Commercial Code. The price must be equal to at least the weighted average Imerys share price from the last three trading days preceding the date at which the price is set, which may be discounted by a maximum of 5%.

The **fourteenth resolution** proposes that ordinary shares or securities carrying rights to shares of the Company may be issued in consideration for securities tendered to the Company as part of a public share exchange offer that meets the conditions stipulated by article L. 225-148 of the French Commercial Code.

Share capital increases through private placements

Shareholders are asked to approve in the **fifteenth resolution** the renewal of the delegation granted to the Board of Directors to carry out share capital increases by issuing shares or securities carrying rights to shares of the Company through private placements. These capital increases would entail a waiver of shareholders' pre-emptive subscription rights in favor of qualified institutional buyers or a limited number of investors as defined by article L. 411-2 of the French Monetary and Financial Code (*Code monétaire et financier*), offering the Company greater flexibility and faster access to the market. The Board of Directors proposes to set the overall ceiling for capital increases that may be carried out under the present delegation at 10% of the Company's share capital at the date of issue. This amount is included in the total nominal amount of €15 million for any capital increases carried out without pre-emptive subscription rights. The subscription price for shares that may be issued under the present delegation is set in accordance with the provisions of article R. 225-119 of the French Commercial Code. The price must be equal to at least the weighted average Imerys share price from the last three trading days preceding the date at which the price is set, which may be discounted by a maximum of 5%. The present delegation would make it possible to offer financial partners in particular the option of buying shares in the Company by reducing implementation time, and therefore offering faster access to the market.

Increase in the number of shares to be issued in the event of excess demand

In accordance with the provisions of article L. 225-135-1 of the French Commercial Code, the delegation of authority put forward in the **sixteenth resolution** enables the Board of Directors to increase the number of shares to be issued, within the conditions and deadlines stipulated by current regulations and within the ceilings of the thirteenth, fourteenth and fifteenth resolutions, if it recognizes that a share issue carried out under these resolutions is oversubscribed. The provisions of article R. 225-118 of the French Commercial Code set the currently applicable conditions and deadlines as follows: the increase in the number of shares must be announced within 30 days of the subscription closing, not exceed a maximum of 15% of the number of shares in the initial issue and be offered at the same price as that set for the initial issue.

Setting the issue price

In the **seventeenth resolution,** shareholders are invited to renew the authorization granted to the Board of Directors to overlook the conditions for setting the issue price of shares or securities carrying rights to shares of the Company, within the annual ceiling of 10% of the Company's share capital, for issues without pre-emptive subscription rights. This price can then be set:

- for ordinary share issues, at a price equal to at least the closing price from the last trading day of the Imerys share preceding the date at which the issue price is set, which may be discounted by a maximum of 10%; and
- for issues of securities carrying rights to shares of the Company, at a price equal to the amount immediately received by the Company, plus where applicable the amount that may be received by the Company at a later date. Therefore, for each ordinary share issued as a result of the securities issue, a price at least equal to the issue price of shares set in the previous paragraph.

This possibility, set out in the provisions of article L. 225-136, 1°, paragraph 2 of the French Commercial Code, makes it possible to carry out capital increases in the event of a downward trend on the Imerys share, which the fourteenth and fifteenth resolutions would not allow.

Capital increases in consideration for contributions in kind made up of shares or securities

Shareholders are also invited to approve the **eighteenth resolution** to renew the delegation of power granted to the Board of Directors to carry out capital increases on one or several occasions in consideration for contributions in kind tendered to the Company not as part of a public exchange offer and made up of shares or securities carrying rights to shares of another company, within the limit of 10% of the Company's share capital and upon presentation of a report prepared by one or several auditors.

Share capital increases paid up by capitalizing issue premiums, retained earnings or otherwise

The **nineteenth resolution** seeks to renew the possibility to increase the Company's capital by capitalizing issue premiums, retained earnings, profits, or any other item that may be capitalized up to the maximum total nominal amount set in the thirteenth resolution, *i.e.* €75 million. A capital increase of this kind would lead to the creation and grant of free shares and/or an increase in the par value of existing shares.

Issue ceilings

The blanket ceiling applicable to increases of the Company's share capital that may result from using the delegations and authorizations granted by the thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions is set at €75 million, representing approximately 47% of capital at December 31, 2018 **(twentieth resolution)**. Furthermore, shareholders are reminded that the capital increases carried out without pre-emptive subscription rights under the fourteenth, fifteenth, sixteenth and eighteenth resolutions are included in a separate ceiling set in the fourteenth resolution of €15 million, representing approximately 9.4% of capital at December 31, 2018. Where necessary, the ceilings are increased by the par value of shares to be issued due to adjustments required to maintain the rights of bearers of securities or other shares carrying rights to shares that may exist at the date at which the issue in question is carried out.

The maximum nominal amount of debt securities that may to be issued under authorizations to issue securities carrying rights, immediately or at a later date, to a proportion of share capital granted by the thirteenth, fourteenth, fifteenth, sixteenth and eighteenth resolutions remains at €1 billion.

8.1.8 CAPITAL INCREASES RESERVED FOR MEMBERS OF A COMPANY OR GROUP SAVINGS PLAN

(One resolution put to the Extraordinary Shareholders' General Meeting)

As the present Shareholders' General Meeting has been asked to approve the renewal of a number of delegations and financial authorizations granted to the Board of Directors that may lead to increases on one or several occasions in the Company's capital, shareholders are asked under the **twenty-first resolution** to renew the delegation of authority previously granted to the Board of Directors for a period of 26 months by the Shareholders' General Meeting held on May 3, 2017 to carry out capital increases reserved for employees and/or corporate officers who are members of a Company or Group savings plan. Subject to shareholders' approval, the present delegation will supersede the previous one, which would cease to be valid.

8.1.9 AMENDMENT TO THE COMPANY'S BY-LAWS

(One resolution put to the Extraordinary Shareholders' General Meeting)

By virtue of current legal provisions, the Shareholders' General Meeting appoints the Company's Statutory Auditors and **Alternate Auditors**, in accordance with the law.

The new provisions of article L. 823-1, paragraph 2 of the French Commercial Code introduced by the Sapin II Act of December 9, 2016, stipulate that companies are only required to appoint one or more Alternate Auditors if their Statutory Auditor is an individual or a one-person company. In order to apply these new provisions, shareholders are asked in the **twenty-third resolution** to simplify the language in the first paragraph of article 20 of the Company's by-laws on Alternate Auditors as follows:

"The Shareholders' General Meeting appoints the Statutory Auditors in accordance with the law."

All other paragraphs in article 20 remain unchanged.

8.1.10 POWERS

(One resolution put to the Ordinary Shareholders' General Meeting)

As in previous years, the **twenty-fourth and final resolution** grants all necessary powers to carry out legal formalities arising from the Shareholders' General Meeting.

8.2 STATUTORY AUDITORS' REPORTS

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

French public limited company with a share capital of €1,723,040
572 028 041 RCS Nanterre
Statutory Auditors
Member of the Compagnie régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex

French simplified joint-stock company with variable capital
438 476 913 RCS Nanterre
Statutory Auditors
Member of the Compagnie régionale de Versailles

8.2.1 STATUTORY AUDITORS' REPORT ON THE ISSUE OF ORDINARY SHARES AND/OR SECURITIES WITH RETENTION AND/OR CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

Combined Shareholders' Meeting of May 10, 2019

13th, 14th, 15th, 16th, 17th and 18th resolutions

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Imerys Shareholders' Meeting,

In our capacity as Statutory Auditors of your Company (the "Company") and pursuant to the procedures set forth in Articles L. 228-92, L. 225-135 *et seq.*, of the French Commercial Code *(Code de commerce)*, we hereby present to you our report on the proposed delegations of authority to the Board of Directors to carry out various issues of shares and/or marketable securities, transactions on which you are being asked to vote.

Based on its report, your Board of Directors proposes:

- to delegate to it, for a period of 26 months starting from the date of this Meeting, the authority to decide the following transactions and to set the final terms and conditions of these issues and proposes, where appropriate, to cancel your preferential subscription rights:
  - issue, with retention of preferential subscription rights (13th resolution), of ordinary shares and/or all other marketable securities, whether or not debt securities, conferring entitlement to ordinary shares to be issued, of the Company or, in accordance with Article L. 228-93 of the French Commercial Code, or of any company that owns, directly or indirectly more than half of the Company's share capital or in which the Company owns, directly or indirectly, more than half of the share capital,
  - issue, with waiver of preferential subscription rights, by a public offering (14th resolution), of ordinary shares and/or all other marketable securities, whether or not debt securities, conferring entitlement to ordinary shares to be issued, of the Company or, in accordance with Article L. 228-93 of the French Commercial Code, or of any company that owns, directly or indirectly more than half of the Company's share capital or in which the Company owns, directly or indirectly, more than half of the share capital, it being specified that these shares may be transferred to the Company as part of a public exchange bid in accordance with the conditions set forth in Article L. 225-148 of the French Commercial Code,
  - issue, with waiver of preferential subscription rights, by an offering referred to in Article L. 411-2 II of the French Monetary and Financial Code *(Code monétaire et financier)* and up to a maximum of 10% of the share capital per year (15th resolution), of ordinary shares and/or all other marketable securities, whether or not debt securities, conferring entitlement to ordinary shares of the Company to be issued;
- that you authorize it, pursuant to the 17th resolution and in connection with the implementation of the delegation referred to in the 14th and 15th resolutions, to set the issue price for up to the annual legal maximum of 10% of the share capital existing as of the end of the month preceding the issuance date;
- that you delegate to it, for a period of 26 months as from the date of this Shareholders' Meeting, the authority to issue ordinary shares and/or all other marketable securities, whether or not debt securities, conferring entitlement to ordinary shares of the Company to be issued, in consideration of in-kind contributions made to the Company that are comprised of equity securities or marketable securities conferring entitlement to the share capital (18th resolution), for up to a maximum of 10% of the Company's share capital existing as of the utilization date of this delegation.

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The total nominal amount of potential capital increases likely to be carried out, immediately or in the future, may not exceed, pursuant to the 20th resolution, €75 million pursuant to the 13th, 14th, 15th, 16th, 18th and 19th resolutions, it being specified that the total nominal amount of potential capital increases likely to be carried out immediately or in the future, may not exceed:

- €75 million pursuant to the 13th resolution;
- € 15 million pursuant to the 14th resolution, this ceiling is a sub-ceiling applicable to all of the issues that could be carried out pursuant to the 14th, 15th, 17th and 18th resolutions; and
- 10% of the share capital of the Company on the issuance date, pursuant to the 15th and 18th resolutions.

The overall nominal amount of debt securities that may be issued pursuant to the 20th resolution, may not exceed €1 billion pursuant to the 13th, 14th, 15th, 16th and 18th resolutions, it being specified gthat this amount is a ceiling for the 13th, 14th and 15th resolutions.

These ceilings include the additional number of marketable securities to be created as part of the delegations of authority resulting from the 13th, 14th and 15th resolutions, under the conditions set forth in Article L. 225-135-1 of the French Commercial Code, should you adopt the 16th resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.*, of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified financial information extracted from the accounts, on the proposal to cancel preferential subscription rights and on certain other information concerning these transactions, as set out in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors *(Compagnie nationale des Commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying the content of the Board of Directors' report in respect of these transactions and the terms and conditions governing the determination of the issue price of equity securities to be issued.

Subject to a subsequent review of the terms and conditions of proposed issues that may be decided, we have no comments on the terms and conditions governing the determination of the issue price of equity securities to be issued presented in the Board of Directors' report in connection with the 14th, 15th and 17th resolutions.

Furthermore, as the report does not include information on the terms and conditions governing the determination of the issue price of equity securities to be issued pursuant to the 13th and 18th resolutions, we cannot express an opinion on the issue price calculation inputs.

As the final terms and conditions under which the issues will be performed have not yet been decided, we do not express an opinion on the final terms and conditions under which the issues will be performed and, as such, on the proposed waiver of preferential subscription rights submitted for your approval in the 14th and 15th resolutions.

In accordance with Article R.225-116 of the French Commercial Code, we shall issue an additional report, if necessary, on the performance by your Board of Directors of any issues of marketable securities which are equity securities conferring entitlement to other equity securities or granting entitlement to debt securities, issues of marketable securities conferring entitlement to other equity securities to be issued and issues of shares with waiver of preferential subscription rights.

Paris-La Défense, March 19, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Frédéric GOURD	Sébastien HUET

8.2.2 STATUTORY AUDITORS' REPORT ON THE ISSUE OF ORDINARY SHARES AND/OR MARKETABLE SECURITIES CONFERRING ENTITLEMENT TO SHARE CAPITAL RESERVED FOR EMPLOYEES OF A CORPORATE SAVINGS PLAN OF THE COMPANY OR ITS GROUP

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

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438 476 913 RCS Nanterre
Statutory Auditors
Member of the Compagnie régionale de Versailles

Combined Shareholders' Meeting of May 10, 2019

Twenty-first resolution

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To the Imerys Shareholders' Meeting,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code *(Code de Commerce)*, we hereby report to you on the proposed delegation to the Board of Directors of the authority to decide on the issue of ordinary shares and/or more generally all marketable securities conferring entitlement to the share capital of the Company, with waiver of preferential subscription rights, reserved for employees who are members of a corporate savings plan of the Company or its Group and/or its affiliated French or foreign companies or groupings within the meaning set forth in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code *(Code du travail)*, a transaction on which you are being asked to vote.

The par value amount of capital increases that may be carried out, immediately or in the future, may not exceed €1.6 million.

This transaction is submitted to you for your approval pursuant to Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labor Code.

Based on its report, your Board of Directors recommends that you confer on it, for a period of 26 months, the authority to decide on one or more issues and waive your preferential subscription rights to the marketable securities to be issued. If applicable, it will be responsible for determining the final issuance terms and conditions of this transaction.

It is the Board of Directors' responsibility to prepare a report in accordance with Articles R. 225-113 *et seq*. of the French Commercial Code. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed waiver of preferential subscription rights and on certain other information pertaining to the issuance as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des Commissaires aux comptes)* applicable to this engagement. Such procedures consisted in verifying the content of the Board of Directors' report as it relates to this transaction and the terms and conditions in which the issue price of the equity securities to be issued was determined.

Subject to our subsequent review of the terms and conditions of the proposed issues, we have no comments to make on the procedures for determining the issue price of the equity securities to be issued presented in the Board of Directors' report.

As the final terms and conditions under which the issues will be carried out have not yet been set, we express no opinion on them and, consequently, on the proposed waiver of the preferential subscription rights on which you are being asked to vote.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue a supplementary report, where necessary, when this delegation of authority is utilized by your Board of Directors in the event of the issue of ordinary shares, in the event of the issue of marketable securities which are equity securities conferring entitlement to other equity securities and in the event of the issue of marketable securities conferring entitlement to equity securities to be issued.

Paris-La Défense, March 19, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS
Frédéric GOURD

ERNST & YOUNG et Autres
Sébastien HUET

8.2.3 STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL DECREASE

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

French public limited company with a share capital of €1,723,040
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Statutory Auditors
Member of the Compagnie régionale de Versailles

Combined Shareholders' Meeting of May 10, 2019

Twenty-second resolution

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Imerys Shareholders' Meeting,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Article L. 225-209 of the French Commercial Code *(Code de commerce)* concerning share capital decreases by cancellation of shares purchased, we hereby present our report on our assessment of the reasons for and terms and conditions of the proposed share capital decrease.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months commencing the date of this Shareholders' Meeting, to cancel, up to a maximum of 10 % of its share capital by 24-month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares, as part of the provisions of the aforementioned article.

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 the fairness of the reasons for and the terms and conditions of the proposed share capital reduction, which does not undermine shareholder equality.

We have no comments to make on the reasons for and the terms and conditions of the proposed decrease in share capital.

Paris-La Défense, March 19, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS
Frédéric GOURD

ERNST & YOUNG et Autres
Sébastien HUET

8.3 AGENDA

ORDINARY RESOLUTIONS

1. Approval of the Company's management and statutory financial statements for the financial year ended December 31, 2018;
2. approval of the consolidated financial statements for the financial year ended December 31, 2018;
3. appropriation of profit and setting the dividend with respect to the financial year ended December 31, 2018;
4. statutory Auditors' special report governed by article L. 225-40 of the French Commercial Code and approval of the commitments given by the Company to Conrad Keijzer in 2018, in accordance with article L. 225-42-1 of the French Commercial Code;
5. statutory Auditors' special report governed by article L. 225-40 of the French Commercial Code and approval of the exceptional compensation awarded to Gilles Michel in 2018, in accordance with article L. 225-46 of the French Commercial Code;
6. approval of the principles and criteria used to determine, allocate and grant the fixed, variable and exceptional components of the total compensation and benefits payable to executive corporate officers;
7. approval of the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the financial year ended December 31, 2018 to Conrad Kiejzer in his capacity as Deputy Chief Executive Officer, then Chief Executive Officer;
8. approval of the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the financial year ended December 31, 2018 to Gilles Michel in his capacity as Chairman and Chief Executive Officer, then Chairman of the Board;
9. renewal of the term of office of Odile Desforges as a Director;
10. renewal of the term of office of Ian Gallienne as a Director;
11. renewal of the term of office of Lucile Ribot as a Director;
12. purchase by the Company of its own shares.

EXTRAORDINARY RESOLUTIONS

13. Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company, immediately or at a later date, with pre-emptive subscription rights;
14. delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company, immediately or at a later date, without pre-emptive subscription rights open to the public;
15. delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company, immediately or at a later date, without pre-emptive subscription rights, through private placements as stipulated by article L. 411-2-II of the French Monetary and Financial Code;
16. delegation of authority granted to the Board of Directors to increase the number of shares to be issued in a capital increase with or without pre-emptive subscription rights;
17. authorization granted to the Board of Directors to set the issue price of shares or securities carrying rights to shares of the Company for issues without pre-emptive subscription rights, up to 10% of capital per year;
18. delegation of power granted to the Board of Directors to increase the share capital in consideration for contributions in kind made up of shares or securities carrying rights to shares, immediately or at a later date, up to 10% of capital per year;
19. delegation of authority granted to the Board of Directors to increase the share capital by capitalizing retained earnings, profits, additional paid-in capital, issue premiums or other items;
20. blanket ceiling for the nominal amount of share capital increases and issues of debt securities resulting from previous delegations and authorizations;
21. delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company reserved for members of a Company or Group savings plan without pre-emptive subscription rights;
22. authorization granted to the Board of Directors to reduce the Company's share capital by canceling treasury shares;
23. amendment to article 20 of the Company's by-laws concerning the Statutory Auditors;
24. powers.

8.4 DRAFT RESOLUTIONS

ORDINARY RESOLUTIONS

FIRST RESOLUTION

Approval of the Company's management and statutory financial statements for the financial year ended December 31, 2018

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' report on the annual financial statements, the shareholders approve the financial statements for the financial year ended December 31, 2018 as presented, as well as the transactions reflected in them and referred to in the reports.

SECOND RESOLUTION

Approval of the consolidated financial statements for the financial year ended December 31, 2018

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' report on the Group's consolidated financial statements, the shareholders approve the consolidated financial statements for the financial year ended December 31, 2018 as presented, as well as the transactions reflected in them and referred to in the reports.

THIRD RESOLUTION

Appropriation of profit and setting the dividend with respect to the financial year ended December 31, 2018

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered the Management Report prepared by the Board of Directors, the shareholders:

▪ acknowledge that the Company's profit for the past financial year is:	€72,901,776.86
▪ plus retained earnings of:	€396,662,784.94
▪ representing a total distributable amount of:	€469,564,561.80
▪ and therefore, decide to pay a dividend of €2.15 in respect of 2018 to each of the 79,485,694 shares that made up the share capital at December 31, 2018, representing a total payout of:	€(170,894,242.10)
▪ and allocate the balance to retained earnings which now amount to:	€298,670,319.70

The shareholders decide that the total dividend payout shall be adjusted to take into account the number of shares issued following the exercise of stock options since January 1, 2019 and that are eligible for the 2018 dividend at the date of payment. The amount allocated to retained earnings will be determined on the basis of the total actual dividend payout. Furthermore, if the Company holds any treasury shares on the date at which the dividend is paid, the dividend corresponding to these shares will not be paid and will be allocated to retained earnings.

The shareholders decide that the dividend will be payable from May 22, 2019.

In accordance with article 243 *bis* of the French Tax Code, individual shareholders domiciled in France for tax purposes may benefit from a 40% tax allowance, as stipulated in article 158-3-2° of the French Tax Code, subject to the taxpayer opting to be taxed according to the standard income tax bands set out in article 200-A-2 of said Code.

The shareholders acknowledge that the dividends paid with respect to the previous three financial years were as follows:

Financial year ending	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2015**
Net dividend per share	€2.075*	€1.87*	€1.75*
Number of shares carrying dividend rights	79,313,151	79,265,238	78,557,558
Total net payout	**€164.6M**	**€148.2M**	**€137.5M**

* *Fully eligible for the 40% tax allowance for individual shareholders domiciled in France for tax purposes stipulated in article 158-3-2° of the French Tax Code.*

FOURTH RESOLUTION

Statutory Auditors' special report governed by article L. 225-40 of the French Commercial Code and approval of the commitments given by the Company to Conrad Keijzer in 2018, in accordance with article L. 225-42-1 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report prepared in accordance with the provisions of article L. 225-40 of the French Commercial Code, the shareholders approve all commitments given by the Company to Conrad Keijzer in his capacity as Deputy Chief Executive Officer then Chief Executive Officer in accordance with the provisions of article L. 225-42-1 of said Code and as approved by the Board of Directors at its meeting of March 8, 2018.

FIFTH RESOLUTION

Statutory Auditors' special report governed by article L. 225-40 of the French Commercial Code and approval of the exceptional compensation awarded to Gilles Michel in 2018, in accordance with article L. 225-46 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report prepared in accordance with the provisions of article L. 225-40 of the French Commercial Code, the shareholders approve the exceptional compensation awarded to Gilles Michel in his capacity as Chairman of the Board in accordance with the provisions of article L. 225-46 of said Code and as approved by the Board of Directors at its meeting of May 4, 2018.

SIXTH RESOLUTION

Approval of the principles and criteria used to determine, allocate and grant the fixed, variable and exceptional components of the total compensation and benefits payable to executive corporate officers

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Corporate Governance Report in accordance with article L. 225-37 of the French Commercial Code, the shareholders approve the principles and criteria used to determine, allocate and grant the fixed, variable and exceptional components of the total compensation and benefits payable to the Company's executive corporate officers, in accordance with the provisions of article L. 225-37-2 of said Code.

SEVENTH RESOLUTION

Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the financial year ended December 31, 2018 to Conrad Kiejzer in his capacity as Deputy Chief Executive Officer, then Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered the Corporate Governance Report in accordance with article L. 225-37 of the French Commercial Code, the shareholders approve, in accordance with the provisions of articles L. 225-37-2 and L. 225-100 of said Code, the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the financial year ended December 31, 2018 to Conrad Kiejzer in his capacity as Deputy Chief Executive Officer from March 8, 2018 to May 4, 2018, then Chief Executive Officer from that date onward, as detailed in the presentation of resolutions prepared by the Board of Directors, published in the present chapter and forming an integral part of the Corporate Governance Report governed by article L. 225-37 of the French Commercial Code.

EIGHTH RESOLUTION

Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the financial year ended December 31, 2018 to Gilles Michel in his capacity as Chairman and Chief Executive Officer, then Chairman of the Board

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings and having considered the Corporate Governance Report in accordance with article L. 225-37 of the French Commercial Code, the shareholders approve, in accordance with the provisions of articles L. 225-37-2 and L. 225-100 of said Code, the fixed, variable and exceptional components of the total compensation and benefits paid or granted with respect to the financial year ended December 31, 2018 to Gilles Michel in his capacity as Chairman and Chief Executive Officer until May 4, 2018, then Chairman of the Board from that date onward, as detailed in the presentation of resolutions prepared by the Board of Directors, published in the present chapter and forming an integral part of the Corporate Governance Report governed by article L. 225-37 of the French Commercial Code.

NINTH RESOLUTION

Renewal of the term of office of Odile Desforges as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings, having considered the Management Report prepared by the Board of Directors and acknowledged that the directorship of Odile Desforges expires at the close of the present Shareholders' General Meeting, the shareholders decide to re-appoint Odile Desforges as a director for a term expiring at the close of the Shareholders' General Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021, in accordance with statutory provisions.

TENTH RESOLUTION

Renewal of the term of office of Ian Gallienne as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings, having considered the Management Report prepared by the Board of Directors and acknowledged that the directorship of Ian Gallienne expires at the close of the present Shareholders' General Meeting, the shareholders decide to re-appoint Ian Gallienne as a director for a term expiring at the close of the Shareholders' General Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021, in accordance with statutory provisions.

ELEVENTH RESOLUTION

Renewal of the term of office of Lucile Ribot as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings, having considered the Management Report prepared by the Board of Directors and acknowledged that the directorship of Lucile Ribot expires at the close of the present Shareholders' General Meeting, the shareholders decide to re-appoint Lucile Ribot as a director for a term expiring at the close of the Shareholders' General Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021, in accordance with statutory provisions.

TWELFTH RESOLUTION

Purchase by the Company of its own shares

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings, having considered the Management Report prepared by the Board of Directors and in accordance with the provisions of articles L. 225-209 *et seq*. of the French Commercial Code, articles 241-1 to 241-7 of the AMF's General Regulations and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, the shareholders:

1) authorize the Board of Directors, or any representative duly empowered in accordance with the law, to purchase the Company's shares in order to:
   - cancel them at a later date to reduce the Company's share capital, subject to approval of the twenty-second resolution submitted to the present Shareholders' General Meeting,
   - cover stock purchase option plans and/or free share grants, as well as any shares granted under shareholding plans set up by the Company (or assimilated plans), or with respect to profit-sharing programs for current employees, former employees and/or corporate officers of the Company and/or any related companies as defined by articles L. 225-180 and L. 233-16 of the French Commercial Code, within the current legal framework or ad hoc plans set up by the Company,
   - grant or exchange shares purchased, in particular, on exercise of rights or issue of shares or securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company,
   - maintain 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, operate for any other purpose that is or may come to be authorized by law, and/or implement any market practice that may come to be authorized by the AMF.

   Shares may be purchased, sold, transferred or exchanged at any time, except during a public offer for the Company's shares, in accordance with applicable regulations on the market or over the counter and by any means, including block transfers and the use or exercise of any financial instrument or derivative;
2) set the following limits within which the Board of Directors may use the present authorization:
   - the number of shares that may be purchased may not exceed 10% of the total number of shares issued and outstanding at January 1, 2019, *i.e.* 7,948,569 shares,
   - the number of shares the Company may hold, whether directly or indirectly at any time, may not exceed 10% of the Company's share capital,
   - the price at which shares are purchased may not exceed €85,
   - consequently, the Company's total investment in share buy-backs may not exceed €675.6 million;
3) decide that, if the par value of shares changes, the capital is increased by capitalizing reserves or free shares grants, or in the event of a stock split or reverse stock split, the aforementioned maximum investment available for share buy-backs and the maximum number of shares to be repurchased will be adjusted by the ratio between the number of shares that made up the capital before the operation and the number after the operation;
4) set the term of this authorization at 18 months from the date of the present Shareholders' General Meeting, which renders null and void the unused portion of any authorizations previously granted to the Board of Directors regarding share buy-backs;
5) grant full powers to the Board of Directors, or any representative duly empowered in accordance with the law, to implement this authorization and, in particular, place any and all buy and sell orders, sign any and all sale, exchange or transfer agreements, file any statements with the AMF or any other organization, carry out all other formalities, and generally do everything necessary to use this authorization.

EXTRAORDINARY RESOLUTIONS

THIRTEENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company, immediately or at a later date, with pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 225-129-2 and L. 228-91 *et seq.* of the French Commercial Code, the shareholders:

1) delegate authority to the Board of Directors to increase the Company's share capital, on one or more occasions, in the proportions and the times which it deems fit, on the market in France and/or overseas, in euros or any other currency, by issuing with pre-emptive subscription rights ordinary shares and/or any securities or debt securities carrying rights of any kind to ordinary shares of the Company to be issued, immediately or at a later date (at any time or at a set date), or in accordance with article L. 228-93 of the French Commercial Code any company that directly or indirectly holds over half of its capital or in which it directly or indirectly holds over half of the capital in securities that are redeemable, convertible, exchangeable or otherwise exercisable for shares. These securities may be denominated in foreign currencies or any monetary unit determined by reference to a basket of several currencies. The amounts and timing of such issues will be determined at the Board's discretion;
2) decide to set the ceiling for issues carried out by the Board of Directors under the present delegation of authority as follows:
   - the total nominal amount of ordinary shares that may be issued, directly or in consideration for securities, under the present delegation may not exceed €75 million, *i.e.* approximately 47% of the Company's capital at December 31, 2018. The nominal amount of such issues is included in the blanket ceiling for capital increases set in paragraph 1 of the twentieth resolution and is increased where necessary by the additional nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions,
   - the total nominal amount of debt securities that may be issued under the present delegation and carry rights immediately or at a later date to shares of the Company may not exceed €1 billion or the equivalent value on the date at which the decision is made to carry out the issue. The nominal amount of such issues is included in the overall ceiling for issues of debt securities set in paragraph 2 of the twentieth resolution;
3) in the event the present delegation of authority is used:
   - decide that the issue(s) will give priority to existing shareholders able to exercise non-renounceable pre-emptive subscription rights,
   - grant the Board of Directors the possibility of offering renounceable subscription rights,
   - decide, in accordance with the provisions of article L. 225-134 of the French Commercial Code, that in the event the non-renounceable pre-emptive subscription rights and where applicable the renounceable subscription rights are not sufficient to absorb the full issue as detailed above, the Board of Directors may use one or any of the following as it sees fit:
     - limit the issue to the amount subscribed, if this amount is equal to a minimum of at least three quarters of the issue initially considered,
     - freely allocate all or part of the unsubscribed shares,
     - offer all or part of the unsubscribed shares to the public;
4) note that the present delegation requires shareholders to waive their pre-emptive subscription rights to shares of the Company to which securities issued under the present delegation may carry rights;
5) decide to grant the Board of Directors, within the aforementioned limits, the necessary powers to:
   - set the conditions of the issue(s) and in particular the type and characteristics of the securities to be created, decide the dates at which to open and close the subscription period, acknowledge any resulting increase in capital and make any changes to the by-laws,
   - allocate the cost of capital increases to the related premiums on its own initiative and withhold from this amount the necessary funds to bring the legal reserve to 10% of the share capital after each capital increase,
   - carry out all necessary adjustments in accordance with any applicable legal and contractual provisions and set the conditions under which they will maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, where required,
   - delegate to the Chief Executive Officer, or to one or several Deputy Chief Executive Officers with the approval of the Chief Executive Officer, all necessary powers to carry out or postpone capital increases within the limits and conditions previously agreed by the Board of Directors,
   - and, more generally, take all necessary measures, conclude any agreements, carry out all other formalities and do everything necessary to successfully complete the planned issues;
6) decide that the Board of Directors may not use the present delegation of authority during a public offer for the Company's shares without prior approval from the shareholders;
7) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation granted for the same purpose.

▪ FOURTEENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company, immediately or at a later date, without pre-emptive subscription rights open to the public

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, and L. 228-91 *et seq.* of the French Commercial Code, the shareholders:

1) delegate authority to the Board of Directors to increase the Company's share capital, on one or more occasions, in the proportions and the times which it deems fit, on the market in France and/or overseas, in euros or any other currency, by issuing to the public ordinary shares and/or any securities or debt securities carrying rights of any kind to ordinary shares of the Company to be issued, immediately or at a later date (at any time or at a set date), or in accordance with article L. 228-93 of the French Commercial Code any company that directly or indirectly holds over half of its capital or in which it directly or indirectly holds over half of the capital in securities that are redeemable, convertible, exchangeable or otherwise exercisable for shares. These securities may be denominated in foreign currencies or any monetary unit determined by reference to a basket of several currencies. The amounts and timing of such issues will be determined at the Board's discretion;

2) decide to set the ceiling for issues carried out by the Board of Directors under the present delegation of authority as follows:
   - the total nominal amount of ordinary shares that may be issued, directly or in consideration for securities, under the present delegation may not exceed €15 million, *i.e.* approximately 9.4% of the Company's capital at December 31, 2018. The amount constitutes a sub-ceiling in which all issues without pre-emptive subscription rights would be included. The nominal amount issued under the present delegation is included in the blanket ceiling for capital increases set in paragraph 1 of the twentieth resolution and is increased where necessary by the additional nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions,
   - the total nominal amount of debt securities that may be issued under the present delegation and carry rights immediately or at a later date to shares of the Company may not exceed €1 billion or the equivalent value on the date at which the decision is made to carry out the issue. The nominal amount of such issues is included in the overall ceiling for issues of debt securities set in paragraph 2 of the twentieth resolution;

3) decide to cancel the shareholders' pre-emptive subscription rights to shares issued under the present resolution while maintaining the Board of Directors' authority to grant shareholders a priority subscription period, in accordance with article L. 225-135 of the French Commercial Code, that does not give rise to tradable rights, which must be applied in proportion to the number of shares owned by each shareholder. Applicable to all or part of the issue, this period may last as long and be applied in any way agreed by the Board of Directors;

4) note that the present delegation requires shareholders to waive their pre-emptive subscription rights to shares of the Company to which securities issued under the present delegation may carry rights;

5) decide that:
   - the issue price for ordinary shares issued under the present delegation is set by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Commercial Code. The price must be equal to at least the weighted average Imerys share price from the last three trading days preceding the date at which the price is set, which may be discounted by a maximum of 5%,
   - the issue price for securities carrying rights to shares of the Company is set at a price equal to the amount immediately received plus where applicable the amount that may be received at a later date, meaning for each ordinary share of the Company issued as a result of the securities issue, the price must be at least equal to that required by the previous paragraph after taking into account any difference in price at the cum-rights date;

6) decide that the Board of Directors may, within the limit of the total issue amount authorized in paragraph 2 above, issue ordinary shares and/or securities carrying rights immediately or at a later date to existing or future shares of the Company, in consideration for securities tendered to the Company as part of a public share exchange offer that meets the conditions stipulated by article L. 225-148 of the French Commercial Code;

7) decide to grant the Board of Directors, within the aforementioned limits, the necessary powers to:
   - set the conditions of the issue(s) and in particular the type and characteristics of the securities to be created, decide the dates at which to open and close the subscription period, acknowledge any resulting increase in capital and make any changes to the by-laws,
   - for share issues in consideration for securities tendered to the Company as part of a public share exchange offer: set the number and type of shares in consideration, the terms and conditions of the issue, the exchange ratio as well as any balance to be paid in cash,
   - allocate the cost of capital increases to the related premiums on its own initiative and withhold from this amount the necessary funds to bring the legal reserve to 10% of the share capital after each capital increase,
   - carry out all necessary adjustments in accordance with any applicable legal and contractual provisions and set the conditions under which they will maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, where required,

- delegate to the Chief Executive Officer, or to one or several Deputy Chief Executive Officers with the approval of the Chief Executive Officer, all necessary powers to carry out or postpone capital increases within the limits and conditions previously agreed by the Board of Directors,
- and, more generally, take all necessary measures, conclude any agreements, carry out all other formalities and do everything necessary to successfully complete the planned issues;

8) decide that the Board of Directors may not use the present delegation of authority during a public offer for the Company's shares without prior approval from the shareholders;

9) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation given for the same purpose.

FIFTEENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company, immediately or at a later date, without pre-emptive subscription rights, through private placements as stipulated by article L. 411-2-II of the French Monetary and Financial Code

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, and L. 228-91 *et seq.* of the French Commercial Code and article L. 411-2 of the French Monetary and Financial Code, the shareholders:

1) delegate authority to the Board of Directors to increase the Company's share capital, on one or more occasions, through private placements as stipulated by article L. 411-2-II of the French Monetary and Financial Code, in France or overseas, of ordinary shares and/or any securities or debt securities carrying rights of any kind to ordinary shares of the Company to be issued, immediately or at a later date (at any time or at a set date) that are redeemable, convertible, exchangeable or otherwise exercisable for shares. These securities may be denominated in foreign currencies or any monetary unit determined by reference to a basket of several currencies. The amounts and timing of such issues will be determined at the Board's discretion;

2) decide to set the ceiling for issues carried out by the Board of Directors under the present delegation of authority as follows:

- the total nominal amount of shares that may be issued, directly or in consideration for securities, under the present delegation may not exceed 10% of the Company's capital at the date of issue. The nominal amount of such issues is included in the specific ceiling for capital increases set in paragraph 2 of the fourteenth resolution above and is increased where necessary by the additional nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions,
- the total nominal amount of debt securities that may be issued under the present delegation and carry rights immediately or at a later date to shares of the Company may not exceed €1 billion or the equivalent value on the date at which the decision is made to carry out the issue. The nominal amount of such issues is included in the overall ceiling for issues of debt securities set in paragraph 2 of the twentieth resolution;

3) decide to cancel the shareholders' pre-emptive subscription rights to shares issued under the present resolution

4) note that the present delegation requires shareholders to waive their pre-emptive subscription rights to shares of the Company to which securities issued under the present delegation may carry rights;

5) decide that:

- the issue price for ordinary shares issued under the present delegation is set by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Commercial Code. The price must be equal to at least the weighted average Imerys share price from the last three trading days preceding the date at which the price is set, which may be discounted by a maximum of 5%,
- the issue price for securities carrying rights to shares of the Company is set at a price equal to the amount immediately received plus where applicable the amount that may be received at a later date, meaning for each ordinary share of the Company issued as a result of the securities issue, the price must be at least equal to that required by the previous paragraph after taking into account any difference in price at the cum-rights date;

6) decide to grant the Board of Directors, within the aforementioned limits, the necessary powers to:

- set the conditions of the issue(s) and in particular the type and characteristics of the securities to be created, decide the dates at which to open and close the subscription period, acknowledge any resulting increase in capital and make any changes to the by-laws,
- allocate the cost of capital increases to the related premiums on its own initiative and withhold from this amount the necessary funds to bring the legal reserve to 10% of the share capital after each capital increase,
- carry out all necessary adjustments in accordance with any applicable legal and contractual provisions and set the conditions under which they will maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, where required,
- delegate to the Chief Executive Officer, or to one or several Deputy Chief Executive Officers with the approval of the Chief Executive Officer, all necessary powers to carry out or postpone capital increases within the limits and conditions previously agreed by the Board of Directors,
- and, more generally, take all necessary measures, conclude any agreements, carry out all other formalities and do everything necessary to successfully complete the planned issues;

7) decide that the Board of Directors may not use the present delegation of authority during a public offer for the Company's shares without prior approval from the shareholders;

8) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation granted for the same purpose.

SIXTEENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the number of shares to be issued in a capital increase with or without pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of article L. 225-135-1 of the French Commercial Code, the shareholders:

1) delegate to the Board of Directors, or any representative duly empowered in accordance with the law, the authority to increase the number of shares to be issued under the thirteenth, fourteenth and fifteenth resolutions of the present Shareholders' General Meeting, within the deadline and percentage of the initial issue set by legal and regulatory provisions in force at the time of the issue (currently, within 30 days of closing the subscription period and within 15% of the initial issue), and at the same price as that set for the initial issue;

2) decide that the nominal amount of issues carried out under the present delegation is included in the specific ceiling for capital increases applicable to the initial issue set in the thirteenth, fourteenth and fifteenth resolutions of the present Shareholders' General Meeting, as applicable, and in the overall ceiling for capital increases set in the twentieth resolution of the present Shareholders' General Meeting;

3) decide that the Board of Directors may not use the present delegation of authority during a public offer for the Company's shares without prior approval from the shareholders;

4) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation granted for the same purpose.

SEVENTEENTH RESOLUTION

Authorization granted to the Board of Directors to set the issue price of shares or securities carrying rights to shares of the Company for issues without pre-emptive subscription rights, up to 10% of capital per year

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 225-129-2 and L. 225-136, 1°, paragraph 2 of the French Commercial Code, the shareholders:

1) authorize the Board of Directors to overlook the conditions for setting the issue price of ordinary shares or securities carrying rights to shares of the Company, as part of issues without pre-emptive subscription rights under the terms and conditions set by the fourteenth and fifteenth resolutions and within the annual ceiling of 10% of the Company's share capital at the end of the month preceding the issue date. This price can then be set:
   - for ordinary share issues, at the closing price from the last trading day of the Imerys share on the Euronext Paris stock exchange preceding the date at which the issue price is set, which may be discounted by a maximum of 10%, and
   - for issues of securities carrying rights to shares of the Company, at a price equal to the amount immediately received by the Company, plus where applicable the amount that may be received by the Company at a later date, meaning for each ordinary share of the Company issued as a result of the securities issue, the price must be at least equal to that required by the previous paragraph;

2) specify, where necessary, that the nominal amount of issues carried out under the present authorization is included in the specific ceiling for capital increases set in paragraph 2 of the fourteenth resolution above;

3) decide that the Board of Directors may not use the present authorization during a public offer for the Company's shares without prior approval from the shareholders;

4) grant the present authorization for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous authorization granted for the same purpose.

EIGHTEENTH RESOLUTION

Delegation of power granted to the Board of Directors to increase the share capital in consideration for contributions in kind made up of shares or securities carrying rights to shares, immediately or at a later date, up to 10% of capital per year

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 225-147 and L. 228-91 *et seq.* of the French Commercial Code, the shareholders:

1) delegate to the Board of Directors all necessary powers to issue ordinary shares and/or any securities or debt securities carrying rights of any kind to existing or future ordinary shares of the Company, immediately or at a later date (at any time or at a set date), in consideration for contributions in kind granted to the Company and made up of shares or securities carrying rights to shares on the basis of a report prepared by one or several auditors and within the limit of 10% of the Company's share capital at the date at which the present delegation is used, wherever the provisions of article L. 225-148 of the French Commercial Code do not apply;
2) decide that the total nominal amount issued under the present delegation is included in the specific ceiling for capital increases set in paragraph 2 of the fourteenth resolution and is increased where necessary by the additional nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions;
3) note, as necessary, that the present delegation requires shareholders to waive their pre-emptive subscription rights to shares of the Company issued under the present delegation in favor of the bearers of shares or securities tendered as contributions in kind;
4) decide to grant full powers to the Board of Directors, or any representative duly empowered in accordance with the law, within the limits set above, to assess the contributions and the approve report prepared by one or several auditors, fix the terms and conditions of authorized transactions and in particular the way in which the contributions are assessed and where applicable any special benefits granted, set the number of shares to be issued in consideration as well as their characteristics, carry out where necessary any allocations to issue premiums, acknowledge any resulting increase in capital, make any changes to the by-laws, carry out all formalities, make any declaration and do everything necessary to successfully complete the planned issues;
5) decide that the Board of Directors may not use the present delegation of powers during a public offer for the Company's shares without prior approval from the shareholders;
6) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation granted for the same purpose.

NINETEENTH RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by capitalizing retained earnings, profits, additional paid-in capital, issue premiums or other items

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings, having considered the Management Report prepared by the Board of Directors and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code, the shareholders:

1) grant authority to the Board of Directors to increase the Company's capital, on one or several occasions, by capitalizing all or part of retained earnings, profits, additional paid-in capital or issue premiums or any other item that may be capitalized, through free share grants, increasing the par value of existing shares or a combination of both these methods. The amounts and timing of such issues will be determined at the Board's discretion;
2) decide that the total nominal amount of ordinary shares that may be issued under the present delegation may not exceed the specific ceiling for capital increases set in paragraph 2 of the thirteenth resolution above and is increased where necessary by the additional nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions;
3) decide to grant the Board of Directors, within the aforementioned limits, the necessary powers to:
   - set the terms and conditions of the issue(s), in particular the amount and type of reserves or premiums to capitalize, decide the number of new shares to issue or the amount by which the par value of shares making up the share capital will be increased, set the cum-rights date, which may be retrospective, or the date at which the increase will come into effect, acknowledge the resulting increase in capital and make any changes to the by-laws,
   - allocate the cost of capital increases to the related premiums on its own initiative and withhold from this amount the necessary funds to bring the legal reserve to 10% of the share capital after each capital increase,
   - carry out all necessary adjustments in accordance with any applicable legal and contractual provisions and set the conditions under which they will maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, where required,
   - decide, where necessary, that fractional shares may not be traded or transferred and must be sold, the value of which will be allocated to the rights holders within the time and under the conditions set out in current regulations,
   - delegate to the Chief Executive Officer, or to one or several Deputy Chief Executive Officers with the approval of the Chief Executive Officer, all necessary powers to carry out or postpone capital increases within the limits and conditions previously agreed by the Board of Directors,
   - and, more generally, take all necessary measures, conclude any agreements, carry out all other formalities and do everything necessary to successfully complete the planned issues;

4) decide that the Board of Directors may not use the present delegation of authority during a public offer for the Company's shares without prior approval from the shareholders;

5) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation granted for the same purpose.

TWENTIETH RESOLUTION

Blanket ceiling for the nominal amount of share capital increases and issues of debt securities resulting from previous delegations and authorizations

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings and having considered the Management Report prepared by the Board of Directors, the shareholders decide to set:

1) at €75 million the maximum nominal amount of capital increases that may be carried out immediately or at a later date under the delegations and authorizations granted in the thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions of the present Shareholders' General Meeting. This ceiling is increased where necessary by the additional nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions;

2) at €1 billion, or the equivalent value on the date at which the decision is made to carry out the issue, the maximum nominal amount of debt securities that may be issued under the delegations and authorizations to issue securities carrying rights, immediately or at a later date, to a proportion of share capital granted by the thirteenth, fourteenth, fifteenth, sixteenth and eighteenth resolutions of the present Shareholders' General Meeting.

TWENTY-FIRST RESOLUTION

Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or securities carrying rights to shares of the Company reserved for members of a Company or Group savings plan without pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 3332-1 *et seq.* of the French Labor Code *(Code du travail)* regarding employee savings schemes and articles L. 225-129-2 to L. 225-129-6 and L. 225-138-1 of the French Commercial Code, the shareholders:

1) grant authority to the Board of Directors to increase the Company's capital, on one or several occasions, by issuing ordinary shares and/or any securities carrying rights of any kind to shares of the Company, immediately or at a later date, reserved for members of a company or group savings plan set up by the Company and/or companies or groups of entities based in France or overseas related to it within the meaning of article L. 225-180 of the French Commercial Code and article L. 3344-1 of the French Labor Code, and which meet any conditions that may be set by the Board of Directors. The amounts and timing of such issues will be determined at the Board's discretion;

2) decide that the nominal amount of capital increases that may be carried out under the present delegation may not exceed €1.6 million, *i.e.* approximately 1% of the Company's capital at December 31, 2018. The ceiling is separate from the overall ceiling for capital increases set in the twentieth resolution of the present Shareholders' General Meeting and is increased where necessary by the nominal amount of shares to be issued in order to maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, in accordance with any applicable legal and contractual provisions;

3) decide that the subscription price for shares issued under the present delegation may not be less than the average share price from the last 20 trading days preceding the date at which the Board of Directors sets the opening date for subscriptions, minus any maximum discount authorized by law at the date of the Board of Directors' decision;

4) decide to cancel the shareholders' pre-emptive subscription rights to shares issued to the aforementioned beneficiaries;

5) grant full powers to the Board of Directors, or any representative duly empowered in accordance with the law, to implement the present delegation and, in particular, to:
   - identify the companies whose employees and corporate officers are eligible to subscribe to issues under the present delegation,
   - set the conditions, in particular length of service, beneficiaries must meet to be eligible to subscribe,
   - set the conditions of the issue(s), acknowledge any resulting increase in capital and make any changes to the by-laws,
   - set the opening and closing subscription dates, the price, the cum-rights date for shares issued and the conditions under which shares may be paid up,
   - decide whether subscriptions may be made directly and/or indirectly through a mutual fund,
   - set the terms and conditions for joining company or group savings plans, draw up and modify the rules for existing plans if necessary,
   - allocate the cost of capital increases to the related premiums on its own initiative and withhold from this amount the necessary funds to bring the legal reserve to 10% of the share capital after each capital increase,
   - carry out all necessary adjustments in accordance with any applicable legal and contractual provisions and set the conditions under which they will maintain the rights of bearers of securities or other shares carrying rights to shares of the Company, where required,
   - and, more generally, take all necessary measures, conclude any agreements, carry out all other formalities and do everything necessary to successfully complete the planned issues;

6) grant the present delegation for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous delegation granted for the same purpose.

TWENTY-SECOND RESOLUTION

Authorization granted to the Board of Directors to reduce the Company's share capital by canceling treasury shares

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings, having considered both the Management Report prepared by the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, the shareholders:

1) authorize the Board of Directors, or any representative duly empowered in accordance with the law, to cancel, on one or more occasions, all or part of the Company's treasury shares, representing up to 10% of its capital per 24-month period, reducing its share capital by an equal amount and allocating the difference between the purchase price of the canceled shares and their par value to issue premiums and retained earnings.
2) grant full powers to the Board of Directors to decide the amount by which to reduce the Company's share capital within the limits stipulated by law and the present resolution and set the conditions, acknowledge the impact, allocate the difference between the purchase price of the canceled shares and their par value to issue premiums or retained earnings as it sees fit, carry out all duties, formalities, or declarations to complete the capital reductions under the present authorization and amend the by-laws accordingly;
3) grant the present authorization for a period of 26 months from the date of the present Shareholders' General Meeting, which supersedes any previous authorization granted for the same purpose.

TWENTY-THIRD RESOLUTION

Amendment to article 20 of the Company's by-laws concerning the Statutory Auditors

Deliberating in accordance with the rules of quorum and majority applicable to extraordinary shareholders' general meetings and having considered the Management Report prepared by the Board of Directors, the shareholders resolve to amend the first paragraph of **article 20** of the Company's by-laws in order to remove the reference to Alternate Auditors. The article is henceforth worded as follows:

"Article 20 *STATUTORY AUDITORS*

"The Shareholders' General Meeting appoints the Statutory Auditors ~~and Alternate Auditors~~ in accordance with the law."

The shareholders acknowledge that all other paragraphs in article 20 remain unchanged.

TWENTY-FOURTH RESOLUTION

Powers

Deliberating in accordance with the rules of quorum and majority applicable to ordinary shareholders' general meetings, the shareholders give full powers to the bearer of an extract or copy of the minutes of the present Shareholders' General Meeting to carry out any and all filing and publication formalities.

9 ADDITIONAL INFORMATION

9.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Conrad Keijzer, Chief Executive Officer

9.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby certify that, having taken all reasonable measures to ensure that this is the case, the information presented in this Registration Document is, to the best of my knowledge, in conformity with the Company's actual situation and contains no omission likely to affect the fairness of the presentation.

I further certify that to the best of my knowledge the financial statements have been prepared in compliance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the companies included within the scope of consolidation, and that the Management Report published on pages 42 to 53 presents a fair review of business developments, the results of operations as well as the financial position of the Company and all consolidated entities, in addition to a description of the main risks and uncertainties to which they are exposed.

I have obtained an audit completion letter from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this document and have read the document in its entirety.

Paris, March 20, 2019

Conrad Keijzer

Chief Executive Officer

9.3 AUDITORS

■ STATUTORY AUDITORS

Deloitte & Associés

represented by Frédéric Gourd,
6, place de la Pyramide
92908 Paris-La Défense Cedex – France

first appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on May 5, 2003 and most recently re-appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on 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 held on April 29, 2010 to replace Ernst & Young Audit and re-appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on May 4, 2016

Deloitte & Associés and Ernst & Young et Autres are members of the Auditors' Regional Company of Versailles *(Compagnie régionale des Commissaires aux comptes de Versailles)*.

■ ALTERNATE AUDITORS

BEAS

195, avenue Charles-de-Gaulle,
92200 Neuilly-sur-Seine Cedex – France
part of the Deloitte network

first appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on May 5, 2003 and most recently re-appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on May 4, 2016

Auditex

1/2, place des Saisons,
92400 Courbevoie, Paris-La Défense 1 – France
part of the Ernst & Young network

first appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on April 29, 2010 to replace Jean-Marc Montserrat and re-appointed by the Extraordinary and Ordinary Shareholders' General Meeting held on May 4, 2016

9.4 INFORMATION INCLUDED IN THE REGISTRATION DOCUMENT BY REFERENCE

Pursuant to article 28 of Regulation (EC) 809/2004 of April 29, 2004, the following information is incorporated by reference in the present Registration Document:

- with respect to the financial year ending December 31, 2017, the consolidated financial statements, annual financial statements, the related Statutory Auditors' Reports, the Statutory Auditors' special report on regulated agreements and the Management Report published on pages 160 to 238, 239 to 256, 50 to 58, 59 to 61, and 38 to 49, respectively, of the 2017 Registration Document filed with the AMF on March 20, 2018 under number D.18-0150;
- with respect to the financial year ending December 31, 2016, the consolidated financial statements, annual financial statements, the related Statutory Auditors' Reports, the Statutory Auditors' special report on regulated agreements and the Management Report published on pages 152 to 226, 227 to 244, 45 to 48, 49 to 50, and 34 to 44, respectively, of the 2016 Registration Document filed with the AMF on March 21, 2017 under number D.17-0190.

Any other information included in these prior-year documents and not 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 THE FINANCIAL INFORMATION

Olivier Pirotte, Group Chief Financial Officer

9.6 CROSS-REFERENCE TABLE

In order to make it easier for readers to use this Registration Document, the subject index helps to identify the main information required by the AMF with respect to its regulations and instructions.

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12.2	Information on any known trends that are reasonably likely to have a material effect on the Issuer’s prospects for at least the current financial year	2	48
13	**Profit forecasts or estimates**	**N/A**	
13.1	Statement setting out the main assumptions upon which the Issuer has based its forecast or estimate	N/A	
13.2	Report prepared by independent accountants or the Statutory Auditors	N/A	
13.3	Profit forecast or estimate prepared on a basis of historical financial information	N/A	
13.4	Statement regarding whether or not that forecast is still correct at the time the Registration Document was filed	N/A	
14	**Management and supervisory bodies**	**Chapters 1; 3; 6; 8**	
14.1	Name, business address, position and main activities undertaken outside the Issuer’s organization of members of the management and supervisory bodies; nature of any family relationship, details of relevant management expertise; convictions, bankruptcies, receiverships or liquidations; public incriminations and/or sanctions imposed by statutory or regulatory authorities; impediments	1; 3	12; 15; 76-91;75
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9.7 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

This Registration Document includes the information contained in the Annual Financial Report mentioned in article L. 451-1-2 paragraph 1 of the French Monetary and Financial Code *(Code monétaire et financier)* and article 222-3 of the AMF's General Regulations. The following table presents the cross-references between the two documents.

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