Mineral solutions to create tomorrow's world

2016 REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

IMERYS
TRANSFORM TO PERFORM

Summary

2016

Registration Document

including the Annual Financial Report

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

AUTORITÉ DES MARCHÉS FINANCIERS AMF

The original document was filed with the AMF (French Securities Regulator) on March 21, 2017, in accordance with article 212-13 of the general regulations of the AMF. As such, it may be used to support a financial transaction if accompanied by a prospectus duly approved by the AMF. This document was drawn up by the issuer and is binding on its signatories. It includes all information comprising the Annual Financial Report.

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PRESENTATION OF THE GROUP

1.1 MAIN KEY FIGURES

(€ million)	2016	2015	2014	2013	2012[1]
Consolidated results					
Sales	4,165.2	4,086.7	3,688.2	3,697.6	3,884.8
Current change	*+1.9%*	*+10.8%*	*-0.3%*	*-4.8%*	*+5.7%*
Change at comparable Group structure and exchange rates	*-1.4%*	*-4.6%*	*+3.2%*	*-1.3%*	*-2.1%*
Current operating income	582.1	538.1	494.6	477.0	488.1
Current change	*+8.2%*	*+8.8%*	*+3.7%*	*-2.3%*	*+0.2%*
Change at comparable Group structure and exchange rates	*-1.9%*	*-9.2%*	*+2.5%*	*-1.2%*	*-7.8%*
Net income from current operations, Group's share	362.1	341.5	316.3	304.2	300.7
Net income, Group's share	292.8	68.4	271.6	242.0	291.3
Average weighted number of outstanding shares during the year *(thousands)*	78,715	79,276	76,135	75,551	75,166
Net income from current operations per share *(€)*	4.60	4.31	4.15	4.03	4.00
Dividend per share *(€)*	1.87[2]	1.75	1.65	1.60	1.55
Consolidated balance sheet					
Shareholders' equity	2,914.2	2,671.8	2,470.5	2,271.7	2,261.0
Gross financial debt	2,174.3	1,911.6	1,553.7	1,307.1	1,173.9
Cash	807.8	431.2	683.8	421.7	299.1
Net financial debt	1,366.5	1,480.4	869.9	885.4	874.8
Financing					
EBITDA	818.9	745.4	673.8	650.4	662.5
Capital expenditure[3]	278.5	271.6	241.5	253.1	257.1
Acquisitions[4]	84.6	950.5	72.3	202.1	49.1
Financial resources[5]	3,943.2	2,909.0	2,830.9	2,458.1	2,788.4
Average maturity of financial resources as of December 31 *(years)*	4.9	4.6	5.2	3.9	2.9
Net financial debt/EBITDA	1.7	2.0	1.3	1.4	1.3
Net financial debt/shareholders' equity *(%)*	46.9%	55.4%	35.2%	39.0%	38.7%
ROCE[6]	12.1%	11.2%	13.1%	12.70%	12.90%
Market capitalization as of December 31	**5,734**	**5,126**	**4,629**	**4,819**	**3,632**
Employees as of December 31	**15,697**	**16,130**	**14,900**	**15,805**	**16,026**

(1) 2012 data was restated following the application, as of January 1, 2013, of the revised IAS 19 standard (see note 1.2 to the consolidated financial statements) for the sake of data comparability.

(2) Proposed dividend at the Shareholders' General Meeting on May 3, 2017.

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

(4) Paid acquisitions excluding divestments.

(5) The financial resources are composed of bank credit lines and bond financing issued by Imerys SA.

(6) ROCE: Current operating income over a 12-month period divided by the average invested capital over a period of five quarters.

Details and comments on changes in the main financial aggregates (particularly at comparable Group structure and exchange rates) are provided in the Board of Directors' Management Report.

√ For more information, *see chapter 2, section 2.1 of the Registration Document*.

1.2 THE GROUP'S BUSINESS AND STRATEGY

1.2.1 IMERYS' BUSINESS

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

IMERYS' SOLUTIONS

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

- **functional additives:** they are added to the mineral formulation of customers' products, but constitute a minor part of the finished product properties (for instance talc improves polymers' stiffness in the automotive industry and calcium carbonate allows the production of breathable food plastic films);
- **mineral components:** they are an essential constituent in the formulation of the customers' product (for instance, zirconia in the oxygen sensors of combustion engines or fused alumina is used in abrasives for industry);
- **process enablers:** they are used in customers' manufacturing processes but are not present in the end product (for instance, diatomaceous earth used to filter liquid food);
- **finished products:** they are used as such, with no subsequent processing by customers (clay roof tiles or roofing accessories).

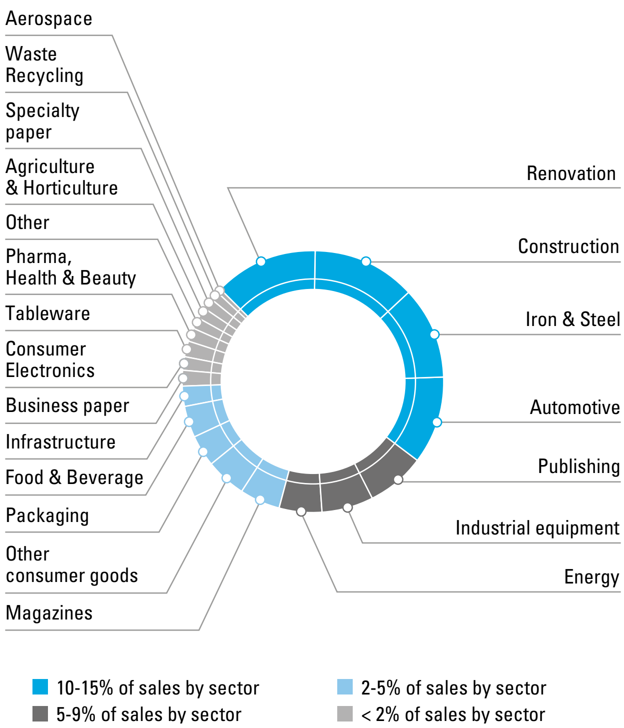
1.2.2 DIVERSITY OF APPLICATIONS AND MARKETS SERVED

Imerys serves many industries, such as plastics and solar power, ceramics and paintings, automotive and cosmetics. Imerys' mineral specialties are used in a great number of applications including the following:

- components for technical or conventional ceramics;
- refractory minerals and solutions for high-temperature industrial processes;
- specialty graphites for mobile energy and precision industries (lithium-ion batteries, brake pads);
- high-purity quartz for semi-conductors;
- corundum powders for abrasives;
- ceramic proppants for non conventional oil and gas fields;
- roof tiles for construction and renovation;
- additives for paints and coatings;
- additives for plastics and polymers;
- fillers and coatings for paper;
- filtration agents for edible liquid.

These applications are themselves intended for a great variety of end markets, none of which represents more than 15% of the Group's sales.

These markets are illustrated below.

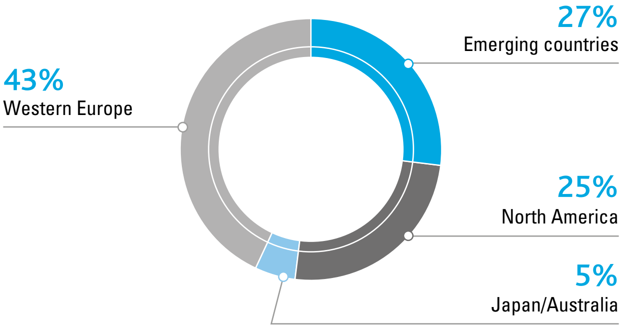


Source: Imerys estimates based on 2016 revenue.

GLOBAL PRESENCE

Active in over 50 countries with 258 industrial sites, Imerys achieves one quarter of its revenue in North America and less than 50% in Western Europe.

2016 Group's consolidated revenue by geography



Geographic bases

The breakdown of industrial sites by geographic region is as follows:

Europe	Americas	Asia-Pacific	Africa and Middle East
124	75	43	16

Imerys operates in the following countries:

- **Europe:** Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Georgia, Germany, Greece, Hungary, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom;
- **Americas:** Argentina, Brazil, Canada, Chile, Mexico, Peru, United States;
- **Asia Pacific:** Australia, China, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand, Vietnam;
- **Africa and Middle East:** Algeria, Bahrain, Egypt, Namibia, Saudi Arabia, South Africa, Turkey, United Arab Emirates, Zimbabwe.

1.2.3 ECONOMIC MODEL

The Group business model is primarily based on:

- **high-quality, long-term mineral assets:** Imerys has an extensive range of mineral resources guaranteeing the quality of its supplies and their costs, as well as high-performance industrial assets, using a wide range of exclusive production technologies and processes;
- **leading positions** ensured by a broad geographic coverage and the diversity of industries served, also reducing its exposure to business cycles;
- **high value-added positioning strategy:** Imerys' specialties are formulated to meet technical specifications that are defined for each customer and application, unlike standardized commodities. Imerys prices are therefore set in two-way negotiations, based on the functions and services provided;
- **innovation as growth factor:** innovation enables Imerys to strengthen its specialty product offering and contributes to opening of its portfolio of activities in faster-growing markets;
- **reactive, decentralized organization** enabling Imerys to be flexible and to adapt swiftly to market condition changes.

1.2.4 STRATEGY

Imerys' strategy aims at ensuring the Group's results a steady growth while creating long-term value. It rests on two main levers:

- **organic growth** which is based in particular on innovation and enables Imerys to strengthen its specialty product offering for high value-added markets;
- **targeted acquisitions** that contribute to broadening the Group's business portfolio and provide access to new technology platforms, geographies or minerals.

The Group's investment decisions are also guided by a strict financial discipline to create value.

▪ ORGANIC GROWTH

Innovation

Imerys' research and development (R&D) plays a crucial role in its strategy to offer value-added and specialty solutions. The allocated resources have been gradually increased over the last years. In 2016, revenue from new products[1] increased +6.7% to €523 million, which represents 12.5% of the Group's revenue (vs. 12.0% in 2015).

√ For more information on Innovation, *see chapter 1, section 1.8 of the Registration Document*.

Development investments

In 2016, the Group maintained a high level of development investments amounting to €102 million (€78 million in 2015). In particular, they contributed to expanding the Group's presence in some markets and in countries such as India (construction of a filter cartridge production facility for househoeld drinking water treatment; a production unit of Micro Fibrillated Cellulose for paper) and in Southeast Asia (blending platform to serve the tile and sanitary markets in Indonesia; a natural calcium carbonate plant in Malaysia).

In addition, Imerys has strengthened its natural graphite mining resources through a joint venture in Namibia, and has also created FiberLean™ Technologies, to develop Micro Fibrillated Cellulose applications.

√ For more information *see chapter 2, section 2.1 of the Registration Document*.

▪ TARGETED ACQUISITIONS

The various acquisitions carried out over the last few years have enabled Imerys to become the world leader in mineral solutions for the industry, in particular by expanding its product and market portfolio.

The 2016 fiscal year was also marked by several acquisitions:

- On December 11, Imerys took a further step in its development strategy with the signed agreement for the acquisition of Kerneos, the world leader in calcium aluminate-based high-performance binders. With this operation, the Group would again enhance its specialty offering in high-potential markets and improve its growth and profitability profile. Thanks to its expertise in calcium aluminate technologies, Kerneos develops performance binders that contribute key properties (rapid hardening, self-leveling, sealing and wear, corrosion or heat resistance), to its customers' innovating solutions for construction (screed and adhesive tiles mortars), civil engineering (sewage system infrastructure) or refractories (protection of blast furnaces, thermal power plant) sectors. With operations in Europe, North America, Africa and emerging countries, Kerneos posted consolidated revenue of €415 million and EBITDA of almost €100 million over the last 12 months as of September 30, 2016.
- Imerys acquired from the Alteo group its specialty alumina activities (fused and tubular alumina for a wide range of refractory, abrasive and ceramic applications). This operation was approved by the European Commission subject to the undertaking to sell the plant located in Bâthie (France). The operations retained by Imerys generated a turnover of approximately €50 million in 2015. They were integrated into the Fused Minerals division on December 31, 2016.
- The Group completed, on September 1, its geographical positioning for monolithic refractories by acquiring SPAR, a North American monolithic refractory producer, mainly serving the petrochemical, power generation, cement and incineration industries. In addition, it expanded its service offering by integrating, on October 3, the Swedish company Fagersta Eldfasta, which specializes in the installation of refractory products. These two companies joined the Monolithic Refractories division.
- Imerys acquired Damolin, a Danish producer of mineral solutions based on bentonite and moler, a mineral with absorbent properties for oils and chemicals, animal feed and cat litter. Damolin, which has operations in Denmark, France and Germany, had a turnover of €45 million in 2015. It joined the Metallurgy Division in January 2017.

√ For more information, *see chapter 7, section 7.1 of the Registration Document*.

(1) New product: product developed internally, answering a number of defined criteria and part of the Group's portfolio for less than five years.

1.2.5 SOUND FINANCIAL STRUCTURE

Imerys' financial structure is solid: net financial debt totaled €1,366.5 million as of December 31, 2016, a -€114 million decrease compared with December 31, 2015. It takes into account the €139.4 million dividend payout, the share repurchases completed under the Group's buyback program (€66 million) and payment for the acquisitions completed in 2016.

On January 10, 2017, Imerys completed a €600 million bond issue with a 10-year maturity and a 1.50% annual coupon, enabling it to prepare for the contemplated acquisition of Kerneos, which was announced on December 11 and should be entirely funded from the Group's available resources. It also contributes to the extension of the average maturity of the Group's debt financing from 5.5 to 6.5 years. Following the announcement of the Kerneos acquisition project, Imerys' unsecured senior debt, as rated by Moody's since 2011, was confirmed at "Baa-2" with a stable outlook. The credit rating given by Standard & Poors on December 14 is "BBB", also with a stable outlook.

As of December 31, 2016, Imerys' financial resources totaled €3.5 billion. After deducting gross financial debt, available non-cash resources(1) amount to €1.3 billion with an average maturity of 4.9 years.

1.2.6 THE GROUP'S GENERAL STRUCTURE

The Group is organized into four operating business groups gathering divisions that revolve on specific markets. The four business groups are presented below with their main financial figures. In 2016, Imerys sales and current operating income are split as follows:

Business Groups	**Divisions**	**Revenue** *(€ million)*	**Current operating income** *(€ million)*	**Operating margin** *(%)*
Group (consolidated)		**4,165**	**582**	**14.0**
Energy Solutions & Specialties	Carbonates Monolithic Refractories Graphite & Carbon Oilfield Solutions	1,251	130	10.4
Filtration & Performance Additives	Performance Additives Filtration Metallurgy	1,144	215	18.8
Ceramic Materials	Roofing Kaolin Ceramics	1,222	223	18.3
High Resistance Minerals	Fused Minerals Refractory Minerals	598	78	13.0
Holding & Eliminations		(50)	(64)	-

The presentation of the four business groups is consistent with the sector-based information given in the Group's consolidated financial statements in *chapter 6 of the Registration Document*.

(1) *Available financial resources represent the total resources after deduction of the resources used, i.e. the difference between financial resources and gross financial debt.*

1.3 ENERGY SOLUTIONS & SPECIALTIES

The **Energy Solutions & Specialties** business group gathers the following four divisions:

- Carbonates;
- Monolithic Refractories (Calderys);
- Graphite & Carbon;
- Oilfield Solutions.

The business group's divisions include 71 industrial sites in 28 countries.

(€ million)	**2016**	**2015**	**2014**
Revenue	1,250.7	1,253.1	1,278.6
Current operating income	129.9	119.7	149.5
Current operating margin	10.4%	9.6%	11.7%

√ For more information on 2016 Key Facts, *see chapter 2, section 2.1.3 of the Registration Document*.

1.3.1 BUSINESS GROUP OVERVIEW

Divisions	Industries served	Market positions[1]	Products	Main applications
CARBONATES	Agriculture Food Automotive Construction Board & Packaging Environment Industrial equipment Paper Consumer Goods & Packaging Health & Personal care	**World #1** in minerals for breathable polymer films **World #2** in carbonates for paper	Ground Calcium Carbonate (GCC) Precipitated Calcium Carbonate (PCC) Lime	Fillers, Coatings (functional additives) and Process enablers **Functional additives for:** Adhesives Rubber Hygiene, Health & Beauty Sealants Paper Paints Plastics Polymer & Films Coatings & Construction materials Catalyst substrates
MONOLITHIC REFRACTORIES (CALDERYS)	Aluminum Cement Furnace construction & Repairs Foundry Power generation Petrochemicals Iron & Steel Waste-to-energy	**World #1** in alumino-silicate monolithic refractories	**Monolithic refractories** Cast/vibrated castables Quick Dry (QD™) castables Prefabricated shapes Ramming mix Taphole clays Dry mix Gunning materials Full project management services for refractory industries	Monolithic refractories (process enablers) **Prefabricated shapes**
GRAPHITE & CARBON	Electronical & Electrical appliances Automotive & Transport Mobile energy Industrial equipment Oil & Gas Iron & Steel	**World #1** in graphite for alkaline batteries **World #1** in conductive additives for Li-ion batteries **World #1** in large flake natural graphite	Silicon carbide Cokes Natural graphite Synthetic graphite Carbon black	**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
OILFIELD SOLUTIONS	Non-conventional oil and gas exploration		**Ceramic proppants** **Mineral-based solutions:** Bentonite Calcium carbonate Diatomite Graphite Metakaolin Mica Perlite	Oilfield well stimulation Oilfiled waste streams treatment and filtration

(1) Imerys estimates.

1.3.2 CARBONATES

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

PRODUCTS

The Carbonates activity offers a broad range of ground calcium carbonates (GCC) and precipitated calcium carbonates (PCC) to be used as functional additives in filling and coating applications or as process enablers:

- **Ground calcium carbonate (GCC)** is obtained by grinding calcium carbonate materials further processed to develop properties necessary to improve the physical characteristics of end products. Renowned for its whiteness and alkaline properties, GCC is widely utilized as a filler or coating pigment in the paper industry. It is also used in performance mineral applications, such as paints and coatings, plastics, sealants, air purification and the environment.
- **Precipitated calcium carbonate (PCC)** is produced by hydrating lime and then precipitating it with carbon dioxide. It is used as a functional additive in the automotive, construction and consumer goods industries, as well as in the production of products such as paints, adhesives, coatings or plastics. It is also used as a filler or coating agent in the paper and cardboard industry.
- **Lime** is produced chemically from natural limestone calcination. Its main applications are the steel industry, water treatment, the sugar industry, flue gas desulfurization, the building industry and the production of PCC. Thanks to high quality deposits with low heavy metal content Imerys also serves pharmaceutical and food applications.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

Added to intermediary or finished products, carbonates deliver higher functionality or processability, and reduce global raw material costs. There are multiple applications:

- **Rubber:** calcium carbonates deliver good processability, permeability, chemical resistance and barrier properties, in addition to good whiteness and mechanical properties;
- **Hygiene, health & beauty:** calcium carbonates are used in a large range of personal care products, such as toothpaste and soap;
- **Sealants & adhesives:** finely ground calcium carbonates are used in a wide range of sealants and adhesive applications to improve rheological properties and reduce the water or volatile content of the compound;
- **Paints & coatings:** in these applications calcium carbonates are used as extenders to improve paint and film quality, opacity, matting, anti-cracking and anti-corrosive properties;
- **Plastics, films and polymer packaging:** the development of more and more sophisticated applications means that increasingly demanding requirements are placed on functional fillers and the specific properties they impart;
- **Paper:** calcium carbonates are added either as fillers at the beginning of the paper and board-making process, just prior to the formation of the paper web, or as coating products, combined with different pigments, binders and chemical additives;
- There are many **other niche applications** for which Imerys offers a wide range of minerals that enhance the properties of products that are used in construction, landscaping, drilling muds and many other applications.

INDUSTRIAL FACILITIES

The Carbonates division has 44 industrial facilities, including 23 ISO 9001 certified, in 19 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
GCC	6	6	13	1
PCC	5	8	2	-
GCC & PCC	-	1	1	-
Lime	-	1	-	-

MAIN COMPETITORS

- **GCC:** Omya (Switzerland) and various local competitors;
- **PCC:** Schaefer Kalk (Germany); Cales de Llierca (Spain); ICL (Israel); Shiraishi (Japan); Minerals Technologies (United States) and Omya (Switzerland);
- **Lime:** Carmeuse and Lhoist (Belgium) and ICAL (Brazil).

1.3.3 MONOLITHIC REFRACTORIES

Under the brandname **Calderys,** the Imerys' **Monolithic Refractories** division develops and sells monolithic refractories. These products are used for building and repairing refractory linings and can withstand high temperatures and severe operating conditions. Monolithic refractories are semi-finished formulated products that consist of aggregates, binder and additives. As such they need to be mixed with water to be installed and take their final shape on site. Monolithic refractories account for 45% of the total refractory market in developed economies due to their ease and speed of installation, their jointless lining, their capacity to adapt to any furnace shape and even complex ones.

PRODUCTS

Calderys' products are formulated with natural and/or synthetic mineral raw materials, including chamottes, andalusite, mullite, bauxite, tabular or fused alumina (alumino-silicate monolithics or "acid monolithics") and spinel, magnesia and dolomite ("basic monolithics"). Refractory cements, clays and chemicals are incorporated as binders. Monolithics can be installed through various techniques, mainly by casting, gunning or ramming.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

Calderys' monolithic refractories are specialties found in all industries where high temperatures are necessary, such as iron and steel, ferrous and non-ferrous foundries (including aluminum), power plants, incinerators, biomass boilers, as well as cement and petrochemical plants.

Calderys is particularly well positioned on sensitive process steps: blast furnaces and runners in the iron and steel industry, cyclones and burning zone in cement or sulphur recovery units in petrochemicals, and on growing markets like the waste to energy segment. In addition to the monolithic refractories produced by Calderys, solutions may include ready-to-use shapes, insulating products, anchor systems and other accessories.

INDUSTRIAL FACILITIES

The Monolithic Refractories division has 19 industrial sites, including 16 ISO 9001 certified, in 16 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	9	1	8	1

MAIN COMPETITORS

RHI (Austria); Krosaki Harima (Japan), Vesuvius (UK) and various local competitors.

1.3.4 GRAPHITE & CARBON

Imerys **Graphite & Carbon** division is the world leader in high performance solutions based on specialized graphite and carbons. With processing plants in North America, Europe, Asia, and Africa, the division produces and markets a large variety of synthetic graphite powders, conductive carbon blacks and water-based dispersions. It also benefits from high quality reserves of natural graphite in Canada and in Namibia, and processing facilities with cutting-edge technology in high temperature processes (synthesis, crystallization). The development and the combination of the resulting physical properties such as purity, crystal structure, particle size, shape and surface can be used to expand the range of specialties.

PRODUCTS

The Graphite & Carbon division's main product families are:

- **processed natural graphite,** graphite dispersion sold in various forms such as additives, powders, blends or aqueous dispersions;
- **synthetic graphite,** produced in Switzerland through a complex process of baking carbon precursors at very high temperatures;
- **conductive carbon black,** produced in Belgium and sold as powder or granules;
- **natural graphite flakes,** produced in Lac-des-Iles (province of Quebec, Canada), the largest graphite mine in North America;
- **silicon carbide,** a by-product resulting from graphite production;

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

The Graphite & Carbon division's solutions are tailored to customers' needs, and are divided into four application fields:

- **Additives for polymers:** with the highly conductive carbon black and synthetic graphite product families, the division addresses the growing market of conductive polymers. Applications include conductive coatings, resins and plastics (used in electronic housings, or for safety-related applications in the automotive and energy supply);
- **Mobile energy:** thanks to the variety of its functional additives the division is the world leader of graphite and carbon black powders for mobile energy. Graphite is used in alkaline batteries, Zn-C batteries, lithium-ion rechargeable batteries (mobile electronic devices, electric or hybrid electric vehicles), fuel cells (systems for converting hydrogen into electricity through a continuous fuel supply), super-capacitors and can coatings. Carbon black is essential as a conductive additive in lithium-ion batteries;
- **Engineering materials:** due to the unique position of having both synthetic and natural graphite, the division offers tailor-made solutions that deliver precise physical and chemical characteristics needed by various industries. For instance in the automotive industry, outlets for the activity's products are mineral components used in friction pads, clutch linings, seals, iron powder metallurgy and carbon brushes. Other applications include foils for flat screens (heat exchange), sintered ceramics, powder for hard metals, 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, for bricks, monolithics, carbon raisers and hot metal topping in particular.

INDUSTRIAL FACILITIES

The Graphite & Carbon division has 6 industrial facilities, including 5 ISO 9001 certified, in 5 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	2	2	1	1

MAIN COMPETITORS

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

1.3.5 OILFIELD SOLUTIONS

Since 2010, following an internal innovation program, Imerys has been developing its proppants and mineral drilling additives sales in **Oilfield Solutions.** Further investments and the purchase of PyraMax Ceramics LLC have improved the division's offer to the industry. The production lines are located in Andersonville and Wrens (Georgia, United States).

PRODUCTS

The products made by the Oilfield Solutions division are used by the oil and gas industry for their mechanical and chemical resistance and for their thermal properties.

The division's main product lines are:

- **Ceramic proppants:** a ceramic-based spherical pellet manufactured in Georgia (United States) from bauxitic kaolin; these products are mostly used in non-conventional oil and gas extraction;
- **Mineral-based solutions:** mineral products are also used in diverse drilling applications:
  - calcium carbonates are used as a weighting and bridging agent to reduce filtration loss in drilling fluids formulations,
  - perlite and diatomaceous earths are used in waste streams treatment and effluents fluid filtration,
  - perlites, diatomites and metakaolins can also be used as additives in cementing applications.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

The main applications served by the Oilfield Solutions division are:

- **Well stimulation** for the oil and gas industry: the proppants manufactured by Imerys are high-tech ceramic beads essential in the production of non-conventional oil and gas. The proppants keep fractures open, combining great mechanical strength with low density. Ceramic proppants provide superior pressure resistance and ultimately a better well profitability by maximizing oil recovery from the oil-containing formations;
- **Mineral solutions used in drilling & completion and waste treatment:** the division produces and sells all specialty products used in well drilling fluids, well cementing, and waste treatment processes.

INDUSTRIAL FACILITIES

The Oilfield Solutions division has two industrial facilities in Georgia (United States).

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	-	2	-	-

MAIN COMPETITORS

Curimbaba (Brazil); Carbo Ceramics and US Silica (United States); Saint-Gobain (France) and some Chinese producers.

1.4 FILTRATION & PERFORMANCE ADDITIVES

The **Filtration & Performance Additives** business group is organized around the three following divisions:

- Performance Additives;
- Filtration;
- Metallurgy.

The business group's divisions gather 83 industrial sites in 25 countries.

(€ million)	2016	2015	2014
Revenue	1,144.5	1,081.5	658.0
Current operating income	214.6	178.1	113.4
Current operating margin	18.8%	16.5%	17.2%

√ For more information on 2016 Key Facts, *see chapter 2, section 2.1.3 of the Registration Document*.

1.4.1 BUSINESS GROUP OVERVIEW

Divisions	Industries served	Market positions[1]	Products	Main applications
PERFORMANCE ADDITIVES	Agriculture Food Automotive Construction Packaging Industrial equipment Hygiene & Health Paper Consumer Goods	**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 polymers, ceramics, paints & coatings	Mica Talc Wollastonite	**Functional additives for:** Agriculture Ceramics Adhesives & Coatings Hygiene & Cosmetics Cryogenic insulation Soundproofing insulation Construction materials Paper Paints & Polishes Refractories Brake linings Catalysts
FILTRATION	Agriculture Food Beverages Construction Pharmaceuticals & Chemicals	**World #1** in diatomite-based products and perlite-based products for filtration	Diatomite Perlite & Expanded perlite Structured alumino-silicate	**Process enablers for filtration of:** Food Beverages Sweeteners Polymer packaging Edible oils Hygiene & Cosmetics Industrial chemicals Pharmaceuticals Wine
METALLURGY	Agriculture Construction Civil Engineering Horticulture Paper Pet Care Iron & Steel	**World #1** in casting fluxes **World #1** in perlite for construction **World #2** in bentonite for metalcasting	Bentonite Fluxes Moler Perlite Zeolite	Continuous Casting Fluxes Tundish and Ladle insulation Binder for foundry sand moulds **Minerals for:** Absorbers for oils and liquid chemicals Pet litter absorbents Animal feed Mortar and plaster additives Rheological additives for civil engineering and drilling Insulation for ceiling tiles Horticulture fertilizers Iron ore pelletisation Iron casting molding systems

(1) Imerys estimates.

1.4.2 PERFORMANCE ADDITIVES

The **Performance Additives** solutions are necessary to many applications, including agriculture, food, and a large number of industries such as automotive, construction, as well as intermediate goods (paint, rubber, catalysts, paper, pharma, personal care & beauty). Thanks to a broad portfolio of raw materials providing a comprehensive range of properties, the division addresses fast growing markets in which additional performance is key.

PRODUCTS

The Performance Additives division offers many functional additives derived mostly from mica, talc and wollastonite. Chemical composition, particle shape and size do vary a lot from one solution to the other, imparting additional properties in the end use product, such as outstanding whiteness, high mechanical strength and rheology control. They are integrated into intermediate and finished products to improve performance, ease processing and reduce the total manufacturing cost of the products in which they are present.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

Applications for Performance Additives' products include:

- **Rubber:** talc is used in many rubber applications (seals, hoses, membranes, cables, tires, etc.) to improve chemical resistance, barrier effects, whiteness and mechanical properties;
- **Ceramics:** Imerys also offers a range of talcs for the production of cordierite honeycomb bodies, an essential part of ceramic technology that is now used worldwide as a catalytic support for the exhaust pipes of vehicles, trucks, buses, etc.;
- **Hygiene, health & beauty:** talc is used to bring softness to body powders, silkiness to make-up and to enhance softness and lather of soaps while reducing formulation costs. Talc also acts as glidant and lubricant for tableting and many other pharmaceuticals applications;
- **Paper & packaging:** used as a filler and mixed with bentonite, talc acts as process enabler for organic impurities absorption in paper production by improving quality and whiteness, notably for recycled paper. Talc can substitute various organic chemicals as an environmentally friendly alternative solution in paper processing operations;
- **Paints, coatings & construction materials:** in these applications, mica and talc are used as additives to improve paint and film quality, opacity, matting, anti-cracking and anti-corrosive properties. Wollastonite is used as performance additive in a wide range of construction materials, including concrete and adhesives;
- **Plastics, films & packaging:** increasingly sophisticated applications imply higher requirements on functional fillers and the specific properties they impart. Used as mineral additives, polymers reinforced with talc, mica or wollastonite, are increasingly used in automotive parts to help reduce the weight of vehicles; talc improves stiffness and the dimensional stability of thermoplastic automotive parts and plastics for consumer goods (household appliances, flexible and rigid packaging);
- **Other niche applications** consume a wide range of minerals that enhance the properties of products are used every day in construction, landscaping, drilling muds and personal care products.

INDUSTRIAL FACILITIES

The Performance Additives division has 21 industrial sites, including 18 ISO 9001 certified, in 12 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Mica	-	2	-	-
Talc	6	6	2	-
Vermiculite	-	-	-	1
Wollastonite	-	2	-	-
Other minerals	1	-	1	-

MAIN COMPETITORS

BASF (Germany); Nanfang Group (China); JM Huber and Minerals Technologies (United States); Nordkalk (Finland); Wolkem (India); IMI Fabi (Italy) and Mondo Minerals (Netherlands).

1.4.3 FILTRATION

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

■ PRODUCTS

The main minerals of the Filtration division are diatomite and perlite. Calcium silicate-based and magnesium silicate-based products are also supplied for specialty applications. Diatomite and perlite are naturally occurring minerals that have exceptional properties such as low density, chemical inertness, high-contact surface area and high porosity. They are sought after in many applications, particularly as filtration aids and functional additives. Vermiculite completes the range. Its properties are a good fit with some construction, agricultural and insulation and fire retardant applications.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

■ APPLICATIONS

The main applications for the Filtration division include:

- **Food and beverage filtration:** diatomite and expanded perlite have ideal particle size, shape, structure and density to be used as process enablers for the filtration of beer, sweeteners, water, wine, green tea and edible oils;
- **Building materials:** perlite and expanded perlite products provide several unique properties. Used as functional additives, they are suitable for heat and cryogenic insulation, soundproofing, building materials, coatings and roofing;
- **Pharmaceutical, cosmetics and industrial chemicals:** in these applications, diatomite is used as a functional additive or a process enabler; it is also a key component of blood fractionation processing worldwide. Perlite is used as filler and abrasive in dentistry. Diatomite and expanded perlite are both used as filtration aids in biodiesel refining;
- In **other niche products,** diatomite is used as a functional additive in the paint, plastic film, agriculture, polishes and rubber sectors. Perlite and expanded perlite are suitable for horticulture and lightweight refractories. Calcium silicate-based and magnesium silicate-based products are used in rubber processing and pesticide formulations.

■ INDUSTRIAL FACILITIES

The Filtration division has 30 industrial sites, including 18 ISO 9001 certified, in 11 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Diatomite	2	5	1	-
Perlite	4	14	1	1
Other minerals	-	1	1	-

■ MAIN COMPETITORS

Eagle Picher Minerals and Grefco Mineral Technologies Inc. (United States); CECA (France) and Showa (Japan).

1.4.4 METALLURGY

The **Metallurgy** division serves the iron and steel industry as well as a large number of intermediate industries including building and construction, civil engineering and oil drilling. The division is also the world's leading perlite ore supplier, serving agriculture and pet care markets.

■ PRODUCTS

The division's large product portfolio include:

- **Products** based on dry mixes of alkali oxides, silica, graphite or other carbon sources used as steel casting fluxes. These solutions are formulated for specific customer plants and modified as the steel quality requirements change;
- **Bentonite,** a swelling alumino-silicate sedimentary clay with high rheological and absorbent properties, is transformed in the Group's own processing sites, then sold on as mineral based solutions to a range of foundry applications including green sand molding systems. Bentonite is also used in pet litter and oilfield muds for its absorbing properties;
- **Moler,** a sedimentary rock issued from a blend of diatoms and clays. Highly absorbing and lightweight, moler is used in oil & chemical absorbent market, soil conditioners as well as animal feed;
- **Perlite,** a multi-cellular material with low density and large corresponding surface area used in construction, agricultural and horticultural applications.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

The main applications for Performance Additives division include:

- **Steel Casting Fluxes** play an essential role inuous casting by ensuring the reliability of the continuous casting process, the quality of the casting and the final steel product;
- **Binding agents** for green sand moulding;
- **Other applications** such as construction, insulation for ceiling tiles, iron ore pellets, horticulture fertilizers and pet litter absorbents.

INDUSTRIAL FACILITIES

The Metallurgy division has 32 industrial sites, all ISO 9001 certified, in 13 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Bentonite	12	4	-	1
Steel Casting Fluxes	2	2	1	-
Moler(1)	3	-	-	-
Perlite	4	1	-	-
Silica	-	-	-	1
Zeolite	1	-	-	-

(1) Damolin's assets incorporated as of January 1, 2017.

√ For more information on Acquisitions, *see chapter 1, section 1.2.4 of the Registration Document*.

MAIN COMPETITORS

Clariant, Intocast and Metallurgica (Germany); Carbox (Brazil); Bentonite Performance Minerals, Grefco Mineral Technologies Inc, Minerals Technologies, Shinagawa Advanced Materials America (United States); Ashapura (India); Prosimet (Italy); Showa (Japan) and Iperlit (Turkey).

1.5 CERAMIC MATERIALS

The **Ceramic Materials** business group is organized around the three following divisions:

- Roofing;
- Kaolin;
- Ceramics.

The business group's divisions gather 76 industrial sites in 20 countries.

(€ million)	2016	2015	2014
Revenue	1,222.0	1,172.4	1,156.9
Current operating income	223.4	210.1	211.0
Current operating margin	18.3%	17.9%	18.2%

√ For more information on 2016 Key Facts, *see chapter 2, section 2.1.3 of the Registration Document*.

1.5.1 BUSINESS GROUP OVERVIEW

Divisions	Industries served	Market positions[(1)]	Products	Applications
ROOFING	New housing Roofing renovation	**French #1** for clay roof tiles	Roof tiles and accessories Metal profiles	Construction Roofing
KAOLIN	Cables Construction Packaging Paper Decorative and Industrial Coatings	**World #1** in kaolin for paper	Kaolin	**Functional additives and process enablers for:** Cables & Insulating ducts Adhesives & Sealants Graphic paper Specialty Paper Board & Packaging Paints and Coatings Plastics and Rubber
CERAMICS	Electronics & Electrical appliances Automotive Construction Electro-metallurgy Energy Semi-conductors Tableware	**World #1** in raw materials & ceramic bodies for sanitaryware **World #1** in kiln furniture for roof tiles **World #2** in kaolin for fiberglass **European #1** in raw materials and ceramic bodies for porcelain tableware **European #2** in raw materials for floor tiles	Ball clay Chamottes Engobes for tiles Feldspar Halloysite Kaolin Mica Pegmatite Prepared bodies & glazes Quartz Ground silica Kiln furniture & component Talc	**Mineral components for:** Aggregates and thermal insulation Thermal applications Sealing & containment barriers Floor & wall tiles Technical ceramics Cement Kiln construction Crucible for photovoltaic cells Reinforcement Fiberglass Sanitaryware Automotive catalyst support Roof tiles Tableware Flat & container glasses

(1) Imerys estimates.

1.5.2 ROOFING

The **Roofing division** provides mainly the French construction market with clay roof tiles and accessories. These products are mostly intended for the building and renovation of residential housing and small buildings to a lesser extent. Customers are essentially building materials traders.

Imerys Toiture's operating excellence is reflected in the extensive automation of its plants, enabling the division to produce high value-added products on a large scale.

▪ PRODUCTS

Imerys red clay reserves are a source of high-quality minerals located in France, near its clay tiles processing plants. To ensure durable operations, the Roofing division strives to develop its reserves, particularly through land purchases and exchanges, and plans future site restoration and remediation. The reserves of clay can be counted in decades.

Under the umbrella brand Imerys Toiture™ the product range includes:

- 70 models of clay roof tiles in more than 220 colors, meeting local traditions and specificities;
- thermal and photovoltaic tiles, building a comprehensive roofing offering that is sound, visually appealing and energy-efficient;
- roofing accessories and technical components;
- metal profiles, as well as gutters and downspouts for rainwater drainage.

APPLICATIONS

Imerys Toiture specializes in the design, production and sale of clay roof tiles and accessories to cover roofs, whether individual or collective housing. Clay roof tiles have a proven interest for greener buildings. Photovoltaic tiles can be used to achieve primary energy savings.

INDUSTRIAL FACILITIES

The Roofing division has 15 industrial sites, including 12 ISO 9001 certified, in France.

Site number	Europe	Americas	Asia-Pacific	Africa & Moyen-Orient
Industrial sites	15	-	-	-

MAIN COMPETITORS

Wienerberger (Germany); Terreal (France) and Braas-Monier (Luxemburg).

1.5.3 KAOLIN

The **Kaolin** division extracts minerals from its extensive high quality reserves located in Brazil, the United States and the United Kingdom. It manufactures kaolin products and innovative solutions for the paper and packaging industries, and construction (paints, plastics and polymers), rubber, sealants, adhesives and ceramics.

PRODUCTS

The Kaolin division offers the world's broadest kaolin range, and thanks to the diversity and quality of its mines, it covers a large spectrum of applications: from the paper industry, to ceramics, including paints, refractories or fiberglass.

The extracted kaolin is purified, refined and ground to yield the desired product properties, engendering a mineral that imparts different qualities to its end applications in particular whiteness, opacity, gloss, smoothness and printability. Imerys is the world's largest producer of kaolin for paper and packaging. Sourcing globally from its own reserves with specific geological characteristics, Imerys is the only supplier that can offer unique blends made to fit specific customer requirements.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

Kaolin is used as a functional additive in a variety of applications:

- **Rubber:** kaolin provides good processability, chemical resistance barrier properties, whiteness and mechanical properties. Applications include cable insulations and sheaths, foodware, flooring, pharmaceutical rubber, seals, gaskets and tires;
- **Ceramics:** kaolin is an essential component of ceramics formulation for sanitary and tableware in particular; for glazed tiles kaolin acts as a functional additive. Source of alumina, kaolin is also widely used for fiberglass production;
- **Sealants & adhesives:** kaolin imparts good barrier effects and rheology control to adhesives and sealants. Kaolin is also effective as a functional additive;
- **Paper & packaging:** kaolin is used as functional additives in filling and coating applications. Thanks to its chemical composition, particle size distribution, whiteness or viscosity, it helps paper and board manufacturers optimize their production processes. The end use products are graphic papers (used for publishing and commercial printing), business paper, specialty paper and board (used for packaging);
- **Paints & coatings:** kaolin is also used as an extender to improve paint and film quality, in particular opacity, matting, anti-cracking and anti-corrosive properties. Applications include water based and solvent based decorative paints and primers, finishes and primers for metal, wood and coil coatings;
- **Plastics, films & polymer packaging:** the development of more sophisticated applications means that increasingly demanding requirements are placed on functional additives and the inherent properties they impart. Calcined kaolins improve mechanical, barrier, thermal and electrical (insulation) properties. It also contributes to the plastic products processing and handling. Applications include PVC sheets, piping and profiles, PVC cables and flooring, polyolefin films and engineering thermoplastic polymer molded parts.

▪ INDUSTRIAL FACILITIES

The Kaolin division has 16 industrial facilities, all ISO 9001 certified, in 6 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Industrial sites	12	4	-	-

▪ MAIN COMPETITORS

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

1.5.4 CERAMICS

Thanks to its numerous reserves, the **Ceramics** division is a global supplier of mineral and prepared bodies for the sanitary, tableware and tile making industries. The division also provides a wide range of solutions for technical ceramics, the glass industry, mainly fiberglass, as well as for electrometallurgy, energy and some construction-related applications, as well as kiln furniture for the ceramics markets. The division also supplies high purity quartz through the JV The Quartz Corp.

▪ PRODUCTS

The Ceramics division offers a large range of mineral specialties to the ceramic industries worldwide. These specialties are based on ball clay, feldspar, kaolin, halloysite, talc, mica, pegmatite or quartz. The division also sells comprehensive mineral solutions in different forms tailored to its customers' needs: granulates, slurries, specialized tableware or sanitaryware bodies, engobe pre-blends, steatite or cordierite bodies, high alumina bodies, micronized alumina and glaze formulations. Through its brand "Imerys Kiln Furniture", the division can also provide ceramic pieces in cordierite, high alumina porcelain, mullite and silicium carbide. This range of tailor-made solutions covers the specificities required by industrial customers in terms of shape and usage conditions.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

▪ APPLICATIONS

The Ceramics division provides premium quality minerals and ceramic bodies for many industries.

- **Traditional ceramics:**
  - **Floor and wall tiles:** the division offers a large range of high quality minerals solutions for tiles bodies, frits[1], glazes and engobes – from the conversion of ball clays, talc, feldspars, sands, feldspathic sands and white kaolins;
  - **Sanitaryware:** with the largest product portfolio (ball clay, chamotte, kaolin, feldspar and prepared bodies), the division is the world leader in minerals for sanitaryware manufacturing. The range includes traditional vitreous china, but also specific solutions for fine fire clay products;
  - **Tableware:** the division provides a comprehensive range of minerals, ceramic bodies and glazes suitable for all types of high-quality white wares. The division is the world leader in high-end tableware minerals, including halloysite used in fine porcelain, and the European leader for prepared bodies for porcelain tableware.
- **Engineering ceramics:**
  - **Technical ceramics:** the division also provides a comprehensive range of aluminous bodies, steatite and cordierite;
  - **Emissions control:** with high-quality kaolin and talc deposits on several continents, the division sells a unique range of high-quality;
  - **Electrical porcelain insulators:** the division manufactures highly consistent mineral solutions, specifically tailored to match the highest expectations of the electrical porcelain insulator manufacturers, a key advantage for this technically demanding industry.

Other markets served by the division include landscaping, construction, electrometallurgy, glass and reinforcement fiberglass. Imerys also supplies thermal power plant boiler additives as well as kiln furniture for ceramic pieces.

(1) Frits: fluxes usually made of glass used in the manufacture of certain enamels.

▪ INDUSTRIAL FACILITIES

The Ceramics division has 45 industrial facilities, including 15 ISO 9001 certified, in 17 countries.

Site number	Europe	Americas	Asia Pacific	Africa & Middle East
Ball clays	5	2	1	-
Kaolin	4	3	2	-
Feldspar & feldspathic sands	3	-	3	1
Ceramic bodies	8	2	-	-
Quartz	2	-	-	-
Kiln furniture	2	-	1	-
Milling & blending plants	2	1	2	1

▪ MAIN COMPETITORS

Quarzwerke, Saint-Gobain and Stephan Schmidt (Germany); Sibelco (Belgium); Beijing Trend (China); Burella and Ecesa (Spain); Active Minerals, Old Hickory, RT Vanderbilt, Spinks and Unimin (United States); Soka (France); HK Ceram (Hungary); Gruppo Minerali Maffei and Icra (Italy); Mota (Portugal); Lasselsberger and Sedlecky Kaolin (Czech Republic); SNTC (Thailand) and various other local producers (feldspar in Turkey and clay in Ukraine in particular).

1.6 HIGH RESISTANCE MINERALS

The **High Resistance Minerals** business group is a global business structured around the following two divisions:

- Refractory Minerals;
- Fused Minerals.

The business group's divisions gather 28 industrial sites in 12 countries.

(€ million)	2016	2015	2014
Revenue	597.8	629.4	641.7
Current operating income	78.0	81.6	72.8
Current operating margin	13.0%	13.0%	11.3%

√ For more information on 2016 Key Facts, *see chapter 2, section 2.1.3 of the Registration Document*.

1.6.1 BUSINESS GROUP OVERVIEW

Divisions	Industries served	Market positions[1]	Products	Main applications
REFRACTORY MINERALS	Aerospace Aluminum Automotive Cement Construction Steel Glass	**World #1** in alumino-silicate minerals for refractories	Andalusite Ball clay Chamottes Metakaolin Mullites Fused silica	**Mineral components for:** Refractory materials Refractory binders **Process enablers for:** Foundry Investment casting
FUSED MINERALS	Aerospace Electronical & Electrical appliances Automotive Construction Energy Foundry Iron & Steel	**World #1** in fused minerals for abrasives **World #1** in fused zirconia	Fused aluminum oxides Tabular alumina Fused magnesium oxides Fused mullites Silicon carbide Zirconia chemicals Zircon flour Fused zirconia	**Mineral components for:** Abrasives Ceramics Advanced ceramics Heating elements Foundry Braking pads Surface treatment Sand blasting Refractories

(1) Imerys estimates.

1.6.2 REFRACTORY MINERALS

The **Refractory Minerals** division holds a unique and leading global position in the production of minerals for alumino-silicate based refractory solutions in demanding high-temperature acidic and neutral environments. The broad product portfolio provides solutions granting several combinations of functional properties which support the industry's demand for constant performance enhancement.

▪ PRODUCTS

The products made by the Refractory Minerals division are used for their mechanical, chemical, distortion and corrosion resistance, as well as for their thermal properties in various industries in high-temperature applications and processes.

The Refractory Minerals division's main product lines are:

- **Andalusite** is an alumino-silicate mineral commonly found in metamorphic rocks. In refractory applications, using andalusite has many benefits: andalusite brings volume stability, high thermal shock and good chemical attack resistance;
- **Clays and metakaolins** are used either as a binder for refractory brick production, or as additives to improve plastic behaviour;
- **Chamotte** is a calcined clay. Inert at the firing stage, it acts like a skeleton to avoid deformation in sanitaryware pieces and refractories;
- **Molochite**™ is a high alumino silicate produced using china clay that gives excellent resistance to thermal shock;
- **Sintered mullite** is produced by calcining clays at very high temperature to increase refractory properties. A refractory market reference, it is traded under the name Mulcoa®;
- **Fused silica** is a quartz sand that has been melted to form glass. High volume stability, low volumetric expansion and high purity make fused silica a very useful and versatile material for refractory and investment casting.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

▪ APPLICATIONS

The main applications served by the Refractory Minerals division are:

- **Foundry and investment casting:** the division offers a unique range of products and innovative solutions for foundry, including investment casting and sand casting. The division's minerals are tailored to the specific needs of its customers in terms of purity, particle size distribution and blends;

- **Refractory linings and insulations** for equipment protection in high-temperature industries, such as steel, aluminium, cement, glass, incineration and petrochemicals. The division manufactures aggregates used in acidic and neutral refractory materials, both as bricks and monolithics, which will in turn be installed in kilns, furnaces, boilers and incinerators to contain extremely hot substances and resist corrosion, abrasion and other forms of attack;
- **Kiln furniture and sanitaryware:** Imerys refractory materials are not only used in linings but also for the production of refractory shaped products, including kiln furniture for high-temperature processes. The European chamottes are part of the “fine fire clay” formulation that allows the production of complex sanitaryware pieces.

INDUSTRIAL FACILITIES

The Refractory Minerals division has 13 industrial facilities, including 9 ISO 9001 certified, in 5 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Andalusite	1	-	-	2
Refractory clays & Chamottes	3	-	-	2
Bentonite	-	-	-	2
Molochite™	1	-	-	-
Mullite	-	1	-	-
Fused silica	-	1	-	-

MAIN COMPETITORS

Andalusite Resources (South Africa); Kaolin AD (Bulgaria); Minco (United States); Andalucita (Peru); Cluz (Czech Republic); various Chinese producers and several local competitors in all regions.

1.6.3 FUSED MINERALS

The **Fused Minerals** division comprises the manufacturing of fused alumina, tabular alumina and fused zirconia. With a strong industrial footprint (China, Middle East, Europe and Americas) producing a wide range of high-performance products, Imerys’ Fused Minerals division is the worldwide leader in specialty applications such as abrasives, refractories, technical ceramics, heating elements for the iron & steel, automotive, industrial equipment and construction markets.

The Fused Minerals division benefits from a unique fusion technology and know-how, which are key to control critical functional properties of its minerals, such as abrasive efficiency, durability, heat dissipation and color. Its research and know-how have allowed for the formulation of new mineral solutions and innovation such as shaped abrasives with increased performance, like the cylindrical grains of sintered bauxite, very effective with heavy wheels.

PRODUCTS

Minerals such as bauxite, alumina, zircon sand and other raw materials are sourced outside the Group. They are fused in electric-arc furnaces and then 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 either in macro or micro grains as an abrasive or refractory mineral thanks to their superior hardness, mechanical and chemical strength and thermal stability;
- **tabular alumina** is a sintered calcined alumina. Thanks to its high purity, high density, low porosity and exceptional resistance to thermal shock, tabular alumina is used as a refractory raw material for linings of high temperature kilns and furnaces;
- **fused zirconia** is sold in sized grains or very fine powders (less than 1 µm); in its fine form it is largely used in automotive (braking pads) or advanced ceramics (oxygen sensors). It has excellent thermal shock resistance and is widely used as a refractory mineral;
- **zirconium chemicals** are only produced in China through a complex chemical process and used in different industries such as paper making, paint and cosmetics.

√ For more information on Minerals, *see chapter 1, section 1.7 of the Registration Document*.

APPLICATIONS

The Fused Minerals division provides its customers with high-quality products for various applications:

- **Abrasives:** thanks to their wear resistance and thermal properties, fused aluminium oxides are widely used as abrasives, mainly coming as wheels or grinding wheels (such as grinding and cutting wheels, honing stones) or in the form of strips (such as sand paper). Abrasives are widely used in all industries;

- **Technical ceramics:** in these industrial applications, sophisticated grades of fused alumina and zirconia are used as ceramic components because of their crystalline structure and mechanical strength. These products typically address high value markets and applications such as oxygen sensors and solid oxide fuel cells;
- **Friction compounds:** micron-sized zirconia and magnesia are used as additives to brake pads in the automotive industry. These products help modify friction characteristics and reduce brake pad and rotor wear;
- **Heating elements:** thanks to its electrical and thermal properties, electrical grade fused magnesia is widely used in the production of both heating elements for domestic appliances (cookers, dishwashers) and industrial applications (galley products, railway heating, industrial boilers) as an essential component of heating resistors;
- **Refractories:** various types of refractory minerals resisting extreme temperatures (>1,800°C) under harsh physical and chemical conditions are produced based on alumina or zirconia, showing strong thermal resistance and chemical inertia. These specialty minerals are used for the lining of furnaces in steel, glass and aluminum industries, investment casting;
- **Other industries:** chemicals based on zirconium basic carbonate have been developed for a wide range of applications such as antiperspirants, paint driers, coatings and catalysts.

INDUSTRIAL FACILITIES

The Fused Minerals division has 15 industrial facilities, including 14 ISO 9001 certified, in 10 countries.

Site number	Europe	Americas	Asia-Pacific	Africa & Middle East
Fused Aluminum Oxide[(1)]	8	2	1	1
Fused Zirconia	1	1	1	-

(1) Alteo's assets incorporated as of January 1, 2017.

√ For more information on Acquisitions, *see chapter 1, section 1.2.4 of the Registration Document*.

MAIN COMPETITORS

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

1.7 MINERALS

Imerys operates over one hundred active mines in numerous countries around the world. Through mineral processing and formulation the Group develops value-added specialty solutions for many industries. Imerys actively pursues the replacement and growth of its mineral reserves and resources. Imerys continuously works to strengthen its technical expertise in geology, mine planning and mining through training, sharing of expertise and "best practices" across a network of 140 geologists and mining engineers.

In line with its internal policy, the Group's Mineral Reserves and Resources are audited by internal and external auditors on a regular basis. The Mineral Reserves and Resources published in this Registration Document are prepared in line with internationally accepted standards of reporting (The European PERC code in particular).

1.7.1 MINERALS' CHARACTERISTICS

▪ MINERALS MINED BY IMERYS

Imerys mines and processes over 30 different rocks and minerals which fall into 11 categories. These groups are presented below:

Ball clays are very fine-grained sedimentary clays with high plasticity properties used in ceramic applications. After extraction, the clay materials are selected, processed and blended to provide the desired performances, such as good rheological stability, high plasticity and mechanical strength.

Red clays are composed of assemblages of clay minerals and oxides of sedimentary origin which develop a red color when fired. Their plasticity are particularly suited for extrusion process.

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

Carbonates incorporates marble, limestone and chalk deposits. Processed carbonates are used either in ground form (Ground Calcium Carbonates (GCC) for their whiteness and alkaline properties, or through a chemical process to produce Lime and Precipitated Calcium Carbonate (PCC) that provide end products with excellent optical properties.

Diatomite is a sedimentary mineral composed of siliceous skeletons of diatoms, unicellular algae present in marine or lake environment. This mineral is characterized by its low density, high surface area, its high porosity and optical properties.

Feldspar is a group of naturally occurring alumino-silicate minerals containing varying amounts of potassium, sodium, calcium and/or lithium, known for their fluxing properties at high temperatures.

Kaolin is predominantly composed of kaolinite, a white hydrated alumino-silicate clay mineral, which is derived from the geologic alteration of granite or similar rock types. At high temperature (700-1,200°C) calcination transforms kaolin into a whiter and inert mineral (metakaolin). In the kaolin group of minerals, **halloysite** is prized in fine porcelain for its whiteness and translucent properties.

Moler is a sedimentary rock comprised of diatoms and clays (mainly smectites). It is lightweight and has high absorption properties.

Perlite is a type of volcanic rock, containing between 2% and 5% of natural combined water. Processed and subsequently heated, perlite expands up to 20 times its original volume, creating a multi-cellular material with large surface area and corresponding low density.

Refractory Minerals are valued for their high resistance to degradation in extreme temperatures and harsh operating conditions, as well as resistance to mechanical failure and corrosion. They include **refractory clays,** commonly called 'chamotte' when calcined, **bauxite** and **andalusite.** It is a high alumina silicate which becomes refractory when calcined at 1,350°C.

Talc is a hydrated magnesium silicate with unique properties according to the deposit.

Imerys transforms many **other minerals. Graphite** is one of the crystalline forms of carbon, with a micaceous aspect. The term **"mica"** covers a group of alumino-silicate platey minerals (Muscovite and Phlogopite). Mica imparts thermal stability, resistance to heat, moisture and light transmission. Imerys mines **high-purity quartz** (>99.8% silica) in two forms: block (quartz boulders) and gravels; both offer similar properties: strength, refractoriness and wear resistance. Silicon and ferro silicon, for which quartz is the basic raw material, are used in special steel alloys. **Vermiculite** is a hydrated micaceous mineral, which expands considerably when heated. **Wollastonite** is a metamorphic calcium silicate mineral. It typically has high brightness and whiteness, low moisture and oil absorption, and low volatile content. **Zeolite** is a crystalline rock formed by hydrated aluminosilicate. Being microporous zeolites are used as absorption agents and catalysts.

▪ OTHER MINERALS AND DERIVED MINERAL PRODUCTS

The Group also sources other raw materials that it processes to provide the following specialties: **bauxite and alumina** are transformed by fusion in electric arc furnaces into various **synthetic corundum** products for the production of powders for abrasive applications. **Tabular alumina** is a sintered calcined alumina, used as a feed for refractory applications, thanks to its high purity, high density, low porosity and exceptional resistance to thermal shock. **Silicon carbide** is a by-product of graphite production with high wear resistance and refractory properties. Imerys produces a range of high-quality **synthetic graphite** through a complex process of heat treatment of petroleum coke at very high temperatures. **Calcined magnesia** is derived from the calcination of **magnesite. Fused magnesia** is produced from high quality calcined magnesia. Depending on the calcination temperature, it has a high electrical resistance and low heat conductivity. **Carbon black** is an ultra-fine carbon powder produced from very high-quality natural carbon raw materials. **Zircon and zircon derivatives:** zircon, or zirconium oxide, results from the fusion of zircon or zircon sand in an arc furnace. It is used for its hardness and refractory properties.

Minerals purchased outside the Group are not part of mineral reporting presented in *sections 1.7.2. and 1.7.3. below*.

1.7.2 MINERAL REPORTING PRINCIPLES

MINERAL ASSET REPORTING

Mineral Reserves and Resources for Imerys managed operations are reported in accordance with the PERC Reporting Standard (2013)[1]. The PERC Reporting Standard is a European Mineral Asset reporting framework. It is part of the CRIRSCO[2] family of codes which include similar codes such as JORC (Australia) and CIM Guidelines (Canada).

Mineral Reserves are portions of a deposit which are demonstrably economic to extract given current or expected business conditions. These are further classified as Proven or Probable to reflect the level of uncertainty in the geological understanding of the deposit; Proven is the highest level of confidence. **Mineral Resources** are deposits, or parts of deposits, where extraction has not currently been demonstrated to be economic but where there is reasonable expectation that extraction will be viable in the future. These assets typically lack the detailed technical studies across a variety of disciplines (mining, processing, marketing, legal) to prove their economic viability. Mineral Resources are further classified as either Measured (highest), Indicated or Inferred (lowest) to reflect the level of geological knowledge of the deposit.

Imerys' production consumes its reserves. Imerys continuously carries out actions to compensate reserves consumption to keep them at a level close to 20 years of production. On existing sites, this consists of the exploration and detailed modeling of mineral resources already inventoried to confirm their operability according to their quality, quantity, operation mining parameters and their costs. Where the conclusion of this exploratory work is positive, the ownership, long-term leases, permits and administrative operating permits are sought. When these conditions are met, resources are converted into reserves. Reserve renewal or increase can also be done by acquiring companies with interesting and verifiable mineral assets.

The Mineral Reserves and Resources presented below are based on information compiled by Competent Persons (PERC Definition) most of whom are full time employees of Imerys. They have a minimum of five years relevant experience in estimation and are members of recognised professional organisations with a Code of Conduct and Ethics. As required by PERC, each "Competent Person" has signed a declaration authorizing the compilation of the estimates reported in public reports which are collated in a central register.

MINERAL ASSET AUDITS

In order to ensure Group-wide consistency and compliance with Mineral Reserves and Resources reporting requirements, internal and external audits are conducted on a three to five year basis. Internal audits are carried out by an experienced geologist and mining engineers fully independent from the audited sites. They are designed to ensure the calculation and reporting of reserves and resources comply with the PERC Reporting Standard and Group's Mining and Geology policy and procedures. Following each audit, reports are also published recording comments and improvement requests, subjected to specific monitoring. Audits are therefore vectors for best practice sharing and continuous improvement in the management and exploitation of mineral resources. The results of Imerys' internal audits of Mineral Reserves and Resources reporting are examined by the Audit Committee.

RISKS AND UNCERTAINTIES

Mineral Reserves and Resources are estimates of the size and quality of ore deposits based on currently available technical, legal and economic parameters at a given time. Due to unpredictable changes in these parameters and the uncertainty naturally associated with assessments, the Group's estimates of its reserves and mineral resources, as presented in the table below may vary over time.

With continued geological exploration and evaluation, Mineral Reserves and Resources may change significantly, either positively or negatively. To date, there are no known environmental, authorization, legal, ownership, political or other relevant issues that could materially adversely affect the estimates in these tables.

√ For more information, *see chapter 4, section 4.1.1 of the Registration Document*.

(1) *The Pan-European Standard for Reporting Exploration Results, Resources and Reserves is referred to as the "PERC Reporting Standard" and is published by the Pan-European Reserves and Resources Committee (PERC).*

(2) *CRIRSCO: Committee for Mineral Reserves International Reporting Standards.*

1.7.3 MINERAL RESERVES AND RESOURCES

In line with the special conditions relating to the "Reporting of industrial minerals, dimension stone and aggregates" in the PERC Reporting Standard, individual mineral assets have been grouped together by mineral type to protect commercially sensitive information.

Due to aggregation, it is not possible to give the lifespan of each mine. However, based on the geological understanding and modifying factors applied, the Group foresees that its Mineral Reserves and Resources will be adequate to sustain the long-term operation (over 20 years) of its activities at the current annual production rate, using existing technology and under present and forecast market and economic conditions.

Mineral Reserves are quoted in addition to Mineral Resources. Volumes are stated on the basis of thousands of metric tons of dry, sellable product. Estimates for 2015 are shown for the sake of comparison.

The use of reserves for production, mining activity, ongoing exploration work, geological assessments and technical studies, as well as changes in ownership of certain mineral rights due to acquisitions or sales, are reflected in the movements of the estimates reported for 2016 against those reported for 2015.

Mining assets amount to €585,4 million as of December 31, 2016 (€552.3 million as of December 31, 2015, following reclassification of usage rights in mining assets). In accordance with accounting rules, Mineral Reserves and Resources assets are accounted for at historical cost. They are measured initially at acquisition cost and subsequently at cost decreased by accumulated depreciation and impairment losses. Depreciation is estimated on the basis of actual extraction.

1

▪ MINERAL RESERVES ESTIMATES (AS OF 12/31/2016 *VS.* 12/31/2015)

Product	Geographic region	Proven	Probable	Total	Proven	Probable	Total
		2016 *(kt)*			2015 *(kt)*		
Ball Clays	Europe	10,110	765	10,875	10,294	1,195	11,489
	Americas	3,880	721	4,601	4,342	635	4,977
	Asia-Pacific	662	0	662	694	0	694
	Africa & Middle East	337	0	337	488	0	488
	Total	**14,989**	**1,486**	**16,475**	**15,818**	**1,830**	**17,648**
Bentonite	Europe	7,021	69	7,090	7,971	57	8,028
	Americas	33	197	230	360	0	360
	Africa & Middle East	110	0	110	88	0	88
	Total	**7,164**	**266**	**7,430**	**8,419**	**57**	**8,476**
Carbonates	Europe	0	33,840	33,840	0	34,457	34,457
	Americas	57,405	121,593	178,998	108,322	66,015	174,337
	Asia-Pacific	6,709	27,566	34,275	0	36,852	36,852
	Total	**64,114**	**182,999**	**247,113**	**108,322**	**137,324**	**245,646**
Feldspar	Europe	12,397	3,854	16,251	14,901	4,628	19,529
	Asia-Pacific	0	30	30	0	30	30
	Africa & Middle East	2,697	1,832	4,529	2,939	1,832	4,771
	Total	**15,094**	**5,716**	**20,810**	**17,840**	**6,490**	**24,330**
Kaolin	Europe	1,860	16,953	18,813	1,968	17,705	19,673
	Americas	38,524	41,197	79,721	41,351	33,588	74,939
	Asia-Pacific	287	1,255	1,542	383	1,267	1,650
	Total	**40,671**	**59,405**	**100,076**	**43,702**	**52,560**	**96,262**
Minerals for Refractories	Europe	1,132	1,810	2,942	1,716	1,306	3,022
	Americas	3,373	3,140	6,513	2,739	3,141	5,880
	Asia-Pacific	0	432	432	0	432	432
	Africa & Middle East	1,250	164	1,414	937	212	1,149
	Total	**5,755**	**5,546**	**11,301**	**5,392**	**5,091**	**10,483**
Perlite & Diatomite	Europe	5,719	18,871	24,590	4,145	1,031	5,176
	Americas	29,006	15,193	44,199	28,627	15,934	44,561
	Africa & Middle East	0	471	471	0	537	537
	Total	**34,725**	**34,535**	**69,260**	**32,772**	**17,502**	**50,274**
Red clays (for roof tiles)	Europe	36,767	16,817	53,584	34,462	19,100	53,562
	Total	**36,767**	**16,817**	**53,584**	**34,462**	**19,100**	**53,562**
Talc	Europe	7,390	2,549	9,939	8,133	2,758	10,891
	Americas	14,609	4,119	18,728	15,011	4,343	19,354
	Asia-Pacific	2,634	456	3,090	2,689	456	3,145
	Total	**24,633**	**7,124**	**31,757**	**25,833**	**7,557**	**33,390**
Other Minerals	Europe	983	300	1,283	1,252	300	1,552
	Americas	2,821	1,797	4,618	2,755	1,978	4,733
	Africa & Middle East	449	538	987	316	506	822
	Total	**4,253**	**2,635**	**6,888**	**4,323**	**2,784**	**7,107**

In addition to the normal activities of production, additional changes occurred due to the divestment of a site (feldspar) as well as significant new authorisations and reassessments (perlite) in Europe, South America (kaolin) and North America (carbonates and kaolin).

MINERAL RESOURCES ESTIMATES (AS OF 12/31/2016 *VS.* 12/31/2015)

Product	Geographic region	Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
		2016 *(kt)*				2015 *(kt)*			
Ball Clays	Europe	8,325	813	1,322	10,460	10,874	1,907	946	13,727
	Americas	5,725	9,874	15,061	30,660	6,341	9,310	14,622	30,273
	Asia-Pacific	61	0	0	61	61	0	0	61
	Total	**14,111**	**10,687**	**16,383**	**41,181**	**17,276**	**11,217**	**15,568**	**44,061**
Bentonite	Europe	52,127	35,101	1,867	89,095	48,328	29,814	1,708	79,850
	Americas	659	2,163	3,016	5,838	558	2,718	3,016	6,292
	Africa & Middle East	6,112	11	293	6,416	6,363	6	39	6,408
	Total	**58,898**	**37,275**	**5,176**	**101,349**	**55,249**	**32,538**	**4,763**	**92,550**
Carbonates	Europe	0	3,364	19,237	22,601	0	4,495	43,941	48,436
	Americas	12,231	154,651	137,157	304,039	58,958	133,346	98,935	291,239
	Asia-Pacific	0	0	507	507	0	0	573	573
	Total	**12,231**	**158,015**	**156,901**	**327,147**	**58,958**	**137,841**	**143,449**	**340,248**
Feldspar	Europe	4,771	2,787	6,167	13,725	3,173	3,600	8,651	15,424
	Americas	1,849	5,500	12,700	20,049	1,849	5,500	12,700	20,049
	Asia-Pacific	0	0	0	0	0	80	0	80
	Africa & Middle East	928	14,201	11,100	26,229	928	14,201	11,100	26,229
	Total	**7,548**	**22,488**	**29,967**	**60,003**	**5,950**	**23,381**	**32,451**	**61,782**
Kaolin	Europe	493	4,002	6,382	10,877	296	3,915	7,781	11,992
	Americas	24,979	55,106	49,696	129,781	39,928	59,848	52,484	152,260
	Asia-Pacific	7	5,323	377	5,707	76	4,793	1,590	6,459
	Total	**25,479**	**64,431**	**56,455**	**146,365**	**40,300**	**68,556**	**61,855**	**170,711**
Minerals for Refractories	Europe	4,381	1,710	147	6,238	1,751	1,071	74	2,896
	Americas	4,551	9,708	137	14,396	4,585	10,234	137	14,956
	Asia-Pacific	0	0	258	258	0	258	0	258
	Africa & Middle East	980	689	1,764	3,433	1,117	651	2,264	4,032
	Total	**9,912**	**12,107**	**2,306**	**24,325**	**7,453**	**12,214**	**2,475**	**22,142**
Perlite & Diatomite	Europe	978	16,648	57,564	75,190	3,066	31,854	57,564	92,484
	Americas	21,169	30,576	112,152	163,897	21,875	32,970	112,134	166,979
	Asia-Pacific	79	1	0	80	89	21	0	110
	Africa & Middle East	158	1,869	7,161	9,188	0	959	6,696	7,655
	Total	**22,384**	**49,094**	**176,877**	**248,355**	**25,030**	**65,804**	**176,394**	**267,228**
Red clays (for roof tiles)	Europe	34,206	3,349	6,804	44,359	32,335	4,209	6,037	42,581
	Total	**34,206**	**3,349**	**6,804**	**44,359**	**32,335**	**4,209**	**6,037**	**42,581**
Talc	Europe	9,078	8,717	3,995	21,790	9,695	9,391	4,210	23,296
	Americas	0	0	3,457	3,457	0	0	3,530	3,530
	Asia-Pacific	2,480	1,235	4,215	7,930	2,480	1,235	4,247	7,962
	Total	**11,558**	**9,952**	**11,667**	**33,177**	**12,175**	**10,626**	**11,987**	**34,788**
Other Minerals	Europe	1,719	1,015	428	3,162	1,589	973	428	2,990
	Americas	6,270	25,717	66,478	98,465	6,294	26,840	67,432	100,566
	Africa & Middle East	529	240	285	1,054	0	0	285	285
	Total	**8,518**	**26,792**	**67,191**	**102,681**	**7,883**	**27,813**	**68,145**	**103,841**

In 2016 in addition to the normal activities of exploration, resource development and transfer of resources to reserves, there have been significant mineral rights acquisitions in Europe (bentonite), and reassessments in North America (carbonates and kaolin).

1.8 INNOVATION

1.8.1 INNOVATION STRATEGY AND POLICY

Innovation and research are the pillars of sustainable organic growth. Imerys' ability to develop customized solutions for its customers is expressed in all its businesses. Innovations significantly contribute to Imerys' revenues. In 2016, more than 90 new products were launched. In a mixed economic environment, sales of new products contributed to the results growth.

The contribution of new products to the Group's business is measured on a quarterly report and a precise definition basis. The "new" character is assessed using the following criteria: the product must be new, *i.e.*:

- it must be in the Imerys range for less than five years, bring a breakthrough innovation, or meet a customer demand, or create a complementary range, a new shape or an improvement to an existing product;
- it must generate a gross margin higher than the average margin of related products' family (product line, similar production processes);
- for the most innovative products, comply with a satisfactory development plan according to Imerys investment criteria.

Imerys has decided to accelerate its innovation efforts to meet the needs of its markets. The teams' technical skills and the Group's multi-market presence are considerable levers to accelerate the Group's development.

The divisions articulate their work around issues that most often correspond to major technological trends that customers face, such as:

- **agriculture,** with the emergence of new mineral-based product range for agriculture to face the challenges of a growing population worldwide;
- **lighter structural parts** in particular for vehicles. Talc and mica enable plastics reinforcement whilst improving their mechanical properties and reducing up to 60% of the total mass of the components;
- **energy efficiency** including new abrasives that save energy and material while allowing more cuts per abrasive unit;
- **clean energy and electricity storage** with high purity quartz crucibles for silicon used in the production of solar energy, or graphite products for lithium-ion batteries;
- **search for wellness** with a product range for the pharmaceutical and cosmetic industries;
- **recycling** with a product range including Imerplast™, a solution that facilitates the recycling of polyethylene and polypropylene by making them compatible.

1.8.2 INNOVATION ORGANISATION

In 2016 the R&D resources, as well as strategic marketing, have been aligned to the new Imerys' Chief Innovation Officer. Imerys' laboratory network consists of eight main technical centers. In total, nearly 300 engineers and technicians cooperate worldwide to develop innovative solutions for customers.

At Imerys, innovation starts with a detailed analysis of the markets and customers' or prospects' unmet needs. A thorough analysis is done by the marketing and research teams to translate these requirements into technical data, followed by the actual research phase, where the laboratory must meet the technical specifications. A rigorous selection then occurs for the project transformation to a pilot or industrial phase. Imerys' ability to generate solutions and functional properties tailored to each customer is a significant competitive asset.

1.8.3 SOME EXAMPLES OF NEW PRODUCTS

ABRASIVES

Sol-Gel is a process that enables to obtain abrasive materials with very high mechanical properties. Starting from molecular solutions, this sophisticated chemical process results in the formation of a Gel by concentration of the initial solution (Sol) and ultimately gives, after a high temperature heat treatment, a material with hardness and resistance properties thanks to its ultrafine microstructure.

AGRICULTURE

In 2016, new references were added to the insecticide product range to protect crops against pests. These natural mineral solutions, based on diatomaceous earth or kaolin include the **Celite 610, Diafil® 610, Imergard**™ references; they have proven effective against most insects, such as cockroaches, ants and beetles.

AUTOMOTIVE

HAR® 3G, a new reference in the talc range (high aspect ratio, 3rd generation) developed mainly for polymer applications, especially for the automotive sector. More effective in final application than conventional micronized talcs, HAR® 3G reinforces plastics, improves mechanical strength and dimensional stability; allowing car manufacturers to produce lighter vehicles needing less fuel.

BUILDING MATERIALS

Imerys Toiture, the French leader in clay roof tiles, specialist in roof and façade solutions, has improved its offering by developing new products and processes, such as plaster casting, enabling it to offer new formats and new colors adapted to the specificities of its regional markets.

C-Therm: Large flake synthetic and natural graphite used as filler to enhance the thermal conductivity of the plastic sockets of indoor home and industrial LED lighting applications.

COSMETICS

ImerCare P-Scrub is a new face scrub product range based on natural perlite which harnesses patented, engineered perlite technologies to confer a gentle exfoliation effect. This new finer grade rounds have been specifically designed as an eco-friendly alternative to plastic microbeads commonly used in scrub products. With ImerCare P-Scrub, Imerys received the 2016 IMA-Europe “Innovation” award.

ENERGY

ACTILION is a new carbon reference with improved performance at high rate discharge required for lithium-ion batteries used in battery electric vehicles.

FILTRATION

CynerSorb™ is a high performance adsorbent for purification of edible and mineral oils / biodiesel. It helps reduce the need for filter aid, simplify production process, lower costs and increase refining capacity.

ImerPure™ is an innovative filter cartridge, meeting international standards, that has been successfully tested in the field where it has demonstrated strong user acceptability and has been shown to deliver improved water filtration performance. ImerPure™ offers a viable alternative to consumers in developing countries where certain existing filter technologies are ineffective. In 2016 Imerys has joined the Springboard Initiative developed by nonprofit global-health leader PATH through a series of project grants from the Bill & Melinda Gates Foundation. Through this initiative, PATH researched and developed the fundamental design for a universal, effective and affordable household water treatment and storage system for low-income families that will allow millions of people to enjoy a safe water supply.

METALLURGY

SILICA MIX E15 BF is the first boron- free silica mix product with an alternative binder for the global monolithic refractories market. Initiated several years ago in preparation for a potential upcoming banning of Boron in Europe, due to REACH regulations, its main market is iron foundries.

1.8.4 INTELLECTUAL PROPERTY

The Group protects its innovations through trade secrets as well as with more than 1,800 patent applications and active granted patents and more than 85 utility models and designs recorded at end 2016. As a sign of its commitment to innovation, the Group has increased its new patent filings by more than thirty percent (30%) since 2010. In addition, and as of December 31, 2016, the Group holds around 3,900 registered or pending trademarks to protect its broad range of products, including trademark filings for protecting the IMERYS brand in over 100 countries. To Imerys’ knowledge, there are no rights held by Imerys at the date of this Registration Document on any patent, license, trademark, design or model whose potential losses would be likely to have a material adverse effect on the Group’s overall activity and profitability. Likewise and as of today’s date, Imerys is not aware of any outstanding litigation, opposition or claim related to the Group’s intellectual property rights likely to have a material negative impact on its activity or financial situation.

2

REPORTS ON THE FISCAL YEAR 2016

2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

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 2016 HIGHLIGHTS

In 2016, Imerys improved its performance and again achieved its growth target for net income from current operations, up +6.0% to €362 million. Revenue increased to +1.9% to €4,165 million, in particular due to acquisitions closed in 2015. At comparable structure and exchange rates, revenue declined -1.4% for the whole year, but is up +1.4% in the 4th quarter. In this context, the current operating income increased to +8.2% at €582 million and the operating margin improved +80 basis points to 14.0%.

These achievements are the result of our operational excellence programs and our development strategy, which combines internal growth, driven by innovation and external growth, with, in particular, the acquisition of S&B, for which synergies have been achieved one year ahead of schedule. They also reflect the relative improvement in the environment observed towards the end of the year, which however has yet to be confirmed for 2017.

On December 11, 2016, Imerys announced the contemplated acquisition of Kerneos. This operation would further enhance the Group's specialty offering in high-potential markets and improve its growth and profitability profile while creating value. Thanks to its expertise in calcium aluminate technologies, Kerneos develops performance binders that bring key properties (rapid hardening, self-leveling, sealing and wear, corrosion or heat resistance) to its customers' innovative solutions for the construction (screed and adhesive tiles mortars, etc.), civil engineering (sewage system infrastructure, etc.) or refractories (protection of blast furnaces, thermal power plants, etc.) sectors.

With operations in Europe, North America and emerging countries and 1,500 employees, Kerneos posted consolidated revenue of €415 million and EBITDA of ca. €100 million over the last 12 months, as of September 30, 2016.

The contemplated acquisition of Kerneos, for an estimated total enterprise value of ca. €880 million, would have a positive impact on net income from current operations per share from the first year of consolidation and would rapidly create value, in particular through synergies estimated at €23 million. The transaction, which remains subject to relevant workers' council consultation, as well as regulatory authorities' approval, should be completed by mid-2017.

Imerys took advantage of favorable market conditions to prepare for the transaction's financing with the launch, in early January 2017, of a €600 million bond issue with 10-year maturity and a 1.50% annual coupon.

Finally, Imerys also completed several additional external growth operations during the year. These should contribute approximately more than €100 million in revenue to the Group in 2017 (mainly Damolin, Alteo and Spar).

At the Shareholders' General Meeting of May 3, 2017, the Board of Directors will propose to pay a dividend of €1.87 per share, a +6.9% increase compared with the dividend paid in 2016, representing a total payout of €149 million, or 41% of the Group's share of net income from current operations. This proposal reflects the Board's confidence in the Group's fundamentals and development prospects. Payment should be made from May 11, 2017.

(€ million)	2016	2015	% change (current basis)
Consolidated results			
Revenue	4,165.2	4,086.7	+1.9%
Current EBITDA(1)	818.9	745.4	+9.9%
Current operating income(1)	582.1	538.1	+8.2%
Operating margin	14.0%	13.2%	+0.8 point
Net income from current operations, Group's share(1)	362.1	341.5	+6.0%
Net income, Group's share	292.8	68.4	n.a.
Financing			
Paid capital expenditure	278.5	271.6	+2.5%
Current free operating cash flow(2)	394.6	342.5	+15.2%
Shareholders' equity	2,914.2	2,671.8	+9.1%
Net financial debt	1,366.5	1,480.4	-7.7%
Data per share *(€)*			
Net income from current operations, Group's share(1)(3)	4.60	4.31	+6.8%
Proposed dividend	1.87	1.75	+6.9%

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

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

(3) The weighted average number of outstanding shares was 78,714,966 in 2016 against 79,275,846 in 2015.

2.1.2 DETAILED COMMENTARY ON THE GROUP'S RESULTS

■ SALES

Non-audited quarterly data *(€ million)*	2016 Revenue	2015 Revenue	Change *(% prior year)*	change at comp. basis	Of which volume effect	Of which price-mix effect
1st quarter	1,038.1	973.6	+6.6%	-1.8%	-2.6%	+0.8%
2nd quarter	1,058.6	1,083.7	-2.3%	-2.6%	-3.3%	+0.8%
3rd quarter	1,029.8	1,027.2	+0.3%	-2.5%	-3.2%	+0.7%
4th quarter	1,038.7	1,002.2	+3.6%	+1.4%	+0.9%	+0.5%
Year	**4,165.2**	**4,086.7**	**+1.9%**	**-1.4%**	**-2.1%**	**+0.7%**

Revenue for 2016 amounts to €4,165.2 million, a +1.9% increase compared with 2015. This growth is mainly due to:

- a +€140.2 million positive net structure effect (+3.4%), which mostly includes the consolidation of the external growth operations completed in 2015 and 2016;
- a very slight negative exchange rate effect of -€4.4 million.

At comparable Group structure and exchange rates, revenue was -1.4% lower than in 2015 but rose +1.4% in the 4th quarter because of a favorable basis of comparison and the relative improvement of some markets and regions.

In 2016, revenue from new products increased +6.7% to €523 million, which represents 12.5% of the Group's revenue (*vs.* 12.0% in 2015). Price/mix remains firm at +0.7% for 2016 (+€27.1 million).

Revenue by geographic destination

Revenue by geographic destination *(€ million)*	**2016 Revenue**	**2016 vs. 2015 (current change)**	**% total 2015 revenue**	**% total 2016 revenue**
Western Europe	1,786.5	-0.5%	44%	43%
of which France	*473.9*	*+2.1%*	*11%*	*11%*
USA/Canada	1,031.4	+3.1%	24%	25%
Emerging countries	1,127.2	+3.3%	27%	27%
Other (Japan/Australia)	220.1	+10.4%	5%	5%
Total	**4,165.2**	**+1.9%**	**100%**	**100%**

CURRENT OPERATING INCOME

The +8.2% increase in **current operating income** to €582.1 million in 2016 results from:

- the development of the Group's specialty product offering, with price-mix contributing €21.5 million;
- the ramp-up of synergies from acquisitions, including from S&B which were achieved one year ahead of the initial schedule;
- the operating excellence and purchasing control programs, which led to a €18.3 million improvement in fixed and variable costs. The analysis of the +€38.9 million currency impact, mainly attributable to the devaluation of the Brazilian real, should be viewed in the context of the -€6.8 million negative impact on fixed and overhead costs resulting from high inflation in Brazil, a country from which the Group exports.

In this context, the Group's operating margin also benefitted from favorable trend in the activity mix and posted a +80 basis point improvement to 14.0% (13.2% in 2015).

NET INCOME FROM CURRENT OPERATIONS

Net income from current operations increased +6.0% to €362.1 million (€341.5 million in 2015). It takes into account net financial expense of -€63.9 million, a higher figure than in 2015 (-€55.5 million) due to lower gains on exchange rates and financial instruments (-€0.5 million *vs.* +€8.5 million in 2015). Interest expense increased slightly to -€52.7 million, compared with -€49.1 million in 2015. In addition, the -€154.1 million tax charge (-€140.5 million in 2015) reflects an effective tax rate of 29.7% (29.1% in 2015).

Net income from current operations per share grew +6.8% to €4.60 and includes the impact of share buybacks.

NET INCOME

The **Group's share of net income** totaled €292.8 million in 2016 (€68.4 million in 2015). It takes into account **other operating income and expenses,** net of tax, for -€69.3 million (*vs.* -€273.1 million the previous year) which correspond to a small number of restructuring plans (including €25 million in depreciation expense, mostly in Refractory Minerals in China) as well as transaction costs.

CASH FLOW

(€ million)	**2016**	**2015**
Current EBITDA	**818.9**	**745.4**
Change in operating working capital requirement (WCR)	14.4	21.8
Paid capital expenditure	(278.5)	(271.6)
Notional tax	(173.1)	(156.7)
Other	13.0	3.6
Current free operating cash flow	**394.6**	**342.5**
Paid financial expense (net of tax)	(39.9)	(31.8)
Other WCR items	74.0	27.7
Current free cash flow	**428.8**	**338.4**

Imerys generated a strong **current free operating cash flow** in 2016 (€394.6 million *vs*. €342.5 million one year earlier), mostly from the following items:

- a +9.9% increase in **current EBITDA** to €818.9 million;
- a +€14.4 million positive change in operating **working capital requirement** in 2016, compared with +€21.8 million in 2015, thanks to optimized inventory management. The ratio of working capital requirement to annualized sales amounted to 23.6%;

Paid capital expenditure, which totaled €278.5 million in 2016. The booked amount (€288.5 million) represents 128% of depreciation charge, a comparable ratio to 2015 (122%). In addition, capital expenditure in 2017 will reflect the deployment of a multi-year investment program to tap into the growing market of lithium-ion batteries for mobile energy.

FINANCIAL STRUCTURE

(€ million)	**2016**	**2015**
Net debt, end of period	1,366.5	1,480.4
Average net debt of the period	1,516.5	1,467.0
Shareholders' equity	2,914.2	2,671.8
Current EBITDA	818.9	745.4
Net debt / shareholders' equity	46.9%	55.4%
Net debt / Current EBITDA	1.7x	2.0x

Net financial debt totaled €1,366.5 million as of December 31, 2016, a -€114 million decrease compared with December 31, 2015. It takes into account the €139.4 million dividend payout, most of the share repurchases completed under the Group's buyback program (€66 million) and payment for the acquisitions completed in 2016.

As of December 31, 2016, Imerys' **financial resources** totaled €3.9 billion. After deducting gross financial debt, available non-cash resources amount to €1.9 billion with an average maturity of 4.9 years.

Finally, on January 10, 2017, Imerys completed a €600 million bond issue with a 10-year maturity and a 1.50% annual coupon. The offer was oversubscribed three times and benefited from highly favorable market conditions. It enables Imerys to prepare for the contemplated acquisition of Kerneos, which was announced on December 11 and should be entirely funded from the Group's available resources. It also contributes to the extension of the average maturity of the Group's debt financing from 5.5 to 6.5 years.

Following the announcement of the Kerneos acquisition project, Imerys' unsecured senior debt, as rated by Moody's since 2011, was confirmed at "Baa-2" with a stable outlook. The credit rating given by Standard & Poors on December 14 is "BBB", also with a stable outlook.

2.1.3 COMMENTS BY BUSINESS GROUP

ENERGY SOLUTIONS & SPECIALTIES

(30% of the Group's consolidated revenue)

Non-audited quarterly data *(€ million)*	**2016**	**2015**	**Current change**	**Change at comp. basis** *(% prior year)*
1st quarter revenue	300.8	312.5	-3.7%	-6.8%
2nd quarter revenue	316.2	323.5	-2.3%	-2.9%
3rd quarter revenue	319.6	314.1	+1.7%	-3.2%
4th quarter revenue	314.0	303.0	+3.7%	+1.2%
Full-year revenue	**1,250.7**	**1,253.1**	**-0.2%**	**-3.0%**
Current operating income	**129.9**	**119.7**	**+8.5%**	
Operating margin	*10.4%*	*9.6%*	*+0.8 point*	

Revenue

The Energy Solutions & Specialties business group's **revenue** totaled €1,250.7 million in 2016. On a current basis it was stable overall and factors in a positive structure effect of +€42.6 million, relating to the acquisition of Solvay's European precipitated calcium carbonate activities (November 2015).

At comparable structure and exchange rates, revenue decreased -3.0% compared with the same period in 2015, essentially due to the slump on the refractories market, which however eased off in the fourth quarter.

Operating income

The business group's **current operating income** increased +8.5% to €129.9 million thanks to a positive price/mix and effective control over fixed and overhead costs. Consequently, the business group's **operating margin** improved +0.8 point to 10.4%.

Review by division

Investment in capacity expansion and the extension of its specialty offering (plastic film, polymer, paint etc.) enabled the **Carbonates** division to benefit from vibrant North American and Southeast Asian markets, while the paper market continued to slump.

In the **Monolithic Refractories** division, activity trends remained healthy in India and Asia, and the slump on the European steel market eased off towards the end of the year. The division's cost adjustments helped the business group's profitability.

On September 1, 2016, the Group developed its geographic positioning in monolithic refractories by acquiring SPAR, a producer of monolithic refractories in North America, a market where it was not previously present. SPAR mainly serves the petrochemicals, power generation, cement and incineration markets. Imerys also consolidated two smaller companies specializing in installation services in Sweden (Fagersta Eldfasta) and the United Kingdom early 2017 (NG Johnson).

The **Graphite & Carbon** division's sales were driven by rapid growth in lithium-ion batteries for mobile energy. To support growth in demand, particularly in electric vehicles, in 2016 the Group launched a multi-year annual investment program, focused on R&D, further geographic expansion, capacity increases and enhancement of mineral resources (*e.g.* natural graphite production and exploitation in Namibia).

Early February 2017, Imerys acquired a technological development company in Japan, Nippon Power Graphite (NPG), which holds some assets and patented technologies for the production of materials for lithium-ion battery anodes.

In the **Oilfield Solutions** division, while the ceramic proppants market has not yet recovered, the Group maintained its commercial and industrial presence. As expected, the division's negative contribution to the Group's current operating income was lower than the previous year (€23 million *vs*. €27 million in 2015).

▪ FILTRATION & PERFORMANCE ADDITIVES

(27% of the Group's consolidated revenue)

Non-audited quarterly data *(€ million)*	**2016**	**2015**	**Current change**	**Change at comp. basis** *(% prior year)*
1st quarter revenue	278.2	218.9	+27.1%	+2.3%
2nd quarter revenue	292.1	306.2	-4.6%	-1.7%
3rd quarter revenue	282.0	284.5	-0.9%	-0.5%
4th quarter revenue	292.2	271.9	+7.5%	+6.0%
Full-year revenue	**1,144.5**	**1,081.5**	**+5.8%**	**+1.4%**
Current operating income	**214.6**	**178.1**	**+20.5%**	
Operating margin	*18.8%*	*16.5%*	*+2.3 points*	

Revenue

The **Filtration & Performance Additives** business group's **revenue** totaled €1,144.5 million in 2016. It includes a +€53.8 million structure effect relating to the integration of S&B (March 1, 2015) and a negative exchange rate impact for -€5.8 million.

The business group's growth was dynamic in the 4th quarter leading to a +1.4% increase at constant structure and exchange rates for the full year. Sales growth was driven by the development of new products, in particular.

Operating income

The business group's **current operating income** increased +20.5% to €214.6 million. It takes into account a +€7.3 million structure effect, including synergies achieved with S&B, and benefits from a positive price-mix due to the new product development strategy. As a result, **operating margin** improved +2.3 points to 18.8%.

Review by division

The **Performance Additives** division's activity was firm all year long. Trends were healthy on all market segments, particularly polymers for the automotive sector. Recent innovations helped to boost sales.

The **Filtration** division's sales were driven by a firm consumer goods sector (beer, wine, edible oils, sweeteners, etc.). The Group also benefited from sales growth in high-purity solutions for the healthcare sector and its developments in new segments.

The performance of the **Metallurgy** division, serving the casting and steelmaking markets, was satisfactory. In addition, it will enlarge its specialty offer to the industrial adsorbents through the acquisition of Damolin, a Danish mineral-based solutions producer. Consolidated from January 1, 2017, Damolin generated €45 million in revenue in 2015.

CERAMIC MATERIALS

(29% of the Group's consolidated revenue)

Non-audited quarterly data *(€ million)*	2016	2015	Current change	Change at comp. basis *(% prior year)*
1st quarter revenue	323.2	291.0	+11.1%	+2.8%
2nd quarter revenue	311.4	301.4	+3.3%	-2.3%
3rd quarter revenue	293.8	285.8	+2.8%	-2.1%
4th quarter revenue	293.6	294.2	-0.2%	-3.8%
Full-year revenue	**1,222.0**	**1,172.4**	**+4.2%**	**-1.4%**
Current operating income	**223.4**	**210.1**	**+6.3%**	
Operating margin	*18.3%*	*17.9%*	*+0.4 point*	

Revenue

The **Ceramic Materials** business group's **revenue** totaled €1,222.0 million in 2016. The +4.2% rise from 2015 takes into account a +€56.9 million structure impact, resulting, in particular, from the acquisitions of BASF's hydrous kaolin activity in the USA and of Matisco's roofing accessories activity in the Roofing division in November 2015. It also factors in a +€8.8 exchange rate effect.

At comparable structure and exchange rates, revenue decreased -1.4% compared with 2015.

Operating income

Current operating income grew +6.3% to €223.4 million in 2016. It includes a +€25.3 million exchange rate effect, mostly relating to Kaolin activities in Brazil, and reflects a firm product price/mix. At 18.3%, the business group's **operating margin** improved +0.4 point over 2016.

Review by division

The **Roofing** division faced a clay roof tiles market that decreased -1.9% in 2016 compared with 2015, particularly due to a slack renovation segment. In new construction, which accounts for approximately a quarter of sales, the increase in new single-family housing starts was maintained in the second half of the year, reflecting the recovery in construction permit applications.

The **Kaolin** division, which mainly serves the paper market, continued to gain positive momentum thanks to the contribution of BASF's hydrous kaolin activities, as well as the development of board packaging and specialty applications (paint, rubber, plastic, ink, etc.).

On markets with healthy overall trends (sanitary ware, tableware and floor tiles), the **Ceramics** division's sales were firm in emerging countries. During the period, Imerys sold an industrial site in Spain to Samca, a Spanish industrial minerals group.

▪ HIGH RESISTANCE MINERALS

(14% of the Group's consolidated revenue)

Non-audited quarterly data *(€ million)*	**2016**	**2015**	**Current change**	**Change at comp. basis** *(% prior year)*
1st quarter revenue	148.3	165.3	-10.3%	-6.4%
2nd quarter revenue	151.5	165	-8.1%	-4.4%
3rd quarter revenue	146.5	156.0	-6.0%	-5.5%
4th quarter revenue	151.4	143.1	+5.7%	+4.9%
Full-year revenue	**597.8**	**629.4**	**-5.0%**	**-3.1%**
Current operating income	**78.0**	**81.6**	**-4.5%**	
Operating margin	*13.0%*	*13.0%*	*stable*	

Revenue

Revenue for the High Resistance Minerals business group, which mainly serves high temperature (steel, casting, glass, aluminum, etc.) and abrasives industries, totaled €597.8 million in 2016, down -5.0% on a current basis from 2015. This decrease includes a €12.7 million structure effect from the divestment of a minerals trading activity in the United States at the end of June 2015. On a comparable basis, revenue decreased -3.1%, mainly because of weaker refractories market.

Operating income

The business group's **current operating income** totaled €78.0 million. It includes a +€7.6 million exchange rate effect and benefits from restructuring and cost reduction programs. In this context, the business group's **operating margin** was stable at 13.0%.

Review by division

In a market environment that remains difficult, Imerys continued to restructure its industrial asset base of the **Refractory Minerals** division, particularly in China.

In **Fused Minerals** division, demand was healthier in the fourth quarter. This notably allowed for accelerated revenue growth at the fused alumina plant in Bahrain. The Group also recorded its first sales of ultrafine alumina for high performance abrasives.

On December 31, 2016 Imerys completed the acquisition of the Alteo Group's specialty alumina activities. Under this transaction, Imerys committed to divest the La Bâthie, France plant. The remaining activities owned by Imerys generate €50 million in revenue. This operation enables the Group to broaden its product range with tabular alumina.

2.1.4 2017 OUTLOOK

In 2016, Imerys operational performance takes advantage of the relative improvement in the environment observed towards the end of the year, which however has yet to be confirmed for 2017. In the coming months, the Group will expand through recent acquisitions and continue to benefit from its excellence programs. In this context, Imerys remains well positioned to create long-term value, as evidenced by the contemplated acquisition of Kerneos.

2.1.5 DEFINITIONS AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES TO IFRS INDICATORS

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

GROWTH ON COMPARABLE BASIS

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

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

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

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

Restatement of entities leaving the consolidation scope consists of:

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

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

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

CURRENT INDICATORS

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

Current operating income

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

Current EBITDA

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

Net income from current operations

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

Current free operating cash flow

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

Current Free cash flow

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

2.1.6 ACTIVITY AND RESULTS OF IMERYS SA IN 2016

INCOME STATEMENT

The operating income of Imerys SA, the parent company of the Imerys group, amounts to -€66.3 million (-€56.4 million in 2015). Operating revenue amounts to €31.1 million (€31.4 million in 2015), *i.e.* a €0.3 million decrease attributable to a lower level of reinvoicing of the services rendered by the holding to its subsidiaries. Purchases and external services remain stable at €47.4 million (€46.5 million in 2015). Staff expenses increase by €7.0 million, mainly as a result of free shares grants. Besides, in order to bring together on one single site the teams of Imerys SA and its subsidiaries of the Île-de-France region, the headquarters of Imerys SA shall be relocated at the end of 2017. A provision for the rehabilitation of the current headquarters was thus accrued for €1.1 million.

Financial income amounts to €134.4 million (€356.6 million in 2015). Revenue from subsidiaries and affiliates amounts to €187.2 million, *i.e.* a decrease of €283.2 million *vs*. 2015, a period over which the company Imerys TC had paid to Imerys SA an exceptional dividend of €220.0 million. Imerys SA is managing the foreign exchange rate risk related to directly or indirectly held foreign net assets, as well as that resulting from the loans and advances granted to the subsidiaries and entities under cash management agreements, through adjustments of the proportions of its indebtedness denominated in foreign currencies. In 2016, Imerys SA recognized in this respect a net foreign exchange loss of -€3.6 million (-€70.7 million in 2015). Besides, the net change in the foreign exchange risk provision amounts to -€1.7 million in 2016 (+€3.0 million in 2015). Foreign exchange gains and losses net of provisions thus amount to -€5.3 million in 2016 (-€67.7 million in 2015). The net financial expenses included in the position "Financial interests and expenses on financial instruments", increase by €6.6 million further to the issue in March 2016 of a €600.0 million bond in two tranches: €300.0 million maturing in 2022 and an annual coupon of 0.875%, and €300.0 million maturing in 2028 and an annual coupon of 1.875%. The net of increases and decreases in financial provisions other than foreign exchange gains and losses, amounts to +€5.4 million in 2016 (+€0.1 million in 2015). In 2016, these changes correspond to a +€6.5 million decrease in the provision on financial instruments and a -€1.1 million increase on current financial management expenses.

Exceptional income amounts to €3.5 million (-€6.8 million in 2015). The decreases in provisions include a provision for management risks of €9.3 million and a provision for staff-related risks of €1.3 million. A provision for management risks of €6.7 million and a provision for staff-related risks of €0.2 million were accrued in 2016.

In accordance with the terms of the tax consolidation conventions signed by each company of the Imerys group, the tax expense or credit recognized in the accounts of Imerys SA is made up of the tax expense of Imerys SA, calculated as if it was not part of the tax consolidation and of the net amount of additional expenses and credits resulting from the tax consolidation. In this respect, Imerys SA recognized a credit of €34.0 million in 2016 (€46.6 million in 2015).

Net income amounts to €105.6 million in 2016 (€340.1 million in 2015).

The Board of Directors will propose the payment of a dividend of €1.87 per share at the Shareholders' General Meeting of May 3, 2017, up +6.9% compared to 2015. This dividend would be paid out from May 11, 2017 for an estimated distributed total amount of €149 million, *i.e.* 41% of the Group's consolidated net income from current operations (allocation proposal of earnings: *see note 29 of the statutory financial statements and chapter 8, paragraph 8.1.1 of the Registration Document*).

▪ FINANCIAL DEBT

As of December 31, 2016, the financial debt of Imerys SA is made up of the following items:

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Financial debts	3,575,917	1,987,749	431,442	1,156,726
Other debts	61,864	36,864	25,000	-
Deferred revenue	0	-	-	-
Unrealized exchange rate gains	19,042	19,042	-	-
Total	**3,656,823**	**2,043,655**	**456,442**	**1,156,726**

▪ INVENTORY OF SUBSIDIARIES AND EQUITY INTERESTS AND MARKETABLE SECURITIES

Subsidiaries and equity interests as of December 31, 2016: *see Note 30 of the statutory financial statements*.

Marketable securities as of December 31, 2016: *see Note 18 of the statutory financial statements*.

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

Share capital as of December 31, 2016: *see Notes 19 and 25 of the statutory financial statements, as well as in chapter 7, paragraph 7.3.1 of the Registration Document*.
Distribution of dividends policy: *see chapter 7, section 7.6 of the Registration Document*.
Dividends paid during the past three fiscal years:

	2016	2015	2014
	For the 2015 fiscal year	For the 2014 fiscal year	For the 2013 fiscal year
Gross dividend per share	€1.75	€1.65	€1.60
Net dividend per share	€1.75	€1.65	€1.60
Total net distribution	**€137.5 million**	**€132.5 million**	**€122.4 million**

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

Type of indicators *(€)*	**2016**	**2015**	**2014**	**2013**	**2012**
I. Capital and other shares at the end of the period					
Share capital	159,135,748	159,144,982	151,771,182	152,476,528	150,737,092
Number of ordinary shares at the end of the period	79,567,874	79,572,491	75,885,591	76,238,264	75,368,546
Nominal per share	€2	€2	€2	€2	€2
Number of preferred shares (without voting rights)	-	-	-	-	-
Maximum number of potential ordinary shares by exercise of options	865,621	1,459,672	2,484,569	3,090,546	4,102,831
II. Transactions and income for the period					
Pre-tax sales	30,520,557	30,377,768	37,564,102	25,308,126	26,555,498
Income before income taxes, legal profit-sharing and amortization, depreciation and provisions	67,450,733	267,801,548	10,864,457	32,340,859	(27,391,535)
Income taxes	33,968,800	46,644,138	44,446,604	34,950,441	35,839,607
Legal employee profit-sharing payable for the period Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	10,574,030	340,118,961	31,197,197	49,138,878	60,415,360
Distributed income (excluding withholding tax)	137,475,762	132,492,560	122,431,557	116,955,803	112,763,769
III. Earnings per share(1)					
Income after income taxes, legal profit-sharing and before amortization, depreciation and provisions	1.27	3.95	0.73	0.88	0.11
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	1.33	4.27	0.41	0.64	0.80
Net dividend per share	1.87(2)	1.75	1.65	1.60	1.55
IV. Employees					
Average number of employees for the period	168.00	166.00	157.00	141.00	152.83
Payroll for the period	19,057,948	16,867,259	15,926,339	14,822,200	15,320,203
Amount paid as social contribution for the period	8,771,366	9,356,639	9,075,639	8,282,608	7,954,307

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

(2) Proposed for the approval of the Shareholders' General Meeting of May 3, 2017.

EVENTS AFTER THE END OF THE PERIOD

The annual statutory financial statements as of December 31, 2016 were closed by the Board of Directors at its meeting on February 15, 2017. On January 10, 2017, Imerys issued a €600.0 million bond with a maturity of 10 years and an annual coupon of 1.50%. On January 25, 2017 Imerys cancelled an available €500.0 million financial resource consisting of a syndicated loan with an initial maturity expiring on December 11, 2017, with the option for a one year extension.

SUPPLIERS AND CUSTOMERS PAYMENT TERMS

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

	Article D. 441-4-I-1°: Received and unpaid invoices at the closing date of the period						**Article D. 441-4-I-2°: Issued and unpaid invoices at the closing date of the period**					
	0 day (indicative)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**	**0 day (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Portion of delayed payments												
Number of invoices	5					59						257
Total pre-tax amount of invoices *(€ thousands)*	16	217	19	4	11	251		1,470	10	188	1,494	3,162
Percentage of the total pre-tax amount of purchases of the period *(%)*	0.04	0.49	0.04	0.01	0.03	0.57						
Percentage of pre-tax sales of the period *(%)*								4.81	0.03	0.62	4.90	10.36
(B) Invoices excluded from (A) related to litigious or unrecognized debts and receivables												
Number of excluded invoices	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of excluded invoices	-	-	-	-	-	-	-	-	-	-	-	-
(C) Standard terms of payment used (contractual or legal term – article L. 441-6 or article L. 433-1 of the French Code of Commerce)												
Standard terms of payment used for the calculation of delayed payments	Contractual terms: as indicated on the invoice						Contractual terms: 30 days					
	Legal terms: 30 days						Legal terms: 30 days					

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

- Social and environmental information including the consequences on the climate change; social commitments to Sustainable Development and Circular Economy (chapter 5 - Sustainable Development);
- Research & Development (chapter 1 - Presentation of the Group);
- Interest acquisition or takeover (chapter 1 - Presentation of the Group and chapter 6 - Financial statements);
- Composition and functioning of the Board of Directors; list of offices and functions held by each corporate officer; corporate officers' transactions in Company's securities (chapter 3 - Corporate Governance);
- Amount of compensation and benefits paid to corporate officers including stock options and free shares; pension commitments made by the Company in favor of its corporate officers (chapter 3 - Corporate Governance and chapter 6 - Financial statements);
- Main risks and uncertainties (chapter 4 – Risk factors and internal control and chapter 6 - Financial statements);
- Main subsidiaries and affiliates (chapter 6 - Financial statements);
- Use of financial instruments (chapter 6 - Financial statements);
- Information on share capital (including employee shareholding in the share capital of the Company; table summarizing the current financial authorizations and share buyback programs) and items likely to have an impact in the event of a public offer (chapter 7 - information about the Company and its share capital).

2.2 STATUTORY AUDITORS' REPORTS

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

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

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

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

2.2.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the opinion on the Company consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company consolidated financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Imerys;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Your Group performs annual goodwill impairment tests and also assesses whether there is any indication of impairment in long-term assets in accordance with the terms and conditions described in Note 19 to the consolidated financial statements. Our procedures consisted in analyzing the terms and conditions for implementing these impairment tests and the assumptions used and in verifying that this Note to the consolidated financial statements provides appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

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

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

Paris-La Défense and Neuilly-sur-Seine, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres		Deloitte & Associés
Jean-Roch VARON	Sébastien HUET	Frédéric GOURD

2.2.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Imerys;
- the justification of our assessments,
- the specific verifications and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as at December 31, 2016 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we hereby bring the following matters to your attention:

Investments in subsidiaries are valued by taking into account both percentage of net worth that they represent as well as future profitability forecasts as indicated in the accounting policies and methods and note 2 to the financial statements concerning long-term investments.

Our procedures consisted in assessing the data and assumptions on which these estimates are based and reviewing the calculations performed by your Company. We assessed the reasonableness of these estimates.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

III. SPECIFIC VERIFICATIONS AND DISCLOSURES

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

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

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the 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 these procedures, we attest to the accuracy of this information.

As indicated in the management report, this information represents the remunerations and benefits paid by the Imerys Group and the companies controlling it with respect to directorships, roles or engagements performed in or on behalf of Imerys Group. It does not include remunerations and benefits paid with respect to other directorships, roles or engagements.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of the shareholders or holders of the voting rights.

Paris-La Défense and Neuilly-sur-Seine, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres

Jean-Roch VARON — Sébastien HUET

Deloitte & Associés

Frédéric GOURD

2.2.3 STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

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

Shareholders' General Meeting to approve the financial statements for the year ended December 31, 2016

To the Shareholders,

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

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

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* concerning the implementation, during the year, of the agreements and commitments already approved by the Annual General Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* relating to this type of engagement. These procedures consisted in verifying that the information provided to us was consistent with the documentation from which it was extracted.

▪ AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE ANNUAL GENERAL MEETING

Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French Commercial Code *(Code de commerce)*, we have been advised of the following commitment which received prior authorization from your Board of Directors.

With Mr Gilles Michel, Chief Executive Officer of your Company

Nature, purpose and conditions: Modification of the Group defined-benefit pension plan, for which Mr Gilles Michel, your Company's Chief Executive Officer, is eligible.

On the recommendations of your Company's Compensation Committee, your Board of Directors decided, at its meeting on December 15, 2016, to modify the criteria for the assessment of eligibility for the Group defined-benefit pension plan related to the required length of service (at least eight years with the Group, including four years as a member of the Executive Committee), for which Mr Gilles Michel, Chief Executive Officer, is eligible. According to this change, a beneficiary's length of service will henceforth be assessed as at January 1st of each new year of service with the Group.

The other provisions of the plan remain unchanged, namely that 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 defined-contribution pension plan referred to herebelow) equal to 60% of their reference salary (the average of a beneficiary's last two years of fixed and variable compensation). This salary is limited to 30 times the French Social Security Annual Ceiling;
- subject to a maximum payment of 25% of said reference salary.

This plan also provides for the possibility of the payment of a surviving spouse's benefit corresponding to the life annuity prorated based on the duration of the couple's marriage.

This plan is managed by an external insurance Company.

The total amount of the estimated commitment for Mr Gilles Michel is k€ 5,609 as at December 31, 2016.

Reasons why the Company benefits from this agreement

Your Board of Directors justified this agreement as follows: this change will enable the Company, in due course, to measure the annual growth of the contingent rights under this plan, as provided for by Article L. 225-42-1 of the French Commercial Code *(Code de commerce)*.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

a) Agreements and commitments approved in prior years whose implementation continued during the year

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

With Mr Gilles Michel

Group defined-contribution pension plan

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

For financial year 2016, the contributions paid by your Company in this respect for Mr Gilles Michel amount to € 15,216.

Unemployment insurance plan for corporate officers

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

For the year ended December 31, 2016, your Company paid contributions to this plan amounting to € 12,342.

b) Agreements and commitments approved during the year

In addition, we have been advised of the continuation during the year of the following commitment which was approved by the Ordinary and Extraordinary Annual General Meeting on May 4, 2016 based on the statutory auditors' report dated March 16, 2016, and which was not executed during the year.

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

At its meeting on February 11, 2016, your Board of Directors amended Mr Gilles Michel's corporate officer agreement, as approved by the Annual General Meeting on April 30, 2015. This agreement now stipulates that "severance pay would be due to him in the event of forced departure, relating to a change in control or strategy or a major disagreement over these matters. No severance pay would be due in the event of Mr Gilles Michel's voluntary departure, or if he has the possibility of triggering his retirement benefits in the short term, after the age of 63".

The other terms and conditions of payment (calculation of the amount, applicable performance conditions) are unchanged, namely:

- The severance pay shall be equal to his fixed compensation for the last twenty-four months, together with an amount equal to twice his variable compensation accrued in respect of the last two financial years ended.
- The severance pay is subject to performance conditions assessed on the basis of the arithmetic average of the percentages of achievement of only the economic and financial targets for the last three financial years, as fixed for the determination of the variable compensation for each of those financial years, as follows:
  - if the average percentage (calculated over the last three financial years concerned) were less than 40%, no severance pay would be due,
  - if the percentage were between 40% and 80%, the severance pay would be calculated on a straight-line basis between two thresholds corresponding to 50% and 100% of the maximum amount,
  - if the percentage exceeded 80%, the maximum amount would be due.

Paris-La Défense and Neuilly-sur-Seine, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres		Deloitte & Associés
Jean-Roch VARON	Sébastien HUET	Frédéric GOURD

3

CORPORATE GOVERNANCE

The Company has been organized as a French Limited Liability Company ("Société Anonyme") with a Board of Directors. On April 28, 2011, the Board decided to merge the duties of Chairman of the Board and Chief Executive Officer and to appoint Mr. Gilles Michel to perform them. In 2014, it also decided to appoint a Vice-Chairman, who is currently Mr. Paul Desmarais III. This governance structure, adopted by a majority of listed French companies with a Board of Directors, simplifies the Company's operational management in order to further improve its efficiency while taking into account the presence of controlling shareholders in the Company's capital and the application of best Corporate Governance practices.

The Company complies with the French regulations to which it is subject with respect to Corporate Governance. The AFEP-MEDEF Corporate Governance Code, updated for the last time in November 2016 (the "AFEP-MEDEF Code"), is used by the Company as a reference in drawing up the report provided for in article L. 225-37 of the French Code of Commerce, pursuant to the law of July 3, 2008 transposing the European directive 2006/46/EC of June 14, 2006 (this Code is available on the Company's website: *www.imerys.com*, in the "The Group/Corporate Governance" section). The Company complies with all of the recommendations resulting from this Code, except for those that are explained in *section 3.8* below.

3.1 BOARD OF DIRECTORS

3.1.1 POWERS

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

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

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

- the Board of Directors makes the checks and controls that it judges appropriate at any time of the year. It may obtain any documents that it judges useful for carrying out its mission;
- the Executive Management periodically presents a report to the Board of Directors on the status and running of Company affairs, which is drawn up under conditions requested by the Board of Directors. The report includes the presentation of the Group's quarterly and half-yearly financial statements;
- within three months of closing the financial year, the Executive Management presents the Company's annual financial statements, the Group's consolidated financial statements and its report on the financial year just ended to the Board of Directors for review and control. The Board of Directors settles these financial statements and the terms of its Management Report to be presented to the annual Shareholders' General Meeting;
- the Executive Management submits to the Board of Directors its annual operating objectives for the year ahead and, periodically, its long-term strategic projects.

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

- the strategic orientations of the Company and Group and any operations likely to significantly influence such orientations; it also periodically examines the long-term strategic plan (multiyear plan) drawn up or revised by Executive Management;
- the operations likely to significantly modify the purpose or scope of business of the Company and the Group, including:
  - the acquisition, investment, takeover or disposal of securities or any other fixed asset (and any operation economically comparable, including by way of contribution or exchange) for an amount greater than €75 million per operation, or its equivalent amount in any other currency,
  - the significant commercial or industrial agreements that would bind the long-term future of the Company or the Group,
  - any financing operations for an amount likely to significantly modify the financial structure of the Group;
- as the case may be, the allocation of management tasks between the various Delegate Chief Executive Officers, as proposed by the Chief Executive Officer;
- more generally, any commitment by the Company or the Group that may constitute a regulated agreement, in accordance with the law.

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

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

3.1.2 COMPOSITION

The Board of Directors is currently composed of 17 members. Their term of office is three years and, in principle, one third of members is renewed each year.

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

The Board of Directors has since October 6, 2014 two employee representative Directors appointed by Imerys' French Group Works Council and European Works Council respectively. They benefit from training in line with the performance of their duties, borne by the Company and provided either by external organizations or by Imerys Learning Center. In accordance with regulatory provisions, the Board of Directors, at its meeting of October 29, 2015, has set the time devoted to their training to 20 hours as a minimum and 35 hours as a maximum per year as for the next two years of their term of office; this training is completed by an English language training in the limit of 35 hours per year. Furthermore, the Board of Directors has set at 15 hours on the legal working time the overall time spent by the employee representative Directors to prepare each meeting of the Board of Directors. Since the appointment of employee representative Directors, the Company Works Council has only been represented on the Company's Board of Directors by one person who attends all Board meetings on an advisory basis.

CHANGES IN 2016

The Company's shareholders, at their Ordinary and Extraordinary General Meeting of May 4, 2016, decided to:

- approve the appointment as new Directors of Mr. Laurent Raets and Mr. Colin Hall, who were coopted by the Board of Directors on July 29 and December 15, 2015, respectively;
- renew the terms of office as Directors of Mr. Ian Gallienne and Mr. Laurent Raets for a further period of three years; i.e. until the end of the Shareholders' General Meeting called in 2019 to rule on the financial statements for 2018;
- appoint, for three years, Mrs. Odile Desforges and Mr. Arnaud Vial as new Directors, i.e. until the end of the Shareholders' General Meeting called in 2019 to rule on the financial statements for 2018.

The terms of office as Directors of Mrs. Fatine Layt, Mr. Robert Peugeot and Mr. Amaury de Seze ended following the Shareholders' General Meeting of May 4, 2016; they did not request their respective renewal, which the Board duly noted at its meeting of February 11, 2016 and so did not propose that renewal.

Finally, on May 4, 2016, the Board of Directors appointed Mr. Paul Desmarais III to succeed Mr. Amaury de Seze as Vice-Chairman of the Board of Directors.

▪ COMPOSITION

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

Name	Age	Nationality	Position	Date of 1st appointment	Year of renewal of term of office	Number of shares owned	Independent member
Gilles Michel	61	French	Chairman and Chief Executive Officer	11/03/2010	2018	75,095	No(1)
Paul Desmarais III	34	Canadian	Director	04/29/2014	2017	600	No(2)
Éliane Augelet-Petit	59	French	Employee representative Director	10/06/2014	2017	n.a.	n.a.
Aldo Cardoso	61	French	Director	05/03/2005	2017	1,680	Yes
Odile Desforges	67	French	Director	05/04/2016	2019	600	Yes
Ian Gallienne	46	French	Director	04/29/2010	2019	600	No(2)
Marion Guillou	62	French	Director	09/01/2012	2017	600	Yes
Colin Hall	46	American	Director	12/15/2015	2017	600	No(2)
Giovanna Kampouri Monnas	61	Greek	Director	04/30/2015	2018	600	Yes
Ulysses Kyriacopoulos	64	Greek	Director	04/30/2015	2018	600	No(3)
Xavier Le Clef	40	Belgian	Director	04/26/2012	2018	720	No(2)
Arielle Malard de Rothschild	53	French	Director	04/28/2011	2017	600	Yes
Enrico d'Ortona	53	Belgian	Employee representative Director	10/06/2014	2017	na	na
Laurent Raets	37	Belgian	Director	07/29/2015	2019	600	No(2)
Katherine Taaffe Richard	35	American	Director	04/30/2015	2018	600	Yes
Arnaud Vial	64	French		05/04/2016	2019	600	No(2)
Marie-Françoise Walbaum	65	French	Director	04/25/2013	2018	600	Yes
Total members: 17						**84,695(4)**	**7**

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

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

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

(4) i.e. *0.11% of capital and 0.12% of voting rights as of December 31, 2016.*

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

Pursuant to statutory provisions, the terms of office of Directors end ipso jure on the date of the General Meeting following the date on which the incumbent reaches the age of 70; those of Chairman and Vice-Chairman(s) end ipso jure following the next Board Meeting after their 70th birthday.

Furthermore, as of the date of the present Registration Document: the proportion of women on the Board (6 out of 15, outside the employee representative Directors) reaches 40%; eight members are not French nationals and seven are considered "independent". This proportion of independent members in the composition of the Board of Directors (7 out of 15) is greater than the one-third recommended by the AFEP-MEDEF Code for companies with controlling shareholders.

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

At its meeting of February 15, 2017 and on the proposal of its Appointments Committee, the Board revised the independence criteria that it used until then, in order to take account of the last clarifications provided by the AFEP-MEDEF Code. On that occasion the Board pointed out that the independence criteria thus revised[1] were neither exclusive of independent status if any of them were not met, nor necessarily sufficient to grant such status. A member's independent status should be appraised according to his or her particular personal situation or the Company's situation, with respect to its shareholding or for any other reason. Directors representing the Company's major shareholders may be considered as being independent provided that these shareholders do not take part in the control of the Company. However, above a threshold of 10% in capital or voting rights, the Board, upon a report by the Appointments Committee, systemically examines the independent status taking into account the Company's shareholding and any potential conflicts of interest.

▪ CHANGES PLANNED FOR 2017

After examination and opinion by the Appointments Committee, the Board will put to the shareholders at the General Meeting of May 3, 2017 to:

- renew the terms of office as Directors of Mrs. Marion Guillou, Mr. Aldo Cardoso, Mr. Paul Desmarais III and Mr. Colin Hall for a further period of three years, i.e. until the end of the Shareholders' General Meeting called in 2021 to rule on the financial statements for 2020;
- appoint, for a period of three years, Mrs. Martina Merz as a new Director, i.e. until the end of the Shareholders' General Meeting called in 2021 to rule on the financial statements for 2020.

The term of office of Mrs. Arielle Malard de Rothschild expires at the next Shareholders' General Meeting and given that she did not solicit its renewal, the Board of Directors acknowledged it at its meeting of February 15, 2017. The Board also announced its intention of renewing Mr. Paul Desmarais III's office as Vice-Chairman of the Board of Directors.

At the end of the Shareholders' General Meeting of May 3, 2017, subject to the adoption of the above proposals, the proportion of women on the Board (6 out of 15, outside the employee representative Directors) would be maintained at 40%, in compliance with legal provisions and recommendations of the AFEP-MEDEF Code.

In accordance with the principles adopted by the Company for qualifying its Directors' independent status, following individual examination of their personal situation, particularly those whose renewal or appointment are proposed, the Board, on the proposal of the Appointments Committee, recognized that status for Mrs. Marion Guillou, Mrs. Martina Merz and Mr. Aldo Cardoso, and did not recognize it for Mr. Paul Desmarais III and Mr. Colin Hall, as representatives of controlling shareholders in the Company. The Board maintained independent status for Aldo Cardoso, whose term of office following its renewal, as proposed, will exceed 12 years: it considered, on the recommendation of the Appointments Committee, that the duration of his term of office would not affect his critical judgment of executive management and that his expertise and authority are acknowledged in the financial, control, management and corporate governance areas, including by market authorities or regulators *(see section 3.8 of the present chapter)*.

On this occasion, the Board also examined any business relations that may exist between Group companies and the current Directors. The Board found that there were no other business relations with Directors representing controlling shareholders of the Company other than the capital ties between these shareholders and the Company. Such a capital tie also exists between Mr. Ulysses Kyriacopoulos and the Company. Indeed, following the acquisition of the S&B group by Imerys, his family, through Blue Crest Holding S.A., entered into the capital of the Company (it held 5.18% of Imerys' share capital at the end of December 2016) and entered into a shareholders' agreement with GBL[2]. It could also receive an additional cash payment on the acquisition price based on the S&B's activities future performances. Given these points, the Board, on the proposal of the Appointments Committee, has confirmed the absence of recognition of Mr. Ulysses Kyriacopoulos as an independent member. Apart from the abovementioned exceptions, the Board judged that the current Directors do not have any business relationship with the Group - or, if one existed, that it came under current operating activity of the Group and moreover, were not significant for the Group (as for the investment bank Rothschild & Cie in which Mrs. Arielle Malard de Rothschild holds a management position and does not intervene on behalf of the Group) - that is likely to affect their independence or create a conflict of interest.

Information on Directors whose terms of office's renewal will be put to the Shareholders' General Meeting appears in *paragraph 3.1.3 of this chapter*; the information on Mrs. Martina Merz as new applicant appears in *chapter 8, paragraph 8.1.5 of the Registration Document*.

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

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

3.1.3 INFORMATION ON THE DIRECTORS

The information below was provided individually to the Company by each of the Directors concerned in function as of December 31, 2016.

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

Gilles Michel
Chairman and Chief Executive Officer

Born on January 10, 1956

Work address:
Imerys
154, rue de l'Université
75007 Paris (France)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

- Chairman and Chief Executive Officer of Imerys*.

Other responsibilities

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

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

None.

Paul Desmarais III
Vice-Chairman of the Board of Directors

Born on June 8, 1982

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

Other responsibilities

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

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

None.

* *Listed company.*

Éliane Augelet-Petit
Employee representative Director

Born on August 29, 1957

Work address:
Imerys
154, rue de l'Université
75007 Paris (France)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

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

None.

Aldo Cardoso
Director

Born on March 7, 1956

Work address:
Imerys
154, rue de l'Université
75007 Paris (France)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Responsibilities

- Director: Bureau Veritas*, Engie*, Worldline* (France).
- Censor: AXA Investment Managers (France).

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

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

* *Listed company.*

Odile Desforges
Director

Born on January 24, 1950

Work address:
3, rue Henri-Reine
75016 Paris (France)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Responsibilities

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

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

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

Ian Gallienne
Director

Born on January 23, 1971

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

Other responsibilities

- Director: Erbe SA, Umicore* (Belgium); Pernod Ricard* (France); SGS* (Switzerland).
- Member of the Supervisory Board: Adidas AG* (Germany).

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

- Managing Director: Ergon Capital Partners SA, Ergon Capital Partners II SA, Ergon Capital Partners III SA (Belgium).
- Director: Ergon Capital SA, Publihold SA, Steel Partners NV (Belgium); Central Parc Villepinte SA, Elitech Group SAS, Fonds de Dotation du Palais, Lafarge*, PLU Holding SAS (France); Gruppo Banca Leonardo SpA, La Gardenia Beauty SpA, Seves SpA (Italy); Arno Glass SA (Luxembourg).
- Member of the Supervisory Board: Arno Glass Luxco SCA, Kartesia Management SA (Luxembourg).
- Manager: Egerton Sàrl, Ergon Capital II Sàrl (Luxembourg).

* *Listed company.*

Marion Guillou
Director

Born on September 17, 1954

Work address:
IAVFF Agreenium
42, rue Scheffer
75116 Paris (France)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Responsibilities

- Chairman of the Board of Directors: Agreenium (France).
- Member of the Board of Directors: APAVE, BNP Paribas*, CARE France, Consultative Group on International Agricultural Research (CGIAR), Institute for advanced Studies in Science and Technology (IHEST), Veolia Environnement* (France).

Other activities:

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

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

- Chairman & CEO of INRA (France).
- Chairman of the Board of Directors: École Polytechnique (France).
- Member of the Supervisory Board: Areva* representing the State (France).
- Member of the Board of Directors: Jacques de Bohan Foundation, National Political Science Foundation (FNSP), University of Lyon Foundation (France).
- Chairman: Joint European Programming Initiative "Agriculture, Food Security and Climate Change".

Colin Hall
Director

Born on November 18, 1970

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

Other responsibilities

- Member of the Supervisory Board: Kartesia Management SA (Luxembourg).
- Director: Ergon Capital Partners SA, Ergon Capital Partners II SA, Ergon Capital Partners III SA, Umicore (Belgium).

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

None.

3

* *Listed company.*

Giovanna Kampouri Monnas
Director

Born on May 18, 1955

Work address:
Keizersgracht 296B
Amsterdam 1016EW (Netherlands)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Responsibilities

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

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

None.

Ulysses Kyriacopoulos
Director

Born on September 25, 1952

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

Mining engineer of Montanuniversität Leoben (Austria) and a graduate of the University of Newcastle upon Tyne (UK) and holder of a MBA from INSEAD in Fontainebleau, Odysseus (Ulysses) Kyriacopoulos joined in 1979 the family business S&B as the Finance Director of Bauxite Parnasse, of which he became Managing Director in 1986. In 1990, he was appointed CEO of the S&B Industrial Minerals group. He was its President from 2001 to February 2015, date on which the S&B group was sold to Imerys. He also held the functions of President of the Greek Employers (SEV), Vice-President of UNICE between 2000 and 2006 and President of the Greek National Opera between 2006 and 2009.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Responsibilities

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

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

- Member of the General Council of the National Bank of Greece.
- Chairman, then Vice-Chairman, of the Foundation for Economic and Industrial Research (Greece).

* *Listed company.*

Xavier Le Clef

Director

Born on August 4, 1976

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

Other responsibilities

- Managing Director: Compagnie Immobilière de Roumont, Europart, Fibelpar (Belgium).
- Director: Andes Invest, BSS Investments, Carpar, Distriplus, GB-INNO-BM, Investor, Loverval Finance, The Belgian Chocolate House Brussels (Belgium); Financière Flo, Groupe Flo*, (France); Finer, International Duty Free, Immobilière Rue de Namur, Kermadec, Swilux (Luxembourg); Transcor Astra 25 (Netherlands); AOT Holding, APG/SGA*, Worldwide Energy (Switzerland).
- Director: Pargesa Asset Management, Parjointco (Netherlands).
- Permanent representative of Compagnie Immobilière de Roumont (Belgium) on the Board of Directors of: GIB Corporate Services, International Duty Free Belgium, Transcor Astra Group (Belgium).
- Managing Director: Hulpe Offices Management (Belgium).
- Permanent representative of Hulpe Offices Management (Belgium) acting as Managing Director of Hulpe Offices (Belgium).

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

- Director: Belgian Icecream Group “BIG”, Carsport, Fidentia Real Estate Investments, Goinvest, Groupe Jean Dupuis, Nanocyl, Newtrans Trading, Starco Tielen, Trasys Group (Belgium); International Duty Free (Dubai-United Arab Emirates); Tikehau Capital Advisors, Unifem (France); Rottzug (Netherlands).
- Member of the Investment Committee: Tikehau Capital Partners (France).

Arielle Malard de Rothschild

Director

Born on April 20, 1963

Work address:
Rothschild & Cie
23 bis, avenue de Messine
75008 Paris (France)

A doctor of Economics from the Institut d’Études Politiques of Paris, with a postgraduate degree in Currency, Banking & Finance from the Assas University (Paris), Arielle Malard de Rothschild began her career in 1989 at Lazard bank where she spent 10 years, first in the Advice to Foreign Governments Department. Arielle Malard de Rothschild joined Rothschild & Cie Banque in 1999 where she set up and developed the Emerging Markets Department in Paris. She is currently, since March 2006, Managing Director of Rothschild & Cie and, since 2014, Director of Rothschild & Co (formerly Paris-Orléans), the holding of Rothschild group. Personal interests have also led her to take part in humanitarian work: in 1997, she was appointed Director of the Care France NGO then Chairwoman in 2007 and Vice-Chairman of CARE International (USA). Arielle Malard de Rothschild is also for many years Director of the Rothschild Foundation and the Traditions for Tomorrow association.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

- Managing Director: Rothschild & Cie (Merchant bank - France).

Other responsibilities

- Director: Groupe Lucien Barrière, Rothschild & Co* (France); Electrica SA* (Romania and United Kingdom).
- Vice-Chairman: CARE International (Switzerland).
- Chairwoman: Care France.

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

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 Paris (Belgium)

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

- Production operator: Imerys Minéraux Belgique (Belgium).

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

None.

Laurent Raets
Director

Born on September 9, 1979

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

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

None.

* *Listed company.*

Katherine Taaffe Richard

Director

Born on March 11, 1982

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

Other responsibilities

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

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

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

Arnaud Vial

Director

Born on September 9, 1979

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Main activity

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

Other responsibilities

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

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

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

* *Listed company.*

Marie-Françoise Walbaum
Director

Born on March 18, 1950

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN 2016

Responsibilities

- Director and Chairman of the Audit Committee: Esso* (France).
- Director, Member of the Audit Committee and of the Equity Interests and Investments Committee: FFP* (France).
- Director: Thales* (France).
- Member of the Supervisory Board: Isatis Capital (France).

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

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

▪ OTHER INFORMATION

Expertise and experience of the members of the Board of Directors

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

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

Family ties between the members of the Board of Directors

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

Potential conflicts of interest between members of the Board of Directors

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

It is specified that some Directors of the Company also have executive responsibilities with the Company's controlling shareholders; this is the case for Messrs. Paul Desmarais III, Ian Gallienne, Colin Hall, Xavier Le Clef, Laurent Raets and Arnaud Vial *(see their respective biographies above)*.

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

Service contracts between the Company and its Directors

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

No sentence for fraud

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

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

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

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

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

3.1.4 FUNCTIONING

Meetings

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

2016	
Number of meetings	7
Average actual attendance rate of members	92.62%
2017	
Expected number of meetings	5

The annual provisional schedule of Board of Directors' Meetings, as well as of its specialized Committees, is set, at the latest, in the last meeting of each year. A first indication is given on this occasion to the Board of the potential specific topics to be discussed during the coming year by the Board and its Committees. The Chairman of the Board of Directors usually sets the agenda of each Board Meeting after gathering the suggestions of the Vice-Chairman as well as the opinion of the Secretary of the Board. He runs meetings, facilitates debates and reports on meetings in accordance with the law, the by-laws of the Company and the Corporate Governance principles and practices that the Board has itself adopted, as set out in the following paragraph.

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

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

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

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

The Vice-Chairman

The Chairman and Chief Executive Officer is assisted in organizing the work of the Board and its Committees by a Vice-Chairman. The latter, traditionally chosen amongst the Directors representing the Company's controlling shareholders, ensures that the Company's governance bodies function correctly and chairs Board meetings in the event of the Chairman's absence. He or she also coordinates the Company's relations with its controlling shareholders and their representatives and seeks to prevent any situations likely to cause potential conflicts of interest for a Director and, more generally, ensures that best Corporate Governance practices are applied. The Vice-Chairman chairs the Appointments Committee and the Compensation Committee.

The Secretary

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

The Secretary also acts as Ethics Officer, tasked with giving an opinion prior to any transactions in the Company's securities considered by Directors and Group's main senior executives, at their request.

3.1.5 IMPLEMENTATION OF BEST CORPORATE GOVERNANCE PRACTICES

Internal Charter of the Board of Directors

In the context of compliance with best Corporate Governance practices, the Board has adopted an Internal Charter that contains all the principles for its members' conduct and the functioning of the Board and its specialized Committees. The Charter, of which the first version was adopted in 2002, is regularly updated in order to incorporate: legal and regulatory developments that apply to the Company; recommendations on Corporate Governance by the AMF as well as by trade and associations bodies that represent French listed companies (AFEP, MEDEF, ANSA, etc.); and, finally, the amendments made by the Board following the annual assessments of its own functioning, carried out to comply with best practices. The Board of Directors' Internal Charter was last updated on February 15, 2017. It takes into account recent legal and regulatory changes, the recommendations of the AFEP-MEDEF Code as revised in November 2016, as well as the changes determined by the Board at its last appraisal. The new version of the Charter is available on the Company's website, *www.imerys.com*, in "The Group/Corporate Governance" section.

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

Preventing conflicts of interest

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

- "the Director shall inform the Chairman and the Vice-Chairman of the Board of any situation likely to create a conflict of interest, even a potential one, for him or her. For that purpose, he or she shall inform the Chairman and the Vice-Chairman, of any Group operations that directly or directly concern him or her and of which he or she has knowledge, before they are completed. He or she abstains from voting in any Board deliberation where that situation arises, or even in the discussion prior to the vote; the minutes of the meeting mention this abstention. The Shareholders' General Meeting is informed of any such operations in accordance with the law;

- a Director may not use his or her position or functions to obtain for him or herself or for a third party any benefit, whether or not monetary;
- a Director may not take on any responsibilities on a personal basis in any business or concern in direct or indirect competition with the businesses or concerns of the Imerys group without informing the Chairman and the Vice-Chairman beforehand."

Self-assessment by the Board of Directors

Pursuant to the recommendations of the AFEP-MEDEF Code and in accordance with the Board's Internal Charter, "every year the Board of Directors reviews and appraises its operating conditions and activity during the previous financial year. The findings of that examination are intended to appear in the Board's report in the Group's Registration Document. In addition, at intervals determined by its Chairman, the Board of Directors conducts a formal self-assessment using a questionnaire sent to the Directors beforehand".

At the beginning of 2017, the Board of Directors formally assessed its functioning and that of its Committees with respect to 2016. Accordingly, each of its members was given an individual questionnaire on the role and performance of the Board and its Committees, their composition and functioning, the organization and holding of their meetings and, finally, the information provided to Directors. This questionnaire was revised on that occasion, with new questions added to take into account developments in best practices, particularly those recommended by AFEP. Individual meeting with the Secretary of the Board were proposed to the Directors who so wished, particularly independent Directors, in order to discuss the points raised in the questionnaire more freely and so enhance their answers. The conclusions of the assessment were presented and discussed at the Board of Directors' Meeting on February 15, 2017.

Generally speaking, the workings of the Board and its Committees were judged quite satisfactory by their members, the majority considering it is making progress. The Directors particularly appreciated the quality of the information provided at each of their meetings and the quality and efficiency of debates among the members. The Directors were satisfied to note that the main recommendations resulting from the Board's self-assessment in February 2016, intended to improve its functioning and performance and those of its Committees, had been applied (including site tours organized for the Directors; new presentation session of the Group's business activity and organization, particularly for new Directors; appointment of an employee representative Director to the new Compensation Committee).

At the time of that latest assessment, the Board saw fit to continue the actions it has carried out so far, in particular: industrial site tours, periodic sessions devoted to the Group's general strategy and increasing of the diversity of Directors' profiles.

▪ SPECIALIZED COMMITTEES

The Board of Directors has formed four specialized Committees among its members: the Strategic Committee, the Appointment Committee, the Compensation Committee (resulting from the split of the Appointments and Compensation Committee decided by the Board on May 4, 2016) and the Audit Committee.

These Committees carry out their activities under the responsibility of the Board which defines their missions, composition and compensation on the proposal of the Appointments Committee and the Compensation Committee.

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

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

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

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

▪ STRATEGIC COMMITTEE

(created on June 17, 1993 with the name Standing Committee)

Mission

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

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

1. Strategy

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

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

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

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

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

2. Risks

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

Composition

The Strategic Committee is made up of the following seven members appointed by the Board:

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

Functioning

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

2016	
Number of meetings	8
Average actual attendance rate of members	91.07%
2017	
Expected number of meetings	7

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

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

Activity in 2016

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

In that respect, the Committee regularly examined trends in Imerys' business and the main markets on which it operates its activities. In particular, the Committee closely examined the situation of the Oilfield Solutions division and monitored the measures taken by the Executive Management to adapt the management of this activity to the sharp downturn it was facing in the non-conventional oil market in the United States. The Committee also reviewed the Graphite & Carbon division's growth strategy and approved in principle the related multi-year annual investment program. The Committee also examined in detail Imerys' quarterly consolidated financial statements and how they reflected the results of the actions taken by Executive Management.

At the meeting that took place in Villach, Austria, to which all the Directors were invited, they were able to tour the fused alumina plant, CARDD, the research & development center specializing in high-performance abrasives and refractories, and the first production line for the abrasive "Sol Gel" (Fused Minerals division). I-Cube, the operational excellence program being rolled out to all the Group's sites, was presented to them on that occasion.

The Committee also reviewed, with the other directors also attending, the five-year strategic plan for all of the Group's activities and the Group's consolidated financial trajectory for the period 2016-2020.

At its last session of the year, the Committee also reviewed the Group's estimated results for 2016 and budget for 2017. On this occasion, it heard the Group Executive Vice-Presidents who presented details of the individual budgets for the divisions they oversee, with all the other members of the Executive Committee.

In addition, the Strategic Committee periodically examined and approved the key stages and main aspects of the most significant external growth or divestment projects. In 2016, this review particularly concerned the following acquisitions projects, listed in chronological order:

- Spar Inc., a niche player in monolithic refractories, based in Alabama in the United States;
- the Alteo group's specialty alumina activities, intended for refractory, abrasive or ceramic-type applications;
- Kerneos, the world leader in high-performance calcium aluminate binders, enabling Imerys to broaden its specialty mineral offering for industry in construction chemicals, a growing, complementary market, and in refractories;
- Damolin, a Danish mineral solutions group specialized in oil & chemical absorbents, as well as animal nutrition and cat litter.

Finally, as usual, the Strategic Committee worked to analyze the Group's financial structure and make sure of its robustness, particularly in respect to the financing of Imerys' investment and external growth policy. In this framework, the Committee reviewed the main terms of the bond issues that the Group carried out in March 23, 2016 and January 10, 2017 for a total principal amount of €1.2 billion.

▪ APPOINTMENTS COMMITTEE

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

Mission

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

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

- proposed appointments of Chairman and Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers, Directors and Chairman and members of Committees. In that respect, the Appointments Committee has to take the following items into account, particularly as regards the composition of, and changes in, the Company's shareholding, to result in a balanced composition of the Board in terms of independence, gender balance, nationality, international experience and expertise (particularly the financial or accounting skills required for members of the Audit Committee);
- the presentation of a succession plan for Executive Corporate Officers and, on the Chairman and Chief Executive Officer's initiative, for the members of the Executive Committee;
- the independent status of each Director, with respect to the definition of independence adopted by the Board, and any changes (or clarification of criteria) to be made to that definition;
- review of proposed responses to any requests from regulatory authorities (AMF, HCGE), and
- more generally, the Committee makes recommendations as needed to the Board of Directors to comply with best governance practices and the recommendations of the AFEP-MEDEF Code."

Composition

The Appointments Committee is comprised of the following five members who are appointed by the Board and include the Vice-Chairman of the Board of Directors, who chairs the Committee:

Name	Date of 1st appointment to the Committee	Independent member status
Paul Desmarais III, Chairman	May 4, 2016	No
Ian Gallienne	April 26, 2012	No
Marion Guillou	April 29, 2014	Yes
Arielle Malard de Rothschild	April 26, 2012	Yes
Marie-Françoise Walbaum	May 4, 2016	Yes
Number of Members: 5		**3**

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

The Board of Directors, after gathering the opinion of the Appointments Committee, intends to appoint Mrs. Martina Merz as a new member of the Appointments Committee, subject to her appointment as a Director of the Company at the General Meeting of May 3, 2017. She would succeed Mrs. Arielle Malard de Rothschild who did not request the renewal of her term of office as Director. Following this change, the Committee would continue to have a majority of independent members.

Functioning

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

2016	
Number of meetings	4
Average actual attendance rate of members	90%
2017	
Expected number of meetings	2

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

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

Activity in 2016

The Appointments and Compensation Committee was first consulted on the composition of the Board of Directors and its Committees. It examined the situation of the Directors, particularly those whose terms of office ended following the annual Shareholders' General Meeting, the candidacies proposed for their succession and new appointments. As part of that examination, the Committee analyzed the individual situation of members of the Board and candidates with respect to the definition of independence adopted by the Board, particularly when there might be any business relations between them and the Group. It also made sure that the composition of the Audit Committee and the Appointments and Compensation Committee complied with the proportions of two-thirds and a majority of independent members, respectively, in accordance with the AFEP-MEDEF Code. It also made sure that the composition of the Audit Committee and the Appointments and Compensation Committee complied with the proportions of two-thirds and a majority of independent members, respectively, and a majority of independent members, in accordance with the AFEP-MEDEF Code.

At the time of the appraisal of the Board and its Committees, conducted early in the year, the Committee proposed to the Board that it split the Appointments and Compensation Committee into two separate committees (split completed on May 4, 2016) and make an employee representative Director a member of the new Appointments Committee in 2017 (appointment effective as of January 1, 2017).

In the second half of the year, the Appointments Committee met to give an opinion on the changes to the Group's managerial and functional organization considered by the Chairman and Chief Executive Officer with, in particular, the creation of two new positions on the Executive Committee – arrival of a Chief Industrial Officer and a Chief Innovation Officer– and the launch of cross-Group transformation or performance improvement programs.

▪ COMPENSATION COMMITTEE

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

Mission

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

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

- the amount and allocation method for attendance fees (fixed and variable parts, the latter being larger) allotted to the Directors;
- general compensation policy for executive corporate officers, which the Board will put to the *ex ante* vote of shareholders at the Annual General Meeting;
- general compensation policy for the Group's executive managers;
- all components of compensation (fixed, variable and extraordinary), payments with respect to the taking or ending of office, benefits of any kind owed or likely to be owed to each of the executive corporate officers and which the Board will put to the *ex post* vote of shareholders at the Annual General Meeting;
- general policy for granting stock options or free shares of the Company and for determining the beneficiaries of stock option or free share plans proposed by the Chairman and Chief Executive Officer;
- determining individual grants of stock options or free shares to executive corporate officers as well as the specific terms and restrictions that apply to those allotments, pursuant to the recommendations resulting from the AFEP-MEDEF Code (achievement of economic performance goals, restriction of their number, obligation to keep shares in the Company, etc.);
- the Group's employee shareholding policy and its implementation terms as proposed by the by the Chairman and Chief Executive Officer;
- review of proposed responses to any requests from regulatory authorities (AMF, HCGE), and
- more generally, the Committee makes recommendations as needed to the Board to comply with best governance practices and the recommendations of the AFEP-MEDEF Code."

Composition

The Compensation Committee is comprised of the following six members who are appointed by the Board and include the Vice-Chairman of the Board of Directors, who chairs the Committee:

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

** See section 3.8 of this chapter.*

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

The Board of Directors, on the recommendation of the Appointments Committee, appointed Éliane Augelet-Petit, an employee representative Director, as a new member of the Compensation Committee as of January 1, 2017.

The Board of Directors, after gathering the opinion of the Appointments Committee, intends to appoint Mrs. Martina Merz as a new member of the Compensation Committee, subject to her appointment as a Director of the Company at the General Meeting of May 3, 2017. She would succeed Mrs. Arielle Malard de Rothschild who did not request the renewal of her term of office as Director. Following this change, the Committee would continue to have a majority of independent members.

Functioning

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

2016	
Number of meetings	4
Average actual attendance rate of members	95%
2017	
Expected number of meetings	2

To perform its mission, the Committee hears the Chairman and Chief Executive Officer and the Group Vice-President Human Resources; it also takes advice from independent experts as it sees fit.

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

Activity in 2016

In the first half of the year, the Appointments and Compensation Committee, in line with previous practice, assessed the performance of the Chairman and Chief Executive Officer for 2015. It measured the achievement of goals, particularly financial, which were set for the Chairman and Chief Executive Officer to determine the amount of the variable part of his compensation owed with respect to 2015 and payable in 2016, and those that condition the vesting of free shares under previous long-term retention plans. The Appointments and Compensation Committee then issued its recommendations on setting the Chairman and Chief Executive Officer's financial and specific goals for the determination of the variable part of his compensation with respect to 2016 and those relating to his individual 2016 long-term retention plan. The Committee also examined the main characteristics of the general program that applies to the Group's other key executives.

The Committee also conducted an in-depth examination of the recommendations resulting from the AFEP-MEDEF Code, particularly as regards the compensation of executive corporate officers. It made recommendations to the Board on drawing up the table relating to the application of the Code and the explanations to be given in this table for any practices by the Company that did not comply with the Code.

The Compensation Committee also met in the second half of the year, with the support of a specialized outside firm, to assess, and appraise the competitiveness of, the compensation components of the Chairman and Chief Executive Officer and the Group's main executives, and make recommendations on possible changes. On that occasion, it also made proposals to the Board on changes to the defined-benefit supplementary pension plan of which some members of the Group's Executive Committee benefit.

▪ AUDIT COMMITTEE

(created on March 27, 1996)

Mission

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

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

1. Financial statements

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

2. Financial information

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

3. External control

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

4. Audit & Internal control

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

5. Risks

- the identification, measurement and monitoring by the Executive Management of the main possible risks for the Group in the following areas:
  - external environment: legal or regulatory developments, crisis management or disaster occurrence, cybersecurity,
  - internal processes: legal monitoring of major litigation, compliance with applicable existing regulations (particularly Environment, Health & Safety and Sustainable Development), business conduct in accordance with regulations and Imerys' fundamental ethical values (conduct and ethics, anti-corruption, anti-trust, etc.),
  - mineral reserve and resource potential;
- the orientations, implementation and monitoring by Executive Management of the Group's general policy on Internal Control, risk prevention (organization, policies and procedures, IT infrastructures and systems, telecommunications and digitization, etc.) and insurance, and any changes therein;
- the work programs and results of internal experts (*e.g.* auditors, lawyers) and any external experts that may be called upon to analyze, audit or measure the risks and the Group's performance in the above-mentioned areas;
- any other subject likely to have a significant financial and accounting impact for the Company or the Group."

Composition

The Audit Committee is comprised of the following three members who are chosen by the Board for their financial competence as described in their respective biographies *(see paragraph 3.1.3 of this chapter)*.

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

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

Functioning

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

2016	
Number of meetings	6
Average actual attendance rate of members	100%
2017	
Expected number of meetings	5

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

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

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

Activity in 2016

The Audit Committee reviewed the Group's annual corporate and consolidated financial statements for 2015 and the quarterly and half-yearly consolidated financial statements for 2016. In that respect, the Committee reviewed the related closing work and draft press releases, and was able to recommend to the Board the unreserved approval of the definitive financial statements presented to it. The Committee also reviewed the accounting rules applied by the Group and their adaptation to changes in the IFRS framework, as well as the monitoring of market regulatory authorities' recommendations. It also examined, as for previous financial years, trends in the Group's effective overall tax rate and its components, and reviewed the results of impairment tests on Cash-Generating Units.

Early in the year, the Audit Committee reviewed the draft report of the Chairman of the Board on the Group's internal control and risk management procedures for 2015 as well as, for the first time, the report on payments to governments by the Group's entities with mining activities.

It also reviewed the draft response to the observations made by AMF following its review of the 2014 Registration Document and communication on the annual results for 2015.

The Committee, after examining the terms, also recommended to the Board that it propose to the shareholders at the General Meeting of May 4, 2016 the renewal of the offices of the current Statutory Auditors. At its last meeting of the year, the Committee reviewed the main items in the closing of the financial statements for 2016. On that occasion, it examined the Cash-Generating Units that were likely, according to management's analyses, to be subjected to an impairment test because of the gap between their financial performance prospects at the end of the year and their budget. Furthermore, the Committee, after hearing the Statutory Auditors, checked that the accounting methods used by the Group were relevant and continuous.

At the end of each half-year, the Committee examined the Audit & Internal Control department's report, including reports on completed audit assignments and the results of the corrective action plans carried out following audit assignments conducted in previous years; it also reviewed the audit plan for 2016. In addition, the Committee saw the updated mapping of the main risks to which the Group is exposed. It observed that all the main risks shown by the mapping were regularly examined in detail either by the Strategic Committee or the Audit Committee, and are considered as controlled on a suitable level. It also validated the update to the management authority rules that apply in the Group.

During the year, the Committee also examined the following specific points: accounting of the main acquisition (particularly the finalizing of the acquisition accounting for the S&B group) and restructuring operations done by the Group; inventory of mineral reserves and resources; the Group's Corporate Social Responsibility policy and results; management and situation of the main legal risks, particularly the evolution of the Group's litigation in the United States, and the appraisal of the corresponding provisions; the situation of the Group's regulatory compliance and insurance coverage programs; the appraisal of the Group's tax positions in its main host countries and the related risks.

Finally, after reviewing with the Statutory Auditors the list of non-audit services provided by them to the Company and its subsidiaries, it made recommendations to the Board of Directors on the measures to take for their control and monitoring, pursuant to new French provisions on "audit reform" resulting from European law.

3.2 EXECUTIVE MANAGEMENT

3.2.1 COMPOSITION

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

The term of office of the Chairman and Chief Executive Officer coincides with that of his Directorship; the latter was renewed by the Ordinary and Extraordinary Shareholders' General Meeting on April 30, 2015; on this occasion the Board decided to continue to combine the positions of Chairman and Chief Executive Officer, and to renew Gilles Michel in that capacity.

The information relating to Gilles Michel as well as the offices he holds or has held in the past five years appear in *paragraph 3.1.3 of this chapter*.

3.2.2 POWERS

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

Pursuant to article 18 of the by-laws, the Board of Directors may limit his powers. However, this limitation is void against third parties.

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

3.2.3 EXECUTIVE COMMITTEE

Gilles Michel decided, with the support of the Board of Directors, to continue to be assisted in carrying out his mission as Chief Executive Officer by an Executive Committee that comprises the Group's main line and support managers.

MISSION

The Executive Committee, under the responsibility of the Chairman and Chief Executive Officer, is mainly in charge of:

- implementing the Group's strategy and all the measures determined by the Board of Directors;
- drawing up and closing the Group's budget and, at the request of the Chairman and Chief Executive Officer, attending its presentation and, as needed, for each of its members, reporting on the performance of the measures taken under their scope of responsibility to the Board of Directors or its specialized Committees;
- monitoring the operating activities of each division and ensuring, by defining any necessary corrective measures, that they comply with their budgets and carry out the action plans approved by the Chairman and Chief Executive Officer;
- defining and monitoring the Group's performance improvement goals (in particular in operational, financial, social, societal and environmental matters as well as for protection and safety of individuals in the workplace) and defining any corrective measures;
- defining Group-wide policies and measures (Information Systems and Internal Efficiency; Corporate & Internal Communications; Compliance; Internal Control and Risk Management; Industrial Operations, Geology & Mines; Health & Safety; Corporate Social Responsibility, including Environment; Innovation and Research; Human Resources) and overseeing their rollout;
- fostering the sharing and dissemination of best practices in all areas between the Group's divisions; and
- more generally, giving opinions and recommendations on all projects, operations or measures that may be submitted to it by the Chairman and Chief Executive Officer, particularly with a view to their subsequent presentation to the Board of Directors or its specialized Committees.

COMPOSITION

On the date of the present Registration Document, the Executive Committee was comprised, in addition to Gilles Michel, Chairman and Chief Executive Officer, of the following nine members:

Line managers	Support managers
Frédéric Beucher Member of the Executive Committee since July 1, 2013 *(Supervision of Roofing, Kaolin, Ceramics, Graphite & Carbone divisions)* He joined Imerys in 2003 after several years in investment banking, first at Société Générale in France and Spain and then at Rothschild & Cie in Paris. Started with Imerys as Head of Strategy and Development, he was then in charge of the Minerals for Ceramics division. Since July 1, 2013, he has also overseen the roofing division and now as well the Kaolin and Graphite & Carbone divisions.	**Jean-François Claver** Member of the Executive Committee since October 17, 2016 *(Industrial Excellence)* He joined Imerys in 2015 as Director of Mining and Industrial Operations and was appointed Group Chief Industrial Officer in October 2016. He previously held industrial management positions at Pechiney for nearly 16 years and then in several other International industrial groups (Alcan, Vallourec, Lafarge, Etex).
Alessandro Dazza Member of the Executive Committee since July 1, 2013 *(Supervision of Fused Minerals and Refractory Minerals divisions)* He joined Imerys in 2000 upon the acquisition of Treibacher Schleifmittel after working for a chemical company in Italy and then in Germany. He was then successively in charge of a business unit and then of the whole Fused Minerals division. Since July 1, 2013, he has also been overseen the Refractory Minerals division and now the Monolithic Refractories division (Calderys) as well.	**Vincent Lecerf** Member of the Executive Committee since January 2, 2017 *(Human Resources)* He joined Imerys as Group Chief Human Resources Officer in January 2017, after holding various human resources management positions for the groups: Valeo, Poclain Hydraulics, Rhodia and Norbert Dentressangle. He was since 2008 Director of Human Resources and member of the Managing Board of Tarkett.

Line managers	Support managers
Olivier Hautin Member of the Executive Committee since February 13, 2008 *(Supervision of Carbonates and Oilfields Solutions divisions; Strategy, M&A and International Development)* He joined Imerys in 1995, after beginning his career in strategy consulting at Mars & Co. He was first in charge of Strategy & Development for the Group. After having held management positions in several business units and divisions, he was successively appointed head of various business groups: Pigments for Paper & Packaging, Minerals for Ceramics/Refractories/Abrasives & Foundry, Energy Solutions & Specialties. In October 2016, he took also responsibility over Imerys Strategy, M&A and International Development while maintaining the supervision of the Carbonates division.	**Thierry Materne** Member of the Executive Committee since October 17, 2016 *(Innovation)* He joined Imerys in June 2016 as Group Chief Innovation Officer. Previously, he spent more than 11 years in research and development at Goodyear Tire & Rubber in Europe and the United States, before taking on responsibility for innovation at Dow Corning and then heading Sabic Innovative Plastics (formerly GE Plastics).
Daniel Moncino Member of the Executive Committee since February 13, 2008 *(Supervision of Performance Additives, Filtration, Metallurgy divisions)* He joined Imerys in 2002 after beginning his career in Europe and in the USA with Siemens and then held several positions with BASF and Schlumberger. He was successively in charge of a business unit, a division and then of the Performance & Filtration Minerals business group. Since 2015, in addition to the Performance Additives and Filtration divisions, he also oversees the Metallurgy division.	**Denis Musson** Member of the Executive Committee since January 1, 2003 *(Legal & Corporate Support)* He joined Imerys in 1999 as General Counsel and Secretary of the Board. His career was previously with Pechiney, where he started in the Group's Legal Department before taking over its Corporate Department. Since the end of 2016, he also heads the Group's Sustainable Development function.
	Olivier Pirotte Member of the Executive Committee since June 1, 2015 *(Finance)* He joined Imerys in 2015 as Chief Financial Officer of the Group. He began his career with Arthur Andersen where he held various management positions before joining Groupe Bruxelles Lambert in 1995 where he held various positions including Director of Investments, then Chief Financial Officer.

Thierry Salmona, Group Vice-President of Innovation, Research & Technology and Business Support until October 2016, member of the Group Executive Committee, left the Group to retire at the end of 2016.

Bernard Vilain, member of the Group Executive Committee and Chief Human Resources Officer, will leave the Group in 2017 after having made the transition with Vincent Lecerf, who succeeded him as from January 2, 2017.

▪ FUNCTIONING

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

The Executive Committee met 11 times in 2016.

3.3 COMPENSATION

3.3.1 BOARD OF DIRECTORS

AMOUNT

The maximum gross amount of attendance fees that may be allotted to the members of the Board of Directors with respect to one year, as determined by the Shareholders' General Meeting of April 29, 2014, is €1,000,000. Pursuant to the law and article 17 of the Company's by-laws, it is up to the Board of Directors to determine the allotment of attendance fees among its members.

The allotment scale for attendance fees is set by the Board of Directors on the recommendations of the Compensation Committee, then reviewed every year by the Board in order to ensure it is suitable and competitive in relation to the best market practices. At its meeting of February 11, 2016, the Board decided, following the opinion given by the Appointments and Compensation Committee, to revise the allotment of attendance fees in order to give the variable part most weight and so comply with the recommendations of the AFEP-MEDEF Code. This scale was again amended by the Board on May 4, 2016 in order to take into account the split of the Appointments and Compensation Committee into two separate committees.

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

The table below sets out the individual gross amount of attendance fees owed to each member of the Board with respect to the last two financial years and, pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce, the individual gross amount paid to them during those years.

	2016		2015	
(€)	Amounts due	Amounts paid	Amounts due	Amounts paid
G. Michel, Chairman and Chief Executive Officer(1)	-	-	-	-
A. de Seze, Vice-Chairman(2)	64,500	146,000	168,000	168,000
P. Desmarais III(3)	117,250	63,250	46,000	48,000
E. Augelet-Petit(4)	37,333	32,333	32,000	25,000
G. Buffière(5)	-	-	18,667	44,667
A. Cardoso	96,833	83,083	81,000	83,000
O. Desforges(6)	30,417	6,667	-	-
I. Gallienne	84,750	81,000	76,000	78,000
M. Guillou	39,833	39,833	37,000	37,000
C. Hall(7)	55,333	26,000	3,667	-
G. Kampouri Monnas(8)	35,333	32,333	19,333	3,333
U. Kyriacopoulos(8)	49,833	46,083	29,333	5,333
A. Laviolette(9)	-	-	16,000	34,000
F. Layt(10)	14,667	30,667	32,000	34,000
X. Le Clef	42,583	44,083	48,000	46,000
J. Lefebvre(5)	-	-	21,667	51,667
A. Malard de Rothschild	47,333	35,833	33,000	35,000
E. d'Ortona(4)	35,333	32,333	32,000	25,000
R. Peugeot(10)	17,667	37,667	42,000	42,000
O. Pirotte(11)	-	-	20,333	46,333
L. Raets(12)	37,333	32,333	16,000	-
K. Taaffe Richard(8)	31,333	30,333	19,333	3,333
A. Vial(6)	31,167	6,667	-	-
MF. Walbaum	61,833	44,333	44,000	46,000
Total	**930,664**	**850,831**	**835,333**	**855,666**

(1) Chairman and Chief Executive Officer - does not receive attendance fees.
(2) Director and Vice-Chairman until May 4, 2016.
(3) Vice-Chairman since May 4, 2016.
(4) Employee representative Director since October 6, 2014.
(5) Director until April 30, 2015.
(6) Director since May 4, 2016.
(7) Director since December 15, 2015.
(8) Director since April 30, 2015.
(9) Director until November 1, 2015.
(10) Director until May 4, 2016.
(11) Director until June 1, 2015.
(12) Director since July 29, 2015.

It is specified that:

- these amounts represent the entirety of the compensation paid in 2016 by the Imerys group or by its controlling shareholders to each of the members of the Board of Directors with respect to the offices, responsibilities or other duties performed personally by those members within or on behalf of the Imerys group, except for the two employee representative Directors who also received compensation in 2016 with respect to their salaried positions in the Imerys group;
- details of the compensation paid to Gilles Michel, the sole Executive Corporate Officer who was in office in 2016, are given below *(see paragraph 3.3.2 of this chapter)*.

ALLOTMENT SCALE

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

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

The Board of Directors also decided on the recommendation of the Compensation Committee that the variable part of the attendance fees will be reduced by half for attendance by telecommunication means as from May 4, 2016.

3.3.2 EXECUTIVE MANAGEMENT

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce and the recommendations of the AFEP-MEDEF Corporate Governance Code (the "AFEP-MEDEF Code"), the information given hereafter concerns the compensation paid to Gilles Michel, Chairman and Chief Executive Officer, sole Executive Corporate Officer who was in office in 2016.

In addition, in accordance with provisions of new article L. 225-37-2 of the French Code of Commerce introduced by the "Sapin II" law passed on November 8, 2016, completed by article R. 225-29-1 introduced by the decree of March 16, 2017, the present paragraph 3.3.2 sets out the compensation policy for the Chairman and Chief Executive Officer, which must be put to the shareholders for approval in an ex-ante vote at the General Meeting for the first time on May 3, 2017, and every subsequent year *(see paragraph 8.1.4 and section 8.4 of chapter 8 of the Registration Document)*. This policy includes the principles and criteria for determining, allotting and granting the fixed, variable and extraordinary components of total compensation and the benefits of any kind that may be granted to Gilles Michel in his capacity as Chairman and Chief Executive Officer, and to any other executive corporate officer that may be appointed during the financial year.

The information presented below on the principles and criteria for granting free shares *(see sections 3.5 and 3.6 of this chapter)*, are also considered as an integral part of executive corporate officer compensation policy. All this information comprises the report referred to in article L. 225-37-2 of the French Code of Commerce, mentioned above.

Finally, on a transitional basis until the provisions of article L. 225-100 of the French Code of Commerce come into force in 2018, all components of the compensation owed or granted to Gilles Michel with respect to financial 2016 are subject, in accordance with the recommendations of the AFEP-MEDEF Code, to shareholders' consultative vote at the General Meeting called for May 3, 2017 and, for that purpose, are the subject of a presentation appearing in *paragraph 8.1.3 of chapter 8 of the Registration Document*. As previously stated, the Shareholders' General Meeting of May 4, 2016 had given a favorable opinion on the compensation components owed or granted to Gilles Michel with respect to financial 2015.

TABLE SUMMARIZING THE COMPENSATION ITEMS

(€)	2016	2015
Executive Corporate Officer's name and position		
Gilles Michel, Chairman and Chief Executive Officer		
Compensation due in respect of the financial year	1,688,299	1,699,378
Valuation of the stock options awarded during the financial year		
Valuation of the performance shares awarded during the financial year(1)	1,420,792	1,608,513
Total	**3,109,091**	**3,307,891**

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

DETERMINATION PRINCIPLES AND CRITERIA

The compensation of the Chairman and Chief Executive Officer is set by the Board of Directors on the proposal of the Compensation Committee. This proposal is intended to ensure competitiveness with respect to the external market; to make its recommendations, the Committee draws on assessments and comparisons made periodically by specialized consultants.

This compensation includes a fixed part and a variable part; it takes into account, in particular, the benefit represented by the supplementary collective pension scheme from which Imerys main executives benefit.

The fixed part of compensation is determined according to the experience and level of responsibility of each executive corporate officer on the day of taking up office, then reviewed every year by the Board, on the recommendations of the Compensation Committee, in order to make sure that it is in line with the market practices of comparable companies.

The calculation of the variable part is based on economic performance criteria and specific goals set by the Board of Directors on the recommendation of the Compensation Committee. Achievement of the goals is measured and observed annually by the Board of Directors on the recommendation of the Compensation Committee. The variable part of compensation owed with respect to the financial year is not paid until the following year, when all the items in its calculation are known, particularly after the Group's definitive financial statements for the year in question are approved by the Board of Directors and, from 2018, in accordance with the Sapin II law, after approval of the shareholders in an *ex post* vote at the General Meeting.

The amount resulting from the measurement of the achievement of economic performance criteria is calculated from a reference base equal to 110% of fixed annual compensation, to which a coefficient of 0.8 to 1.2 is applied according to the achievement of specific goals; as of 2016 the ceiling for the total variable compensation that may be granted to the Chairman and Chief Executive Officer is set at 132% of his fixed compensation (compared with 120% previously).

2016 COMPENSATION

At its meeting of February 15, 2017, on the recommendations of the Compensation Committee, the Board of Directors assessed Gilles Michel's achievement of economic performance criteria (related to net income from current operations, free operating cash flow generated by the Group and return on capital employed) and specific goals set for 2016. These specific goals particularly concerned the evolution of the Group's organization, implementation of its strategy and management of its operating financial performance, the confidential nature of which does not allow their full publication. Consequently, it determined the amount of his variable compensation with respect to financial 2016, to be paid in 2017, i.e. an amount of €870,144, corresponding to a percentage of 108.8% of his fixed compensation with respect to 2016. This amount results from the application of the maximum multiplier of 1.20, which reflects the quality of the achievement of the specific goals assigned to Gilles Michel, to the amount resulting from the achievement of the economic goals.

2017 COMPENSATION

At the same meeting, the Board also examined and set the criteria and goals applicable for determining Gilles Michel's variable compensation with respect to 2017. The criteria chosen for 2017 concern the achievement of financial goals of a similar nature to those used for 2016 (net income from current operations, free operating cash flow and return on capital employed), and specific goals (particularly those relating to the Group's strategy, organic and external growth, internal transformation programs and workplace safety), the confidential nature of which does not allow full publication.

The payment of this variable compensation and of all other variable and extraordinary items will be subject to shareholders' approval in an *ex post* vote at the Annual General Meeting.

The Board of Directors also decided to keep his annual fixed compensation for 2017 at €800,000, an unchanged amount since his appointment in November 2010.

These decisions were published on the Company's website in accordance with the recommendations of the AFEP-MEDEF Code.

As previously stated, Gilles Michel does not receive any attendance fees with respect to his office as Director of the Company *(see paragraph 3.3.1 of this chapter)*.

AMOUNTS

Amounts due and paid in 2015 and 2016

The amounts and breakdown of compensation and benefits in kind owed (fixed and variable parts for the year in question) and paid (fixed part for the year in question and variable part for the previous year, paid during the year in question) by the Group to Gilles Michel with respect to financial years 2015 and 2016 are as follows:

(€)	2016		2015	
Executive Corporate Officer' name and position	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Gilles Michel, Chairman and Chief Executive Officer				
Fixed part	800,000	800,000	800,000	800,000
Variable part	870,144	882,816	882,816	666,400
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits[(1)]	18,155	18,155	16,562	16,562
Total	**1,688,299**	**1,700,971**	**1,699,378**	**1,482,962**

(1) These benefits include the supply of a chauffeur-driven car and the contributions to the social guarantee for Company managers and executives (GSC).

The above amounts include all the compensation due or paid by the Group to Gilles Michel with respect to the related financial years and the value of all the benefits in kind due or received with respect to the financial years in question.

All the compensation and assimilated benefits granted to the Group's top managers (Executive Committee, including Gilles Michel) and recorded as expenses during the years in question are stated in *note 27 to the consolidated financial statements*.

Moreover, the amount of the five highest compensations paid by the Company with respect to 2016 was certified by the Statutory Auditors.

EMPLOYMENT CONTRACT, INDEMNITIES, PENSIONS AND OTHER BENEFITS

	Employment contract	Supplementary pension plan	Indemnities or benefits due to end or change of duties	Indemnities under a non-competition clause
Gilles Michel, Chairman and Chief Executive Officer	No	Yes	Yes	No

Employment contract

At the time of the appointment of Gilles Michel as Deputy Chief Executive Officer on November 3, 2010, the employment contract between him and the Company was terminated, given the duties of Chairman and Chief Executive Officer that he was led to perform, in order to comply with the recommendations of the AFEP-MEDEF Code.

End of contract indemnity

The conditions for the payment of any severance indemnity provided for in Gilles Michel's employment contract as Executive Corporate Officer have been modified on the recommendation of the Appointments and Compensation Committee by the Board of Directors on February 11, 2016 to make them compliant with the terms of the AFEP-MEDEF Corporate Governance Code. This contract now provides that a severance indemnity would only be owed to Gilles Michel in the event of forced departure linked to a change of control or a change of strategy or a major disagreement over them; no indemnity would be owed in the event of Gilles Michel's voluntary departure or if he had the possibility of benefiting from his pension rights at short notice after he reaches the age of 63. Pursuant to legal provisions, these amendment has been notified to the Statutory Auditors for the drafting of their special report on regulated agreements and commitments *(see chapter 2, paragraph 2.2.3 of the Registration Document)* and submitted to, and approved by the Shareholders at the General Meeting of May 4, 2016 *(see chapter 8, paragraphs 8.1.2 and 8.1.4 of the Registration Document)*.

In accordance with the recommendations of the AFEP-MEDEF Code and according to the payout conditions provided, below which remain unchanged, the amount of Gilles Michel's severance indemnity would be calculated on the basis of a maximum of two years' compensation (fixed + variable). Pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, the payment of this severance indemnity would be subject and proportional to performance conditions appraised on the basis of the arithmetic average of the percentages of achievement of the sole 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. As an illustration, the theoretical amount of the severance indemnity would be €3,288,928 as at December 31, 2016.

In addition, Gilles Michel benefits from the social guarantee for Company managers and executives (GSC). For further details, *see chapter 2, paragraph 2.2.3 of the Registration Document*.

Pension commitments

In 1985, Imerys set up a collective defined benefit supplementary pension plan for the principal managers of Imerys who met the restrictive and objective eligibility conditions, in particular seniority (at least eight years' seniority in the Group of which four as a member of the Executive Committee).

At its meeting of December 15, 2016, the Board of Directors, on the recommendation of the Compensation Committee, decided to change the criteria for assessing eligibility for this scheme with respect to the seniority requirement. Following this change, seniority will henceforth be assessed as of January 1 of each year. The scheme's other provisions remain unchanged. Pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, this change in the Company's commitments with respect to Gilles Michel was notified to the Statutory Auditors for the drafting of their special report *(see chapter 2, paragraph 2.2.3 of the Registration Document)* and will be subject to shareholders' approval at the General Meeting of May 3, 2017 *(see chapter 8, paragraphs 8.1.2 and 8.4 of the Registration Document)*.

This collective defined benefit supplementary pension plan is managed by an external insurance company. Following the information and consultation of the works council, this plan has been amended as of January 1, 2016 to freeze its membership except for existing participants that are close to retirement age.

Gilles Michel, Chairman and Chief Executive Officer since April 28, 2011 is and will remain among the potential beneficiaries of the current collective defined benefit supplementary pension plan of the Company.

The maximum amount of the life annuity that may be paid to the beneficiaries of the plan as from the liquidation of their pension rights is calculated in order to guarantee them:

- a total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan described below) of 60% of their reference salary (average of the last two years of the beneficiary's fixed plus variable compensation); said salary is limited to 30 times the annual French social security ceiling (PASS);
- subject to a pay-in ceiling equal to 25% of said reference salary.

This plan also provides for the possibility of reversion of the life annuity amount to the surviving partner(s) in proportion to the time of union.

According to actuarial calculations made on December 31, 2016, the current value of the estimated share of the Chairman and Chief Executive Officer in the total amount of the Group's commitment with respect to the past services of all the beneficiaries of this supplementary pension plan amounts to €5,609,000 (compared with €4,927,000 as at the end of 2015).

The provisions of this plan are in line with the recommendations of the AFEP-MEDEF Code.

Furthermore, a defined contribution supplementary pension plan for the benefit of some of Imerys' top managers, including the Chairman and Chief Executive Officer was set up as from October 1, 2009. Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of eight PASS, are made jointly by the employee (for 3%) and the Company (for 5%). This scheme also allows beneficiaries to make free and voluntary contributions. An external insurance company has been appointed to manage the scheme.

The Board of Directors at its meeting of February 15, 2017, re-examined in accordance with legal provisions all of these agreements and commitments and decided to continue them without further changes and under the same terms and conditions *(see the Statutory Auditors' special report in chapter 2, paragraph 2.2.3 of the Registration Document)*.

Apart from these provisions, the Company has no other commitments for the benefit of Gilles Michel with respect to the taking-up, end or change of his current position of Chairman and Chief Executive Office.

3.4 STOCK OPTIONS

3.4.1 STOCK OPTION PLANS IN FORCE

■ GRANT POLICY

The Company's general policy for granting stock options is set by the Board of Directors on the proposal of the Appointments and Compensation Committee (split into two separate committees in May 2016). Since 2008 and until 2012, stock subscription option grants have been combined, within a single annual program, with grants of free shares subject to the achievement of certain economic or financial goals ("performance shares"). At its meeting of April 25, 2013, the Board of Directors reviewed its policy and decided to simplify it by granting performance shares solely, excluding any stock options with which they were previously combined *(see paragraph 3.5.1 of this chapter)*.

The main characteristics of the grants made by the Board until 2012, excluding grants made under the Group's employee shareholding operations, were as follows:

- grants took the form of stock subscription options. This form was judged preferable to stock purchase options as it prevents the Company from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises;
- as from 1999, stock options were granted once a year and the total number of options each year was adjusted according to the Group's overall performance or to specific events; the grant usually took place on the same day as the annual General Meeting;
- the actual or likely beneficiaries of stock subscription options were the Group's executives (members of the Executive

Management, members of the Executive Committee, and some of their reports, divisions Management Committees, main managers of the Group's Corporate Departments) as well as high-potential managers and employees that make an outstanding contribution to the Company's performance.

▪ CHARACTERISTICS OF GRANTED OPTIONS

Since 2011, the authorization periodically given to the Board by the Shareholders' General Meeting to grant options for subscription or purchase of the Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them, expressly excludes any discount of the option exercise price, confirming therefore the practice observed by the Company since 1999.

The duration of the options granted and currently in force is 10 years. These options were in principle definitively vested (except in the event of the beneficiary's dismissal, resignation or departure from the Group) after the end of the third year following their allotment or, if earlier, on the date of the beneficiary's retirement after the age of 63 (reference age set at 60 years in plans prior to 2009), his/her cessation of activity for incapacity or his/her death. The only exception concerned grants made within employee shareholding operations, for which the options were dependent on the employee's investment in Imerys shares with immediate vesting.

Conditional stock options granted to certain Group executives (the Chairman and Chief Executive Officer as well as, since 2011, the other members of the Executive Committee) were vested subject to the achievement of economic performance goals. The number of vested options was conditioned on and proportionate to the achievement of these goals.

Option exercise conditions

Definitively vested options may be exercised at any time, except in the event of the beneficiary's death or departure from the Group. However, the beneficiary must bear any additional costs and taxes borne by the Company in the event that applicable local regulations provide for an immobilization period longer than the one provided for by French regulation.

Exercise by the beneficiary must comply with certain minimum amounts (currently set for all plans adopted as from 2008 at 500 options, any whole multiple of 500 or the balance of outstanding options if less than 500).

Loss or maintaining of options

Options not exercised on expiry of their exercise period are automatically cancelled.

The beneficiary's departure from the Group for any reason (including in principle if the Company employing him or her leaves the Group perimeter and except in the event of his or her death, incapacity or retirement), brings about:

- if the departure takes place before the vesting date of the options, their immediate cancellation;
- if the departure takes place after the vesting date of the options, the cancellation of said options failing their exercise by the beneficiary by the end of the third month following his or her departure from the Group.

Date of record of shares resulting from the exercise of options

All Imerys shares resulting from the exercise of subscription options enjoy, from their creation, all the rights attached to existing shares, with which they are immediately assimilated.

Consequently, new and old shares are listed on the same line on NYSE Euronext, regardless of their date of issue. The new shares enjoy the same dividend rights as old shares, including with respect to the dividends approved and paid during the year of creation of the shares with respect to results for the previous financial year.

▪ CHANGES IN THE NUMBER OF OPTIONS IN 2016[(1)]

It is recalled that no stock options were granted in 2016.

The total number of stock subscription options in existence on December 31, 2016 is 865,621, representing 1.06% of Imerys' share capital on that date after dilution; their weighted average exercise price is €50.68.

In 2016, 298,668 stock subscription options were cancelled; 295,383 were exercised by 256 beneficiaries at a weighted average price of €54.75.

3.4.2 CONDITIONAL STOCK OPTIONS GRANTED BY THE COMPANY TO ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As previously stated, the Company did not grant any stock options to Gilles Michel in 2016.

▪ HOLDING AND CHANGES

As of December 31, 2016, the total number of stock options held by the Chairman and Chief Executive Officer is 147,680, unchanged from December 31, 2015, representing 0.18% of Imerys' share capital on that date after dilution; these options are fully vested by Gilles Michel at a weighted average exercise price of €46.19.

No options were exercised by the Chairman and Chief Executive Officer in 2016.

▪ SPECIFIC TERMS AND RESTRICTIONS

The specific conditions, as well as the restrictions that apply to stock options granted to the Chairman and Chief Executive Officer in previous years, are also those that apply to performance shares. They are described in *section 3.6 of this chapter*.

(1) Including options granted under employee shareholder plans.

3.4.3 DETAILS OF STOCK OPTION PLANS IN FORCE[(1)]

The following table summarizes the history, status and main characteristics of the stock option plans in force as at December 31, 2016.

	April 2012	April 2011	Nov. 2010
Initial grant			
Authorization: date of Shareholders' General Meeting	04/28/2011	04/28/2011	04/30/2008
Date of Board of Directors/Supervisory Board or Managing Board Meeting	04/26/2012	04/28/2011	11/03/2010
Opening date of option exercise period[(2)]	04/26/2015	04/28/2014	03/01/2014
Option expiration date	04/25/2022	04/27/2021	11/02/2020
Share subscription price	€43.62	€53.05	€44.19
Total number of initial beneficiaries	183	161	1
Total number of options initially granted, of which to the Executive Corporate Officers:	362,720	331,875	82,000
▪ to G. Michel, Chairman and Chief Executive Officer	44,000	40,000	82,000
▪ to the ten Group employees who received the most options	98,669	83,669	-
Change during financial 2016			
Number of options remaining to be exercised on 01/01/2016	216,093	180,248	82,000
Number of shares subscribed in 2016, of which:	64,214	49,617	-
▪ by G. Michel, Chairman and Chief Executive Officer	-	-	-
▪ by the ten Group employees who received the most options	24,036	15,831	n.a.
Number of options cancelled[(4)] in 2016	(2,834)	-	-
Number of options remaining to be exercised on 12/31/2016[(5)] of which:	149,045	130,631	82,000
▪ by G. Michel, Chairman and Chief Executive Officer	30,360	35,320	82,000

(1) Employee shareholder plans.
(2) Except longer tax immobilization periods applicable locally.
(3) Except for different subscription prices applicable locally.
(4) Following the beneficiaries' departure from the Group or considering the performance conditions.
(5) Following cancellation and exercise of the options since the date of approval of the plan in question.

(1) The figures presented in this table take into account, where necessary, the adjustments made on June 2, 2009 following the Company's share capital increase.

April 2010	August 2009	April 2008	May 2007	Nov. 2006[1]	May 2006	Total
04/30/2008	04/30/2008	04/30/2008	05/03/2005	05/03/2005	05/03/2005	
04/29/2010	07/29/2009	04/30/2008	05/02/2007	11/07/2006	05/02/2006	
04/29/2013	08/14/2012	04/30/2011	05/03/2010	02/01/2007	05/03/2009	
04/28/2020	08/13/2019	04/29/2018	05/01/2017	11/06/2016	05/01/2016	
€46.06	€34.54	€54.19	€65.61	€62.3[3]	€63.53	
155	166	183	160	2,932	171	
482,800	464,000	497,925	560,000	38,770	640,000	3,460,090
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	166,000
120,900	206,750	198,150	154,000	150	157,500	1,019,788
169,950	84,536	132,834	276,564	41,701	275,746	1,459,672
26,700	7,450	30,135	83,336	3,192	30,739	295,383
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9,500	1,500	6,652	54,921	17	12,359	124,816
(3,000)	(1,500)	(1,129)	(6,689)	(35,509)	(245,007)	(298,668)
140,250	75,586	101,570	186,539	-	-	865,621
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	147,680

3.5 PERFORMANCE SHARES

3.5.1 PERFORMANCE SHARE PLANS IN FORCE

■ GRANT POLICY

Following the favorable recommendation made by the Appointments and Compensation Committee (split into two separate committees in May 2016), in 2006 the Board of Directors for the first time decided to grant free conditional shares in the Company. At the time, the Board intended to reserve this grant for exceptional cases in favor of a limited number of Group executives (which could not include the Chief Executive Officer) in charge of carrying out specific medium-term action plans that were judged priorities for the Group.

In 2008, the Board decided to extend that grant policy to a greater number of beneficiaries by combining it with the existing policy of stock option subscription grants within a single long-term Group policy for retaining their beneficiaries. In accordance with the Appointments and Compensation Committee's recommendations, the Board of Directors decided at its meeting of April 25, 2013 to simplify that policy by granting shares conditional on the achievement of economic performance goals ("performance shares") solely, excluding any stock options with which they were previously combined.

■ MAIN CHARACTERISTICS OF PERFORMANCE SHARES

Vesting of shares

Freely granted shares are vested following a period that, in accordance with the legal provisions in force, cannot be less than one year following the grant date (since the "Macron law" of August 6, 2016) or two years for grants prior to August 8, 2015, subject in principle to the achievement of certain economic and financial performance criteria that cannot be appraised on a single year. The number of vested shares is conditioned on and proportionate to the achievement of these goals.

Loss of shares

The departure of the beneficiary from the Group before the expiry of the vesting period for any reason (including in principle if the Company employing him or her leaves the Group perimeter) entails the loss of all rights to the vesting of his or her performance shares, except in the event of death, incapacity or retirement of the beneficiary whose rights will be retained according to the specific terms set forth by each related plan.

Keeping vested shares

In accordance with applicable regulations on free share grants, the minimum period for their beneficiaries' keeping of these shares cannot in principle be less than two years from the date of vesting; before the coming into force of the Macron law, this two-year period may, however, be removed in the event that the vesting period for the granted shares had already been set at four years.

Since the Macron law came into force, the total duration of vesting and keeping periods for granted performance shares cannot be less than two years.

Following any such keeping period, the beneficiaries have free use of the shares.

■ PERFORMANCE SHARE PLAN ADOPTED IN 2016

In 2016, 302,500 performance shares were granted to 185 Group managers residing in France or abroad including the Chairman and Chief Executive Officer (vs. 183 in 2015).

The vesting and number of the performance shares granted with respect to this plan adopted by the Board of Directors on May 4, 2016 are conditioned by and proportionate to the achievement of a goal of growth of the Group's net current operating income per share and the Group's ROCE (return on capital employed) during the 2016-2018 period.

These performance shares will be vested by their beneficiaries according to the achievement of the goals to which they are subject, following a period of three years from their granting by the Board; consequently, pursuant to the provisions of article L. 225-197-1-I al. 7 of the French Code of Commerce, these actions are not subject to any keeping obligation after the end of their vesting period.

Apart from those granted to the Chairman and Chief Executive Officer, 76,500 performance shares were granted to the 10 beneficiaries receiving the highest number of these shares.

■ CHANGES IN THE NUMBER OF PERFORMANCE SHARES IN 2016

In 2016, 92,630 performance shares were cancelled and 48,297 were vested and accordingly transferred to their respective beneficiaries.

The total number of performance shares in existence on December 31, 2016 was 1,063,376, which represents 1.30% of Imerys' share capital on that date after dilution.

3.5.2 PERFORMANCE SHARES GRANTED BY THE COMPANY TO ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2016

	Date of Plan	Number of shares granted in 2016	Valuation of shares[(1)] (€)	Vesting date	Availability date	Performance conditions
Gilles Michel, Chairman and Chief Executive Officer[(2)]	May 4, 2016	32,500	1,420,792	May 4, 2019	May 4, 2019	Yes

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

(2) Sole executive corporate officer.

On the recommendation of the Compensation Committee, the Board of Directors, at its meeting of May 4, 2016, decided to grant performance shares to the Chairman and Chief Executive Officer. These performance shares are conditioned by and proportionate to the achievement of the same economic performance goals as those provided with respect to the 2016 general performance share plan intended for the Group's other top managers; these goals are related to the growth of the Group's net current operating income per share and the Group's ROCE during the 2016-2018 period.

These performance shares will be vested to Gilles Michel according to the achievement of the goals to which they are subject, upon expiry of a 3-year period following their grant date; these shares, once vested, shall not be subject to any holding period. These conditions are also identical to those provided for by the 2016 general performance share plan intended for the Group's other top managers.

▪ HOLDING AND CHANGES

As of December 31, 2016, among the performance shares granted to Gilles Michel by the Company:

- 74,495 shares, representing 0.09% of Imerys' share capital after dilution, are vested (number unchanged from December 31, 2015); 14,835 of these shares are still subject, on that date, to a keeping obligation in accordance with their grant terms;
- 122,980 shares depend on the achievement of the performance goals to which they are subject *(see paragraph 3.5.3 below)*.

No performance shares were sold by Gilles Michel in 2016.

▪ SPECIFIC TERMS AND RESTRICTIONS

In addition to the economic performance goals mentioned above, the other specific terms and restrictions which are applicable to the grant of performance shares made to the Chairman and Chief Executive Officer are set out in *section 3.6 of this chapter*.

3.5.3 DETAILS OF PERFORMANCE SHARE PLANS

The following table summarizes the history, status and main characteristics of the performance share plans in force as on December 31, 2016.

	May 2016 Plan	April 2015 Plan	April 2014 Plan	April 2013 Plan	April 2012 Plan
Date of Shareholders' General Meeting	05/04/2016	04/29/2014	04/29/2014	04/28/2011	04/28/2011
Date of Board of Directors	05/04/2016	04/30/2015	04/29/2014	04/25/2013	04/26/2012
Total number of shares granted, of which to:	302,500	309,550	282,475	268,500	180,902
▪ G. Michel, Chairman and Chief Executive Officer	32,500	35,000	32,500	30,000	21,500
Date of vesting	05/04/2019[(1)]	04/30/2019[(1)]	04/29/2018[(1)]	04/25/2017[(1)]	04/26/2016[(2)]
Date of the end of the keeping period	05/04/2019[(1)]	04/30/2019[(1)]	04/29/2018[(1)]	04/25/2017[(1)]	04/26/2016[(3)]
Performance conditions	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE	Group's net current operating income per share and ROCE
Cumulative number of shares acquired at December 31, 2016	-	-	-	1,250	109,452
Cumulative number of shares cancelled or lapsed[(4)]	3,000	11,550	18,250	86,299	71,450
Performance shares remaining at December 31, 2016	299,500	298,000	264,225	180,951	-

(1) For all beneficiaries, irrespective of their place of tax residence.

(2) For the beneficiaries resident outside France; April 26, 2015 for the beneficiaries resident in France.

(3) For the beneficiaries resident outside France; April 26, 2017 for the beneficiaries resident in France.

(4) Following the beneficiaries' departure from the Group or considering the performance conditions.

3.6 SPECIFIC TERMS AND RESTRICTIONS APPLICABLE TO GRANTS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board of Directors, pursuant to the recommendations of the Appointments and Compensation Committee (split into two separate committees in May 2016), and in accordance with the provisions of articles L. 225-185 and L. 225-197-2 of the French Code of Commerce, confirmed, as need be, at its meeting of May 4, 2016 during which it granted performance shares to its Chairman and Chief Executive Officer, the restrictive rules on holding and keeping shares it set down for the first time at its meeting of February 15, 2010. Thus, the Chairman and Chief Executive Officer shall hold on a registered basis, until the date of termination of his duties:

- as regards the grants of conditional stock subscription options: a number of shares resulting from each option exercise corresponding to at least 25% of the net gain realized upon each exercise (net of the amount needed to fund that exercise, and of any related taxes and obligatory contributions);
- as regards the grants of performance shares: a number of shares at least equal to 25% of the total number of vested shares following the applicable vesting period,

until the total amount[(1)] of the shares he holds[(2)] reaches, upon the exercise of stock subscription options and the availability of performance shares, a coefficient equal to 300% of his last annual fixed compensation on the date in question.

On these occasions, the Board also confirmed that:

- this keeping rule applies to the grants made to Gilles Michel with respect to the conditional stock subscription option and performance share plans implemented by the Company as from November 3, 2010 (date of his first appointment as Corporate Officer of the Company);
- the total amount of investment in shares of the Company shall take into account all the shares held by Gilles Michel on the date in question, regardless of their origin (purchase on the market, exercise of stock subscription options or shares acquired under performance share grant plans).

The grant of performance shares awarded on May 4, 2016 to Gilles Michel by the Board is within the limits it had set at its meeting of July 29, 2009 pursuant to the recommendations of the AFEP-MEDEF Code: ceiling of the value (under IFRS) of the granted conditional stock options and performance shares at one year of his gross annual compensation (fixed part + maximum variable part).

In addition, pursuant to the recommendations of the Appointments and Compensation Committee and to those of the AFEP-MEDEF Code, the Board of Directors at its meeting of April 28, 2011, on the occasion of the renewal of the authorization given to the Board by the Shareholders' General Meeting held on the same date to grant stock subscription options and performance shares, set the maximum percentage of options and shares that may be granted to Executive Corporate Officers at 20% of the overall envelope voted by shareholders. This percentage has since been confirmed at each renewal of the relevant authorizations.

Pursuant to the recommendations of the AFEP-MEDEF Code, all these conditions were published on the Company's website.

Finally, at its meeting of February 11, 2016, the Board decided, pursuant to the recommendations of the AFEP-MEDEF Code and those made by the Appointments and Compensation Committee, to propose at the Shareholders' General Meeting called for May 4, 2016 to rule on the authorization made to the Board to grant free shares for the benefit of employees or corporate officers, to limit the number of rights to be allocated to executive corporate officers to 0.5% of the Company's capital *(see chapter 7, paragraph 7.2.3 of the Registration Document)*.

At its meeting of February 15, 2017, on the recommendation of the Compensation Committee, the Board decided to propose, at the Shareholders' General Meeting called for May 3, 2017 to rule on the renewal of the share subscription and free share grants, that grant ceilings for the Executive Corporate Officers be kept the same as those currently in force *(see chapter 8, paragraph 8.1.8 of the Registration Document)*.

(1) Estimated on the basis of the share price on the date of each option exercise or the date of availability of the free shares in question.

(2) After the sale of those needed, as the case may be, to fund the option exercise or the settlement of any taxes, contributions or expenses with respect to the transaction.

3.7 CORPORATE OFFICERS' TRANSACTIONS IN SECURITIES IN THE COMPANY

The Board of Directors has adopted a Policy for the prevention of insider trading within the Imerys group. This policy, which was adopted in its initial version in July 2002 and then regularly amended, is currently being revised to take account of the latest regulatory developments.

The policy defines permanent and occasional Insiders; sets out the Company's obligation to draw up a list of Insiders for the Group and determines the related arrangements. It also reiterates the rules with respect to transactions by corporate officers in Imerys shares or, as the case may be, any other securities issued by the Group or any financial instruments ("Imerys Actions" mutual fund, MONEP, warrants, convertible bonds, etc.) that are related to Imerys shares ("Imerys securities").

In accordance with the general principle that applies to Insiders, whether permanent or occasional, any corporate officer and related persons must, in the event that they directly or indirectly hold privileged information, before the public has knowledge of such information, refrain from carrying out any transaction, including forward transactions, in Imerys securities.

To make its implementation easier, the Board of Directors appointed the Group's General Counsel and Secretary of the Board as ethics officer, tasked with providing, on request from any concerned party, an opinion prior to the transactions on the Company's securities under consideration by Directors and Group senior executives. This decision is in line with AMF guidelines for preventing insider misconduct by executives of listed companies. The opinion given by the ethics officer is purely advisory.

Furthermore, the obligation to abstain also applies to any transaction on Imerys securities (including as hedging) during the periods prior to the public announcement of the Group's periodical results, known as "blackout periods". This obligation concerns corporate officers, but also other permanent or occasional Insiders, such as the Group's principal support or operations managers, or employees who directly take part in the production of the consolidated financial statements, who are considered as exposed on a regular or periodical basis to the holding of insider information due to their positions and responsibilities. Blackout periods are understood as the number of days leading up to the publication of the Group's results and the day of that announcement. At its meeting of February 11, 2016, the Board of Directors decided to increase the duration of the blackout periods for the publication of the Group's annual and half-yearly consolidated financial statements to 30 calendar days and to maintain them at 15 calendar days for the publication of the quarterly results, to strictly comply with AMF's recommendation.

Gilles Michel pledged to the Board at its meeting of February 15, 2017 to comply with those abstention obligations, even including for option exercises (which cannot be speculative in nature as the exercise price is predetermined). Moreover, the transparency of these operations was fully guaranteed by the obligation to declare to the AMF the transactions made in securities in the Company, including through the exercise of options, pursuant to legal and regulatory provisions.

The annual schedule of announcements of the Group's consolidated results as well as the resulting schedule of blackout periods are supplied to the Directors at the end of the previous year; it may be consulted at any time on the Group's website, is included regularly in the Chairman and Chief Executive Officer's quarterly letter to shareholders and is available on request from the Group's Financial Communication Department.

Furthermore, the Group's policy prohibits Insiders from making any leveraged transactions or speculative transactions (short sales or bull purchases of shares, extension of orders on deferred settlement and delivery services, very short turnaround purchase/sale transactions, etc.) in Imerys securities. To comply with the recommendation of the AFEP-MEDEF Code, that prohibits risk hedging transactions by Executive Corporate Officers who are beneficiaries of stock options and/or performance shares, Gilles Michel reiterated his commitment in front of the Board on May 4, 2016 not to resort to the use of any risk hedging transactions in respect of his conditional stock options and performance shares granted or to be granted to him during his term of office.

Pursuant to the provisions or article 223-26 of AMF's General Regulations, the summary table below presents the transactions made on Imerys securities during 2016 by corporate officers and, as the case may be, any individuals connected to them, that are covered by the obligation of declaration to AMF in accordance with the provisions of article L. 621-18-2 of the French Monetary and Financial Code. These declarations are available on AMF's website *(www.amf-france.org)*.

Declaring	Capacity	Financial instrument	Number	Nature of operation	Number of operations	Gross amount[(1)] of operations
Blue Crest Holding SA	Person related to Ulysses Kyriacopoulos, Director	Shares	69,366	Transfer[(2)]	1	€3,999,997
		Others	61,670	Swap[(3)]	4	€4,008,687
		Others	65,050	Swap settlement	4	€3,589,927
Odile Desforges	Director	Shares	600	Acquisition	1	€39,110
Giovanna Kampouri Monnas	Director	Shares	400	Acquisition	1	€24,704
Ulysses Kyriacopoulos	Director	Shares	500	Acquisition	1	€30,655
Katherine Taaffe Richard	Director	Shares	500	Acquisition	1	€30,175
Arnaud Vial	Director	Shares	600	Acquisition	1	€37,134

(1) Before taxes, charges and costs.

(2) Transfer of shares from Imerys to Blue Crest Holding SA with respect to the first additional payment for the acquisition of the S&B group (to find out more, see paragraph 7.2.4 and 7.3.3 of chapter 7 of the Registration Document).

(3) Total return equity swap (TRS).

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3.8 APPLICATION OF THE CORPORATE GOVERNANCE CODE

The Company refers to the AFEP-MEDEF Code, in particular for the purpose of drawing up the report provided for by article L. 225-37 of the French Code of Commerce (this Code is available on the Company's website: www.imerys.com, in the "The Group/Corporate Governance" section).

The Company complies with all of the recommendations resulting from this Code, except for those for which explanation is given in the following table.

Recommendations of the AFEP-MEDEF Code	Justification
Paragraph 8.5.6 Independent status criteria *"Not having been a Director of the Company for more than 12 years; the loss of independent Director status occurs on the date the 12 years are reached."*	The Board of Directors decided to maintain the independent status to Aldo Cardoso, who is proposed for renewal as Director at the Shareholders' General Meeting of May 3, 2017, on which date his term of office will reach 12 years as it considers that: ▪ the duration of his term of office does not affect his critical judgment with respect to executive management; ▪ the Board's composition has been substantially renewed in recent years (the average duration of office following the next Shareholders' General Meeting will be approximately 5 years) and maintaining his office, particularly on the Audit Committee, guarantees long-term stability and continuity in the control and monitoring of the Group; ▪ in addition, his expertise and authority are acknowledged in the financial, control, management and corporate governance areas, including by market authorities or regulators.
Paragraph 17.1 Chairmanship of the Compensation Committee *"It is recommended that the Chairman of the [Compensation] Committee be independent and that one of its members 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 to the controlling shareholders has any executive responsibility in the Group. The Compensation Committee is comprised of six members, of whom three are independent directors and one is an employee representative Director.

4

RISK FACTORS AND INTERNAL CONTROL

4.1 RISK FACTORS

The Imerys group carries out its activities within a constantly evolving environment that is difficult to predict by nature. This uncertainty may lead to significant negative impacts on its activities and financial situation.

The main risk factors the Group is facing at the date of this Registration Document, as well as the related control methods, are presented hereafter in descending order of impact in each category. Other risks the Group is not aware of yet, or which are considered insignificant, could nevertheless exist and possibly have a substantial negative impact.

4.1.1 RISKS RELATED TO IMERYS' BUSINESS

■ MINERAL RESERVES AND RESOURCES

Mineral reserves and resources form one of the Group's primary assets, with about three quarters of its activities using their own mineral resources. The accurate assessment of these assets is critical to the management and development of Imerys' operations.

Imerys has set up an internal network of experts who are responsible for this appraisal for each operating activity. Under the responsibility of the Geology and Mining Director (within the Group Industrial Department), these experts carry out an annual consolidated review according to the principles presented in *chapter 1, section 1.7* and submit the findings to the Executive Committee each year. Because of unforeseeable changes in the parameters on which this assessment is based, which may be technical, regulatory and economic, and the uncertainty naturally inherent in appraisal, no absolute guarantee can be given on the results of their work.

Nonetheless, processes and resources are used to ensure the accuracy of the assessment. These are examined either by the Strategic Committee or by the Audit Committee:

- the reserve and resource estimates carried out by each site are audited over a three to five-year cycle by internal independent experts;
- an additional external assessment of the approach is performed every five years. Thus, in 2012, an external audit carried out by an internationally recognized consultancy firm confirmed that the general approach to reserve and resource estimation is in line with industry practices and that the way the Group reports its mineral assets is compliant with the Pan European Standard for Reporting Exploration Results, Resources and Reserves (the PERC Reporting Standard);
- all Group sites operating mineral deposits set down their long-term mining plan. Based on sales volume forecasts, those plans model the optimum depletion of deposits in order to supply the Group's relevant processing plants over the long term. The quality of these plans is systematically assessed on the basis of fifteen criteria. The Group Mining & Industrial Operations Director has the power to take action on divisions' mining plan proposals to make sure they are consistent with the Group's long-term mineral asset management policy, employee safety policy and environmental policy.

■ VOLATILITY AND EROSION OF END MARKETS

The Group's earnings are sensitive to the economic conditions of the end markets which it serves. The recent increase in volatility for some significant markets for the Group, such as the iron & steel and oil industry, has negatively affected the results of several Group divisions, particularly in the United States. Other divisions may also be facing a structural decline in some mature markets that they serve, such as paper printing and publishing.

However, the Group's exposure to economic cycles and erosion on some end markets is reduced by:

- the wide range of sectorial markets served by the Group (none of which represents more than 15% of its sales);
- regular business reviews of each individual division of the Group by the Executive Committee and the Strategic Committee, in order to track the current situations of the markets that it serves and plan for possible future trends;
- the development of strategic multiyear plans by each division and the Group. These plans are reviewed by the Executive Committee, the Strategic Committee and for the latter, by the Board of Directors. They consider potential reallocations of assets in the long term within their activity portfolio to potentially reduce their exposure to some markets with low growth prospects in favor of other activities operating on more dynamic markets.

■ INNOVATION

To remain competitive, keep up its organic growth and increase its profitability, the Group puts organizational, technological or commercial innovation at the heart of its strategy. In addition, innovation addresses the Group's concerns for the sustainable development of its activities.

Regarding its ambitious innovation policy, the Group faces the following risks and has implemented relevant control methods:

- risk related to potential loss of innovative talents. A mobility procedure as well as succession plans specific to Group researchers have been established under the supervision of a dedicated HR manager;

- risk of new products struggling to penetrate their target markets. More stringent methods are gradually being implemented to ensure a perfect fit between products developed by divisions and their customers' needs. They include the development of close relations between the relevant divisions' marketing teams and their new customers to gain a better understanding of their activities, solve technical issues and anticipate their needs;
- risk of delay in the start-up of industrial facilities using new methods, or new product manufacturing lines. Under the Group's industrial excellence program, a stronger procedure for capital expenditure control and implementation monitoring has been rolled out.

EXTERNAL GROWTH OPERATIONS

In all its activities worldwide, Imerys implements a growth strategy that combines organic growth and acquisitions *(see chapter 1, section 1.2)*. In that context, the Group frequently makes acquisitions of activities or companies and creates joint ventures. These operations inherently entail risks relating to the correct appraisal of the corresponding assets and liabilities, the integration into the Group of the acquired activities, personnel, and information and management systems, or in the case of joint ventures, to changes in relations with relevant partners.

Imerys has set up internal control procedures which require, depending on the amounts at stake and the nature of the operation, prior approval by the Chairman and Chief Executive Officer, the Strategic Committee and the Board of Directors *(see chapter 3, section 3.1)* and are intended to cover:

- the analysis of potential targets (with the application of strict investment profitability criteria and the performance of in-depth due diligence);
- the review and acceptance of contractual terms and conditions for the completion of the operations (including, when needed, specific commitments by sellers to indemnify against potential hidden liabilities);
- the preparation, implementation and monitoring of acquired activities or companies' integration.

COST AND SUPPLY OF ENERGY

Some of the Group's activities have significant operating energy needs, especially in mineral conversion processes that use thermal technologies and mining operations that use heavy equipment. They may be affected by a sharp increase in energy prices or energy supply difficulties (mainly in electricity and natural gas). The ability of the Group to pass these cost increases through to its customers largely depends on the market environment in which those activities operate and the commercial practices that usually prevail. The inability of the related Group activities to immediately and/or fully pass increases in energy costs through to the selling price of their products could have a material adverse effect on their performance.

To manage this risk, the Group has implemented the following measures:

- hedging transactions on some energy purchases with forward contracts *(see note 24.5 to the consolidated financial statements)*;
- a program for the improvement its plants' energy efficiency, overseen by a Group Energy Supervisor *(see chapter 5, section 5.4.2)*;
- diversifying divisions' energy supply sources.

COUNTRY

Because of their mining activity and the variety of their end markets, the Group's activities are now present in many countries, several of which have an unstable political, social, legal or regulatory environment. An unfavorable change in the environment of some of those countries could affect the Group's local activities or assets, cash flows, profitability and ability to continue operating and developing in such countries.

To manage this risk factor, the following set of measures is implemented:

- The Executive Committee regularly reviews the exposure of the Group's assets and revenues in at-risk countries. To identify such countries, Imerys uses the "Business Environment" assessment published by Coface, the primary French insurance firm specializing in export credit insurance (for more information on these ratings, *see chapter 6, paragraph 6.1.2*). Other international indicators are regularly reviewed to measure the exposure of the Group's personnel and assets to natural, criminal and political risks;
- The Group brings in external consultants as needed to provide fuller information on the local environment (in economic, political or other terms) in some countries and anticipate possible developments;
- Imerys has set up a process for regular monitoring of the Group's performance in specific countries (particularly South Africa, Brazil, China and India) by the Executive Committee and by local Steering Committees, which bring together the main operating and support managers of the related countries, and strengthened cross-functional organization by country or region according to the size and nature of existing activities and their development capacity;
- In all countries where Imerys' operations are located, the Group develops its relations with local authorities and communities *(see chapter 5, section 5.3)*.

An overview of these analyses and the actions taken is presented to the Audit Committee upon request.

HUMAN RESOURCES

The management and development of the Group's activities require the employment and recruitment of a large number of highly qualified technicians and managers. The success of the Group's internal and external development plans depends partly on its ability to recruit and integrate new skills, notably in the most remote geographic areas, and to train and promote new talents.

This is why Imerys has drawn up a Human Resources policy with the aim of attracting, retaining and renewing the expertise, talents and skills needed to carry out its activities worldwide and support its internal and external growth. This policy is presented in *chapter 5, section 5.3*.

▪ INFORMATION SYSTEMS

Daily management of the Group's activities, specifically the conduct of its commercial, industrial and financial processes, requires the proper functioning of technical information infrastructures, management and data processing systems. The risk of malfunction or shutdown of such infrastructures or system, which may be external or internal in origin (computer viruses or hacking, service provider failures, blackouts or network shutdowns, natural disasters, human error, etc.) may have a material adverse effect on the conduct or monitoring of the operations of a division or the Group, the protection of their confidential information and know-how, and the production of their financial and management reporting.

To minimize this impact, the Information Systems Department has set strict rules of governance and security for IT infrastructures and computer or digital systems, data backups and disaster recovery plans, rolled out at division and Group level and controlled by the Internal Audit and Control Department.

4.1.2 INDUSTRIAL AND ENVIRONMENTAL RISKS

▪ PROPERTY DAMAGE

Like any industrial group, Imerys' production sites are exposed to the occurrence of unforeseen incidents (of various nature or origin, *e.g.* accidents, natural disasters, machine breakage) that may lead to temporary operating stoppages, some of which may significantly affect the activity of the operating sites concerned.

The risk of such events occurring and their possible impact on the Group's overall business are limited by the following set of factors and measures:

- the number and geographic dispersal of industrial sites, many of which are of moderate size, in each operating division;
- regular capital expenditure committed by each division to modernize and maintain its industrial assets;
- an active industrial risk prevention policy set up by the Group, including the definition of business continuity plans and/or crisis management plans for the most strategic sites;
- a dam soundness review program for the relevant sites.

The potential financial impact that may arise from property damage or sites' temporary operating stoppages is covered through an insurer that is internationally recognized for its reputation and financial soundness under an insurance coverage program combined with a robust risk prevention program *(see paragraph 4.1.5 of the present chapter)*.

The Group General Counsel presents the Group's policy on insurance, risk coverage and the related prevention programs periodically to the Executive Committee and once a year to the Audit Committee as part of its review of the main legal risks facing the Group.

Finally, the Group's industrial project management policy, for which new procedures are being put in place, has been revised in depth.

▪ ENVIRONMENT, HEALTH & SAFETY

Even though industrial mineral processing techniques are mainly physical (crushing, grinding, sorting and calcination) and require very few chemicals, industrial mining and mineral processing activities can have an environmental impact (especially on soil and water conditions). As such, the Group may have to incur expenses (on a regular basis or at the very end of sites' operating lifespans) for industrial site restorations or environmental cleanups. In addition, failure to respect applicable environmental regulations for its operations' local activity could lead to civil, administrative or criminal prosecution.

Lastly, because of their industrial nature, the Group's activities entail potential workplace health and safety risks. Driving heavy mobile equipment, using high-voltage electrical facilities and carrying out tasks requiring the stoppage of industrial facilities, proper functioning of protection systems on some machines or working at heights lead to dangerous situations to the personnel engaged in these activities and the people around them.

To manage the above-mentioned risks, Imerys has established:

- an effective Environmental Management System (EMS) that enables it to identify, prioritize and establish controls for any potentially significant environmental impacts resulting from its industrial activity *(see chapter 5, section 5.4)*;
- an integrated approach, entitled the "Imerys Safety System" (ISS) organized around three main themes: compliance (Environment, Health & Safety (EHS) organization), communication/training (Safety Universities) and continuous safety improvement (Take 5). The components of each of these three pillars help to reduce accidents and improve safety culture *(see chapter 5, section 5.3)*.

The Executive Committee periodically examines EHS performance indicators and the results of audits in the various divisions. The Audit Committee reviews the processes and resources implemented to achieve established objectives. The Board of Directors is given an overall presentation on these points at least once a year.

In addition, the Group recognizes its responsibility to provide effective stewardship for its products *(see chapter 5, section 5.3.2)*.

Lastly, the Corporate Social Responsibility function, created in 2016 and overseen by the Group General Counsel, is intended to support the Group's ambitions in this field with respect to the various stakeholders (primarily employees, local communities, customers, public authorities and shareholders). This function Is also designed to bolster the proactive and responsible management of environmental and product stewardship issues across the Group, under a sustainable development rationale for divisions' operations.

4.1.3 LEGAL RISKS

COMPLIANCE WITH AND/OR CHANGES IN LAWS AND REGULATIONS

The Group's companies have to deal with a great number of national and regional laws and regulations, given the nature of their operations (particularly mining of natural resources) and their diverse locations (Imerys is based in almost 50 countries and has 258 industrial sites as at year-end 2016). Consequently, the Group must make sure that it is able to comply with those regulations in order to continue running all its operations and enable them to maintain an acceptable level of profitability.

The threats the Group is facing as part of its activities are twofold:

- in some countries (notably emerging countries with high economic growth rates), foreign companies (especially those that exploit local natural resources) may be affected by the adoption of legislative or regulatory texts having a direct impact on their business or by the possible discriminatory interpretation that can be provided by the authorities in charge of their application;
- the legislative and regulatory framework is generally becoming tighter with respect to the protection of the Environment, Health & Safety and the promotion of the development of local economies and communities. The costs entailed in bringing the Group's activities into compliance with those laws, regulations or interpretations, the penalties that may be imposed in the event of non-compliance and the resulting possible damage to the Group's reputation may have a negative impact on the economic conditions of the Group's operations and the competitiveness of its activities.

To ensure its operations' optimal compliance with all applicable legislation and regulations, Imerys has set up a network of internal legal specialists assigned to the Legal Department and based in the Group's main geographic regions. Furthermore, as stated in *paragraphs 4.1.1 and 4.1.2 of the present chapter*, audits of geology and EHS practices allow the Group to regularly check the compliance of local activities with applicable laws and regulations.

In addition, in many countries Imerys develops close relations with regulatory bodies, trade associations, local authorities and communities in order to better anticipate or orientate (whenever possible and with full respect of applicable laws and internal policies) the planned legislative and regulatory changes that may have an impact on the Group's activities. Imerys tries to anticipate those changes and factor them into its research and development programs to be able to meet the requirements of new regulations in a timely manner, while limiting its costs, and/or to use those changes as commercial opportunities for the Group.

To the best of Imerys' knowledge, no risk of violation and/or changes in laws and regulations with a potentially significant financial impact for the Group exists on this issue as of the date hereof.

LEGAL PROCEDURES

(See note 23.2 to the consolidated financial statements.)

The Group may be involved in legal, administrative or regulatory proceedings (or "litigation and claims" risks) in the ordinary course of its business, the most common being allegations of personal injury or financial loss entailing liability of the Group's entities related to:

- operating their commercial or industrial activities; in particular, claims from customers with regard to the delivery of unsatisfactory products or from third parties alleging health concerns or neighborhood disturbances relating to such activities;
- the possible infringement of certain contractual obligations;
- the failure to observe certain applicable legal or statutory provisions in social, fiscal, property or environmental matters.

The highest risk intensity for the Group is in:

- the United States, especially in the context of actions brought before the courts of several US states and the US federal courts by multiple plaintiffs concerning the liability of local subsidiaries for alleged possible hazards related to the use of certain products or the consumer products manufactured using such products, or for the alleged failure to provide warnings regarding such alleged hazards (*e.g.* talc-based cosmetics). From a financing perspective, these risks increase by the amount of the defense costs to be incurred and the unpredictability or media coverage of certain court decisions, tried by juries before the courts and subject to appeal procedures of certain US states and the US federal courts; and

- Brazil, especially in the context of civil, administrative, fiscal, social or criminal actions brought by local or federal public authorities in respect of the alleged failure to comply with the applicable regulations in such relevant fields, and which may also involve third parties in cases falling under environmental regulations.

The risks related to third party claims, and their incurred defense costs (beyond any applicable deductibles), are generally covered by the Group's existing insurance programs and other policies issued to the Group's subsidiaries in the United States or their predecessors. In addition, Imerys and its subsidiaries also benefit from certain rights to be indemnified (or may also be subject to certain indemnification obligations) by third parties under specific indemnities or contractual guarantees (or conversely, granted to third parties) in connection with past acquisitions of assets or routine commercial transactions.

The litigation and claims to which the Group is exposed are assessed by the Legal Department with the assistance of local lawyers (and if applicable, in partnership with the insurers concerned). A summary of the largest claims is reviewed on semi-annual basis by the Group's Finance Department and Auditors to ensure such claims are reflected in Imerys' financial statements. The General Counsel makes a summary presentation of claims to the Audit Committee as part of its annual examination of the risks facing the Group.

Although the outcome of all outstanding actions and claims cannot be foreseen with certainty, their resolution, taken individually or as a whole, and taking into account available insurance policies or contractual indemnities and legal remedies – even if adverse for the Group companies involved – is unlikely to have any material impact on the Group's consolidated financial statements. The amount of provisions booked for product warranties is €30.7 million as of December 31, 2016 (€27.4 million as of December 31, 2015) and the amount of provisions booked for legal, social and regulatory risks is €133.1 million as of December 31, 2016 (€112.7 million as of December 31, 2015). These provisions have a probable maturity between 2017 and 2021.

More generally, to the best of Imerys' knowledge, as of the date of the present Registration Document, no governmental, legal or arbitration proceedings, whether actual or threatened, is likely to have, or has had in the past 12 months, any significant effect on the financial position or profitability of the Company and/or the Group.

■ MAJOR CONTRACTS

To the best of Imerys' knowledge, apart from the contracts entered into (i) in the ordinary course of business, including contracts with respect to operating rights for mineral reserves and resources, (ii) in relation to business acquisition or divestment operations already carried out or announced or (iii) in relation to the financing operations mentioned in the present Registration Document, no other major contracts have been signed by any Group company in the two years prior to the date of the present Registration Document that are still in force on that date and which contain provisions entailing an obligation or commitment likely to have significant impact on the Group's business, financial position or cash flow.

However, with respect to some contracts, significant commitments and guarantees have been granted by Imerys or its subsidiaries. The amount of off-balance sheet commitments made is €645 million as of December 31, 2016, compared with €483.2 million as of December 31, 2015 *(see note 28 to the consolidated financial statements)*.

4.1.4 RISKS RELATING TO FINANCIAL MARKETS

These risk factors and their control methods are described in the notes to the relevant consolidated financial statements.

■ CURRENCY RISK

(See notes 21.3 and 24.5 to the consolidated financial statements.)

■ INTEREST RATE RISK

(See note 24.5 to the consolidated financial statements.)

■ LIQUIDITY RISK

(See note 24.5 to the consolidated financial statements.)

4.1.5 RISK INSURANCE AND COVERAGE

The Group's policy with regard to protecting its earnings and assets against identifiable risks is to seek the most suitable solutions on the insurance market that offer the best balance between their cost and the coverage provided.

The coverage of major risks that are common to all operating activities is almost exclusively integrated into "All Risks Except"-type international Group insurance programs taken out on the market with insurers that are internationally recognized for their reputation and financial solidity. This integration enables the Group to benefit from the most extensive coverage with the highest limits while optimizing its cost. As part of the active external growth policy implemented by the Group, steps are taken to ensure that acquired businesses are immediately integrated into existing Group insurance programs or benefit from coverage terms that are at least equivalent. In the latter case, integration is restricted to the additional coverage offered by Group programs compared with the local insurance policies that apply to the acquired activities.

Within Imerys, companies also use the local market to cover the specific risks of some of their non-recurrent activities or operations through the services of the brokers in charge of managing the Group's insurance programs, or when such insurance is made compulsory by applicable local regulations.

The Group judges that it currently benefits from sufficient insurance coverage, in terms of both scope and insured amounts or limits of guarantees, for the most important risks related to the pursuit of its businesses worldwide.

The two main Group insurance programs cover civil liability as well as property damage and operating losses.

▪ CIVIL LIABILITY

The purpose of this program is to cover the Group's liability in the event of bodily injury, property damage or consequential damage occurring during operations or after the delivery of products, and any damage resulting from accidental pollution.

The Group's activities are first covered by local policies issued in each country ("first layer"), then by a Master policy issued in France and an additional policy in excess of the limit of cover of the Master policy ("Excess").

These Master and Excess policies are also used in addition to the limits and coverage of several specific sub-programs, particularly in North America, to cover Automobile Civil Liabilities and Workers' Compensation, and in addition to the mandatory Employer's Liability policy issued in the United Kingdom.

The coverage provided by the Group Civil Liability program, subject to the exclusions that are common practice on the insurance market for this type of risk and to sub-limits applied to certain defined events, amounts to €100 million per claim and per year.

▪ PROPERTY DAMAGE AND OPERATING LOSSES

This program is particularly intended to cover property damage caused suddenly and directly, affecting the insured property as well as any resulting operating losses.

The Group's activities are covered for property damage and business interruption under a Master policy that is issued in France and applies directly in most European countries and in addition to local policies in other countries, when regulations allow.

Since 2002 Imerys has opted to retain "frequency" risks within a captive reinsurance company consolidated in the Group's accounts for a claims ceiling of €4 million annual aggregate.

The Master policy provides the Group, subject to the exclusions that are common practice on the insurance market for this type of risk and the sub-limits applied to certain defined events, with coverage for property damage and business interruption of €200 million per claim.

In assigning its property damage and business interruption program to an insurance carrier that is renowned for its expertise in prevention engineering, Imerys intends to continue its extensive efforts on risk awareness and protection in its activities in line with its overall Sustainable Development program. Almost all the Group's industrial sites are regularly inspected by prevention engineers, giving rise to recommendations that enable Imerys to improve its industrial risk management. More than 100 sites were inspected in 2016.

▪ OTHER GROUP-WIDE INSURED RISKS

The Group's other main insurance programs are intended to cover the following risks, which are common to all its legal entities or several of its activities: corporate officers' liability; motor fleet insurance (Europe and United States); marine cargo and charterer's liability; workers' compensation and employers' liability (particularly in the United States and the United Kingdom).

4.2 INTERNAL CONTROL

4.2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

INTRODUCTION

Context

Pursuant to article L. 225-37 of the French Code of Commerce, the Chairman of the Board of Directors drew up his report on Corporate Governance and internal control procedures on February 15, 2017.

The following information shall be considered as an integral part of the above-mentioned report:

- the composition of the Board of Directors (including the application of the principle of gender balance among its members), the conditions under which the work of the Board of Directors is prepared and organized and the possible limitations placed by the Board on the powers of Executive Management given in *chapter 3, section 3.1*;
- the principles and rules set down by the Board of Directors to determine compensation and benefits of any kind granted to corporate officers given in *chapter 3, section 3.3*;
- a note explaining why the Group does not implement certain provisions of the AFEP-MEDEF Corporate Governance Code, which the Board of Directors states that it uses as a reference given in *chapter 3, section 3.8*;
- the particular arrangements for the participation of shareholders in the annual General Meeting and the information described in article L. 225-100-3 of the French Code of Commerce likely to have an impact in the event of a public offering, presented in *chapter 7, section 7.1 and section 7.4*, respectively.

The part of the report presented below describes in more detail the main internal control and risk management procedures implemented by the Group. This part was drawn up under the responsibility of the Imerys Risk and Internal Control Department and reviewed by the Chairman and Chief Executive Officer who confirmed that its content was valid. It was then provided to the Statutory Auditors for discussion and to the Audit Committee for review prior to its definitive approval by the Board of Directors.

Internal control objectives

To define its internal control reference matrix and structure its approach, the Group draws on the framework and the application guide published by AMF (the French securities regulator) and updated in July 2010. That matrix includes the objectives and the components of the AMF framework.

The Imerys group's internal control system covers all controlled companies in the Group's scope of consolidation, including newly acquired companies.

By implementing this system in all its activities, Imerys intends to ensure that it has the resources needed to manage the risks that its activities face, guarantee the accuracy and thoroughness of its financial information and organize the proper management of its operations in accordance with the laws and regulations in force and the Group's management principles and strategy. In this way, the internal control system helps to protect the Company's value for its shareholders and employees and to achieve the goals it sets itself.

However, by its nature, such a system cannot provide an absolute guarantee as to the total control of the risks that the Group faces and the achievement of its goals.

Internal control principles

In line with the goals set, Imerys' internal control system is founded on the following principles:

- a chosen, controlled organization comprised of skilled, responsible men and women;
- a regular analysis of the Group's main risks;
- relevant control activities;
- a regular review of internal control practices within the Group.

RELEVANT ORGANIZATION

Organizational model

Imerys' internal control is based on the Group's operating and management organization and on support Functions that are directly or indirectly dedicated to the control of the risks that the Group faces.

The control system set up in the Group is founded on a tight governance structure that guarantees the transparency and traceability of decisions, while conserving the principles of subsidiarity and decentralization that are considered essential to the optimal running of the Group's industrial and commercial activities. It requires great commitment from every line or support manager who must take ownership of the policies and procedures defined at Group level, contribute to their implementation and observance, and enrich them through measures that are relevant to the specificities of the activities or fields under their charge.

The framework for managing operations consists of:

- Group policies and the resulting delegations of authority to line managers;
- controlling and monitoring of operating management, performed continuously by line managers and periodically by the Chairman and Chief Executive Officer and the Chief Financial Officer through budget processes, quarterly income reviews and monthly management reporting, of which the main items and findings are commented on at the Executive Committee's monthly meetings;
- approval of semi-annual and annual consolidated financial statements by the Board of Directors following examination by the Audit Committee and the review of quarterly consolidated financial statements prior to publication;
- specific controls and audits implemented by the central support services within their scope of responsibility, regular audits conducted by the Internal Audit Department and self-assessments conducted at least once a year by the managers of the main entities under the control of the Risk and Internal Control Department.

The longer-term orientations of each activity and the resulting financial forecasts are formalized and monitored under a multiyear strategic plan for the Group and periodic strategic reviews for each activity. These are drawn up under the control and supervision of the Chairman and Chief Executive Officer. Their conclusions are reviewed by the Executive Committee before being presented to the Strategic Committee then, for approval, to the Board of Directors.

Participants in internal control

The Board of Directors and its specialized Committees

The Board of Directors constantly controls the management of the Group by the Chairman & Chief Executive Officer. In that framework, it particularly makes sure that internal control mechanisms are set up correctly in the Group.

To assist the Board in its mission, four specialized Committees were formed from its members and perform their duties under its responsibility: the Strategic Committee, Appointments Committee, Compensation Committee and Audit Committee. The Strategic Committee and the Audit Committee have responsibilities with respect to identifying and managing risks and monitoring certain internal control mechanisms as presented in *chapter 3, section 3.1*. At least once a year, The Audit Committee reviews the processes set up and results obtained in terms of risk analysis and appraisal of internal control mechanisms.

Executive Management and Executive Committee

The Chairman and Chief Executive Officer has operating and functional responsibility for all the Group's activities to implement the strategy defined by the Board of Directors. In particular, he or she is in charge of the effective implementation of internal control mechanisms within the Group.

The Chairman and Chief Executive Officer is assisted in his or her mission by an Executive Committee of which he or she appoints the members. The latter represent each of Imerys' activities composed of operational divisions and the main support Functions. By delegation, Executive Committee members are in charge of setting up and monitoring internal control systems in their scope of responsibility.

Operating management

In accordance with the Group's decentralized operating principles, the managers of each division have the responsibility and necessary powers to organize, run and manage the operations in their charge, under the supervision of an Executive Committee member, and to delegate in similar conditions to the managers reporting to them.

Each activity favors the most appropriate organization to its markets, taking into account their commercial, industrial or geographical specificities. It is responsible for adopting internal control mechanisms that are consistent, on the one hand, with its organization and, on the other hand, with the Group's principles and rules.

Support Functions

The corporate Finance, Strategy, Legal & Corporate Social Responsibility, Human Resources, Industry and Innovation services have a twofold mission: organize and control the Group's operations in their respective spheres of expertise and provide technical assistance to operating activities in those fields when necessary. This central support core, together with the specific Departments (Purchasing, Mining & Geology, Health & Safety - Internal Efficiency and Information Systems - M&A, International Development, Strategic Marketing), enable the Group not only to benefit from the scale effects related to its size and from better sharing of skills, but also to ensure that all the operations in those fields are carried out in a framework of secure, consistent management and control.

Through their presence, support services make a significant contribution to the Group's internal control mechanisms. Most of the managers of these functions have functional authority over the line managers whose missions come under their scope of expertise.

In 2016, the organization of several support services evolved to reinforce the Group's efficiency in some fields of expertise:

- the new Corporate Social Responsibility service, attached to the Legal Department, has additional responsibility in reinforcing risk management systems and the Group's compliance with respect to industry, environment and product stewardship;
- the new Internal Efficiency & Systems service has extended, within the Finance Department, the role of the existing Information Systems Department with the aim of increasing the standardization, automation, efficiency and security of some internal control processes within the Group;
- the Industry Department is now responsible for supervising Health & Safety risks and optimizing purchasing;
- the Innovation Department has been reorganized to optimize and improve control of divisions' R&D initiatives, thanks in particular to centralized management of the human resources dedicated to this function and the implementation of a robust system for monitoring the portfolio of ongoing research projects.

Risk Committee

The Risk Committee coordinates risk and control analysis and management activities within the Group. It is composed of operating activity representatives and key managers of core support functions. It met three times in 2016 and contributed, In particular, to the Group's major risk identification and assessment exercise through a map drawn up every two years.

Internal Audit Service

The Internal Audit Function's mission is to check the Group's internal control mechanisms and make sure that they comply with the principles and rules governing them. It must alert management of any internal control failings and issue recommendations to correct such failings.

The Internal Audit Service is a management support function and is independent of the operating and functional activities that it audits. For that purpose, the Internal Audit Manager reports hierarchically to the Chairman and Chief Executive Officer and functionally to the Audit Committee.

Risk and Internal Control Department

The Risk and Internal Control Department reports to the Internal Audit Service and works closely with the Legal & Corporate Social Responsibility Service, the Group's other support service and the main line managers for each activity.

In carrying out his or her missions, the department Manager is supported by the network of local financial controllers. The goal of those missions is to coordinate the continuous improvement of internal control mechanisms in the Group. They are organized around three activities: risk analysis; administration of Group policies and procedures (including their Group-wide dissemination); and the overall review of internal control practices in the Group.

Framework

Group rules

Imerys' internal control policy is set down in a number of charters (Board of Directors Charter, Sustainable Development Charter, Environment, Health & Safety Charter) and Codes (Code of Business Conduct and Ethics, Corporate Governance policy) that apply Group-wide. These sets of rules are intended to create a favorable control environment, based on robust principles and the experienced practice of Corporate Governance, as well as on upright, ethical behavior in compliance with laws, regulations and the Group's strategic objectives.

Furthermore, the Group's policies have been defined by central support services and departments and define the specific organization, responsibilities, working and reporting principles for the respective areas of expertise under their responsibility.

Finally, the Group's internal control manual defines the main internal control principles and the principal control activities to be carried out with respect to the Group's operating and financial processes.

The Group's charters, policies and manuals are grouped together in the Blue Book, which all employees can consult online *via* intranet. This initial set of rules forms the reference framework by which the Group's operating activities must abide. It applies to all Imerys' activities and the companies it controls. Certain specific communications are subject to a process of electronic certification through which relevant employees certify that they have read the information and pledge to enforce the relevant internal controls in their area of responsibility.

In operating activities, a second set of rules defines specific working and reporting principles as needed. In compliance with Group policies, these arrangements are adapted to the activities' internal organization, the management of their specific mining, industrial and commercial activities and to their specific risks. They take into account specificities in terms of applicable local laws and regulations.

Code of Business Conduct and Ethics

The Imerys Code of Business Conduct and Ethics summarizes the ethical principles the Group expects all its employees, especially its senior managers, as well as its contractors, suppliers and other partners with whom Imerys people have close relations, to follow. It is designed so that everyone, in his or her daily work, not only complies with local legislation, but also adopts an attitude in line with the Group's values, principles and rules with respect to responsibility, integrity, transparency, fairness and openness.

√ For more information, *see chapter 5, section 5.5*.

Information systems

The effectiveness of information systems and tools contributes to the reliability and improvement of support and operating processes.

The Group's policy consists of integrating its value chain (particularly sales, distribution, purchasing, inventory, fixed assets, production, supply chain and finance) as much as possible *via* its computerized enterprise resource planning (ERP) tools. Imerys strives to use integrated ERP control systems in order to ensure the optimum level of control while meeting the specific requirements of good management of its operating activities. This use is regularly checked by the Internal Audit Function through specialized information system assignments.

Imerys is organized around several ERP systems which are selected in order to achieve support and maintenance synergies as well as satisfactory consistency, while taking into account the size of operations and the geographic areas where they are to be rolled out.

For the reporting and consolidation of its accounting and financial information, the Group uses a single software package in all its entities.

Furthermore, tools for consolidating and monitoring the most important non-financial data have been set up Group-wide. Depending on the case, they are used to achieve the following goals:

- better vision of the performance of the Group's different activities, preventing or solving any difficulties and fostering or measuring improvement (*e.g.* reporting and consolidation of representative indicators for managing human resources or Corporate Social Responsibility);
- accurate management of data and helping to monitor operations' compliance with legal or regulatory obligations that apply to the Group, contractual commitments and Group rules (*e.g.* reporting and consolidation of legal and administrative information on the Group's subsidiaries and interests, and on their corporate officers, management and monitoring the approval and execution of contractual commitments).

In late 2016, the Group Finance Department launched a Group-wide project to modernize information and data management systems, tools and operational processes and promote internal efficiency through better sharing of resources among the various operating activities.

Human Resources management principles

Human Resources management contributes to Imerys' internal control system by enabling the Group to ensure that its employees have a relevant skill level with respect to their responsibilities, are aware of those responsibilities and are informed about and observe the Group's rules.

In that respect, a set of rules has been drawn up to ensure that decisions comply with applicable international laws and agreements, control the integrity of salary determination and payment processes, supervise the setup of benefits, and gather and process information. Other Human Resources policies have been drawn up covering areas such as employee relations, advice for business travelers, international mobility and crisis management.

Recruitment and development

To support its growth, the Group recruits in every country and every function. To make sure that recruitments are consistent and relevant, the Human Resources function defines standards and periodically verifies the quality of practices. In order to ensure that the Code of Business Conduct and Ethics is complied with by all Group's employees, newcomers receive an introduction with comments on the Code during the induction process.

In order to develop its existing staff in line with its business needs, the Group deployed several processes described in *chapter 5, section 5.3*, and notably an annual individual assessment (Performance Appraisal and Career Development – PAD) and succession plans for key positions.

Those recruitment and development processes are now managed in a common tool which is being deployed throughout the Group.

The results and main analyses resulting from the management of human resources and skills are presented periodically to the Executive Committee and to one of the Board of Directors' Committees.

Training

In addition to the training programs organized by the operational activities, Group training sessions are organized by the Imerys Learning Center *(see chapter 5, section 5.3)*. These sessions enable employees to enhance their professional expertise (*e.g.* finance, geology, marketing, project management) and foster the sharing of best practices.

Communication

Internal communication is organized around a central department that is part of the Group Human Resources service and a network of local correspondents in operating activities. Its mission is to supervise the integration of each of the Group's activities and build a corporate identity founded on its diversity. This Department's goals and resources are described in *chapter 5, section 5.3*.

Compensation & benefits

Compensations are reviewed annually. The review mainly focuses on base salary and individual bonuses.

In addition, the main benefit schemes, especially health and long-term care insurances (applicable to death, illness or disability) are subject to constant appraisals and improvements in line with local or regional market practices.

Detailed information on both principles is provided in *chapter 5, section 5.3*.

■ PERIODIC ANALYSIS OF THE GROUP'S MAIN RISKS

Objectives

Analyzing risks enables Imerys to identify the events that, if they occur, could represent a major threat to the achievement of its strategic and financial goals and its compliance with applicable local laws and regulations.

Through a structured process designed to enable the Group to appraise and analyze its main risks, Imerys can assess the suitability of its existing internal control mechanisms, set up relevant action plans to improve their efficiency and, more generally, increase the protection of the Group's value in compliance with applicable laws and regulations.

Organization

A three-level risk analysis process is organized:

- With respect to his or her duties, every support and line manager must constantly seek to identify, analyze and manage risks in his or her areas of responsibility. The identification and management of these risks are periodically reviewed and discussed by the Chairman & Chief Executive Officer and the Chief Financial Officer as part of the budget process, quarterly income statement reviews and monthly management reporting;
- Furthermore, the Group has undertaken a formal, recurrent process to analyze its main risks by drawing up a map that shows the potential impact of identified risks and the extent to which they are managed. The main directors responsible for central support departments and services, as well as the main managers responsible for each of the operational activities, take part in this process. Results are reviewed and approved by the Group's Executive Committee and presented to the Audit Committee. Based on the results, new actions are defined to tighten the Group's control of certain identified risks;
- Finally, a Risk Committee meets three times a year in order to review and coordinate risk and control analysis and management activities within the Group and propose potential improvement measures *(see "Organization" section above)*. The Internal Audit and Control Director periodically reports to the Executive Committee and the Audit Committee on the work of the Risk Committee.

Major risks

The nature of the Group's main risks and their management and control methods are detailed in *section 4.1 of the present chapter*.

▪ RELEVANT CONTROL ACTIVITIES

Operating and support 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.

Group policies *(see "Organization" section above)* are rules that structure the Group's control environment. The resulting procedures, particularly those relating to the accuracy of accounting and financial information, describe the required control activities in detail.

Control activities concerning the accuracy of accounting and financial information

The control mechanism and the procedures for the production of the accounting and financial information are uniform throughout the Group. This mechanism is made up of a cross-Group accounting organization, consistent accounting standards, a single consolidated reporting system and quality control of the internal and external financial and accounting information that is produced.

Organization of the accounting and financial function

Accounting and financial operations are managed by the Group Finance Department. Its central organization includes:

- an Accounting and Consolidation service, responsible for the preparation and presentation of Imerys' statutory financial statements and the Group's consolidated financial statements;
- a Financial Control and Budget Control service, which prepares and consolidates budget and monthly management reporting data and analyzes operations' performance in relation to budget targets and to comparable periods during the previous year;
- a Treasury and Financing service, which is particularly in charge of preparing and consolidating data on financial debt and on the Group's financial income/expense. Its main missions concern the centralized management and optimization of the Group's debt and financial resources, as well as the management of interest rate, liquidity, currency and energy price risk, notably through hedging instruments;
- a Tax service, which is particularly responsible for monitoring the tax consolidations made in the Group, estimating the resulting amount of taxes and controlling their overall consistency.

Because of the decentralized organization of accounting and financial functions, the financial controller of each operational activity has a key role. In particular, he or she is in charge of making sure that accounting and financial internal control procedures are correctly applied in the activities for his or her scope of responsibility. Each controller reports to the manager of the operating entity in question but also to the Group Finance service on a functional basis.

Accounting framework

The general rules are described in the Blue Book, which all employees can consult *via* the intranet, and apply to all the Group's operating and legal entities. In compliance with the IFRS standards adopted within the European Union, they include:

- a reminder of the general accounting principles and recommendations to comply with;
- a detailed chart of accounts;
- a definition of the Group's accounting methods that apply to the most important items and/or operations.

These documents are regularly updated with every amendment or application of new accounting standards, under the responsibility of the Accounting and Consolidation Department, after review by the Audit Committee and under control by the Statutory Auditors.

Annual budget and monthly reporting

Every year, Imerys implements a monthly reporting and budget process for all the Group's entities in order to have a management tool and accurate and consistent information. The match between accounting data and information derived from reporting is the key control principle for ensuring the accuracy of accounting and financial information.

Imerys' budget preparation procedure is based on the involvement of cross-functional teams in every activity and on the control of the overall consistency of assumptions and methods by the Accounting and Consolidation Department.

The reporting system enables the Group to accurately monitor monthly results (income and cash flow statements) and financial data for operating activities and to compare them with the budget and results for the corresponding period in the previous financial year. Local line managers comment on financial and operational indicators and the main variations are analyzed by the Accounting and Consolidation Department.

Consolidation process

A single accounting consolidation system handles all information from every Group operating and legal entity.

To guarantee the quality and accuracy of its financial information, Imerys has set up a unified reporting and consolidation system (SAP Business Object Financial Consolidation) for the collection of budget and reporting information and the production of consolidated financial statements. The system is rolled out in all the Group's entities. It is sourced from local accounting data either by interface, by retrieving the necessary data from the financial modules of entities' ERP systems, or by manual input. The system provides for the automatic control of certain reported and/or consolidated data.

A detailed schedule is drawn up for annual and interim (quarterly and semi-annual) account closings by the Accounting and Consolidation Department.

Results review

Every month, the Executive Committee examines the most recent overviews resulting from management reporting, and analyzes significant variations compared to the previous year or the budget. It defines any corrective actions that it judges necessary and monitors their implementation.

Results are also reviewed at the quarterly meetings in which operating activity managers present their results to the Chairman & Chief Executive Officer and the Chief Financial Officer. A summary of each of those reviews is presented to the Strategic Committee.

Finally, the consolidated financial statements, accounting procedures and complex financial transactions are systematically reviewed by the Executive Committee. The semi-annual and annual consolidated financial statements are also reviewed by the Board of Directors following examination by the Audit Committee and the latter also reviews the quarterly consolidated accounts prior to publication.

▪ REVIEW OF INTERNAL CONTROL MECHANISMS

The review processes set up at Imerys enable the Group to regularly check the quality and efficiency of its internal controls and to take improvement actions if needed.

Beyond the constant controls made by line and support management, internal controls are reviewed under two interrelated Group processes supported by the same software. For the newly acquired companies, these reviews are usually performed from six to 18 months following their integration.

Audit of entities' internal control practices

The Internal Audit Function has a twofold mission: check internal control mechanisms in operating entities and make sure they comply with the principles and rules defined by the Group; cover operating and strategic risks and objectives for the Group.

Internal Audit teams inspect all operating entities in an auditing cycle that ranges from two to six years on average, depending on how critical and significant the entities are. The audit plan is validated annually by the Audit Committee and may be modified according to circumstances.

Audit reports are passed on to the Chairman and Chief Executive Officer and the main relevant support and line managers. The implementation of recommendations issued to solve deficiencies identified in the course of audits is tracked on a quarterly basis. A complete report on the Internal Audit service's activities is presented and discussed every six months in an Executive Committee meeting, then in an Audit Committee meeting attended by the Statutory Auditors.

Overall review of internal control systems

Imerys has undertaken a continuous process to improve the efficiency of its internal control systems. Implementation of this process is supervised by the Risk & Internal Control Department; work is done in coordination with managers of the Group's line and support organizations. This structured and formal process is based on detailed self-assessment questionnaires. The aim is to analyze existing internal control mechanisms, particularly with respect to the material nature of the related risks.

This process is structured in five main stages:

- prior identification of key operating and support processes where major risks are located;

- identification of critical control activities related to the risks in those processes;
- assessment of those controls by main process owners;
- identification of possible deficiencies in internal controls;
- consolidation of the obtained results, definition and implementation of any necessary improvement or corrective actions.

A computer tool is used to consolidate, process and provide overviews of the information resulting from the different stages.

Self-assessment programs are updated every year. The list of participating entities and the operational and/or functional processes to be assessed within a specific period are defined according to the main material risks the Group has identified. At least 30 of the Group's main entities, which together account for almost 60% of consolidated sales, take part in the self-assessment program every year.

Self-assessment questionnaires are completed by the relevant supervisors and validated by the financial controllers of the assessed activities. The results of some self-assessments are reviewed by the Internal Audit teams on the occasion of accuracy audits in order to improve the reliability of the self-assessment process. In addition, the action plans needed in response to any failings in internal control identified during self-assessments are regularly monitored.

The approach and the final results of the overall review of the Group's internal control systems are presented annually to the members of the Executive Committee and to the Audit Committee.

4.2.2 STATUTORY AUDITORS' REPORT

Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Imerys

Year ended December 31, 2016

ERNST & YOUNG et Autres	Deloitte & Associés
1/2, place des Saisons	185, avenue Charles-de-Gaulle
92400 Courbevoie – Paris-La Défense 1	92524 Neuilly-sur-Seine Cedex
S.A.S with variable capital	S.A. with a share capital of €1,723,040
Statutory Auditors	Statutory Auditors
Member of the compagnie régionale de Versailles	Member of the compagnie régionale de Versailles

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

To the Shareholders,

In our capacity as statutory auditors of Imerys and in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

■ INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF THE ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

■ OTHER DISCLOSURES

We hereby attest that the report prepared by the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, March 20, 2017
The Statutory Auditors
French original signed by

Ernst & Young et Autres
Jean-Roch VARON — Sébastien HUET

Deloitte & Associés
Frédéric GOURD

5

SUSTAINABLE DEVELOPMENT

Imerys is aligned with the core international standards on Corporate Social Responsibility (CSR). In particular, Imerys is committed to the following frameworks:

- the Universal Declaration of Human Rights;
- the International Labor Organization (ILO) declaration;
- the 10 Principles of the United Nations Global Compact;
- the Global Reporting Initiative (GRI) reporting guidelines, version G4 of November 2015;
- the European directive 2014/95/EU of October 22, 2014 regarding disclosure of non-financial and diversity information;
- the requirements of Article 225 of the Law No. 2010-788 of July 12, 2010 (Grenelle II Law), amended by Law No. 2016-1088 of August 8, 2016 and Decree No. 2016-1138 of August 19, 2016 (this decree establishes a reporting obligation governing the manner in which the Company accounts for the social and environmental consequences of its activity, the goods it produces, and the services it provides. This includes climate change. The decree also covers the social commitments to Sustainable Development, the circular economy, the fight against food waste, the fight against discrimination and the promotion of diversity); and
- the French Law related to Energy Transition for Green Growth (Law No. 2015-992, "Transition Énergétique pour la Croissance Verte" (TECV), of August 17, 2015).

Imerys is also aware of the major stakes highlighted in 2015, by the United Nations' 17 "Sustainable Development Goals" and will take account of these goals in the Sustainable Development Strategy it will develop in 2017.

5.1 VISION, AMBITION AND ENGAGEMENT

5.1.1 KEY SUSTAINABLE DEVELOPMENT IMPACTS

Imerys uses its mineral-based expertise to provide the world with a very wide variety of everyday applications. These applications involve products and services with important implications in terms of Sustainable Development.

The techniques used for processing industrial minerals are largely physical (crushing, milling, sorting and calcining). The main environmental challenges, therefore, are optimizing mineral resources, processing mineral solids, managing core utilities such as energy and water, reducing greenhouse gases and preserving biodiversity.

Imerys is aware of the global trend towards an economy that is low carbon or carbon-free. Imerys is also aware of the relevance of its activities to this trend in terms of accessing and using mineral resources.

Imerys also faces social challenges, involving both its employees and the communities surrounding its sites. More generally, the extractive industry makes a fundamental contribution to a multitude of regional, national and international economies. As a local employer, it creates concrete socio-economic benefits to employees and to contractors, thus, helping to fight poverty. In Europe, for example, it provides 42,500 direct jobs and 30 million indirect jobs to downstream companies. In total, it contributes €10 billion to European GDP, putting the industrial mineral sector at the heart of the manufacturing sector.

5.1.2 RISKS AND OPPORTUNITIES IN THE INDUSTRIAL MINERALS SECTOR

The Group endorses the views clarified in the "2050 Roadmap" of the Industrial Minerals Association (IMA) Europe[(1)]. This roadmap identifies the megatrends, risks and opportunities of the industrial minerals sector between today and the horizon of 2050.

The expected growth of the world population will contribute to an increasing demand for essential goods such as construction materials, glass, optical fibers and paints. Industrial minerals are indispensable to the production of these goods.

If the evolution towards a circular economy leads to a reduction of "inputs" globally, the technology know-how of Imerys enables the Group to be in an excellent position to improve the "yield" on materials and the energy efficiency at its operations. At the same time, the Group's commercial network and innovation capacity will increase the value of its production and reduce its discharges. This evolution towards a circular economy is therefore considered an opportunity for Imerys.

The global trend towards urbanization will have a similar impact. Constructing more compact and energy-efficient buildings will require development of new technologies, and minerals will have a prominent place in these new technologies. The renewable energies market also opens a variety of development opportunities for industrial minerals.

(1) IMA Europe publicized 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.

Finally, guaranteeing reliable access to raw materials in Europe and the rest of the world remains a constant concern for the industrial mineral sector. In this context, developing an approach to minerals' development in collaboration with different stakeholders will become a priority. Furthermore, customers in the minerals sector are becoming more sensitive to the environmental footprint of their products. Therefore, the minerals industry is increasingly challenged to improve the life cycle of its products.

5.1.3 STAKEHOLDER ENGAGEMENT

While developing its Sustainable Development strategy, policies and practices, Imerys engages with its stakeholders and endeavors to take their expectations into account in a spirit of openness.

Stakeholders	Expectations	Interactions
Internal		
Employees	▪ Workplace well-being/Health and safety ▪ Internal mobility and professional development ▪ Commitment within the Group ▪ Respect for diversity and non-discrimination	▪ The "Blue Book", accessible on Intranet, regrouping all of the valid policies, procedures and protocols in the Group ▪ "Welcome Sessions" for newcomers ▪ Internal communication via the "Imerys News" magazine, the "Headlines" newsletter and Intranet ▪ Internal social network "Chatter"
Labor relations	▪ Respect of freedom of association and right to collective bargaining ▪ Employees' working conditions	▪ Collective bargaining agreements ▪ European Workers Council (EWC)[(1)]
Business partners		
Shareholders and potential investors	▪ Profitability and return on investment ▪ Improvement of financial performance ▪ Group Sustainable Development performance	▪ Financial communication department responsible for responding to investors' requests for information ▪ Release of financial and non-financial results on the website, in the annual report and through periodical financial publications
Clients	▪ Listening to requirements and considering expectations ▪ Products safety ▪ Innovative products which create value	▪ Questionnaires and surveys related to Sustainable Development ▪ Responses to clients via third party platforms such as Ecovadis and Sedex
Suppliers	▪ Respect for criteria set forth in the Imerys Charter ▪ Creation of a long-term partnership	▪ Charter defining minimum social and environmental standards expected of suppliers
Market regulators		
Professional associations	▪ Pooling information on regulatory evolution ▪ Sharing of sector best practices	▪ Imerys is an active member of the Industrial Minerals Association in Europe and North America (IMA-Europe[(2)] and IMA-North America) and the "Minéraux Industriels France" association (MIF) ▪ Imerys is a member of national professional associations in France such as AFEP and abroad, and a member of local sector associations and Chambers of Commerce
Government authorities	▪ Collaboration for the promotion and development of initiatives in the industrial minerals sector ▪ Compliance with regulations and transparency	▪ Publication of extra-financial data and information required by the applicable regulations, as well as publication of the standards to which the Group adheres voluntarily ▪ European Transparency Initiative[(3)] voluntary register

Stakeholders	Expectations	Interactions
Social		
Local communities	▪ Regular and collaborative commitment to finding mutually beneficial solutions ▪ Reduction in hazardous waste and rational use of resources ▪ Job creation and training schemes	▪ Engagements when implementing "SD Challenge 2016" projects(4) for communities ▪ "PeopleSmart" is the Imerys stakeholders' commitment plan, approved in 2015. It describes the methodology for risk assessment and selecting engagement objectives, as well as the methods for monitoring results
Media	▪ Cooperation and transparency	▪ External communication and finance departments responsible for responding to requests for information from journalists and financial analysts
Reference Experts, Analysts	▪ ESG risk management ▪ Co-operation and transparency	▪ Exchanges with and responses to the questionnaires of ratings agencies and financial institutions: FTSE4Good, Vigeo Euronext, MSCI, Ethibel Sustainability Index, Gaia Index, CDP, Oekom, ODDO, Société Générale, etc. ▪ Application of GRI-G4

(1) The EWC is a group of employee representatives from the different European countries in which the Group operates.

(2) As an active member of IMA Europe, Imerys contributes towards sector decisions in line with European Commission initiatives seeking a carbon-free economy and increased resource optimization.

(3) Imerys has enrolled on the public register proposed by the European Commission for transparency in its lobbying of European institutions.

(4) The "SD Challenge" is a competition organized internally to promote local Sustainable Development projects developed by operational or functional units of the Group and their co-workers.

5.2 STRATEGY AND PERFORMANCE

5.2.1 STRATEGY FOR CONTRIBUTING TOWARDS SUSTAINABILITY

▪ 5.2.1.1 GROUP GOVERNANCE TO ENCOURAGE SUSTAINABILITY

The Group clarifies its Sustainable Development strategy in a three-year plan. To create this plan, Imerys draws on different information sources (publications by expert committees, professional associations, sector research institutes, the Group's Risk Committee, etc.). Imerys also takes into account the expectations expressed by external stakeholders through local forums as well as signals from its customers and the markets where it operates.

In late 2014, Imerys published its 2015-2017 three-year plan. The governance system for the three-year plan requires involvement from the top-ranked senior managers in the Group. Relevant issues have been identified as part of a collaborative, consultative process which is built on a four-tiered consensus building process:

- The Sustainable Development working groups bring together internal managers and experts who represent the different business divisions and geographical areas. They are tasked with drawing up proposals and making recommendations.
- The Sustainable Development Steering Committee includes three members of the Executive Committee (the Group General Counsel, the Chief Innovation Officer and the Chief Human Resources Officer), five corporate leaders (EHS[1] and Sustainable Development, Industrial Management, Investor Relations and Communication) and two senior leaders from the operations. It meets several times annually to validate and monitor the execution of focused action plans. The working groups' proposals and recommendations for the strategy are submitted to the Sustainable Development Steering Committee for review and approval.
- The Group's Executive Committee validates the strategy after approval is received from the Sustainable Development Steering Committee.
- Imerys' Board of Directors and its Strategic Committee periodically review the Group's Sustainable Development strategy, as well as the Group's material Sustainable Development issues and main achievements.

In general, the Sustainable Development Manager is tasked with leading and rolling out the Group's Sustainable Development strategy and tracking the implementation of coordinated measures. The Sustainable Development Manager is a member of each working group. Within the Steering Committee, he is responsible for facilitating discussions and presenting the major changes and main priorities at the Group level. Finally, the Sustainable Development Manager is responsible for presenting the Risks Committee's conclusions.

√ For more information, *see paragraph 4.2.1 of Chapter 4 of the 2016 Registration Document*.

(1) "EHS" means Environment, Health and Safety.

5.2.1.2 KEY MATERIAL CHALLENGES

Imerys material challenges are described below under three aspects: social, environmental, governance and ethics.

Social challenges	Environmental challenges	Ethics and governance challenges
Health and safety	Environmental management system	Group governance
Human resources	Energy efficiency and reduction of harmful emissions	Business conduct and ethics
Relations with communities	Resource optimization	
Human rights	Preservation of biodiversity	
Responsible product management	Waste management	

Certain social and environmental issues important to other companies in the mining or chemical sector are of lesser priority for Imerys for the following reasons:

- Most of Imerys' products qualify as "naturally occurring minerals", so if they are not chemically processed, they are exempt from registration under REACH (the European Directive on Regulation, Evaluation and Authorization of Chemicals) and other similar regulations in other regions. Specific risks associated with certain substances (e.g., respirable crystalline silica associated with filtration additives) are subject to special regulations;
- Imerys divisions processes non-metallic minerals, so there is no significant issue of acid drainage[1], or hazardous or toxic waste;
- Imerys has had no new material issues in its operations linked to decontamination of soil or groundwater, and has had no other site decontamination projects in the last five years;
- Imerys has not identified any significant issues pertaining to polychlorinated biphenyls (PCBs), ozone-depleting substances (ODSs), volatile organic compounds (VOCs) or persistent organic pollutants (POPs).

5.2.2 SUSTAINABLE DEVELOPMENT CHARTER AND POLICIES

The Imerys Sustainable Development Charter sets forth the Group's Sustainable Development commitments. These commitments are articulated in greater detail in the form of policies, procedures and protocols which must be observed by all employees (see the table on the next page). These documents are contained in the "Blue Book" and may be viewed on the Imerys Intranet.

√ For further information, *see paragraph 4.2.1 of Chapter 4 of the 2016 Registration Document*.

(1) Acid rock drainage is present at the Imerys site in Glomel France where it has been thoroughly examined and controlled.

The Sustainable Development Charter and several key policies of Imerys may be viewed on the Group's website. Imerys divisions, including its production sites, administrative offices and R&D centers, are tasked with putting its policies into practice. Regular inspections are carried out to ensure compliance with these principles.

Sustainable Development Policies

Social and Environment		Governance
Diversity Charter	Health and Safety Charter	Board of Directors' Internal Charter
Recruitment policy	EHS management policy	Code of Ethics and Business Conduct
Industrial relations	EHS Audit policy	Corporate governance policy
Pay policy	Material Safety Data Sheet policy	Risk management policy
Employee relations	Geology and mining planning	Anti-fraud and anti-corruption policy
Sustainable Development Protocol - Community Relations		Anti-trust policy
Sustainable Development Protocol - Child Labor		Internal control policy
Sustainable Development Protocol - Forced Labor		

5.2.3 2016 PERFORMANCE

The following table presents the Group's objectives and Sustainable Development achievements in 2016, as well as the objectives for 2017 linked with the material issues and stakeholders' expectations:

5.2.3.1 PROGRESS ON ACTIONS COORDINATED AT GROUP LEVEL

Areas	2016 objectives	2016 performance	2017 objectives
Social/Societal(1)			
Health and safety	▪ LTA Rate(2): ≤1.0 for employees and subcontractors	1.37 Not Achieved	▪ LTA Rate: ≤ 1.05 for employees and contractors
	▪ Launch of "safety summits" to functional leaders to drive safety leadership	100% Achieved	▪ Safety Culture Improvement Team (SCIT) events at 30 sites
	▪ Revamp Imerys Safety University with integration of safety leadership concepts of "safety summits"	100% Achieved	▪ Implement action plan for engagement between senior executives and employees at the site level
	▪ Establish a maturity matrix for behavior-based safety and supervisor training	100% Achieved	▪ Launch a new initiative on Contractor Safety Management
	▪ Rejuvenate the Group's Industrial Hygiene (IH) Club and improve IH auditing approach	100% Achieved	▪ Launch initiative on ergonomics

Areas	2016 objectives	2016 performance	2017 objectives
Human Resources	■ Roll out a new series of measures on diversity	100% Achieved	■ Have the specific Charter for Diversity, Literacy and Benefits objectives signed by the European Works Council
	■ Sign a Sustainable Development Charter with the European Enterprise Committee, incorporating the three objectives: diversity, literacy and employee benefits	Not Achieved, postponed to 2017	
	■ Run at least two training schemes to improve basic skills (literacy and numeracy) for the least qualified personnel in all countries whose headcount is greater than or equal to 300	100% Achieved	■ Education: • Launch internal communication on an Education program directed towards literacy and numeracy (presentations, posts on chatter, emails, etc.) • Leverage the SD Challenge to support the Education program implementation in target countries • Issue a regular report to measure the progress of the Education program • Complete the leaflet and create a relevant digital tool to support the program implementation and help the employee representatives disseminate it
	■ Roll out a new series of measures on benefits	100% Achieved	■ Benefits: • Continue to oversee the implementation of new benefits schemes in a series of countries (Japan, Italy, New Zealand, Belgium, and Germany, and possibly India in January 2018)
			■ Safety: • Ensure that all divisions roll out training sessions dedicated to safety for, at least, new production managers and industrial supervisors
Communities	■ Conduct desktop reviews to improve relations with communities neighboring 5% of the Group's mining operations	100% Achieved	■ Conduct desktop review for quality improvement of the community relations plans at 10% of the Group's mining operations
	■ Launch a micro-business incubation initiative	100% Achieved	■ Implement micro-business incubation initiatives (continuation)
	■ Add 10 projects contributing local social and/or economic development	100% Achieved	■ Add 10 projects contributing local social and/or economic development
			■ Carry out a pilot stakeholder engagement survey in the surrounding communities of two quarries in Europe
Human rights and supplier commitments	■ Request confirmation of minimum social and environmental standards from suppliers of more than €2 million of each division's spend	100% Achieved	■ Implement the Imerys Supplier Environmental, Social and Governance Standard in contracts with suppliers of more than €2 million of each division's spend

Areas	2016 objectives	2016 performance	2017 objectives
Environment			
Environmental Management System (EMS)	▪ Conduct desktop review on quality and “materiality” of 10% of the objectives defined in the EMS Scorecard	100% Achieved	▪ Conduct comprehensive EMS audit at 15 operations (10 desktop and 5 onsite audits)
	▪ Create criteria for identifying the priority sites with respect to dust emissions and a program for supporting same	100% Achieved	▪ Support dust management programs at the top 10 priority sites identified
Resources Efficiency	▪ Adoption of the “Imerys Industrial Improvement” Program (“I-Cube”)[3]: on 40% of operations	100% Achieved	▪ Imerys Industrial Improvement (I-Cube) Program Adoption: > 55% operations
	▪ Energy efficiency: 6% improvement on the 2014 baseline by the end of 2017	3.8%% vs. 2014, Achieved	▪ Improve by 6% the Group energy efficiency on the 2014 baseline by the end of 2017
	▪ Carbon efficiency: 6% improvement on the 2014 baseline by the end of 2017	5% vs. 2014, Achieved	▪ Improve by 6% the Group carbon efficiency on the 2014 baseline by the end of 2017
	▪ Publicize two internal best practices on recycling / reuse / reduction	100% Achieved	
Biodiversity	▪ Biodiversity management plan at 100% of sites identified inside areas of High Biodiversity Value[4]	100% Achieved	▪ Biodiversity management plans at 100% of quarries adjacent to areas of High Biodiversity Value
Innovation	▪ Products and processes including a benefit to the environment: five per year	100% Achieved	▪ Include Sustainable Development objectives to the Group innovation strategy
	▪ 25% of projects with a benefit to the environment in the innovation processes	Postponed[5]	
	▪ In the innovation processes, quantify the percentage of projects with a benefit to recycling	Postponed[5]	
Governance[6]			
Corporate Governance	▪ Review and amend the Board’s Internal Regulations to reflect the changes announced in 2016 to the AFEP-MEDEF Code applicable to listed French companies	Not Achieved, postponed to 2017	▪ Amendment of the Internal Charter of the Board of Directors to comply with best practices and recommendations from the revised AFEP-MEDEF Code
			▪ Appointment of an employee representative Director as a new member of the Compensation Committee

Areas	2016 objectives	2016 performance	2017 objectives
Ethics and Business Conduct	▪ Targeted audits on compliance programs organized by the Group Internal Audit and Legal departments: Code of Conduct, anti-bribery, anti-trust	100% Achieved	▪ Refresh the anti-fraud & anti-bribery compliance program, in particular following the enactment of the new French law "Sapin 2"
			▪ Refresh and strengthen the Group's antitrust compliance program
	▪ Issue a Group personal data protection policy	Not Achieved, postponed to 2017	▪ Implement a new personal data protection compliance program, in particular following the adoption of the new applicable EU regulation
	▪ Roll out: complete the implementation of the anti-bribery program for intermediaries, review findings of internal audits regarding regulatory compliance and extend the scope of compliance training programs in the Group	100% Achieved	▪ Strengthen the internal reporting system including an alert on issues of non-compliance with the Imerys Code of Business Conduct and Ethics

(1) The "Societal" information of "Grenelle II" is covered in both the "Social" and "Governance" aspects of this Registration Document.

(2) The lost-time accident rate is calculated per million work hours including both employees' and contractors' work hours.

(3) The Imerys Industrial Improvement scheme ("I-Cube") was launched during the first half of 2014 and aims to transform the Group's performance into a competitive advantage.

(4) The "Global Reporting Initiative" (GRI) recommends that companies identify their sites located in or near protected areas, or areas of high biodiversity value outside protected areas. Imerys refers to the World Database of Protected Areas (WDPA), the Natura 2000 list of areas and other public sources of information to conduct risk mapping regarding areas of High Biodiversity Value. The WDPA database is a joint project of the UNEP and IUCN, produced by UNEP-WCMC and the IUCN World Commission on Protected Areas which works with governments and NGOs.

(5) Some additional criteria are studied to confirm the environmental benefits (reported) of our products.

(6) More detailed data is addressed in chapters 3 and 4 of this Registration Document.

In addition to these achievements, the Group organizes every year a competition on Sustainable Development, called the "SD Challenge". In 2016, 114 new projects, in line with the axes covered in the Group's Sustainable Development Charter, were implemented by Imerys sites and participated to this competition.

The annual objectives reflect the Group's overall performance and are reviewed quarterly by the Sustainable Development Steering Committee. The Group's non-financial Key Performance Indicators (KPIs) reflects local performance at site level.

√ For more information, *see paragraph 5.6.2 of the present chapter*.

The following analytical reports present these results as part of the periodic business reviews of the Group divisions: the monthly report on safety and workforce, the quarterly energy efficiency report and the quarterly environmental report.

5.2.4 PERFORMANCE RECOGNIZED BY RATINGS AGENCIES

In a spirit of transparency and openness, especially to investors and shareholders, Imerys regularly responds to questions about its non-financial performance. As a result, it has been recognized and rewarded by the Group's visibility in the most significant international indices for Sustainable Development.

Indices/Assessment	Ratings agency	Entry date	Rating
FTSE4Good Index	FTSE Russell	2012	2016: Absolute Score (0-5) = 3.4 2016: Supersector Relative (1-100) = 69
Euronext Vigeo Europe 120 and Eurozone 120 Index	Vigeo	2011	Environment: 54, Human Resources: 61, Human Rights: 53, Community Involvement: 53, Business Behavior: 53, Corporate Governance: 41
Ethibel Sustainability Index Excellence Europe	Ethibel	/	Included, no scoring
Gaïa Index	EthiFinance	/	Included, no scoring
MSCI Global Sustainability Index	MSCI	/	May 2016: AAA
STOXX® Global ESG Leaders Index	Sustainalytics	/	Included, no scoring
ESG Assessment	Oekom	/	Not available
Supplier Assessment	Ecovadis	/	64/100
Supplier Assessment	Sedex	/	Not available
CDP Climate Change	CDP	2006	Overall performance band: B(1); Governance and strategy: B; Risk and opportunity management: B-; Emissions management: B

(1) The performance scores are expressed as bands (A, A-, B, C, D, and E). Band "B" means "Integration of climate change recognized as priority for strategy, not all initiatives fully established".

5.3 SOCIAL RESPONSIBILITY

5.3.1 SAFETY AND HEALTH

Safety and health are core values for all Imerys operations worldwide. Respect for safety and health standards is a condition of employment at Imerys. The Group Health and Safety Charter outlines its strong commitment on developing a proactive safety and health culture through partnerships among management, employees, contractors, visitors and the communities in which it operates. An EHS Umbrella Policy further clarifies organization, roles and responsibilities, communication, metrics, and competency requirements.

Health and safety topics are also stated in the publically-reported collective bargaining agreements with trade union organizations (2015 data: approximately 69%[(1)] of Imerys employees covered), as well as individual labor agreements. Most of the Group's operations have formally established safety teams and/or committees (composed of both management and worker representative(s)) to systematically drive improvement.

5.3.1.1 SAFETY

The Group's programs for safety improvement are organized under the framework of the Imerys Safety System (ISS). The ISS consists of three pillars: compliance, continuous improvement and communication/training.

Compliance: Safety compliance requirements for each Imerys operation include not only local laws and regulations, but also the Group's EHS policies, procedures and the 20 safety protocols. In 2016, the Group added forklifts safety to its special program (the "Serious Six", now the "Serious Seven") focusing on the areas with the highest potential for severe accidents. Another two new protocols were also published to improve the safety standards on suspended loads and laboratories. The Group EHS Audit Team conducted approximately 22 compliance audits at its operations in 2016.

Continuous Improvement: The following are the main elements of the continuous improvement pillar of the ISS:

- all levels of the Group review "Safety Metrics" every month. These reviews are integrated into business meetings and performance reviews conducted by a variety of staff members from site managers to Group divisions' leaders;
- a "Safety Culture Improvement Team" (SCIT) conducts events at "Most Help Needed" facilities. In 2016, 20 SCIT events were organized to drive the cultural improvement in addition to the compliance audits;
- a safety culture maturity (SCM) matrix has also been introduced to help operations conduct gap analyses and prioritize site-specific improvement plans. All of the existing safety programs (e.g., Take 5) have been incorporated into the building blocks of the maturity criteria. This tool will support safety improvement in partnership with the industrial team and the safety professionals in 2017;
- "Safety Alerts" are issued whenever a lost-time accident occurs to share root causes and lessons learned. In 2016, approximately 35 safety alerts were delivered by the Group. Additional information on the lessons learned from significant incidents is also shared at the divisional level;
- Imerys considers "Behavior-Based Safety" (BBS) to be essential in developing an effective safety culture. Each of the Imerys operations either implements a specialized BBS program or integrates behavioral factors into regular safety inspections. Improvement in BBS is also supported by a dedicated section of the new safety culture maturity matrix.

Communication/Training: The Group's safety communication and training tools include Safety Summits, Imerys Safety University (ISU), web seminars, a computer-based learning path on key initiatives, safety toolbox meetings and the Group Welcome Sessions for new managers. The Safety Summits offered the Top 250 business leaders a learning opportunity to improve their safety leadership in the first part of 2016. Later in the year, the Imerys Safety University (ISU) took a tailored approach to coach the site managers on cascading down visible felt leadership and maximizing the potential of their supervisors on safety improvement. 12 special sessions of ISUs were organized with approximately 300 participants.

The safety learning path on IM-Pulse, the Imerys learning digital initiative, also enrolled approximately 260 managers and supervisors in 2016. This has actively facilitated the onboard training of new site managers on the Imerys Safety System and key programs. The web seminar modules are also available on the Group EHS Intranet which is accessible to all employees.

Metrics: Imerys tracks and analyses its safety performance on a monthly basis using indicators for fatalities, lost-time accidents, life-changing injuries, and accidents without lost time at the Group level. Other minor injuries, near-misses, and unsafe behaviors are tracked and reviewed at the divisional level. In recognition that its contractors are an integral part of the safety process, Imerys includes its contractors when tracking its performance.

(1) The survey on collective bargaining cover is conducted every two years. This result refers to 2015 survey.

The table below indicates the fatalities, life-changing injuries, accident frequency and severity rates in the Group for the past three years:

	2016	2015	2014
Number of fatalities			
▪ Imerys employees	1	1	1
▪ Other employees[1]	0	0	0
Number of life-changing injuries[2]			
▪ Imerys employees	2	2	1
▪ Other employees	0	2	2
Frequency rate[3]			
▪ Imerys employees	1.35	1.27	1.05
▪ Other employees	1.40	1.40	0.70
▪ Combined rate[4]	1.37	1.31	0.95
Severity rate[5]			
▪ Imerys employees	0.09	0.11	0.07
▪ Other employees	0.06	0.06	0.04
▪ Combined rate	0.08	0.10	0.06

(1) Employees of a company under contract with Imerys, in charge of a specific operation on site or providing a service.

(2) Life-changing injury is an indicator to track serious injuries with permanent impact to the victim, such as amputation and disability.

(3) Frequency rate: (number of lost time accidents x 1,000,000)/number of hours worked.

(4) The combined rate is with both employees and other employees (contractors).

(5) Severity rate: (number of lost days x 1,000)/number of hours worked.

As of December 2016, the combined lost-time accident rate of the Group was 1.37, which represented a 4.6% increase compared to that of 2015 at a constant perimeter. Imerys is very sad to report one fatality linked to the use of a forklift. The accident occurred last September in China.

The Group is also tracking the total recordable injuries. The combined total recordable injury rate (TRIR)[1] decreased from 5.36 (2015) to 4.83 (2016). After the "Safety Summits" and special session of the ISUs, the Group restructured its safety functions with delegated resources on safety improvement and released a safety action plan along five axes last October. The roll out of this safety action plan began in November 2016 and will continue throughout 2017.

Imerys continues to present the "Millionaires Safety Award" to the best-performing operations and acknowledge their compliance with four criteria: a) working over one million hours without a lost-time injury, b) having no work-related fatalities over the past five years, c) 100% completion of the required monthly self-audits, and d) zero significant EHS audit findings left open. As of December 31, 2016, 23 operations of the Group were members of the "Millionaire Club" (compared to 18 as of the end of 2015).

In addition, in 2016, Imerys Graphite & Carbon in Canada received a Regional Safety Award in the category "Health and Safety Leader" from the Standards, Equity, Health and Safety at Work Committee (CNESST: "Commission des Normes, de l'Équité, de la Santé et de la Sécurité au Travail").

(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.

5.3.1.2 HEALTH

Imerys recognizes workplace health as a high priority for the Group's employees and contractors. Specific issues in mineral mining and processing activities include dust, noise and vibration. Limited quantities of chemicals are also used during industrial processes and in the laboratories for quality assurance and R&D. Some jobs may also involve lifting or repetitive tasks with potential ergonomic problems. Imerys has defined five protocols to manage the key exposures. The Group's Health and Safety function provides training on the five protocols and systematically checks on compliance with both the protocols and applicable regulations through the EHS Audit program.

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 NEPSI(1).The results of the fifth NEPSI report were published in April 2016. 100% of the relevant Imerys sites in Europe participated in this reporting campaign. The 2016 Report(2) indicates that 95% of potentially exposed workers are covered by risk assessments (vs. 93% in 2014) and 76.3% are covered by exposure monitoring (vs. 73.4% in 2014).

The "Industrial Hygiene (IH) club" coordinated by the Health & Safety function shares good practices with the operations on monitoring, risk evaluation, and engineering controls for occupational health issues. In 2016, the IH club provided several web seminars on good management practices for noise, dust, ergonomics and chemical exposure. The Group's industrial hygiene expert also conducted a practical training for the Group EHS Audit team to improve auditing on pertinent compliance issues.

At the divisional level, health programs have been integrated into the wellness initiatives and supported with engagement and communication campaign. For example, the Imerys Graphite & Carbon division launched its health and wellbeing initiative in 2016 and engaged around 150 employees for 100 consecutive days to compete by teams on physical exercises. Nutrition tips, stress management tools and sleeping advices were also communicated during the challenge process and were well received by the participants.

The table below gives the occupational illnesses reported during the past three years:

Occupational Illnesses	2016	2015	2014
Occupational illnesses with lost time	2	7	0
Occupational illnesses without lost time	7	6	2
Total	**9**	**13**	**2**

Occupational illnesses are tracked as a monthly reporting KPI in the central Sustainable Development data management system. In 2016, nine occupational illnesses were reported from seven different sites in total. These isolated cases were linked to ergonomics or long-term exposure to dust or noise. Two other occupational illnesses with lost time were recorded in 2016.These cases were related to the affected workers' experiences before joining Imerys. Alternative jobs and appropriate medical treatment were provided for each case.

5.3.2 PRODUCT STEWARDSHIP

Imerys is committed to providing high-quality products to its customers, and indirectly, to end-users. Each business is responsible for insuring that its products comply with regulatory requirements and to prevent potential physical and health hazards. For products manufactured in (or imported into) Europe, the Group complies with the European Directive on "Regulation, Evaluation and Authorization of Chemicals" (REACH). Under REACH, "naturally occurring minerals" are exempt from registration, and this exemption significantly reduces the effects of these regulations on Imerys and its customers. The Group has registered those few products that do not fall under this exemption. Substances marketed by Imerys are frequently subject to risk studies to determine their properties (e.g., pursuant to the GHS/CLP(3) Regulations in Europe). Imerys monitors these studies closely, and labels its products to appropriately reflect the results of these studies.

Meanwhile, a new web-based application has been deployed in Brazil in 2015 to insure compliance with the GHS requirements for more than 150 products. As of the end of 2016, approximately 70% of Imerys operations were certified to the ISO 9001 Quality Management System. The Group's Corporate Social Responsibility function will develop the infrastructure of product stewardship management at the divisions' level and focus on the highest risk areas in 2017.

(1) *NEPSI: "Noeud Européen Pour la Silice", the European network for silica comprised of employees and associations of European companies that have signed the multi-sectoral social dialogue agreement.*

(2) *It refers to the "2016 Report on the Application of the European Multi-Sectoral Social Dialogue Agreement" released on the NEPSI website in September 2016.*

(3) *GHS/CLP: Globally Harmonized System/Classification, Labeling and Packaging of chemicals.*

5.3.3 HUMAN RESOURCES

The Human Resources (HR) Department's mission is to enable the Group to have the people needed for its development, and to ensure that its organization evolves in an effective and coordinated manner. It develops and implements general principles to processes in line with Imerys' decentralized management philosophy and in compliance with the relevant national legislation. To improve its procedures, the Group regularly updates its HR policies.

Human Resources professionals are responsible in their divisions for the entire function and report to the business line manager. To ensure processes are consistent and common principles are applied, they also report on a functional basis to the Group Human Resources Department. The function is also coordinated nationally in the major countries where the Group operates, and globally across major functions (Research & Development, Marketing & Commercial, Mines & Industries, and Finance). To ensure the Group is well equipped to meet its objectives in terms of innovation, a dedicated Human Resources Director now fully accompanies this department.

5.3.3.1 HUMAN RESOURCES PRINCIPLES & MAIN AREAS OF ACTION

Imerys' Human Resources policies are centered on the following principles:

- share simple but structural rules that enable Human Resources teams to ensure their work is optimal and consistent;
- meet employees' expectations, notably in terms of working conditions and safety, benefits and professional development;
- provide managers with management principles that comply with the Group's ethic, especially in terms of diversity, behavior, standards, social dialogue and respect for other people.

The Group is also committed to complying with local legislation in force in the countries where it operates, particularly in terms of health and safety, non-discrimination, privacy, child labor, compensation and working hours.

Launched to support the Group's expansion the project "Talent Road Map" is still ongoing. Its aim is to improve Human Resources processes especially in terms of development and therefore better support the Group's growth ambitions: recruitment, employer branding, internal mobility, training, and management of university graduates.

- **The Group's new managerial principle "Imerys Leadership Behaviors"** launched in 2015 has been rolled-out in 2016 to become the reference point across the Group. It is now an integral part of the entire talent management cycle: from recruitment, to performance and potential assessment, to development and succession plans. Annual reviews are now composed of a shared evaluation between employees and their line manager based on these principles.
- **Recruitment:** attract new talents. In 2016, a high number of experienced managers joined Imerys like previous years.

  Moreover, in order to contribute to the development of future Group managers Imerys welcomed, 38 graduates from 10 different nationalities in its development program for "international Graduates". The first promotion hired in 2015 will take on its second roles within the company from January 2017. A shared structure in charge of sourcing external candidates has been implemented to better manage recruitment within divisions and Group functions in Europe. In the meantime, recruitment coordination in the United States has been developed.

  In order to better identify talents, the manager reviews, previously held within operational teams have been expanded to functional teams. The first manager reviews took place, within several functions such as: finance, industry and geology/mines, in July 2016, allowing better knowledge and development opportunities.

  Internal mobility and promotions are top priorities for Human Resources teams and specialized Committees who meet regularly on this issue. In 2016, more than 55 new career moves took place amongst the 250 senior managers that make up the Group's Executive Management teams. This shows Imerys' commitment to ensure its employees' development: indeed, 70% of senior manager roles were filled internally in all functions and geographical zones.
- **Training:** enable every employee to develop his or her talents and foster best practice sharing. In 2016, the development of the Group's training offer has been diversified and increased:
  - the e-learning platform "IM-Pulse" now accessible to 4,000 employees/managers of the Group hosts Imerys' entire training offer: the "Imerys Learning Center programs (ILC)", - the Group's legacy training center - which includes training courses on finance, Industry and Safety as well as dedicated courses on certain divisions (Calderys, Carbonates). Training courses can be followed on line or in person. In 2016, Imerys Learning Center provided 9,800 hours of training through 40 programs covering geology, finance, management, project management and industrial marketing performance. The program entitled "Management Fundamentals" focusing on team management and development has been revamped to include the Group's new managerial principle. Amongst newly launched sessions, the ones of diversity, work efficiency and conducting annual salary reviews have been well received;
  - the program on manager engagement for safety initiated in 2015 at the highest level of the Group was continued in 2016.

- **Compensation and benefits:** roll out coordinated, competitive systems that take into account both the results of the business for which employees work and their individual performance.

  Annual salary reviews are closely coordinated by the Human Resources Department. While local competitiveness is favored, Imerys targets a coherent and shared approach. While local competitiveness is critical, the salary review is based on rigorous financial discipline and is supported by sectorial and regional studies. In addition, the entities of different countries in which the Group operates increasingly align their remuneration practices on the best international standards.

  In 2016, the Group has renewed its "Management Authority Rules" defining the respective roles between operational entities and the Group in terms of recruitment and remuneration of senior managers in particular. The Group has continued its actions to implement social security and benefits for all its employees worldwide. Following the priorities defined thanks to a study carried out in 2015, detailed inventories have taken place, for example, in Germany and Belgium. At the same time, Imerys has continued the roll-out (in Turkey) and reinforcement (China) of social benefits for local employees. Other projects have kicked-off in Thailand and in Italy and additional social benefits will be implemented in 2017 and early 2018. Moreover, the Group Pension Committee has undertaken in the UK and USA especially, an effort to optimize the financial management of plan assets to fund retirement plans.

  A new HR information system has been designed and launched. It enables unification of internal processes and makes working procedures more reliable and effective. This new structural tool will contribute to the gathering and sharing of: individual information (respecting local regulations), succession plans, salary reviews, performance reviews and will help reinforce reporting quality. With the support of experts, Imerys has implemented an internal policy and organization aimed at better protecting travellers and expatriates against certain risks linked to international business trips. Employees can notably access information on the countries and behaviors to adopt on site. Specific safety measures can also be implemented during some trips.

- **Employee relations:** build constructive relations with its employees and their representatives in accordance with local regulations:
  - the European Works Council (EWC) covers all employees in 21 countries: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom. Its 15-member employee delegation holds an annual plenary session. The EWC's five officers meet at least twice a year and tends towards becoming a liaison between representatives and the Board;
  - the need to improve the efficiency of the Group's 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.

- **Internal communication:** 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:
  - the intranet is the first source of information of the Group. Employees can find information on latest news, transversal programs (e.g., operational excellence program), job offers, appointments, acquisitions, practical tools, and access to other dedicated sites (e.g., safety);
  - the digital newsletter "Headlines" is circulated to all employees; in line with the Group's priorities, it highlights employees, projects, initiatives and successes throughout the company. A special edition is dedicated to the winners of the annual internal competition on the best Sustainable Development initiatives;
  - on-boarding seminars "Welcome Sessions" are regularly organized for new managers in Europe, USA, China, India, Brazil, South Africa and South-East Asia;
  - the internal social network "Chatter" continues to be deployed with the creation of specialized communities.

- **Human Resources Reporting:** covers the entire scope of the Group and includes highly detailed indicators (translated into five languages) concerning monthly workforce by country, contract type and activity, professional training, disability, age and seniority, etc.

5.3.3.2 KEY PERFORMANCE INDICATORS

Employment

	2016	2015	Variance 2015/2016
Registered employees	15,697	16,130	-3%
of which permanent employees	15,003	15,356	-2%
of which temporary employees	694	774	-12%
Fixed-term & sub-contractor contracts	3,408	3,553	-4%
Total employee headcount as at December 31[1]	**19,105**	**19,683**	**-3%**

(1) Excluding Altéo sites - Beyrède and Teutschenthal - acquired on December 31, 2016, which will bring the Group's total headcount to 19,247 in 2017.

The decrease of the Group headcount is mainly due to:

- diverse reorganization in the Filtration & Performance Additives business group, notably following the integration of S&B;
- diverse restructuration in the High Resistance Minerals business group, notably in China where the Group has continued to adapt its industrial structure in Refractory Minerals.

Headcount by Business Group

	2016	As a % of total headcount 2016	2015
Energy Solutions & Specialties	4,798	31%	4,870
Filtration & Performance Additives	3,665	23%	3,925
Ceramic Materials	4,298	27%	4,278
High Resistance Minerals	2,583	17%	2,728
Holding	353	2%	329
Total	**15,697**	**100%**	**16,130**

The distribution of the headcount per business group evolved very little in 2016.

Headcount by geographical zone

	2016	As a % of total headcount 2016	2015
Western Europe	7,010	45%	7,181
of which France	2,641	17%	2,664
USA / Canada	2,629	17%	2,609
Emerging countries	5,851	37%	6,131
Others (Japan / Australia)	207	1%	209
Total	**15,697**	**100%**	**16,130**

The distribution of the headcount per geographical zone is stable compared to 2015.

Headcount by job family

	2016	As a % of total headcount 2016	2015
Operations - Production - Manufacturing	10,316	66%	10,588
Logistics - Purchasing	700	4%	729
Research & Development - Geology	673	4%	709
Sales & Marketing	1,472	10%	1,533
Support Functions & Administration	2,537	16%	2,571
Total	**15,697**	**100%**	**16,130**

The distribution of the Group headcount by job family is stable compared to 2015.

Employee moves

	2016	2015
Net variation of permanent employees (excluding M&A and divestitures)	(416)	(679)
External recruitments	1,290	1,109
Redundancies (economical & non economical)	(707)	(969)
Voluntary termination, retirement & other	(999)	(819)
Turnover	6.6%	5.5%
Net variation of permanent employees (excluding M&A and divestitures)	(9)	31
Mergers/Acquisitions - Divestitures	(8)	1,878
Variation of Registered Headcount	**(433)**	**1,230**

The turnover above is based on the number of voluntary termination, retirement, and other termination in the year, and the average headcount for the year for permanent employees. The increase compared to 2015 is mainly due to emerging markets.

More than 170 internal moves have created opportunities in the Group, of which 55 positions in senior management teams in operational and functional roles.

Diversity

Gender diversity

	2016	2015
Percentage of women in the Group	17.1%	17.0%
Percentage of women in management	16.5%	15.2%

The proportion of women in senior management teams increased slightly in 2016 to 16.5% compared to 15.2% in 2015. The proportion of women in the Group is stable at 17.1%.

5

Disability

	2016	2015
Number of employees with a disability	213	220
Percentage of registered headcount with disability	1.4%	1.4%

Europe (where legislation favors the reporting and facilitates the integration of disabled employees) shows the highest number of declared cases (160 which represents 2.3% of Western Europe headcount).

Age and Seniority

	2016	2015
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	16%	16%
More than 55 years	19%	18%
Percentage of permanent headcount by seniority		
Less than 10 years	49%	48%
More than10 years	51%	52%
of which more than 20 years	26%	27%

In emerging countries, 49% of permanent employees are less than 40 years old and 60% have seniority of less than 10 years. In the rest of the world, these proportions are 29% and 42% respectively.

Industrial and Social Relations

Rate of absenteeism by geographical zone	2016	2015
Western Europe	4.56%	4.38%
USA / Canada	1.19%	1.16%
Emerging countries	1.92%	2.18%
Others (Japan / Australia)	2.10%	2.00%
Group	**2.81%**	**2.78%**

In 2016, 35,167 hours (352 in 2015) were lost due to strikes, of which 34,290 in South Africa, 496 in Greece, and 293 in France. In each country, the Group respects the regulatory requirements and implements "best practices" in matters of workforce management. The implementation of related human resources policies and the identified risks have been integrated in the scope of internal audits.

A survey performed at the end of 2015 covering most of the headcount of the Group has shown that 69% of Imerys employees are covered by a collaborative bargaining agreement on themes like workforce management, working hours or compensation and benefits.

Training

	2016	2015	Variance 2015/2016
Number of trained employees	12,428	12,332	+1%
Number of training hours by year	293,191	260,941	+12%
Number of hours by category of program			
Environment, Health & Safety	156,083	125,282	+25%
Technical skills	109,787	103,160	+6%
Management	27,322	32,499	-16%

The number of employees trained increased in 2016: 79% of employees in the Group have benefited from at least one training program in the year. In 2016, the Group organized training campaigns for managers to reinforce the awareness towards safety.

5.3.4 COMMUNITY RELATIONS

Imerys actively supports economic and social development in the communities surrounding its industrial sites. The Group management structure enables the operations to adapt to the values and local constraints of the host communities.

In its "Community Relations" protocol (available in seven languages), Imerys formally delegates responsibility for community relations to the most senior employee at each operation. A Community Relations Toolbox is available on the Group's Intranet to assist the operations. 83% of the Group's operations have formalized their site-specific community relation plans (vs. 73% in 2015). The Group EHS Audit team verifies the implementation of the protocol and provides recommendations for improvement during its regular compliance audits. In 2016, a desktop quality improvement review on the site community relation plans was conducted at 18 operations, including six mining operations.

In total, 745 projects have participated in the SD Challenge internal program over the last 12 years, and nearly one-third of these projects have been related to community relations. In the 2016 SD Challenge, 52 (46%) out of the 114 projects were linked to community relations including the following:

- 23 projects contributing to local economic or social development. Among those projects, a program called "Crescendo Micro-credit" was created in Brazil in alignment with the Group's micro-business incubation initiatives (see the best practices in the table on page 127);
- 12 projects supporting training and education. These projects covered the following priority axes: basic skills development (literacy and numeracy), young adults' professional integration, and women's and girls' education.

In April 2016, the first Imerys community relations seminar was successfully held in Belem Brazil to share the best practices between divisions, regions and industrial peers. Several Imerys operations also organized Minerals Day activities with engagement of the people from their neighborhoods in 2016.

The operations' local community relations plans also include public health initiatives when relevant. In South Africa, Imerys continues its unique, participation-based approach to managing HIV/AIDS issues at its business operations. In India, Imerys continues to support the local schools and villages near its sites in their efforts to improve basic hygiene and water quality.

The following table presents some other examples of best practices in 2016.

Best practice projects for communities in 2016

Project Name	Country	Description
Crescendo Microcredit Program	Brazil	This program offered a training-plus approach, including advice and help from Imerys, to 24 entrepreneurs to start their own small businesses with a micro-loan from a local bank, such as a grocery store, a mobile service station, a beauty salon, etc. Imerys offered a series of trainings on how to develop a small business and created a partnership with the bank in charge of financing the start-ups.
Support to the "One Sumter Initiative"	United States	The Andersonville plant (Refractory Minerals division) was actively involved in the local program "One Sumter Initiative" and received an award of recognition. The 5-year initiative aims to bring new jobs and enhance the existing employment base. During the implementation, the Imerys site helps the local Technical College expand their program courses and training media, provides educational tours of the mines and the plant, and contributes $60,000 per year to support various projects.
Educate to Empower	India	Imerys India supported several schools in the communities in Katni, Nagpur and Wankaner. The initiatives covered expansion of a local school to provide new commercial programs adapted to the needs of the local labor market. Improvements have been done on schools' infrastructure to favor electricity and water supply as well as access to basic hygiene facilities.
Imerys Cornwall Site permissive Path and Clay Trails Brochure	United Kingdom	Since 2010, Imerys has set up a joint project in Cornwall with the Heritage Lottery Fund and the Forestry Commission to transform parts of its non-operational land into fledgling woodlands including permissive trails. In 2016, 5,000 advertising brochures were distributed to the surrounding communities to promote a healthy lifestyle through sports (walking, cycling, running, horse riding etc.).
Milos Nursery as Educational Destination	Greece	An educational program was organized at the Milos (Metallurgy Division) plant nursery with the goal of introducing children to the unique biodiversity of the island. Special "lessons" have been organized for the children of primary and elementary schools. This program is carried on in partnership with local schools.
School Infrastructure Development	South Africa	The Imerys South Africa Annesley Mine supported four schools to develop their infrastructure and increase their classrooms. More than 700 students will benefit from this project.

Some of the best practices have also been compiled into a documentary film available on the Imerys website and the "Imerys Replay" on YouTube *(see https://www.youtube.com/user/ImerysReplay)*.

5.3.5 CORPORATE SPONSORSHIP

Imerys' sponsorship strategy focuses on two main areas of commitment: education and photography.

In the field of education, Imerys specifically encourages initiatives favoring the fight against illiteracy, the education of women and girls and the support of young adults to enhance their employability:

- The Group Education Program includes the reinforcement of basic skills learning to promote the employability of Imerys lower skilled employees. Local, internal and external initiatives show Imerys commitment and that of its employees in favor of education;
- In all the countries where it is located, Imerys directly deploys literacy and counting classes together with local partners. It is involved in school construction and renovation, provides material support, as well as school and sanitary supplies. The Dan Germiquet Fund has been created by Imerys in 2014 in tribute to a former Group Chief Geologist who accidently died. This fund, in partnership with the Germiquet family and the National School of Geology in Nancy (ENSG - France), helps talented students in financial insecurity to pursue their studies in geosciences;
- Furthermore, our employees in the Paris region have the opportunity to enlist with the Alliance for Education or Telemachos Institute to provide support to students from disadvantaged backgrounds or at risk of dropping out.

Through its support to photography, Imerys wishes to promote access to culture and diversity:

- Photographic competitions are organized at some of the Imerys operations to promote various initiatives done with the sites' local communities or on topics linked to safety, innovation and Sustainable Development. For example, in 2016, new exhibition events were continued with the photos from the Project Expedicão in Brazil.
- The Group concluded a partnership with the RMN-Grand Palais (Paris) on their photographic exhibitions for three years starting from 2016. In 2016, the first photo exhibition related to Imerys' partnership has honored the work of the Malian photographer, Seydou Keïta (1921-2001), one of the greatest photographers of the second half of the twentieth century.

Imerys maintained its partnership with *"Les Arts Florissants"* to support its exceptional music program in 2016. Furthermore, Imerys supported the Energy Challenge ocean race, a project focused on energy efficiency and innovation.

√ For more information, consult *www.imerys.com*.

5.3.6 HUMAN RIGHTS AND SUPPLY CHAIN ENGAGEMENT

The Group states in the Sustainable Development Charter and the Code of Business Conduct and Ethics that it supports the Universal Declaration of Human Rights and strives for compliance with relevant International Labour Organization's (ILO) conventions. The Group's General Counsel is in charge of implementation of related Group policies and compliance programs; the Chief Human Resources Officer takes leadership in ensuring compliance with ILO standards internally; the Chief Industrial Officer is responsible for the compliance of large suppliers and contractors. The Group Internal Audit and Control Department and the Group EHS Function integrate this compliance review into their auditing programs. The reporting and follow-up processes for potential human rights concerns are included in the Code of Business Conduct and Ethics *(see paragraph 5.5.1 of the present chapter)*. The reporting and follow-up process does not include an external service for "whistle-blowers", but the process does provide that individuals will not be penalized for making a good faith report, and it also has clear rules for respecting confidentiality. In 2016, no potential Human right violations were reported or identified in the Group.

The following are some of the specific policies in the areas of freedom of association, diversity, child labor and forced labor and recent progress in these areas:

- **Freedom of association and right to collective bargaining:** The Imerys Code of Business Conduct and Ethics recognizes the right to freedom of association and the right to collective bargaining. The system in place to ensure implementation of these commitments is the network of human resource professionals throughout the Group's operations. At the end of 2016, the percentage of employees covered by Collective Bargaining Agreements (CBAs) was approximately 69% (2015 data). These CBAs commonly include subjects such as health and safety, work organization and working hours, training, compensation and benefits, and equal opportunities.
- **Diversity, non-discrimination and equal opportunities:** The Group's Diversity Charter outlines its commitment to achieving greater diversity, as well as its commitment to anti-discrimination and equal opportunities. Diversity plans have been set up in most of the major countries since 2013. Progress on diversity in the workforce and inclusion of people with disabilities continues with small initiatives. In 2016, the second phase of the Imerys Graduates Program integrated 39 young talents from 17 countries. As of 2016, the Group itself had 213 employees with disabilities *(see paragraph 5.3.3 of the present chapter)*.
- **Prohibition of child labor and forced labor:** Imerys integrates child labor and forced labor issues into its due diligence assessment for new projects and 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, and are used as the basis for internal audits.

Imerys believes that high standards in Environmental, Social and Governance, areas (ESG) are essential for all of its business operations. The Group expects its business partners and suppliers to adhere to the same principles. Therefore, in 2016, Imerys launched its supplier governance, social and environmental standards. The standards are mainly based on the ten principles of the United Nations Global Compact initiative which are derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. In 2016, the Group requested its suppliers of more than €2 million divisional spend to comply with the standards and will progressively evolve the compliance review along its supply chain.

Imerys also recognizes the importance of the rights of indigenous peoples. Thus, the Group subsidiary operating in South Africa (Imerys South Africa Pty LTD - ISA) has its shared capital owned 26% by its local partner in compliance with the Broad-Based Black Economic Empowerment (B-BBEE) legislation. Compliance is regularly assessed by a third party using a specific scorecard build with seven pillars: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

5.4 ENVIRONMENTAL STEWARDSHIP

5.4.1 ENVIRONMENTAL MANAGEMENT SYSTEM

Imerys requires each operation to have an effective Environmental Management System (EMS) enabling it to identify and establish controls for significant environmental risks. The mandatory EMS requirements for all activities are covered by a Group-specific environmental protocol, which includes eight pillars embracing the core elements of the international standards for environmental management systems.

Imerys introduced this protocol to all of its operations through a self-appraisal procedure to institute EMS at 100% of its operations[(1)]. The table below gives a summary of the environmental priorities with control measures that Imerys operations presented to Executive Management in the 2016 EMS scorecards. In order to confirm that the objectives defined in the EMS Scorecard address the most significant issues, 10% of the operations were contacted by a Group environmental expert for a desktop review on the site specific aspects and impact analysis and the relevance of the objectives defined in the EMS Scorecard.

Environmental Priorities (2016)	% of Sites Relevant
Air Emissions	32.9%
Energy & Greenhouse Gas (GHG)	16.0%
Effluents	14.7%
Waste	10.8%
Water Consumption	8.2%
Biodiversity & Land Rehabilitation	5.2%
Hazardous Substances	4.8%
Regulatory Permitting	3.5%
Noise and Vibration	3.9%
Total	**100% (250)**

Each operation is also required to evaluate annually its regulatory compliance and each operation is encouraged to update annually the analysis of its specific environmental aspects and impacts. In 2016, in addition to the self-assessment, another 20 critical operations were selected for compliance audit by an independent third-party consultancy.

The Group has also structured an internal environmental incident reporting process and a database which requires reporting of five different types of issues, including any non-routine inspection, investigation or notice of noncompliance from an environmental regulatory agency.

To confirm regulatory compliance and conformity with the Group's protocols, the Imerys operations are audited at regular intervals. In 2016, 28 Group EHS Audits were accomplished. A summary of critical audit findings and pertinent environmental incidents is presented quarterly to the Executive Committee.

In addition to the mandatory EMS requirements, the Group encourages ISO 14001 and EMAS (Eco Management and Audit Scheme) certification. The total ISO 14001 or EMAS certified operations remains at 42%.

The table below gives the number of Imerys operations with an EMS:

Number of operations	2016	2015	2014
ISO 14001 or EMAS certified operations	105	106	81
Operations with Imerys 8-pillar EMS	145	147	131
Total (ISO 14001/EMAS and Imerys 8-pillar EMS)	250	253	212
Operations required to establish an EMS	**250[(1)]**	**253**	**212**

(1) The variation of the total number of operations was due to site closure or divesture. The eight newly acquired or commissioning operations in 2016 will be integrated into the score after one year.

(1) Newly-acquired or constructed operations are expected to establish a fundamental EMS within 12 months of acquisition or commissioning.

5.4.2 CLIMATE AND EMISSIONS

Climate change is one of the major global challenges. The Greenhouse Gas (GHG) emissions from the mining industry represent less than 5% of the total emissions in the EU-28 countries[1]. The Group's commitment on GHG emissions reduction and climate change risk mitigation is fulfilled through the following:

- formalizing a global approach for energy management to improve efficiency by reducing energy consumption and GHG emissions;
- building action plans to adapt to the energy transition towards green growth, including continuously exploring projects to employ low-carbon and renewable energy sources;
- monitoring the variation of emissions, the trends in the carbon markets and the impacts of these variations and trends along the value-creation chain; and
- employing innovation to develop the flexibility to transform the energy uses of its business.

5.4.2.1 ENERGY EFFICIENCY

Objective: Imerys has committed to improve its energy efficiency by 6% over a three-year period (2015-2017) from the baseline of 2014.

Imerys has operational energy demand, especially in its mineral transformation processes which use thermal technologies and its quarrying activities which use heavy equipment. The Group energy initiatives are driven collaboratively between the different concerned operational functions: Industrial Management, Geology and Mining, EHS, and Purchasing.

Energy efficiency improvement makes it possible to use less energy to achieve the same level of productivity and consequently to reduce energy and carbon emissions. The Group global energy team defines the reporting and analysis standards for this resource, and provides necessary training to ensure consistency and reliability of the reported results. The levers of the Group's energy efficiency optimization mainly include:

- **Analyzing the evolution of energy consumption and identifying the priorities for improvement:** energy efficiency analysis and improvement plans have been built into the divisional business review since 2016. 11 key sites cover approximately 30% of the Group's total energy consumption. Improvements projects were carried out at those sites and analyses of the main variations have been done to track the performance of the sites. The Group Energy Director closely follows up on the key projects and the causes of any significant efficiency variations. The efficiency performance is disclosed in a quarterly energy report reviewed by the Group divisions' managers. There are also monetary incentives given to concerned managers (energy managers, facility managers, process operation managers, etc.) based on performance against KPIs on energy efficiency.
- **Improving energy management and driving excellence with the "I-Cube" Program:** the Imerys Industrial Improvement (called "I-Cube") program has been advancing the Group's objectives to transform industrial performance into a competitive advantage. The "I-Cube" program has developed a network of experts and "champions". A series of standardized technical and functional documents have been developed and are being maintained to conduct gap analyses and define improvement roadmaps. As end of 2016, 97 sites have started to implement the "I-Cube" program, covering 40% of the Group's operations. All of the 11 key sites mentioned above are under specific review within the "I-Cube" program, and the reviews at these sites generated more than half of the energy saved by the Group in 2016. In the first half of 2016, the Carbonates division launched a challenge program called as "As Green As White Can Be" in collaboration with the I-Cube champions, HR functions, communication, and management networks dedicated to this topic. The contest received 87 submissions from 32 different Carbonates operations expects to realize close to 3.5 million € saving from these projects by the end of 2017.
- **Building action plans to adapt to the transition towards green growth:** the Group continues to optimize its energy resources with cleaner (gas), renewable (biomass), or low-carbon emission (solar) energy resources when feasible. In 2016, one expansion project of steam generation by combusting biomasses was implemented in Capim plant in Brazil (Kaolin Division) to reduce heavy oil consumption. 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. In partnership with other companies, Imerys contributes to the development of renewable energies with the photovoltaic solutions marketed by Imerys Roof Tiles division and leasing of lands owned by the Group for solar parks or wind farms. In 2016, two additional photovoltaic projects have been completed on unused land in France and the UK.

  The Group is aware of the opportunities and challenges imposed by the French TECV Law ("Transition Énergétique pour la Croissance Verte" or "Energy Transition for Green Growth"), such as the challenge to reduce fossil fuel consumption by 30% by 2030 and increase the share of renewable energies in final energy consumption to 32% by 2030. Imerys will review its strategy and define new action plans during the next three-year planning cycle in 2017 to align with this important legislation.

(1) *Eurostat, Greenhouse gas emissions by industries and households, data extracted in March 2016, http://ec.europa.eu/eurostat/statistics-explained/index.php/Greenhouse_gas_emissions_by_industries_and_households.*

The Group's total energy consumption and breakdown by energy source are as follows:

	2016	2015	2014
Total energy consumption[(1)] *(Tera Joules, TJ)*	**32,735**	**33,154**	**34,859**
Electricity (net) and steam	30.8%	29.3%	28.4%
Natural gas	48.1%	45.2%	47.2%
Other fossil fuels	18.6%	22.2%	21.6%
Biomass	2.5%	3.3%	2.8%
Total	**100%**	**100%**	**100%**
Energy consumption / turnover *(MJ/€)*	**7.86**	**8.11**	**9.45**

(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 2016 and 2015, the annual total energy consumption decreased 419 TJ (Tera Joules) taking into account each variation factor's effect. At a constant perimeter, the overall energy efficiency improved by 2.5% vs. 2015, and by 3.8% vs. 2014. In 2016, it was accelerated with focused projects, particularly at the key sites. 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. This rate was 7.86 in 2016, showing a favorable decrease of 3.1% from 2015.

Energy sources as a percentage of global consumption did not change considerably in 2016. There was a small decrease in the percentage of biomass in the global energy mix from 3.3% to 2.5% due primarily to the closure of two production sites using biomass in France (one in the Roof Tiles division and the other in the Refractory Minerals division).

5.4.2.2 CARBON EMISSIONS

Objective: Imerys has committed to improve its carbon efficiency by 6% over a three year period (2015-2017) from the baseline of 2014.

In alignment with the IMA-Europe's "2050 Roadmap", Imerys will contribute to the 2050 sectorial commitment to reduce energy consumption by half and to reduce transport emissions by using more water and rail transportation options.

Thermal energy (natural gas, fossil fuel, biomass, steam) is the major source of GHG emissions for Imerys (51% of the total). Indirect emissions from the consumption of electricity in production are the second largest source (36% of the total). Some of the processes used in the Imerys operations also result in a direct emission of CO_2 (13% of the total, e.g., de-carbonation of raw materials). Finally, CO_2 emissions from the use of biomass, directly or indirectly, represented 3.2% of the total. Since 2006, Imerys has participated in the climate change program of the Carbon Disclosure Project (CDP) and remains at Level B on the CDP performance band. Level B means "integration of climate change recognized as priority for strategy, not all initiatives fully established".

The reduction in direct CO_2 emissions achieved by Imerys is largely attributable to initiatives to optimize energy sources and use renewable energy as mentioned above. The Group is benchmarking with industrial peers and will revisit the strategy in 2017.

The Group is analyzing CO_2 emission variations and monitoring carbon efficiency improvements against its objective on an annual basis. The table below provides the Group's CO_2 emissions (Scope 1 and Scope 2) and carbon efficiency:

(thousands of tons, kt)	2016	2015	2014
Scope 1 CO_2 emissions	1,713	1,725	1,785
Scope 2 CO_2 emissions	1,056	1,056	1,030
Total CO_2 emissions (Scope 1 and Scope 2)	**2,769**	**2,781**	**2,815**
Energy (excluding biomass)	83.8%	87.5%	87.5%
Processes	13.0%	9.2%	9.3%
Biomass	3.2%	3.3%	3.2%
Total	**100%**	**100%**	**100%**
CO_2 emission / turnover *(ton CO_2e/M€)*	**664.8**	**680.2**	**763.2**

Between 2016 and 2015, the annual total Scope 1 and Scope 2 CO_2 emissions decreased slightly by 12 kt. At a constant perimeter, the overall carbon efficiency improved by 3.6% vs. 2015, corresponding to a reduction in CO_2 emissions of 97 kt. This is equivalent to a 5.0% improvement from the base year 2014. The average emission factor for thermal energy remained steady at 58.65 tCO_2e/TJ. The lowest emission factor for any fossil energy source was for natural gas at 50.5 tCO_2e/TJ. The overall carbon emission intensity of the Group is aggregated at 664.8 tCO_2e per million Euros of turnover. This rate is down 2.3% from 2015.

In order to progressively quantify the impacts along the value-creation chain as suggested by the "Grenelle II" law, the Group is increasing the attention it pays to the relevant Scope 3 emissions and the life cycle impact of its products and services.

Upstream, the Group's purchase of raw materials, consumables and transportation services has a cost equivalent to nearly 40% of its turnover. The following is a breakdown of 2016 spending by percentage:

Item	Percentage of Key Purchases(1)	Upstream suppliers
Raw materials(2)	29%	Mainly fused minerals, refractory minerals, and natural graphite
Mining and industrial supply	13%	Mining subcontractors, service vendors for maintenance and repair
Transportation	26%	Freight by rail, truck and ship, and business travel
Energy	19%	See energy mix above, counted in Scope 1 & 2 emissions
Chemicals and other consumables	13%	Mainly chemicals and packaging materials

(1) The analysis was based upon the 2015 data; the total spend of above-mentioned items was approximately €1,912 million.

(2) Imerys self-supplies approximately two-thirds of raw materials and purchases one-third externally.

At present, the Group has not yet established a methodology for collecting the emissions data from its upstream suppliers. The following Scope 3 emissions were estimated according to the best available data and disclosed to CDP accordingly:

Item	Sources of Scope 3 Emissions	Metric tons CO_2e	Emissions calculation methodology	Explanation
Mining and industrial supply	Contracted mining activities (not included in Scope 1 or 2)	117,785	This is related to diesel use in mobile fleets in Imerys' contracted mining activities. Emissions are estimated based on Imerys' own diesel use in mines. GHG emission factors have been used for the calculation.	This is the main source of fuel usage among Imerys' contracted activities.
Transportation	Business travel of several regional headquarters	8,197	Emissions calculated from the travel distances. Data are provided by Imerys main travel agencies for train, car rental and air travels. Calculations were made from GHG protocol emission factors.	The data were provided by the travel agencies, such as Egencia (France & UK), Concur (USA), and Europcar (Europe).
Transportation	Goods delivered by truck	147,020	Emissions calculated from the travel distance, the volume transported and the type of transportation. Calculations were made using GHG protocol emission factors.	The data were only available at one of the Imerys divisions, and these data represented 6.9% of the Group total volume transported in 2016.

Purchased minerals are used as raw materials by the following divisions: Fused Minerals (mainly bauxite, brown fused bauxite, and zircon sand), Monolithics Refractories (mainly silica, andalusite, and bauxite), Graphite and Carbon (graphite), Metallurgy (mainly bentonite, fluorine and soda ash) and Carbonates with mainly lime. As there is a lack of reliable emissions data from the suppliers, it is not feasible to make a precise estimation of the Scope 3 emissions from those materials and from capital goods purchased. The transportation services by vendors are mainly measured by volume and cost, rather than distance traveled. Similarly, it is difficult to calculate the Scope 3 emissions for transportation of finished products. Since 2015, several purchasing projects have been initiated to optimize the materials flow and these projects have contributed to the reduction of Scope 3 emission generated by transportation. The Scope 3 emissions from Imerys goods and services are considered as limited. However, no quantitative assessment is available yet.

With respect to downstream emissions, Imerys has begun the process of analyzing the impact of its products along their life-cycle. For example, Imerys supported the Calcium Carbonate Association (CCA-Europe) which completed a life-cycle inventory for its GCC (Ground Calcium Carbonate) / PCC (Precipitated Calcium Carbonate) products in September 2014. Imerys has also been actively engaged in communication with its customers regarding the carbon footprint of its products. In 2016, Imerys joined the supply chain aspect of the CDP (Carbon Disclosure Project) for the first time upon the request of one of its kaolin customers.

Imerys also takes Sustainable Development into consideration in its innovation process. The increase in demand for low carbon products offers the Group new business opportunities, because minerals are often a low-carbon alternative.

17 Imerys industrial sites take part in the European Union Emission Trading Scheme (EU-ETS). One site is in the California Cap-and-Trade (CCT) scheme. In total, the 18 sites are using 92% of the Group's carbon credit allocations, and the Group has no need to buy extra allocations. Given the progressive reduction of allocations, the Group's 2016 strategy has been to hold its existing surplus to be able to cover any potential future deficit. The overall Imerys financial risk is considered as minor until 2020.

Imerys has not yet set an internal carbon price.

▪ 5.4.2.2 NO_x AND SO_2 EMISSIONS

Several of the Group's mineral conversion processes use calcination which emits nitrogen oxide (NO_x) and sulfur dioxide (SO_2). Imerys publishes below an estimate of its SO_2 and NO_x emissions, applying specific conversion factors to each source of consumed fuel. The "process" SO_2 emissions are attributable to a small number of sulfur-containing minerals. The sulfur liberated from these minerals during the thermal processing is included in the reporting scope.

(tons)	2016	2015	2014
Sulfur dioxide (SO_2)[(1)]	5,009	3,796	3,947
Nitrogen oxide (NO_x)	5,587	5,999	5,822

(1) Includes SO_2 emission from process.

The evolution of SO_2 and NO_x emissions at a constant perimeter is linked to energy consumption and industrial processes. Both the SO_2 and the NO_x emissions were calculated based on emissions factors from the EPA-AP42 database.

5.4.3 CIRCULAR ECONOMY

The transition to a circular economy aims to go beyond the linear economic model of extracting, manufacturing, consuming and discarding. A circular economy particularly calls for prevention and reduction of waste, as well as reuse and recycling of waste and off-specification materials. As a mineral-based solution provider, Imerys is highly committed to maximizing its mineral raw materials efficiency and minimizing its waste generation.

▪ 5.4.3.1 MINERALS RESOURCES EFFICIENCY

Imerys processes more than 30 industrial minerals from either its own reserves (approximately two-thirds) or from raw materials purchased from third parties. The Group strives to improve yields and reduce waste using the following approaches:

- **Establishing and maintaining effective management of mineral resources:** The Group Mining and Geology Department defined 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 use of mineral resources. In 2016, two maturity matrices on "Geology & Mine Planning" and "Mining Operations" were created to advance the industrial management of quarries in addition to the previous LOM plans. The matrices are fully integrated into the "I-Cube" program implementation.

√ For more information, *see section 1.3 in chapter 1 of the Registration Document*.

- **Optimizing production yields on materials through sound industrial management:** The “I-Cube” program has developed a network of experts and “champions”, and created a series of standardized technical and functional documents with the aim of improving production parameters, including minerals/materials recovery ratios. As of the end of 2016, the “I-Cube” program had been deployed in approximately 97 operations accounting for more than 40% of the Group’s operations. *See paragraph 1.2.3 in Chapter 1 of the Registration Document*.
- **Seeking opportunities for recycling and circular economy solutions:** Technological improvements and newly-developed applications make it possible to transform low-grade materials, tailings and wastes into marketable resources. In early 2016, a discussion group was formed on Chatter (the Imerys Enterprise Social Platform) to foster an exchange of information on circular economy mega-trends, including new opportunities and regulation watch. Numerous industrial and Sustainable Development innovation projects have been initiated by the Imerys operations to recycle and/or reuse the existing low-grade materials and tailings, and successfully generate new sales. 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 Carbonates ReMined™ products, 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).

The industrial minerals industry also works 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. It concluded that a total of 40% to 50% of all minerals consumed in Europe are recycled(1).

Mineral	Silica	Lime	Feldspar	Talc	Calcium Carbonate	Kaolin and Clay
Recycling Rate	73%	68%	60%	58%	50%	49%

5.4.3.2 INDUSTRIAL WASTE, OVERBURDEN AND MINERAL SOLIDS

Imerys processes minerals using methods that are primarily mechanical and physical. The Group’s activities therefore generate relatively small quantities of both domestic and industrial wastes. Waste management and statutory obligations on collection, storage, labeling, transportation and disposal are addressed in each site’s environmental management system (EMS).

Overburden and unused mineral solids (e.g., tailings, off-specification materials, etc.) are usually stored on or near production areas at the quarries since they may be useful in the future when technological progress is made or new market opportunities arise. Overburden and unused minerals are also used in many cases as backfilling or re-profiling materials in post-mining restoration work. For these reasons, the overburden and tailings are not recorded as “waste”. Off-specification materials from the processing operations which are placed back in the Imerys quarries are counted as waste only when subject to local applicable regulatory requirements.

The table below shows the trends of industrial waste generation and recycling for the past three years:

	2016	2015	2014
Total industrial waste *(tons)* **of which:**	**212,626**	**203,706**	**281,654**
Non-recycled hazardous industrial waste	1,701	1,486	1,739
Recycled hazardous industrial waste	2,026	1,964	1,434
Non-recycled non-hazardous industrial waste	78,065	81,713	150,631
Recycled non-hazardous industrial waste	130,834	118,543	127,850
Industrial waste generation / turnover *(kg/€)*	**0.05**	**0.05**	**0.08**

The Group’s activities have generated 213 kt of industrial waste in 2016. 98.2% of this waste was non-hazardous. The industrial waste generation rate per Euro of turnover was 0.05 kg/€ in 2016. The intensity of waste generation has remained steady at a relatively low level for several years. The industrial waste generated in 2016 slightly increased by 4.4% vs. 2015 mainly due to the increase of recycled non-hazardous materials (12,291 tons). The top 10 largest waste producers in the Group represented 48% of the Group’s total waste.

Regarding hazardous waste generation, the non-recycled portion of this waste increased by 215 tons from 2015 to 2016; while the recycled portion of this waste increased by 62 tons.

Regarding waste recycling, 62.5% of the total industrial waste was recycled (vs. 59.2% in 2015); as well as 54.4% of the hazardous waste (vs. 56.2% in 2015). Approximately 96% of the recycled non-hazardous industrial waste of the Roofing division was off-specification tile, which was nearly 47.6% (60,231 tons in 2016) of the total volume of the Group. Those tiles are categorized as non-hazardous in the environmental permits of concerned sites and they are permitted to be reused in Roofing quarries during restoration.

(1) *The IMA-Europe Recycling Sheets, http://www.ima-europe.eu/content/ima-recycling-sheets-full.*

New actions to reduce waste and increase recycling are identified continuously during the implementation process of the "I-Cube" program. For example, a small change during the I-Cube implementation at one of the Carbonates Division operations in the United States helped to reduce the quantity of off-specification products and saved more than 400 tons of materials in 2016. The objective set by the French law "Transition Energétique pour la Croissance Verte" (TECV) to achieve a recovery rate of non-hazardous inert waste (measured in mass) of 55% in 2020 has already been met in Imerys (63% in 2016). The progression of the "I-Cube" program and the other on-going initiatives will allow the Group to reach the required target of 65% in 2025.

5.4.3.3 FOOD WASTE

Imerys has minimal implications from the aspects of the French TECV law, partially directed towards reducing organic waste and combating food waste, as well as, from the "food waste" aspects of the French TECV law. The Group has approximately 2,640 employees in France at 48 operations. Most of these operations provide break areas where employees can eat their meals, but they do not have canteens providing prepared or cooked food. A few large sites provide catering services to employees. These services are primarily provided and managed by third-party vendors.

5.4.4 EFFICIENT WATER MANAGEMENT

Imerys processes minerals with relatively minor impacts to surface water and groundwater.

In its accounting and disclosure, Imerys classifies water withdrawals according to source including groundwater (55%), surface water (24%) and water suppliers (15%). The Group has opted not to include water moved from one zone to another without being used by the operation (water pumped to keep quarries in good working order), since the quality of this water is not affected by the Group's activities. Imerys also reports the amount of water recycled by its operations.

The following are the trends in water withdrawals for the past three years:

	2016	2015	2014
Total water withdrawals *(millions of liters)* **of which:**	**38,871**	**40,062**	**36,128**
Water obtained from water suppliers	11.0%	10.4%	10.8%
Water withdrawn from ground water	57.5%	53.5%	55.4%
Water withdrawn from surface water	25.2%	28.8%	24.3%
Water obtained from other sources(1)	6.3%(2)	7.3%	9.5%
Water withdrawn / turnover *(liters/€)*	**9.3**	**9.8**	**9.8**

(1) Some Imerys operations may obtain water from sources other than those listed above. For example, an operation may collect rainwater or obtain water from customers. The term "water obtained from other sources" refers to this type of water.

(2) In 2016, approximately 70% of "water obtained from other sources" is from the customers because the Imerys sites serve the customers' paper mills and share their utilities.

Imerys withdrew 38.9 million cubic meters of water in 2016. The water withdrawal rate per Euro of turnover was 9.3 liters/€.The Group's total water withdrawal slightly increased by 3% compared to 2015 due to production variations.

The top 10 water users in the Group (mainly in Kaolin, Performance Additives and Fused Minerals divisions) comprised more than 65% of the total annual water withdrawal. Site-specific water management plans have been established at eight of these sites. The plans include a description of current water use, water balance analysis, water accounting, water risk assessment and pertinent action planning to manage high priority water issues.

The table below gives the Imerys water profile by region according to an analysis made using the WBCSD's Global Water Tool (GW)[1] as of December 31, 2016:

Region/Percentage of water withdrawal in each geographic region	Low <0.2	Medium 0.2-0.4	Stress 0.4-1.0	Scarce >1.0	No Data	Total *(millions of liters)*
Asia Pacific	48.5%	1.1%	0.0%	44.4%	5.9%	2,961
Europe, Middle East and Africa	88.0%	6.8%	0.0%	0.0%	5.2%	13,058
North America	89.0%	1.7%	1.0%	2.6%	5.7%	16,411
South America	100%	0.0%	0.0%	0.0%	0.0%	6,441
Percentage of total water withdrawal	**87.4%**	**3.3%**	**0.4%**	**4.3%**	**4.6%**	**38,871**
Number of total operations	**207**	**12**	**4**	**19(1)**	**16**	**258(2)**

(1) The distribution of the 19 operations by region is as follows: five in Asia Pacific, five in EMEA, eight in North America.

(2) The number of total operations includes those sites divested or closed during the reporting period.

The Group has 19 operations located in areas of water scarcity. Most of the 19 operations use only dry processes for production and have limited water use for other purposes. The aggregated water withdrawal of these operations accounted for 4.3% of the Group's total 2016 withdrawal. As of December 2016, these 19 operations have established their water management plans, including awareness of water footprint and community aid actions. For example, in 2016, the Monolithics Refractory division's operations in Vidarbha area of India completed two water harvesting projects and supported the local farmers with irrigation during a drought. Two locally-tailored techniques (watershed management and check-dam construction) were chosen to deliver best results before the monsoon rains.

The table below presents trends in water recycling for the past three years. The recycled water rate increased slightly to 0.52 (vs. 0.50 in 2015).

	2016	2015	2014
Total water recycled(1) *(millions of liters)*	41,377	40,487	31,954
Number of sites reporting recycled water	61	68	55
Recycled water rate(2)	0.52	0.50	0.47

(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).

The majority of water consumed at the Group's operations is discharged to the surface water bodies after treatment. The compliance with the corresponding regulatory limits for wastewater discharge is managed and reviewed in the site-specific environmental management systems (EMS). Any release of discolored water that has a potential to create a nuisance is required to be reported into the Group environmental incident database. In 2016, five out of the seven environmental incidents reported were related to water releases. Appropriate corrective actions have been completed for each of these incidents and each incident was reviewed at the level of the Executive Committee during the relevant quarterly environmental review. *See paragraph 5.4.6 of the present chapter.*

5.4.5 BIODIVERSITY AND REHABILITATION

Both active and closed quarries offer many opportunities for biodiversity by revitalizing natural habitats and protecting endangered species. Imerys is committed to respecting the ecosystems surrounding its operations and preserving biodiversity throughout the life of mine.

During the mining operation and until mine closure, rehabilitation is integrated into the Life of Mine Plan and project execution. The Group has a "Post Mining Rehabilitation" protocol that requires every mining site to describe the rehabilitation methods to be applied. Prior to developing a new mine, an environmental impact review is also required, including a baseline assessment of biodiversity sensitivity. In many countries, such an environmental impact assessment is statutorily required and must be discussed with the public and filed with the governmental authorities.

(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.

The Group EHS function has developed a structured methodology for assessing the risks of operations in areas of high biodiversity value, using as reference Natura 2000 and the World Database for Protected Areas of the IUCN (International Union for Conservation of Nature). This analysis is updated every two years to capture new information on protected areas and newly-acquired quarries.

As of the end of 2016, 31 of the Group's 140 mining operations (both active and inactive) are on or adjacent to areas of high biodiversity value. The IUCN Categories for the 31 sites are listed in the following table (updated in June 2016).

IUCN Category(1)	Description	No. of concerned sites
Ia	*Strict Nature Reserve*	0
Ib	*Wilderness Area*	0
II	*National Park*	1
III	*Natural Monument or Feature*	0
IV	*Habitat/Species Management Area*	1
V	*Protected Landscape/Seascape*	9
VI	*Protected area with sustainable use of natural resources*	2
Non-IUCN	*Regional directives (habitats directive, birds directive, etc.), MAB-UNESCO Biosphere reserves*	18
Total		**31**

(1) Refers to IUCN Guidelines for Applying Protected Area Management Categories (2008).

In 2016, the objective of establishing site-specific biodiversity management plans (BMPs) at 100% of the operations inside of areas of high biodiversity value has been accomplished. Eight operations finalized their BMPs in 2016, resulting in a total of 18 Imerys sites with a BMP. The establishment of a BMP involves various actions on species identification, risk assessment, rehabilitation planning, public consultation and engagement. For example:

- The Imerys Talc Luzenac Trimouns mine (Performance Additives Division) has taken actions to rehabilitate local habitats in areas of rich biodiversity and foster strong community relations over the last fifteen years. In 2015-2016, several new actions were taken including a new inventory of flora and fauna, construction of new shepherd huts and a hiking trail, and erection of a series of informative panels at the areas of natural beauty and biodiversity. The local tourist office has organized guided tours in partnership with the site which attract more than 6,000 people per year.
- Imerys Ceramics has entered into a partnership with the National Union of French Apiculture and signed a charter entitled "Abeille sentinelle de l'environnement" ("Bees as environmental watchdogs"). The partnership falls under the overarching program, CeraBees, under which four of the Ceramics division's sites installed beehives as a measure targeting biodiversity preservation. These beehives are locally managed by beekeeper employees from the division with the help of local associations. The honey harvested is either shared with employees or donated to the local communities.

To satisfy the European Union regulatory requirements, the Group initiated two land use indicators in 2012 involving all of the Group's 53 quarries located in Western Europe. The indicators quantify the surface disturbed by the Group's mining activities, as well as the surface rehabilitated. In 2016, the total disturbed surface area by these 53 quarries was 2,166 hectares, and the total rehabilitated area was 1,216 hectares.

Innovative rehabilitation projects are also being implemented to maximize the value of land resources after mining activities, including the following in 2016:

- Five of the Group's mining sites in middle Cornwall of UK volunteered to participate in a 10-year Higher Level Stewardship (HLS) framework. This framework, supported by Natural England, aims to deliver significant environmental benefits in high priority areas. As the first stage, a farming plan was introduced including scrub clearance, control of invasive species, management of grassland and cattle grazing.
- The Imerys Roofing division put another photovoltaic power plant into operation at another of its closed quarries. Removable solar panels were installed on 11.8 hectares in Bessens in France. The power plant is managed by URBASOLAR and anticipated to generate approximately 8,900 MWh, avoiding 3,000 tons of CO_2 emissions per year. *See information on case studies on www.imerys.com.*

5.4.6 ENVIRONMENTAL REGULATORY COMPLIANCE AND INFORMATION REGARDING INCURRED PENALTIES

Environmental regulatory compliance issues are regularly assessed and managed as part of each operation's Environmental Management System *(see paragraph 5.4.1 of the present chapter)*.

Environmental-related prosecutions and penalties are also tracked in the Group's Sustainable Development data reporting system (Symphony). The two tables below give a summary of the prosecutions initiated and the penalties imposed over the past three years:

Number of prosecutions	2016	2015	2013
Total	12	13	9

Amount of fines *(€)*	2016	2015	2013
Total	346,402	67,568	29,554

Corrective actions to fully address environmental non-compliance issues have been promptly implemented at the relevant operations. The increase in fines in 2016 was related to settlement of a release that occurred in 2014 at the Lompoc site in California, United States (Filtration division). The release involved diatomaceous earth, a non-toxic and non-hazardous mineral, and the settlement amount ($350,000) was paid as a combination of a donation, cleanup activities and a civil penalty.

The prosecutions undertaken in 2016 include violations of environmental permitting and certain laws regarding, water and wastewater management. The prosecutions are directed at several sites in France, UK and Brazil. 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 in Consolidated financial statements)*.

5.5 GOVERNANCE, ETHICS AND COMPLIANCE

5.5.1 CORPORATE GOVERNANCE

Imerys follows the recommendations of the AFEP-MEDEF Corporate Governance Code applicable to French listed companies.

For more information regarding Corporate Governance, *see Chapter 3 of the Registration Document*. For more information regarding risk management and internal control, *see Chapter 4 of the Registration Document*.

5.5.2 COMPLIANCE AND BUSINESS ETHICS

Imerys Code of Business Conduct and Ethics ("the Code") summarizes the principles of ethical behavior the Group expects from all of its employees, contractors, suppliers, and other partners. The umbrella principles set forth in the Code are supported by a series of policies and protocols applying to both the general conduct of Imerys and the individual conduct of each employee. The subjects covered by the Code include compliance with laws and regulations, protection of environment and human rights, relations with local communities and trade unions, workplace safety and health, diversity and equality, confidentiality, prevention of fraud or corruption, prevention of insider trading and conflicts of interest, protection of the Group's assets, fair competition, transparency, and integrity.

The Code and the related policies and protocols are regularly reviewed and updated in order to take into account changes and developments in applicable international regulations, as well as best practices implemented by comparable groups. In this context, the Code was updated in 2015 to reflect the most recent developments and to enhance internal risk management. In 2016, Imerys has strengthened its international sanctions internal policies and procedures. Thus, a specific procedure has been deployed to control the transactions with the countries considered as critical and the procedures especially dedicated to ensure compliance with European Union (EU) and United States (US) sanctions regulations regarding any commercial transactions, with Iran on one hand and Russia and Ukraine on the other hand have been strengthened. Furthermore, in 2016, in order to ensure the respect of its Ethical values by its suppliers and subcontractors, the Group launched governance, social and environmental standards for suppliers based on the 10 Principles of the United Nations Global Compact.

The enforcement of the Code and the policies and protocols is ensured by the support of appropriate organizations and regular review, training and communication rolled out within the Group and appropriate reporting and control:

- **Organization and review:** the Group's General Counsel is acting as the Group's Ethics and Compliance Officer. He is also assisted in this function by an Anti-trust and Compliance Legal Manager. For Brazil, India, China and South Africa, country Chairmen or coordinators have been appointed to ensure fulfillment locally of the Group's commitments. The Internal Control and Audit Department conducts periodic reviews under the Code and other Group policies and protocols. The auditing results are presented half-yearly to the Executive Committee and, at the Board level, to the Audit Committee. In addition, the objectives and scope of the Group's general compliance program are regularly updated and a summary of its status, progress and results is presented every year to the Audit Committee as part of its annual review of the Group's main risks.
- **Training and communication:** the Code is presented at in-house seminars, including Welcome Sessions, and regularly featured in articles in Imerys News. Moreover, during each training sessions concerning more specific compliance topics such as anti-fraud, anti-corruption or antitrust, the Code is briefly recalled. On-site or online training sessions focusing on anti-fraud and anti-bribery, but also anti-trust and international trade restrictions, are regularly organized throughout the Group by the members of Imerys' legal team, with the assistance of outside legal experts when necessary. In 2016, the available training tools covered the refreshed modules of the revamped Code and new policies.
- **Reporting and control:** The reporting system, available to every employee, is described in the Code and in the anti-fraud and anti-corruption policy. The system empowers its directors, officers or employees to report promptly to their Board, manager or a representative of the Human Resources, Legal or Internal Audit Functions if they are aware or otherwise develop a good faith belief that a violation of the Code has occurred or is occurring. Material reported violations shall undergo prompt root cause investigations by Imerys. The Group Internal Audit and Control Director, the Chief Human Resources Officer and the Group General Counsel are informed of any reported violation. In 2016, several fraud cases were reported but without material financial impacts. Remedial actions have been taken for internal control.

The compliance with the Code and the anti-fraud and anti-corruption procedures and international sanctions is controlled by Internal Audit Functions.

In 2016, a training dedicated to Internal Audit Functions has been organized in order to improve their missions related to compliance topics such as the Code, the anti-fraud and anti-corruption policy and international sanctions. The Internal Audit Function works closely with the Anti-trust and Compliance Legal Manager on the good interpretation of the audited policies.

The Code also requires that the Group respects high standards of transparency and integrity when engaging in public policy development through well-established and reputable trade associations. The involvement with trade associations is described in *paragraph 5.1.3 of the present chapter*.

5.5.3 TRANSPARENCY IN PAYMENTS TO GOVERNMENTS

In accordance with provisions of Article L. 225-102-3 of the French Code of Commerce, the report on payments greater than or equal to €100,000 made in favor of governmental authorities by Group entities conducting activities in exploration, prospecting, discovery, development or extraction of minerals will be filed with the French Register of Commerce and available on the website of the Company (*www.imerys.com*) as per the conditions prescribed by the Law.

5.6 REPORTING METHODOLOGIES

5.6.1 METHODOLOGIES AND PROTOCOLS

Imerys endeavors to conform to best practices for sustainability reporting in accordance with the French "Grenelle II" Law and the "core options" of the Global Reporting Initiative (GRI) G4 Guidelines.

The Group's Sustainable Development reporting covers all of the activities over which it exerts operational control. There are four protocols and pertinent guidelines of frequently asked questions published 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 following is a list of reporting items, as well as their frequency, scope and collection systems:

Items	Frequency	Scope	System	Remarks
Human Resources	Monthly	All	Enablon	Contractors not managed by Imerys and performing non-core business tasks excluded; a monthly headcount report is published internally
Health and Safety	Monthly	All	Symphony	Details of injury or illness were tracked with internal incident logs; a monthly safety report is published internally
Energy, Emissions and Production	Monthly	All	Symphony	In accordance with the GHG Protocol with several minor exceptions; a quarterly energy report is published internally
Other Environmental Data (compliance, EMS, water, waste)	Quarterly	All	Symphony	Commercial activities, sales and administrative offices, and projects on customers' sites excluded; a quarterly environmental report is published internally
Land Use	Annually	Mines in Western Europe	Symphony	Underground mines excluded
Mine Safety Incident	When needed	All	Incident Logs	Monthly summary to Comex
Environmental Incidents	When needed	All	Incident Logs	Quarterly summary to Comex
Payments to governments	Annually	All mines	Magnitude	Following the financial data reporting process

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 new regulatory obligations stemming from the "Grenelle II" law, the Group retains a third-party to verify its sustainability reporting and compliance status. Deloitte provided the verification services for the 2016 reporting and issued the report in *paragraph 5.7.1 of the present chapter*.

The correlation table for each of the 42 elements of "Grenelle II" is presented in *paragraph 5.7.2 of the present chapter*. The reason for any omission is clarified in the corresponding paragraphs of each point.

√ For more detailed information, check the updated "Sustainable Development Reporting Methodologies" on *www.imerys.com*.

5.6.2 SUMMARY OF KEY PERFORMANCE INDICATORS

The Group's key performance indicators (KPIs) on Sustainable Development have been defined and gradually evolved in accordance with pertinent international standards and regulatory framework mentioned above. The following table summarizes the results of three consecutive years (2014-2016) on the KPIs:

Category	KPIs	Unit	2016	2015	2014	Perimeter
Social						
Safety and Health						
Fatalities	Fatalities - Imerys Employees	#	1	1	1	Group
	Fatalities - Other Employees[1]	#	0	0	0	Group
Life-changing injuries[2]	Life-changing injuries - Imerys Employees	#	2	2	1	Group
	Life-changing injuries - Other Employees	#	0	2	2	Group
Frequency rates[3]	Imerys employees	/	1.35	1.27	1.05	Group
	Other employees	/	1.40	1.40	0.70	Group
	Combined rate (employees and other employees)	/	1.37	1.31	0.95	Group
Severity rates[4]	Imerys employees	/	0.09	0.11	0.07	Group
	Other employees	/	0.06	0.06	0.04	Group
	Combined rate (employees and other employees)	/	0.08	0.10	0.06	Group
Occupational illnesses	Occupational illnesses with lost time	#	2	7	0	Group
	Occupational illnesses without lost time	#	7	6	2	Group
Human Resources						
Workforce	Year-to-end total headcount on payroll	#	15,697	16,130	14,900	Group
	Permanent employees	#	15,003	15,356	14,179	Group
	Fixed-term contract	#	694	774	721	Group
	Employees by region - Western Europe	#	7,010	6,722	7,181	Region
	Employees by region - United States - Canada	#	2,629	1,569	2,609	Region
	Employees by region - Emerging Countries	#	5,851	2,957	6,131	Region
	Employees by region - Others (Japan/Australia)	#	207	1,304	209	Region
	Employees by function - Operations/Production/ Manufacturing	#	10,316	10,588	9,832	Group
	Employees by function - Logistics/Purchasing	#	700	729	623	Group
	Employees by function - R&D/Geology	#	673	709	672	Group
	Employees by function - Sales and Marketing	#	1,472	1,533	1,396	Group
	Employees by function - Support and Administration	#	2,537	2,571	2,377	Group
Hiring and Labor Relations	New Hiring	#	1,290	1,109	1,176	
	Rate of employee turnover	%	6.6	5.5	6.7	Group
	Working hours lost due to strikes	Hours	35,167	352	1,063	Group
	Absenteeism rate	%	2.81	2.78	2,88	Group
	Number of educational projects to assist workforce members, their families, or community members regarding serious diseases	/	12	18	16	Group
	Number of employees who received training at least once in the reporting year	#	12,428	12,332	10,208	Group
	Training hours	Hours	293,191	260,941	221,426	Group
Diversity	Total percentage of women employees	%	17.1	17	16.7	Group
	Number of employees with disability	#	213	220	198	Group

Category	KPIs	Unit	2016	2015	2014	Perimeter
Communities						
	Percentage of sites with a formal action plan managing the impacts of operations on communities	%	83	73	45	Group
Human Rights, Customers and Suppler Engagement						
Human Rights	Total number of incidents of discrimination	#	0	0	0	Group
	Percentage of employees under collective bargaining agreement	%	69[(5)]	69	75	Group
	Number of reported human rights violation	#	0	0	0	Group
Others	Percentage of ISO 9001 or Quality Management System certified operations	%	70	84	80	Group
Environmental						
Management Systems						
EMS	Percentage of operations with EMS[(6)]	%	100	100	100	Group
	ISO 14001 or EMAS[(7)] certified operations	#	105	106	81	Group
	Operations with Imerys 8-pillar EMS	#	145	147	131	Group
Regulatory Inspection	Number of prosecutions	#	12	13	9	Group
	Amount of fines	€	346,402	67,568	29,554	Group
Climate and Emissions						
Energy	Total energy consumption	TJ	32,735	33,150	34,859	Group
	Natural gas	%	48.1	45.2	47.2	Group
	Other fossil fuels	%	18.6	22.2	21.6	Group
	Biomass	%	2.5	3.3	2.8	Group
	Electricity (net) and steam	%	30.8	29.3	28.4	Group
	Energy efficiency (base 100 in 2014)	%	-3.8	-1.3	100	Group
GHG Emissions	Scope 1 CO_2 emissions	kt CO_2e	1,713	1,670	1,785	Group
	Scope 2 CO_2 emissions	kt CO_2e	1,056	1,056	1,030	Group
	Total CO_2 emissions	kt CO_2e	2,769	2,726	2,815	Group
	CO_2 emissions from Energy (without biomass)	%	83.8	87.5	87.5	Group
	CO_2 emissions from Processes	%	13.0	9.2	9.3	Group
	CO_2 emissions from Biomass	%	3.2	3.3	3.2	Group
	Carbon efficiency (base 100 in 2014)	%	-5.0	-1.5	100	Group
Other Air Emissions	Sulfur dioxide (SO_2)	Tons	5,009	2,796	3,947	Group
	Nitrogen oxide (NO_x)	Tons	5,587	5,999	5,822	Group
Circular Economy						
Waste	Total Industrial Waste produced	Tons	212,626	203,706	281,654	Group
	Hazardous industrial waste	Tons	1,701	1,486	1,739	Group
	Recycled hazardous industrial waste	Tons	2,026	1,964	1,434	Group
	Non-hazardous industrial waste	Tons	78,065	81,713	150,631	Group
	Recycled non-hazardous industrial waste	Tons	130,834	118,543	127,850	Group

Category	KPIs	Unit	2016	2015	2014	Perimeter
Water Management						
	Total water withdrawals	M liters	38,871	40,062	36,128	Group
	Water obtained from water suppliers	%	11.0	10.4	10.8	Group
	Water withdrawn from ground water	%	57.5	53.5	55.4	Group
	Water withdrawn from surface water	%	25.2	28.8	24.3	Group
	Water obtained from other sources	%	6.3	7.3	9.5	Group
	Number of sites located in a water-scarcity area	#	19	19	16	Group
	Total water recycled	M liters	41,377	40,487	31,954	Group
	Sites with recycled water reported	#	61	68	55	Group
Biodiversity and Rehabilitation						
	Surfaces disturbed by the Group's mining activities	Hectares	2,166	2,187	1,926	Region(8)
	Surfaces rehabilitated	Hectares	1,216	1,197	1,027	Region(8)
	Number of sites identified as located in or near a high biodiversity value area	#	31	35	31	Group
	Number of sites with a biodiversity management plan in place	#	18	10	8	Group
Governance						
Corporate Governance and Business Ethics	Percentage of independent Board members	%	46.7	44.4	40.0	Group
	Percentage of women in the Board members	%	40	38.9	26.7	Group

(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) Frequency rate: (number of lost time accidents x 1,000,000)/number of hours worked.

(4) Severity rate: (number of lost days x 1,000)/number of hours worked.

(5) The survey on collective bargaining coverage is conducted every two years. This result refers to the 2015 survey.

(6) EMS: Environmental Management System. The number of sites for EMS reporting excludes divested, closed, newly acquired or newly constructed sites during the reporting period.

(7) EMAS: Eco Management and Audit Scheme (European Standard).

(8) The two land use indicators are only applied to the open mining operations in Western Europe.

5.7 ATTESTATION AND CORRELATION TABLE

5.7.1 ATTESTATION OF COMPLETENESS AND LIMITED ASSURANCE REPORT OF ONE OF THE STATUTORY AUDITORS

Deloitte & Associés

136 avenue Charles de Gaulle,
92200 Neuilly-sur-Seine, France

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

For the year ended December 31st, 2016

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.

To the Shareholders,

In our capacity as Statutory Auditor of Imerys SA appointed as independent third party and certified by COFRAC[1] under number 3-1048, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2016 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the reporting protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics (Code de déontologie) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between October 2016 and March 2017 during a seven week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

(1) *Whose scope is available at www.cofrac.fr.*

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in "5.6 Reporting Methodologies" section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around twenty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[1]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us[2] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 8 % of quantitative social data and between 14% and 27% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Emphasis of matter

Without qualifying the above conclusion, we draw your attention to the fact that uncertainty on SOx emissions is considered potentially significant as described in the methodological elements of the management report.

Neuilly-sur-Seine, March 20, 2017

One of the Statutory Auditors

Deloitte & Associés

Frédéric Gourd	Olivier Jan
Partner	*Partner, Sustainability Services*

(1) *Verified social quantitative information: Total employee headcount at December 31, External recruitments, Redundancies (economic and non-economic), Voluntary termination, retirements and other, Turnover, Percentage of employees under collective bargaining agreement, Number of fatalities (Imerys employees & other employees), Frequency rate (Imerys employees & other employees), Severity rate (Imerys employees & other employees), Occupational illnesses.*

Verified environmental quantitative data: Total number of Imerys sites covered by an EMS (ISO 14001/EMAS and Imerys 8-pillar EMS), provisions of "environmental and dismantling obligations", Emissions to air of sulfur oxides (SO_2) Sulfur dioxide (SO_2) air emissions, Nitrogen oxide (NOX) air emissions, Hazardous industrial waste, Non-hazardous industrial waste, Recycled industrial waste (hazardous & non hazardous), Total water withdrawals, Total energy consumption, Total CO_2 emissions (Scopes 1 and 2), Number of sites with a biodiversity management plan in place.

Societal quantitative information: Percentage of sites with a formal action plan managing the impacts of operations on communities.

Qualitative social, environmental and societal information: Human resources principles & main areas of action, Safety and health policy, Measures to comply with the fundamental ILO conventions on respect for freedom of association and the right to collective bargaining, Measures to prevent the risks of forced labor, Measures taken to prevent the risks of child labor, Water management policy in areas of water stress, Biodiversity and Rehabilitation, Relations with neighborhoods, Commitments to Stakeholders, Governance and Business Conduct, Management Commitment to Human Rights, Code of Business Conduct and Ethics.

(2) *Detailed tests made on the following sites: Minerals California, Inc - Quincy WA, Sandersville Calcine Plant - PPN, IRM - IRM Andersonville – USA, Fused Minerals Yingkou Co., Ltd, Calderys Indonesia - PT Indoporlen, Celite Chile – Arica, Imerys – Ploemeur, Imerys TC – Saint Germer (Toiture), Imerys Graphite & Carbon Belgium (Willebroek), Carbonates EMEA - Lixhe PAP – Belgium.*

5.7.2 CORRELATION TABLE WITH THE ELEMENTS OF "GRENELLE II"

1) Social information		Section
Employment	Total headcount and breakdown by gender, age and geographical zone	5.6.2 - Summary of Key Performance Indicators - Workforce, p. 141
	New hires and Redundancies	5.6.2 - Summary of Key Performance Indicators - Hiring and Labor Relations, p. 141
	Compensation and its evolution	5.3.3.1 - Human Resources Principles & Main Areas of Action, p. 122
Work organization	Organization of working time	5.3.3.1 - Human Resources Principles & Main Areas of Action, p. 122
	Absenteeism	5.3.3.2 - Key Performance Indicators - Industrial and Social Relations, p. 126
Social relations	The organization of social dialogue, notably information and consultation procedures for personnel and negotiation with the latter	5.3.1.2 - Health, p. 121 5.3.3 - Human Resources, p. 122
	Outcome of collective agreements and their impacts on the company economic performance and on the employees working conditions	5.3.1 - Safety and Health, p. 119 5.3.6 - Human Rights and Supplier Chain Engagement, p. 128
Health and safety	Health and safety conditions at work	5.3.1 - Safety and Health, p. 119
	Outcome of agreements signed with trade union organizations or personnel representatives regarding occupational health and safety	5.3.1 - Safety and Health, p. 119
	Workplace accidents, notably their frequency and severity, as well as occupational illnesses	5.3.1 - Safety and Health, p. 119 5.6.2 - Summary of Key Performance Indicators - Safety and Health, p. 141
Training	Policies implemented regarding training	5.2.2 - Sustainable Development Charter and Policies, p. 113 5.2.3 - 2016 Performance, p. 114 5.3.1 - Safety and Health, p. 119 5.3.3.2 - Key Performance Indicators - Training, p. 126 5.3.4 - Community Relations, p. 126 5.5.2 - Compliance and Business Ethics, p. 138
	Total number of training hours	5.3.3.2 - Key Performance Indicators - Training, p. 126
Equal treatment	Measures promoting gender equality	5.3.3.2 - Key Performance Indicators - Diversity, p. 125
	Measures promoting the employment and integration of people with disabilities	5.3.6 - Human Rights and Supplier Chain Engagement, p. 128 5.3.3.2 - Key Performance Indicators - Diversity, p. 125
	Policy against discrimination	5.2.2 - Sustainable Development Charter and Policies, p. 113 5.3.6 - Human Rights and Supplier Chain Engagement, p. 128
Promotion and compliance with the provisions of the fundamental conventions of the International Labor Organization relative to…	Freedom of Association and the Effective Recognition of the Right to Collective Bargaining	5.3.1 - Safety and Health, p. 119 5.3.6 - Human Rights and Supplier Chain Engagement, p. 128 5.6.2 - Summary of Key Performance Indicators - Human Rights, p. 141
	Elimination of Discrimination in Respect of Employment and Occupation	5.3.6 - Human Rights and Supplier Chain Engagement, p. 128 5.6.2 - Summary of Key Performance Indicators - Human Rights, p. 141
	Elimination of all Forms of Forced and Compulsory Labor	5.3.6 - Human Rights and Supplier Chain Engagement, p. 128 5.6.2 - Summary of Key Performance Indicators - Human Rights, p. 141
	Effective abolition of child labor	5.3.6 - Human Rights and Supplier Chain Engagement, p. 128 5.6.2 - Summary of Key Performance Indicators - Human Rights, p. 147

2) Environmental Information		Section
General environmental policy	Organization of the Company to take into account environmental concerns, and, where applicable, environment-related assessment or certification initiatives	5.2.2 - Sustainable Development Charter and Policies, p. 113 5.4.1 - Environmental Management Systems, p. 129
	Training and information towards employees on environmental protection	5.4.1 - Environmental Management Systems, p. 129
	Means devoted to the prevention of environmental risks and pollution	5.4 - Environmental Stewardship, p. 129
	Amount of the provisions and guarantees for environment-related risks, provided that this information would not be likely to cause the Company serious damage within the framework of on-going litigation	6.1.2 - Note 23.2 Other provisions, p. 204 6.1.2 - Note 28 Commitments, p. 225
Pollution	Production, reduction or compensation measures for emissions into the air, water or ground and that seriously affect the environment	5.4 - Environmental Stewardship, p. 129
	Consideration of adverse noise pollution and any other forms of pollution specific to an activity	5.3.1 - Safety and Health, p. 119 5.4.1 - Environmental Management Systems, p. 129
Circular Economy - Prevention and recycling of waste	Prevention, recycling, reuse or any other way of valorization and disposal of waste	5.4.3 - Circular Economy, p. 133
	Actions against food waste	5.4.3.3 - Food Waste, p.135
Circular Economy - Sustainable use of resources	Water consumption and water procurement on the basis of local constraints	5.4.4 - Efficient Water Management, p. 135
	Consumption of raw materials and the measures undertaken to improve the efficiency of their usage	5.4.2 - Climate and Emissions, p. 130 5.4.3 - Circular Economy, p. 133 5.4.4 - Efficient Water Management, p. 135
	Energy consumption, measures undertaken to improve energy efficiency and the use to renewable energies	5.4.2.1 - Energy Efficiency, p. 130
	Land use	5.4.5 - Biodiversity and Rehabilitation, p. 136
Climate change	The significant amounts of greenhouse gas emissions generated as a result of the company's activity, in particular, through the use of the goods and services it produces	5.4.2 - Climate and Emissions, p. 130 5.6.2 - Summary of Key Performance Indicators - GHG Emissions, p. 142
	Adapting to the consequences of climate change	5.4.2 - Climate and Emissions, p. 130 5.4.3.1 - Minerals Resources Efficiency, p. 133
Biodiversity protection	Measures undertaken to preserve or develop biodiversity	5.4.5 - Biodiversity and Rehabilitation, p. 136

3) Societal Information		Section
Territorial, economic and social impact of the Company's activity	In terms of local employment and regional development	5.1.1 Key Sustainable Development Impacts, p. 110 5.2.3 - 2016 Performance, p. 114 5.3.4 - Community Relations, p. 126
	On local and surrounding communities	5.3.4 - Community Relations, p. 126
Relations maintained with individuals or organizations interested in the Company's activity, notably integration associations, education institutions, environmental defense associations, consumer associations, and neighboring residents	Conditions of dialog with these individuals or organizations	5.1.1 Key Sustainable Development Impacts, p. 110 5.3.4 - Community Relations, p. 126
	Philanthropic or sponsorship actions	5.3.4 - Community Relations, p. 126 5.3.5 - Corporate Sponsorship, p. 127
Subcontracting and suppliers	Integration of social and environmental criteria in the purchasing policy	5.3.6 - Human Rights and Supplier Chain Engagement, p. 128
	Importance of subcontracting and integration of CSR in the relationships with suppliers and subcontractors	5.2.3 - 2016 Performance, p. 114 5.3.6 - Human Rights and Supplier Chain Engagement, p. 128
Fair operating practices	Actions implemented to prevent corruption	5.2.2 - Sustainable Development Charter and Policies, p. 113 5.3.6 - Human Rights and Supplier Chain Engagement, p. 128 5.5.2 - Compliance and Business Ethics, p.138
	Measures implemented to promote consumer health and safety	5.3.1 - Safety and Health, p. 119 5.3.2 - Product Stewardship, p. 121
Other actions promoting human rights		5.3.4 - Community Relations, p. 126 5.3.6 - Human Rights and Supplier Chain Engagement, p. 128

6

FINANCIAL STATEMENTS

6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	2016	2015
Revenue	**5**	**4,165.2**	**4,086.7**
Current income and expenses		**(3,583.1)**	**(3,548.6)**
Raw materials and consumables used	6	(1,303.2)	(1,299.5)
External expenses	7	(1,115.7)	(1,117.8)
Staff expenses	8	(898.6)	(877.7)
Taxes and duties		(49.1)	(51.9)
Amortization, depreciation and impairment losses		(225.8)	(225.5)
Other current income and expenses	9	9.3	23.8
Current operating income		**582.1**	**538.1**
Other operating income and expenses	**10**	**(88.8)**	**(357.2)**
Gain or loss from obtaining or losing control		(14.5)	(8.4)
Other non-recurring items		(74.3)	(348.8)
Operating income		**493.3**	**180.9**
Net financial debt expense		**(52.7)**	**(49.1)**
Income from securities	11	12.3	9.5
Gross financial debt expense	11	(65.0)	(58.6)
Other financial income and expenses		**(3.7)**	**(6.4)**
Other financial income		236.5	241.8
Other financial expenses		(240.2)	(248.2)
Financial income (loss)	**12**	**(56.4)**	**(55.5)**
Income taxes	13	(142.2)	(56.3)
Net income		**294.7**	**69.1**
Net income, Group share (1)	14	292.8	68.4
Net income, share of non-controlling interests		1.9	0.7
(1) Net income per share			
Basic net income per share (in €)	*15*	*3.72*	*0.86*
Diluted net income per share (in €)	*15*	*3.66*	*0.85*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Notes	2016	2015
Net income		**294.7**	**69.1**
Items never reclassified subsequently to profit or loss			
Post-employment employee benefits		**12.8**	**32.0**
Actuarial gains and (losses), excess of the actual return on assets over their normative return in profit or loss	23.1	12.8	32.0
Income taxes on items never reclassified	**13**	**(3.3)**	**(6.7)**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		**25.8**	**(1.9)**
Recognition in equity	24.4	19.1	(36.5)
Reclassification in profit or loss	24.4	6.7	34.6
Translation reserve		**68.9**	**(4.1)**
Recognition in equity		67.9	(7.9)
Reclassification in profit or loss		1.0	3.8
Income taxes on items that may be reclassified	**13**	**(3.2)**	**10.7**
Other comprehensive income		**101.0**	**30.0**
Total comprehensive income		**395.7**	**99.1**
Total comprehensive income, Group share		390.5	98.4
Total comprehensive income, share of non-controlling interests		5.2	0.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Notes	2016	2015
Non-current assets		**4,343.3**	**4,189.1**
Goodwill	16	1,674.7	1,631.3
Intangible assets	17	81.6	105.1
Mining assets	18	585.4	552.3
Property, plant and equipment	18	1,686.5	1,589.6
Joint ventures and associates	9	122.5	126.2
Other financial assets	21.1	40.0	31.6
Other receivables	21.1	40.5	33.5
Derivative financial assets	24.4	17.8	15.0
Deferred tax assets	13	94.3	104.5
Current assets		**2,389.1**	**1,979.7**
Inventories	20	712.5	738.3
Trade receivables	21.1	608.1	578.1
Other receivables	21.1	234.4	223.6
Derivative financial assets	24.4	14.9	5.0
Other financial assets(1)	24.2	9.6	19.6
Cash and cash equivalents(1)	24.2	809.6	415.1
Consolidated assets		**6,732.4**	**6,168.8**
Equity, Group share		**2,861.5**	**2,644.1**
Capital		159.2	159.2
Premiums		529.7	530.2
Reserves		1,879.8	1,886.3
Net income, Group share		292.8	68.4
Equity, share of non-controlling interests		**52.7**	**27.8**
Equity	**22**	**2,914.2**	**2,671.9**
Non-current liabilities		**2,356.7**	**2,224.2**
Employee benefit liabilities	23.1	295.4	322.9
Other provisions	23.2	343.8	304.2
Loans and financial debts(1)	24.2	1,601.7	1,500.0
Other debts	24.3	38.5	42.4
Derivative financial liabilities	24.4	4.6	1.9
Deferred tax liabilities	13	72.7	52.8
Current liabilities		**1,461.5**	**1,272.7**
Other provisions	23.2	22.6	19.2
Trade payables	24.1	422.7	441.0
Income taxes payable		79.1	50.4
Other debts	24.3	336.5	315.6
Derivative financial liabilities	24.4	5.2	19.2
Loans and financial debts(1)	24.2	584.0	423.8
Bank overdrafts(1)	24.2	11.4	3.5
Consolidated equity and liabilities		**6,732.4**	**6,168.8**
(1) Positions included in the calculation of the net financial debt	*24.2*	*1,366.5*	*1,480.4*

▪ 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, share of non-controlling interests	Total
Equity as of January 1, 2015	**151.8**	**334.1**	**(10.4)**	**(10.9)**	**(236.0)**	**1,944.2**	**1,686.9**	**271.6**	**2,444.4**	**26.1**	**2,470.5**
Total comprehensive income	**-**	**-**	**-**	**(0.3)**	**4.8**	**25.5**	**30.0**	**68.4**	**98.4**	**0.7**	**99.1**
Transactions with shareholders	**7.4**	**196.1**	**(3.9)**	**0.0**	**(0.2)**	**173.5**	**169.4**	**(271.6)**	**101.3**	**1.0**	**102.3**
Allocation of 2014 net income	-	-	-	-	-	271.6	271.6	(271.6)	0.0	-	0.0
Dividend (€1.65 per share)	-	-	-	-	-	(132.5)	(132.5)	-	(132.5)	(0.1)	(132.6)
Capital increases in kind[1]	7.5	206.9	-	-	-	34.4	34.4	-	248.8	-	248.8
Capital increases in cash	2.0	50.3	-	-	-	-	0.0	-	52.3	0.2	52.5
Capital decreases in cash	(2.1)	(60.4)	-	-	-	-	0.0	-	(62.5)	-	(62.5)
Transactions on treasury shares	-	-	(3.9)	-	-	(7.9)	(11.8)	-	(11.8)	-	(11.8)
Share-based payments	-	-	-	-	-	7.3	7.3	-	7.3	-	7.3
Transactions with non-controlling interests	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)	0.9	0.6
Reclassification	-	(0.7)	-	-	(0.2)	0.9	0.7	-	0.0	-	0.0
Equity as of December 31, 2015	**159.2**	**530.2**	**(14.3)**	**(11.2)**	**(231.4)**	**2,143.2**	**1,886.3**	**68.4**	**2,644.1**	**27.8**	**2,671.9**
Total comprehensive income	**-**	**-**	**-**	**17.0**	**71.2**	**9.5**	**97.7**	**292.8**	**390.5**	**5.2**	**395.7**
Transactions with shareholders	**0.0**	**(0.5)**	**(42.4)**	**0.0**	**0.0**	**(61.8)**	**(104.2)**	**(68.4)**	**(173.1)**	**19.7**	**(153.4)**
Allocation of 2015 net income	-	-	-	-	-	68.4	68.4	(68.4)	0.0	-	0.0
Dividend (€1.75 per share)	-	-	-	-	-	(137.5)	(137.5)	-	(137.5)	(1.9)	(139.4)
Capital increases in cash	0.6	15.6	-	-	-	-	0.0	-	16.2	-	16.2
Capital decreases in cash	(0.6)	(16.1)	-	-	-	-	0.0	-	(16.7)	-	(16.7)
Transactions on treasury shares	-	-	(42.4)	-	-	(3.0)	(45.4)	-	(45.4)	-	(45.4)
Share-based payments	-	-	-	-	-	10.5	10.5	-	10.5	-	10.5
Transactions with non-controlling interests	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)	21.5	21.4
Reclassification	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)	0.1	0.0
Equity as of December 31, 2016[2]	**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**
(1) Capital increase related to the acquisition of S&B (Note 16).											
(2) Proposed dividend (€1.87 per share)	*-*	*-*	*-*	*-*	*-*	*(148.8)*	*(148.8)*	*-*	*(148.8)*	*-*	*(148.8)*
Equity after proposed dividend	*159.2*	*529.7*	*(56.7)*	*5.8*	*(160.2)*	*1,942.1*	*1,731.0*	*292.8*	*2,712.7*	*52.7*	*2,765.4*

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	2016	2015
Cash flow from operating activities		**633.6**	**544.5**
Cash flow generated by current operations	Appendix 1	834.8	760.4
Interests paid		(57.1)	(61.7)
Income taxes on current operating income and financial income (loss)		(102.0)	(105.8)
Dividends received from available-for-sale financial assets		(0.2)	0.3
Cash flow generated by other operating income and expenses	Appendix 2	(41.9)	(48.7)
Cash flow from investing activities		**(279.2)**	**(610.5)**
Acquisitions of intangible assets and property, plant and equipment	Appendix 3	(278.4)	(271.6)
Acquisitions of investments in consolidated entities after deduction of cash acquired	16	(44.5)	(351.0)
Transaction costs		(13.5)	(10.6)
Changes in estimate of the contingent remuneration of the seller		-	(0.2)
Acquisitions of available-for-sale financial assets		(6.1)	(0.4)
Disposals of intangible assets and property, plant and equipment	Appendix 3	27.4	7.2
Disposals of investments in consolidated entities after deduction of cash disposed of		27.6	6.7
Net change in financial assets		(4.2)	0.2
Paid-in interests		12.5	9.2
Cash flow from financing activities		**6.2**	**(154.4)**
Capital increases and decreases in cash		(0.5)	(10.0)
Disposals (acquisitions) of treasury shares		(49.4)	(11.8)
Dividends paid to shareholders		(137.5)	(132.5)
Dividends paid to non-controlling interests		(1.9)	(0.1)
Acquisitions of investments in consolidated entities from non-controlling interests	16	(0.1)	-
Loan issues(1)		604.0	23.5
Loan repayments(2)		(4.1)	(342.8)
Net change in other debts(3)		(404.3)	319.3
Change in cash and cash equivalents		**360.6**	**(220.4)**

(€ millions)	2016	2015
Opening cash and cash equivalents	**411.6**	**654.5**
Change in cash and cash equivalents	360.6	(220.4)
Impact of changes due to exchange rate fluctuations	25.9	(22.5)
Closing cash and cash equivalents(4)	**798.1**	**411.6**
Cash	568.8	286.8
Cash equivalents	240.8	128.3
Bank overdrafts	(11.5)	(3.5)

(1) Of which in 2016, a €600.0 million bond issue as part of the Euro Medium Term Note program (EMTN) (Note 24.5).

(2) Of which in 2015, the repayment for an amount of €314.6 million of the high yield bond of the S&B group (Note 16).

(3) Of which in 2015, a €347.6 million commercial papers issue (Note 24.5).

(4) As of December 31, 2016, the position "Closing cash and cash equivalents" comprises a balance of €2.5 million (€6.0 million as of December 31, 2015) not available for Imerys SA and its subsidiaries, of which €1.1 million (€5.8 million as of December 31, 2015) with respect to foreign exchange control legislations and €1.4 million (€0.2 million as of December 31, 2015) with respect to statutory requirements.

Appendix 1: cash flow generated by current operations

(€ millions)	Notes	2016	2015
Net income		**294.7**	**69.1**
Adjustments		**514.8**	**683.3**
Income taxes	13	142.2	56.3
Share in net income of joint ventures and associates	9	(1.7)	(8.1)
Dividends received from joint ventures and associates		5.6	7.4
Impairment losses on goodwill	10 & 16	0.5	118.8
Share in net income of associates out of the recurring business		0.1	0.1
Other operating income and expenses excluding impairment losses on goodwill		88.2	238.3
Net operating amortization and depreciation	Appendix 3	225.6	225.1
Net operating impairment losses on assets		7.4	-
Net operating provisions		(1.8)	(9.4)
Dividends receivable from available-for-sale financial assets		-	(0.1)
Net interest income and expenses		53.7	49.1
Share-based payments expense	8	10.5	7.3
Change in fair value of hedge instruments		(2.1)	2.2
Income from current disposals of intangible assets and property, plant and equipment	9	(13.4)	(3.7)
Change in the working capital requirement		**25.3**	**8.0**
Inventories		58.5	6.1
Trade accounts receivable, advances and down payments received		(25.5)	41.2
Trade accounts payable, advances and down payments paid		(18.6)	(25.5)
Other receivables and debts		10.9	(13.8)
Cash flow generated by current operations		**834.8**	**760.4**

Appendix 2: cash flow generated by other operating income and expenses

(€ millions)	Notes	2016	2015
Other operating income and expenses	**10**	**(88.8)**	**(357.2)**
Adjustments		**46.9**	**308.5**
Transaction costs		13.5	10.6
Changes in estimate of the contingent remuneration of the seller		-	0.2
Income from disposals of consolidated investments and available-for-sale financial assets	10	1.0	(2.4)
Impairment losses on goodwill	10 & 16	0.5	118.8
Income from non-recurring disposals of intangible assets and property, plant and equipment	10	(1.0)	0.1
Other net operating amortization and depreciation	Appendix 3	22.4	153.0
Other net operating provisions	10	1.0	15.0
Share in net income of associates out of the recurring business		0.1	0.1
Income taxes paid on other operating income and expenses		9.4	13.1
Cash flow generated by other operating income and expenses		**(41.9)**	**(48.7)**

Appendix 3: table of indirect references to the notes

(€ millions)	Notes	2016	2015
Consolidated statement of cash flows			
Acquisitions of intangible assets and property, plant and equipment		(278.4)	(271.6)
Intangible assets	17	(9.5)	(48.9)
Property, plant and equipment	18	(279.0)	(225.3)
Neutralization of finance lease acquisitions		0.1	-
Change in payables on acquisitions of intangible assets and property, plant and equipment		10.0	2.6
Disposals of intangible assets and property, plant and equipment		27.4	7.2
Intangible assets	17	13.6	0.1
Property, plant and equipment	18	(0.5)	3.2
Income on asset disposals	9	13.4	3.7
Income on non-recurring asset disposals	10	1.0	(0.1)
Change in receivables on disposals of intangible assets and property, plant and equipment		(0.1)	0.3
Appendix 1			
Net operating amortization and depreciation		225.6	225.1
Increases in amortization – intangible assets	17	9.5	13.6
Increases in depreciation – property, plant and equipment	18	223.5	215.6
Amortization and depreciation reversals – intangible assets and property, plant and equipment		(7.2)	(3.7)
Neutralization of finance leases depreciation		(0.2)	(0.4)
Appendix 2			
Other net operating amortization and depreciation		22.4	153.0
Impairment losses – intangible assets	17	0.7	36.1
Impairment losses – property, plant and equipment	18	25.2	119.0
Reversal of impairment losses – property, plant and equipment	18	(3.5)	(2.1)

6.1.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2016 SIGNIFICANT EVENTS

This paragraph aims at enabling the reader to easily identify easily the main notes addressing the significant events of the period.

- Imerys and the Brexit: *Information by segments – Information by geographical location – Exposure to country risk*.
- Adjustment of the net income from current operations by a non-recurring €7.5 million gain on liquidation on the Imerys UK retirement plan: *Note 14, Net income from current operations and net income, Group share; Note 23.1, Employee benefit liabilities – Tables of changes*.
- €600.0 million bond issue as part of the Euro Medium Term Note program (EMTN): *Note 24.5, Management of risks arising from financial liabilities – Borrower's liquidity risk – Management of the risk*.

▪ BASIS OF PREPARATION

NOTE 1 REFERENTIAL

1.1 STATEMENT OF COMPLIANCE WITH THE REFERENTIAL

Pursuant to European regulation no. 1606/2002 of July 19, 2002, Imerys, a group of the industrial minerals sector, with its headquarters in Paris, 154 rue de l'Université and whose share is admitted to trading on the compartment A of NYSE Euronext Paris, has established its consolidated financial statements as of December 31, 2016 in compliance with IFRS (International Financial Reporting Standards) as adopted within the European Union at the closing date (hereafter "the Referential"). The financial statements have been closed on February 15, 2017 by the Board of Directors of Imerys SA, the Parent Company of the Group, on a going concern basis, in millions of Euros with one decimal rounded up to the nearest tenth.

1.2 DIFFERENCES BETWEEN THE REFERENTIAL AND IFRSS

The adoption process within the European Union may create temporary time-lags at the closing date between the Referential and IFRSs. However as of December 31, 2016, no difference exists between the Referential and IFRSs.

1.3 OPTIONAL STATEMENTS

First-time adoption. Upon first-time adoption of the Referential, Imerys presented financial statements as of January 1, 2004 that included a retrospective application limited by some optional exemptions provided for by standard IFRS 1 on first-time adoption of IFRSs and exercised by the Group. The acquisition of businesses prior to the first-time adoption have not been adjusted. The carrying amount of property, plant and equipment has not been adjusted except for mineral reserves and resources, which have been measured at fair value. The actuarial differences of post-employment employee benefits unrecognized at the date of first-time adoption have been included in the measurement of the plan assets and provisions against the reserves. Finally, the translation differences of foreign operations have been reclassified in the reserves.

Other optional statements. Some standards of the Referential present recognition and measurement options. The amortized / depreciated historical cost qualifies as the measurement basis for intangible assets *(Note 17)*, mining assets *(Note 18)* and property, plant and equipment *(Note 18)*. Inventories are measured on the basis of their characteristics in accordance with the "First-In, First-Out" (FIFO) or weighted average cost methods *(Note 20)*. The rules of hedge accounting are applied to the recognition of derivatives hedging currency, interest rate and energy price risks *(Note 24.4)*.

1.4 ABSENCE OF GUIDANCE

In the absence of any applicable standard or interpretation or sufficient detail of the existing standards and interpretations, the Executive Management has defined recognition and measurement policies on three subjects: greenhouse gas allowances *(Note 17)*, mining assets *(Note 18)* and purchase commitment of non-controlling interests of an entity controlled by the Group *(Note 25)*.

NOTE 2 CHANGES IN ACCOUNTING POLICIES AND ERRORS

Accounting policy

Accounting policies are identical from one period to the other and are modified either on a mandatory basis to apply a new standard or interpretation *(Note 2.1)*, or on a voluntary basis to improve the reliability or the relevance of information *(Note 2.2)*. Changes in accounting policies are accounted for retrospectively, unless required by the specific transition provisions of the standard or interpretation. Financial statements are modified for all reported periods, as if the new policy had always been applied. Errors *(Note 2.3)* are corrected retrospectively.

2.1 MANDATORY CHANGES

Anticipated application

Imerys did not apply by anticipation any standard or interpretation in 2015 and 2016.

Application upon effective date

Amendments to IAS 1: Disclosure Initiative. These amendments aim at improving the relevance of disclosures through increased focus on the issuer's professional judgment and materiality.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization. Intangible assets and property, plant and equipment standards provide that amortization and depreciation represent the consumption of the economic benefits embodied in an asset. These amendments clarify that the level of revenue generated by such assets cannot be considered as an appropriate basis to measure that consumption. The intangible assets and items of property, plant and equipment of Imerys are generally amortized and depreciated on a straight-line basis and by exception, mainly for mining assets, in accordance with the units of production method *(Notes 17 and 18)*. These amendments thus have no impact for the Group.

Amendments to IAS 19, Employee Contributions. This amendment simplifies the recognition of contributions paid independently of the number of years of service by employees with respect to defined benefit plans *(Note 23.1)*. This amendment has no significant impact on the financial statements of Imerys.

Besides, the amendments to standards IFRS 10, IFRS 12 and IAS 28 related to consolidation exceptions granted to investment entities, the amendments to standard IFRS 11 concerning the acquisitions of interests in agreements under which the parties are not holding rights into the net asset of a business, but shares of specific assets and liabilities, the amendments to standard IAS 27 on the equity method in separate financial statements, as well as the amendments to standards IAS 16 and IAS 41 on bearer plants, do not apply to the transactions, events or conditions existing within the Group.

2.2 VOLUNTARY CHANGES

Imerys did not perform any voluntary change in accounting policy in 2015 and 2016.

2.3 ERRORS

No correction of error was performed in 2015 and 2016.

NOTE 3 STANDARDS AND INTERPRETATIONS EFFECTIVE AFTER THE CLOSING DATE

On the basis of the last projected adoption agenda of IFRSs within the European Union dated February 14, 2017 published by the EFRAG (European Financial Reporting Advisory Group), Imerys will apply the following standards and interpretations after December 31, 2016.

3.1 APPLICATION IN 2017

Amendments to IAS 7: Disclosure Initiative. The objective of this amendment is to improve the disclosures on changes in liabilities arising from financing activities. As of December 31, 2016, the adoption process of this amendment is in progress within the European Union.

Besides, the amendments to IAS 12, Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses, do not apply at Imerys. Indeed, these amendments clarify the conditions to recognize deferred tax assets related to debt instruments measured at fair value, a measurement basis that is not used by the Group for this type of liabilities.

3.2 APPLICATION IN 2018

Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions. This amendment is providing clarifications on equity-settled share-based payments. It specifies that such a transaction is fully addressed as an equity-settled payment, even if it is incidentally resulting into a cash settlement with respect to a tax obligation. Besides, the amendment is providing clarifications on a type of transaction that is not in use at Imerys: cash-settled share-based payments. As of December 31, 2016, the adoption process of this standard is in progress within the European Union.

IFRS 9, Financial Instruments. IFRS 9 is intended to replace current standard IAS 39 on financial instruments. The improvements introduced by IFRS 9 include a classification and measurement model of financial instruments, an impairment loss model based upon expected losses and no longer upon past credit events, as well as a new approach to hedge accounting. The classification and measurement model of financial instruments introduced by IFRS 9, simpler than that of current standard IAS 39, shall improve the readability of disclosures in *Notes 11, 12, 21.1 and 24.1*. Besides, no material impact is expected from the change from an incurred loss model to an expected loss model as a consequence of the limited exposure of Imerys to credit risk. In terms of hedge accounting, Imerys could consider the possibility to expand the scope of hedged items beyond its current state. Indeed, IFRS 9 is offering broader possibilities than IAS 39 in terms of designation of items eligible to hedge accounting. At last, as a result of the derivative instruments used as part of its hedging policy, the Group shall be affected by the new recognition requirements applicable to changes in the time value of options. The latter shall be recognized in equity instead of profit or loss as is currently the case. Amendments to IFRS 7, Financial Instruments: Disclosures, state the disclosures that enable to understand the bridge, at the adoption date of standard IFRS 9, between the old and new financial instruments categories and the old and new measurement rules for the financial instruments held at that date. Amendments to IFRS 9, Financial Instruments state that the entities that will adopt IFRS 9 as of January 1, 2018 will not have to restate any comparative period. At that date, the bridge between the old and new financial instruments categories will be explained, as a result of the amendments to IFRS 7, by the disclosures provided in the notes and the difference between the old and new valuations of the financial instruments held at that date will be recognized as an adjustment of the consolidated equity as of January 1, 2018.

IFRS 15, Revenue from Contracts with Customers. This new standard, whose objective is to replace the current standard on revenue, is based upon two principles: recognition of the sale when the customer obtains control over the good or service and measurement for the amount of the expected payment. For sales of goods, the analysis in progress is particularly focusing on the impacts related to the use of some specific incoterms. For service contracts, the completed analysis specifically examined how the notion of control could influence the recognition pattern of revenue, considering if the customer obtains control over the service at a point in time or throughout time. The analysis of the various contracts types of the Monolithic Refractories business, the main business concerned by this issue, concluded that the requirements of the new standard would not result in any material impact.

IFRIC 22, Foreign Currency Transactions and Advance Consideration. In the absence of indications from standard IAS 21, The Effects of Changes in Foreign Exchange Rates, on the exchange rate applicable to anticipated payments and receipts related to transactions in foreign currencies, interpretation IFRIC 22 specifies that each payment and receipt is measured at the exchange rate at the date of the cash movement. Already facing the absence of indications from standard IAS 21 on this subject, Imerys had integrated that specification into its accounting policies as soon as 2014, based upon the guidance provided by the technical documentation of a first rank accounting firm. The Group is thus anticipating no impact related to the adoption of this interpretation. As of December 31, 2016, the adoption process of this interpretation is in progress within the European Union.

Besides, the amendments to IAS 40, transfers of Investment Property and to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts do not apply at Imerys.

3.3 APPLICATION IN 2019

IFRS 16, Leases. This standard abolishes for the lessee the current distinction between operating leases, recognized as expenses *(Note 7)* and finance leases, recognized as property, plant and equipment *(Note 18)* against a financial debt *(Note 24.2)* to require, for all leases, the recognition of a use right against a financial debt. This standard, whose application shall have an impact, mainly on the level of capital employed *(Information by segments)*, the depreciation expense recognized in Current Operating Income, the interest expense recognized in Financial Income (Loss) *(Note 12)*, the impairment tests *(Note 19)* and the financial ratios that the Group is required to comply with for part of its financing *(Note 24.5)* and the level of the commitments given with respect to the current operating leases contracts *(Note 28)*, is monitored by the Group since the first Exposure Draft was released in August 2010. The works performed since 2014 with the intent to define the perimeter of the contracts included in the scope of the standard, were extended in 2016 to the search for IT solutions to manage the volume of identified contracts. As of December 31, 2016, the adoption process of this standard is in progress within the European Union.

NOTE 4 ESTIMATES

Estimates are intended to provide a reasonable assessment of the latest reliable information available on an uncertainty. They are revised to reflect changes in circumstances, new information available and experience effects. Changes in estimates are accounted for prospectively. The significant estimates of the Executive Management are separately outlined in the notes:

- allocation of certain transactions by levels within the income statement *(Notes to the consolidated income statement)*;
- amortization methods of intangible assets *(Note 17)*;
- depreciation methods of property, plant and equipment and specifically of mineral reserves, overburden assets as well as certain industrial assets of discontinuous use *(Note 18)*;
- definition, as part of the impairment tests of non-financial assets, of Cash Generating Units (CGUs), impairment indicators, duration and amount of future cash flows as well as the discount rates used in the calculation of the values in use of the CGUs *(Note 19)*;
- actuarial assumptions of defined benefit plans *(Note 23.1)*; and
- assessment, as part of the recognition and measurement of provisions, of the probability of settlement and amount of the obligation, of the expected timing of future payments and of discount rates *(Note 23.2)*.

▪ INFORMATION BY SEGMENTS

Accounting policy

By means of complex physical and thermic manufacturing processes, Imerys adds value to a range of minerals generally extracted from its deposits. Within each of its four business groups, the Group develops, produces and markets mineral solutions whose functions (thermal or mechanical resistance, conductivity, covering power, barrier effect, etc.) are essential to its customers' manufacturing processes. The reported segments correspond to the four business groups of Imerys:

- Energy Solutions & Specialties (ESS): functional additives used in construction (plastics, paints, etc.) and in the production of paper, monolithic refractory products for the protection of high-temperature industrial equipment (iron and steel, foundry, petrochemical, glass and cement industries, etc.) and mineral specialties for the mobile energy, electronics and non-conventional oil exploration markets;
- Filtration & Performance Additives (F&PA): mineral agents for the filtration of edible liquids, performance mineral specialties used in plastics, paints and polymers and papers, for the sectors of construction, consumer goods (beverages, food, magazines, packaging, pharmaceuticals, health and beauty, etc.) and durable goods (mainly automobile);

- Ceramic Materials (CM): clay roof tiles and mineral solutions for floor tiles, sanitaryware, tableware, technical ceramics, paints, plastics and paper;
- High Resistance Minerals (HRM): fused minerals for abrasive industries (cutting, grinding and polishing tools) and refractory minerals used in high-temperature industries (steel, foundry, power generation, etc.).

Each of the reported segments is thus engaged in the production and rendering of related goods and services presenting geological, industrial and commercial synergies and results from the aggregation of the Cash-Generating Units followed each month by the Executive Management in its business reporting *(Note 19)*. The Executive Management considers that the holding structures dedicated to the centralized financing of the Group are no segments. Their aggregates are thus presented in a reconciliation column with inter-segment eliminations (IS&H). The financial information by segment is measured in accordance with the principles of the Referential *(Note 1)*. The transactions between segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

Consolidated income statement

Revenue from transactions of Imerys with each of its external customers never exceeds a threshold of 10.0% of the Group's revenue.

As of December 31, 2016

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
External revenue	**1,251.5**	**1,137.7**	**1,197.4**	**576.3**	**2.3**	**4,165.2**
Sales of goods	1,045.1	1,030.0	1,040.4	563.1	1.0	3,679.6
Rendering of services	206.4	107.7	157.0	13.2	1.3	485.6
Inter-segment revenue	**(0.8)**	**6.8**	**24.6**	**21.5**	**(52.1)**	**0.0**
Revenue	**1,250.7**	**1,144.5**	**1,222.0**	**597.8**	**(49.8)**	**4,165.2**
Current operating income	**129.9**	**214.6**	**223.4**	**78.0**	**(63.8)**	**582.1**
of which amortization, depreciation and impairment losses	(58.2)	(57.1)	(81.7)	(28.7)	(10.5)	(236.2)
Other operating income and expenses	**(24.5)**	**0.5**	**(14.3)**	**(50.7)**	**0.2**	**(88.8)**
Operating income	**105.4**	**215.1**	**209.1**	**27.3**	**(63.6)**	**493.3**
Financial income (loss)	**(5.1)**	**(7.6)**	**6.1**	**(1.5)**	**(48.3)**	**(56.4)**
Interest income	0.1	0.1	11.3	0.7	0.4	12.6
Interest expenses	(1.0)	(0.2)	0.4	(2.6)	(62.8)	(66.2)
Income taxes	**(43.8)**	**(58.0)**	**(60.6)**	**(11.7)**	**31.9**	**(142.2)**
Net income	**56.5**	**149.5**	**154.6**	**14.1**	**(80.0)**	**294.7**

As of December 31, 2015

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
External revenue	**1,254.8**	**1,079.6**	**1,169.7**	**610.7**	**(28.1)**	**4,086.7**
Sales of goods	1,018.1	982.1	1,013.8	595.8	(28.3)	3,581.5
Rendering of services	236.7	97.5	155.9	14.9	0.2	505.2
Inter-segment revenue	**(1.7)**	**1.9**	**2.7**	**18.7**	**(21.6)**	**0.0**
Revenue	**1,253.1**	**1,081.5**	**1,172.4**	**629.4**	**(49.7)**	**4,086.7**
Current operating income	**119.7**	**178.1**	**210.1**	**81.6**	**(51.4)**	**538.1**
of which amortization, depreciation and impairment losses	(50.2)	(58.6)	(84.7)	(29.8)	(2.2)	(225.5)
Other operating income and expenses	**(301.9)**	**(29.9)**	**(21.7)**	**(8.7)**	**5.0**	**(357.2)**
Operating income	**(182.2)**	**148.2**	**188.4**	**72.9**	**(46.4)**	**180.9**
Financial income (loss)	**(0.4)**	**0.9**	**30.3**	**(8.2)**	**(78.1)**	**(55.5)**
Interest income	0.2	0.1	7.9	0.9	0.6	9.7
Interest expenses	(1.4)	(1.3)	(0.4)	(2.1)	(53.6)	(58.8)
Income taxes	**30.7**	**(46.4)**	**(66.4)**	**(20.1)**	**45.9**	**(56.3)**
Net income	**(151.9)**	**102.7**	**152.3**	**44.6**	**(78.6)**	**69.1**

Consolidated statement of financial position

As of December 31, 2016

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
Capital employed – Assets	**1,578.5**	**1,843.2**	**1,385.2**	**897.2**	**42.1**	**5,746.2**
Goodwill[(1)]	313.1	794.4	274.9	291.5	0.8	1,674.7
Intangible assets and property, plant and equipment[(2)]	790.9	612.2	673.7	269.7	7.0	2,353.5
Inventories	165.6	159.5	193.4	194.7	(0.7)	712.5
Trade receivables	211.5	181.3	135.1	87.4	(7.2)	608.1
Other receivables – non-current and current	67.8	61.3	76.8	53.8	15.2	274.9
Joint ventures and associates	29.6	34.5	31.3	0.1	27.0	122.5
Unallocated assets						**986.2**
Total assets						**6,732.4**
Capital employed – Liabilities	**275.0**	**226.0**	**215.2**	**134.2**	**26.4**	**876.8**
Trade payables	153.9	102.3	116.6	61.7	(11.8)	422.7
Other debts – non-current and current	99.3	97.9	95.7	64.9	17.2	375.0
Income taxes payable	21.8	25.8	2.9	7.6	21.0	79.1
Provisions	**134.4**	**199.6**	**181.2**	**86.4**	**60.2**	**661.8**
Unallocated liabilities						**2,279.6**
Total non-current and current liabilities						**3,818.2**
Total capital employed	**1,303.5**	**1,617.2**	**1,170.0**	**763.0**	**15.7**	**4,869.4**
(1) Increases in goodwill	*29.7*	*-*	*2.4*	*13.6*	*-*	*45.7*
(2) Acquisitions of intangible assets and property, plant and equipment	*96.4*	*61.4*	*79.2*	*39.2*	*2.2*	*278.4*

As of December 31, 2015

(€ millions)	ESS	F&PA	CM	HRM	IS&H	Total
Capital employed – Assets	**1,466.6**	**1,795.6**	**1,429.4**	**854.5**	**31.9**	**5,578.0**
Goodwill[(1)]	280.1	790.8	277.9	281.7	0.8	1,631.3
Intangible assets and property, plant and equipment[(2)]	719.9	598.6	666.4	253.5	8.6	2,247.0
Inventories	176.4	161.0	202.7	198.1	0.1	738.3
Trade receivables	202.4	168.5	140.1	75.3	(8.2)	578.1
Other receivables – non-current and current	75.4	38.4	70.7	45.0	27.6	257.1
Joint ventures and associates	12.4	38.3	71.6	0.9	3.0	126.2
Unallocated assets						**590.8**
Total assets						**6,168.8**
Capital employed – Liabilities	**274.8**	**197.3**	**237.2**	**123.3**	**17.0**	**849.6**
Trade payables	171.9	93.6	123.1	63.9	(11.5)	441.0
Other debts – non-current and current	85.2	93.6	106.7	53.5	19.2	358.2
Income taxes payable	17.7	10.1	7.4	5.9	9.3	50.4
Provisions	**118.3**	**196.5**	**216.6**	**72.7**	**42.2**	**646.3**
Unallocated liabilities						**2,001.1**
Total non-current and current liabilities						**3,497.0**
Total capital employed	**1,191.8**	**1,598.3**	**1,192.2**	**731.2**	**14.9**	**4,728.4**
(1) Increases in goodwill	*14.4*	*577.0*	*24.8*	*-*	*-*	*616.2*
(2) Acquisitions of intangible assets and property, plant and equipment	*90.5*	*63.1*	*74.6*	*40.2*	*3.2*	*271.6*

Information by geographical location

Notion of country risk. Due to their mining activity and to the variety of their final markets, the entities of Imerys are located in numerous countries. The Group may thus be exposed to certain risks specific to these countries which may have in the future a certain impact on its financial statements. Country risk comprises two components: on the one hand, the transfer and convertibility risk, i.e. the risk a government imposes foreign exchange or capital controls that prevent an entity from transferring funds to third parties located outside the country and/or converting local currency into foreign currency; and on the other hand the general economic environment, mainly in its dimensions related to the quality of public and private governance, as well as to the risks of conflicts, expropriation, civil and political instability or natural disasters.

Exposure to country risk. The transfer and convertibility component of country risk results in the unavailability of cash balances for an amount of €1.1 million as of December 31, 2016 (€5.8 million as of December 31, 2015) *(Consolidated Statement of Cash Flow)*. Besides, country risk is taken into account in the country-market risk premium of the discount rates used for impairment tests *(Note 19)*. However, the fact that most of the supply sources and final markets of Imerys are located in developed countries limits the exposure of the Group to country risk. In order to identify high-risk countries, Imerys uses as a first step the grading system "Business Environment" of the Coface, the main French insurance company specialized in export credit insurances, which measures if an economic and financial interest in an entity is influenced by the economic, financial and political prospects of the related countries. The grading system of the Coface consists of eight categories from A1 to E, with an increasing order of importance of the assessed risks. Categories C to E, corresponding to the highest risks, include Egypt, Russia and Vietnam (category C), Ukraine (category D) and Venezuela and Zimbabwe (category E) where the Group is present. As a second step, Imerys may carry out analyses on specific situations. In this way, the analysis carried out in 2016 on the consequences of the British decision to leave the European Union (Brexit) concluded to immaterial potential risks (5.49% of revenue by geographical location of the businesses of the Group, 2.71% of revenue by geographical location of customers and 0.38% of the statement of financial position, after elimination of intragroup transactions).

The following table presents revenue by geographical location of the businesses of the Group:

(€ millions)	**2016**	**2015**
France	689.3	628.8
Other European countries	1,568.2	1,598.9
North America	1,179.1	1,150.9
Asia – Oceania	567.0	549.5
Other countries	161.6	158.6
Revenue by geographical location of the businesses of the Group	**4,165.2**	**4,086.7**

Revenue generated in countries rated C to E by the grading system "Business Environment" of the Coface represents in 2016 1.05% of Group revenue (1.34% in 2015) and 0.96% of current operating income (1.95% in 2015).

The following table presents revenue by geographical location of customers:

(€ millions)	**2016**	**2015**
France	473.9	464.3
Other European countries	1,541.0	1,549.3
North America	1,100.9	1,067.6
Asia – Oceania	773.5	727.6
Other countries	275.9	277.9
Revenue by geographical location of customers	**4,165.2**	**4,086.7**

The following table presents the carrying amount of goodwill, intangible assets and property, plant and equipment by geographical zone:

	2016			2015		
(€ millions)	Goodwill	Intangible assets and property, plant and equipment	Total	Goodwill	Intangible assets and property, plant and equipment	Total
France	743.5	283.9	1,027.4	804.7	269.4	1,074.1
Other European countries	333.7	635.6	969.3	355.0	679.7	1,034.7
North America	329.8	853.7	1,183.5	204.2	811.9	1,016.1
Asia – Oceania	205.2	199.7	404.9	215.0	201.1	416.1
Other countries	62.5	380.6	443.1	52.4	284.9	337.3
Total	**1,674.7**	**2,353.5**	**4,028.2**	**1,631.3**	**2,247.0**	**3,878.3**

The total of the statement of financial position located in countries rated C to E by the grading system “Business Environment” of the Coface represents 0.23% of the statement of financial position (0.24% as of December 31, 2015) and -1.09% of consolidated equity, Group share (-1.30% as of December 31, 2015).

▪ NOTES TO THE CONSOLIDATED INCOME STATEMENT

Accounting policy

Revenue and expenses recognized in the consolidated income statement are aggregated by natures in accordance with materiality and are only offset in application of a standard or interpretation. Comparative information is disclosed with respect to period N-1, comparative information with respect to period N-2 being incorporated by reference *(Chapter 9, section 9.4 of the Registration Document).* Profit or loss is structured in two main levels: operating income and financial income (loss). If for most cases, the allocation of transactions by profit or loss level does not require any specific comment, the options of some standards and the absence of guidance of other standards led the Executive Management to make some presentation decisions. The three tables hereafter present these decisions by profit or loss level and enable the link with the corresponding note.

Operating income. Operating income includes current operating income and other operating income and expenses. Current operating income *(Notes 5 to 9)* includes the performance of the ordinary activities of Imerys as well as the following items:

	Notes
Share-based payments expense	8
Changes in employee benefits unrelated to restructuring	
▪ plan curtailments, settlements and amendments	8
▪ contributions to the funds and direct payments to beneficiaries	8
▪ liabilities reversals on contributions and direct payments	8
▪ administrative fees of open plans	8
Hedge accounting	
▪ Ineffective portion of operational hedge instruments	11
▪ Amortization of the effective portion of de-designated operational hedge instruments	11
Assets disposals unrelated to restructuring	9
Net income of associates of the recurring business	9

Other operating income and expenses. Other operating income and expenses *(Note 10)* correspond, in accordance with the recommendation ANC 2013-03 of the French accounting standard setting authority on the format of IFRS financial statements, to items of income and expenses resulting from a limited number of well identified, non-recurring and significant events, such as the profit or loss impacts from obtaining or losing control of a business, of a restructuring, including related assets disposals, of an impairment loss on goodwill or of a significant litigation. In particular, since applicable standards do not define the notion of restructuring by reference to any criterion of infrequent or unusual occurence, the Executive Management set up criteria validating that only those management decisions that meet both the definition of a restructuring and the non-recurring character, be recognized as other operating income and expenses.

	Notes
Gain or loss from obtaining or losing control	10
Impairment loss on goodwill	10
Restructuring	10
Asset disposal related to restructuring	10
Changes in employee benefits related to restructuring	
▪ plan curtailments, settlements and amendments	10
▪ contributions and direct payments to beneficiaries	10
▪ liabilities reversals on contributions and direct payments	10
Significant litigation	10
Net income of associates out of the recurring business	10

Financial income (loss). The financial income (loss) mainly includes the cost of indebtedness, foreign exchange differences, the financial components of defined benefit plans, the unwinding of the discount of provisions and impairment losses on financial assets *(Note 12)*, as well as the following specific items:

	Notes
Hedge accounting	
▪ Ineffective portion of financing hedge instruments	11
▪ Amortization of the effective portion of de-designated financing hedge instruments	11
Unrealized and realized foreign exchange of operating and financial transactions	12
Financial changes in employee benefits	
▪ Unwinding	12
▪ normative return on assets	12
▪ contributions to under-funded closed plans with mandatory funding requirement	12
▪ administrative fees of closed plans with mandatory funding requirement	12
▪ liabilities reversals of closed plans with mandatory funding requirement	12

NOTE 5 REVENUE

Accounting policy

Sales of goods represent the greater part of revenue. They are recognized upon transfer of the risks, rewards and control. Their incoterms are multiple because of the specificities of packaging (bulk, powder, paste, slurry, etc.) and freight (sea, rail, road, etc.) and represent the key indicator for the recognition of sales of goods. Reinvoicing of the freight cost of the product represents the majority of rendering of services and its recognition generally derives from the sale of the transported product. Furthermore, for both goods and rendering of services, a sale is recognized only if the corresponding receivable is recoverable and the amount of the transaction and related costs necessary to complete the transaction can be measured reliably. Sales of goods and rendering of services are measured at the fair value of the transaction, decreased by trade and volume rebates, as well as discounts for early payment.

Period activity

(€ millions)	2016	2015
Sales of goods	3,679.7	3,581.5
Rendering of services	485.5	505.2
Total	**4,165.2**	**4,086.7**

Revenue amounts to €4,165.2 million in 2016 (€4,086.7 million in 2015), i.e. an increase of +1.9% (+10.8% in 2015), including a negative effect of -€4.4 million due to foreign currency changes (+€218.2 million in 2015) and a positive structure impact of +€140.2 million (+€350.3 million in 2015). At comparable structure and foreign currency rates, revenue decreases by -1.4% (-4.6% in 2015).

NOTE 6 RAW MATERIALS AND CONSUMABLES USED

(€ millions)	2016	2015
Raw materials	(538.6)	(552.6)
Energy	(324.1)	(362.0)
Chemicals	(68.8)	(65.4)
Other consumables	(199.3)	(188.5)
Merchandises	(126.8)	(135.7)
Change in inventories	(58.5)	(6.1)
Internally generated property, plant and equipment	12.9	10.8
Total	**(1,303.2)**	**(1,299.5)**

NOTE 7 EXTERNAL EXPENSES

(€ millions)	2016	2015
Freight	(497.5)	(502.3)
Operating leases	(79.7)	(77.1)
Subcontracting	(125.9)	(125.0)
Maintenance and repair	(110.5)	(116.2)
Fees	(97.5)	(95.8)
Other external expenses	(204.6)	(201.4)
Total	**(1,115.7)**	**(1,117.8)**

NOTE 8 STAFF EXPENSES

(€ millions)	2016	2015
Salaries	(691.1)	(673.3)
Social security contributions	(133.4)	(137.1)
Net change in employee benefit liabilities	3.5	9.3
Contributions to defined employee benefit plans	(15.0)	(18.6)
Contributions to defined contribution plans	(22.9)	(22.9)
Profit-sharing	(28.6)	(26.6)
Other employee benefits	(11.1)	(8.5)
Total	**(898.6)**	**(877.7)**

Share-based payments management principles

Imerys attributes share options whose exercise results in the subscription of shares created for that purpose, as well as free shares acquired on the market. The corresponding expense is recognized as "Other employee benefits" for €10.5 million in 2016 (€7.3 million in 2015). The Group's long-term retention policy comprises since 1987 the grant of share options and, since 2008, of conditional free shares. The management principles of these share-based payments are set by the Board of Directors upon the Appointments and Compensation Committee's recommendations and comprise, aside from the grants made under the Group's employee shareholding operations, the main following characteristics:

Share options. Grants take the form of share options. This form was judged preferable to share purchase options as it prevents Imerys from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises.

Conditional free shares. Free shares are in principle subordinated and proportional to the achievement of economic and/or financial performance objectives set by the Board of Directors.

Since 1999, share-based payments plans are annual and the total number of rights granted each year is adjusted in accordance with the Group's overall performance or to specific events. Grants traditionally take place on the Shareholders' General Meeting. The actual or likely beneficiaries are the Group's executives (Chairman and Chief Executive Officer, Executive Committee members, business group and activity management committees, managers of the Group's main corporate departments) and, since 2001, the holders of certain key positions reporting to them, as well as high-potential managers and employees that make an outstanding contribution to the Group's performance.

Accounting policy

The fair value of services rendered against the grant of Imerys share options and free shares granted after November 7, 2002 is measured using the Black & Scholes pricing model by reference to the fair value of instruments at the grant date. This measurement takes into consideration the exercise price and life of instruments, the underlying share price, the turnover rate of beneficiaries, as well as the volatility of the Imerys share. Volatility equals the standard deviation of the historical monthly returns of the Imerys share over the expected life of the instruments. In the majority of cases, the acquisition of rights is subject to a condition of duration of service and the fair value of services rendered is amortized in profit or loss over the vesting periods of rights, against an increase in equity. The accounting treatment is identical where, in addition to the duration of service condition, the acquisition of rights is subject to the achievement of pre-determined economic performance conditions. The volatility and the assumptions related to the probability of acquisition of rights are revised at each closing date. The turnover rates of beneficiaries are adjusted definitely as vesting periods are closed.

Share-based payments expense

	Number of options	Exercise price (€)	Maturity	Volatility	Turnover rate	Average dividend rate	Performance conditions	Fair value (€)	Total cost of each plan (€M)	2016 cost of the plans (€M)	2015 cost of the plans (€M)
Share options plans											
2011	221,874	53.05	5.0 years	29.5%	13.3%	2.9%	-	10.52	(2.0)	-	0.1
2011	70,001	53.05	5.0 years	29.5%	13.3%	2.9%	88.3%	10.52	(0.6)	-	0.1
2012	236,719	43.62	5.0 years	31.1%	10.1%	2.9%	-	7.27	(1.6)	-	(0.2)
Free shares plans											
2011	150,971	-	3.5 years	-	14.2%	2.9%	88.3%	45.23	(5.2)	-	0.3
2011	37,400	-	3.6 years	-	16.5%	2.9%	92.5%	38.56	(1.1)	-	(0.1)
2012	159,402	-	3.5 years	-	13.0%	2.9%	69.0%	34.93	(3.3)	-	(0.6)
2013	233,500	-	4.0 years	-	10.0%	2.9%	75.0%	45.15	(7.0)	(1.7)	(1.7)
2013	30,000	-	4.0 years	-	0.0%	2.9%	75.0%	45.15	(1.0)	(0.3)	(0.2)
2014	276,975	-	4.0 years	-	8.9%	2.9%	75.0%	55.37	(10.5)	(2.6)	(2.6)
2015	20,700	-	2.0 years	-	0.0%	2.9%	-	63.01	(0.5)	(0.1)	(0.2)
2015	309,550	-	4.0 years	-	8.7%	2.9%	75.0%	61.17	(13.0)	(3.2)	(2.2)
2016	32,500	-	3.0 years	-	0.0%	2.9%	75.0%	58.29	(1.4)	(0.3)	-
2016	270,000	-	3.0 years	-	10.0%	2.9%	75.0%	57.43	(10.5)	(2.3)	-
Cost of plans recognized as staff expenses										**(10.5)**	**(7.3)**
Weighted average exercise price *(€)*										54.8	54.5

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NOTE 9 OTHER CURRENT INCOME AND EXPENSES

(€ millions)	2016	2015
Other income and expenses	(0.3)	(2.1)
Income on asset disposals	13.4	3.7
Grants received	5.0	5.9
Net change in operating provisions and write-downs	(10.5)	8.2
Share in net income of joint ventures and associates	1.7	8.1
Total	**9.3**	**23.8**

Imerys is holding investments in businesses over which the Group exercises joint control or significant influence. The net income generated by these investments is disclosed in "Share in net income of joint ventures and associates" for €1.7 million in 2016 (€8.1 million in 2015).

Accounting policy

Imerys measures under the equity method the investments under joint control (joint ventures), i.e. those whose financial and operating policies are subject to an unanimous vote of Imerys and a third party venturer and the investments under significant influence (associates), i.e. those whose financial and operating policies are governed by the third party venturer, while Imerys only participates in these policies, without controlling them. The shares held in the net assets and results of these entities are presented in distinct positions in the operating income and in the assets.

Main joint ventures and associates

The main investments measured under the equity method are the joint ventures The Quartz Corporation and Stollberg & Samil and the associate MST Mineralien Schiffahrt. The summarized financial information of these investments is presented hereafter as 100.00% amounts. The debit amounts are negative and the credit amounts are positive. These data are closed as of December 31, except for those of MST Mineralien Schiffahrt, that stem from the most recent financial statements to which the Group has access, i.e. those of the September 30, annual closing.

	Joint ventures				Associates	
	The Quartz Corporation		Stollberg & Samil		MST Mineralien Schiffahrt	
(€ millions)	2016	2015	2016	2015	2016	2015
Consolidated income statement						
Revenue	67.2	65.1	35.2	29.6	75.8	91.4
Net income	3.0	0.4	1.3	1.5	(3.1)	4.4
Consolidated statement of financial position						
Non-current assets	(76.8)	(71.3)	(18.2)	(15.0)	(208.9)	(188.2)
Current assets	(38.0)	(34.8)	(20.6)	(22.7)	(43.4)	(47.4)
Equity	51.9	46.9	25.4	25.2	81.8	86.0
Non-current liabilities	50.0	47.8	4.6	4.2	126.9	109.0
Current liabilities	12.9	11.4	8.8	8.3	43.6	40.6

The Quartz Corporation (joint venture) is a 50.00% interest of the Ceramic Materials business group in a group of companies specialized in the extraction of and adding value to high purity quartz in the United States and Norway. Stollberg & Samil (joint venture) is a 50.00% interest of the Filtration & Performance Additives business group in an entity that produces and distributes products for the foundry industry in South Korea. At last, MST Mineralien Schiffahrt (associate) is a 50.00% interest of the Filtration & Performance Additives business group in a German minerals shipping company. These three investments are recognized in accordance with the equity method. The amount of the commitmment given by the Group to this company as part of a chartering contract is indicated in *Note 28*. The table below presents a reconciliation between the equity of the joint ventures and associates, as disclosed at 100.00% in the previous table and as recognized in the assets of Imerys in accordance with the equity method.

	2016				2015			
(€ millions)	**Equity**	**Interests of other shareholders**	**Goodwill**	**Interest of Imerys**	**Equity**	**Interests of other shareholders**	**Goodwill**	**Interest of Imerys**
The Quartz Corporation	51.9	(26.0)	2.5	28.5	46.9	(23.5)	2.4	25.9
Stollberg & Samil	25.4	(12.7)	-	12.7	25.2	(12.6)	-	12.6
MST Mineralien Schiffahrt	81.8	(57.2)	-	24.6	86.0	(43.0)	-	43.0
Other investments	128.2	(73.7)	2.2	56.7	101.0	(59.1)	2.8	44.7
Total	**287.3**	**(169.5)**	**4.7**	**122.5**	**259.1**	**(138.2)**	**5.2**	**126.2**

The table below analyzes the change in the interest recognized in the assets of Imerys in accordance with the equity method.

(€ millions)	**2016**	**2015**
Opening carrying amount	**126.2**	**83.3**
Incoming entities	-	39.1
Disposals	(4.4)	(0.7)
Income	1.6	8.0
Dividends distributed by the joint ventures and associates	(5.6)	(7.4)
Other	4.7	3.9
Closing carrying amount	**122.5**	**126.2**

NOTE 10 OTHER OPERATING INCOME AND EXPENSES

(€ millions)	2016	2015
Gain or loss from obtaining or losing control	**(14.5)**	**(8.4)**
Transaction costs	(13.5)	(10.6)
Changes in estimate of the contingent remuneration of the seller	-	(0.2)
Income from disposal of consolidated businesses	(1.0)	2.4
Other non-recurring items	**(74.3)**	**(348.8)**
Impairment losses on goodwill(1)	(0.5)	(118.8)
Impairment losses on the annual test of Cash Generating Units(2)	-	(155.9)
Impairment losses on restructuring	(22.4)	(19.2)
Income on non-recurring asset disposals	1.0	(0.1)
Restructuring expenses paid	(51.3)	(61.8)
Change in provisions	(1.0)	7.1
Share in net income of associates out of the recurring business	(0.1)	(0.1)
Other operating income and expenses	**(88.8)**	**(357.2)**
Income taxes	13.2	84.1
Other operating income and expenses net of income taxes, Group share	**(75.6)**	**(273.1)**

(1) Of which in 2015 €117.6 million related to the goodwill of the Oilfield Solutions Cash Generating Unit (Note 19).

(2) In 2015, impairment losses excluding goodwill of the Oilfield Solutions Cash Generating Unit (Note 19).

2016 other operating income and expenses

The gross “Other operating income and expenses” amount to -€88.8 million: -€19.0 million in the Energy Solutions & Specialties business group (of which mainly -€14.2 million of restructuring expenses paid); -€17.2 million in the Filtration & Performance Additives business group (of which mainly -€8.0 million of restructuring expenses paid partly related to the restructuring of S&B); -€11.9 million in the Ceramic Materials business group (of which mainly -€18.4million of restructuring expenses paid and +€9.6 million of change in restructuring provisions); -€26.3 million in the High Resistance Minerals business group (of which mainly -€5.0 million of restructuring expenses paid, -€15.2 million of impairment losses on restructuring and -€7.6 million of change in restructuring provisions); and -€14.4 million in the holdings (of which mainly -€8.9 million of transaction costs). Income taxes gains and losses on “Other operating income and expenses” amount to +€13.2 million. 2016 “Other operating income and expenses net of income taxes, Group share” thus amount to -€75.6 million, of which -€50.1 million with no cash impact and -€25.5 million in cash.

2015 other operating income and expenses

The gross “Other operating income and expenses” amounted to -€357.2 million: -€302.0 million in the Energy Solutions & Specialties business group (of which -€20.7 million of restructuring expenses paid, -€143.3 million of impairment losses related to restructurings, -€20.4 million of change in restructuring provisions and -€117.6 million of impairment loss on the goodwill of the Oilfield Solutions CGU (*Note 19*)); -€29.8 million in the Filtration & Performance Additives business group (of which mainly -€20.6 million of restructuring expenses paid, -€3.4 million of impairment losses related to restructurings and -€4.8 million of change in restructuring provisions); -€21.7 million in the Ceramic Materials business group (of which mainly -€24.7 million of restructuring expenses paid, -€5.3 million of impairment losses related to restructurings and +€10.2 million of change in restructuring provisions); -€8.7 million in the High Resistance Minerals business group (of which mainly -€9.4 million of restructuring expenses paid); and +€5.0 million in the holdings (of which mainly -€9.1 million of transaction costs). Income taxes gains and losses on “Other operating income and expenses” amounted to +€84.1 millon. 2015 “Other operating income and expenses net of income taxes, Group share” thus amounted to -€273.1 million, of which -€222.7 million with no cash impact and -€50.4 million in cash.

NOTE 11 FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments result from contracts whose execution symmetrically creates a financial asset of one party to the contract and a financial liability or an equity instrument of the other party. Financial instruments are attached to categories hereafter that represent their measurement bases.

Available-for-sale financial assets. Imerys holds investments in non-listed entities over which the Group has neither control, nor joint control, nor significant influence, nor intent to dispose of in the short term. These investments are recognized as assets at the acquisition date and are maintained at a carrying amount representative of fair value. The changes of the latter are recognized in equity except for negative changes qualifying as objective evidence of impairment which are recognized in profit or loss.

Fair value through profit or loss. Imerys holds non derivative financial assets with the intent to perform a result on disposal in the short-term. These investments are recognized as assets between the dates of purchase and disposal and the changes in fair value are recognized in other financial income and expenses *(Note 12)* depending upon market prices published at the closing date. This category also includes the change in fair value of non hedge derivatives *(Note 24.4)*.

Loans and receivables. The greater part of the loans and receivables category corresponds to trade receivables resulting from revenue as well as cash, i.e. cash on hand and demand deposits and cash equivalents. The latter are highly liquid investments indexed on a monetary market rate and whose amount is known or subject to insignificant uncertainty. In the statement of cash flows, cash and cash equivalents also include the position "Bank overdrafts" presented as liabilities.

Financial liabilities at amortized cost. Loans *(Note 24.2)* are initially measured at the fair value of the amount received, less transaction costs. They are subsequently measured at amortized cost with the effective interest rate method. The Group performs purchases of raw materials and energy for its own use and not for trading purposes. As a consequence, these purchases contracts are recognized as trade accounts payable and not as derivatives. Trade accounts payable and other financial liabilities are measured at amortized cost.

Hedge derivatives. Hedge derivatives *(Note 24.4)* are disclosed in a separate column since the exceptional character of hedge accounting excludes any relation to one of the above categories.

Analysis of financial instruments by categories

Notes 11, 12, 21.1 and 24.1 disclosure revenue, expenses, assets and liabilities related to financial instruments by categories. The classification logic of financial instrument assets *(Note 21.1)* and liabilities *(Note 24.1)* transversally applies to their changes in profit or loss *(Notes 11 and 12)*. For example, "Revenue" is attached to "Amortized cost" as its counterparts in "Trade receivables" or "Cash and cash equivalents" belong to that category in the assets. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column "Non IAS 39" that includes the following items:

- non IAS 39 financial assets and liabilities: short-term employee benefit assets and liabilities (IAS 19), share-based payments (IFRS 2), finance lease liabilities (IAS 17);
- non-financial assets and liabilities: intangible assets (IAS 38), property, plant and equipment (IAS 16), mining assets (IFRS 6), inventories (IAS 2), income taxes assets and liabilities (IAS 12), prepaid expenses (IAS 38), provisions (IAS 37), defined employee benefit assets and liabilities (IAS 19), grants (IAS 20).

The tables hereafter disclose the income and expenses before income taxes recognized in profit or loss and equity by categories of financial instruments. The balances of “Other financial income and expenses” are further analyzed in Note 12.

As of December 31, 2016

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss: Non derivative	Fair value through profit or loss: Non hedge derivatives	Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives: Fair value	Hedge derivatives: Cash flow	Non IAS 39	Total
Operating income									
Revenue	-	-	-	4,164.0	-	-	1.2	-	4,165.2
Raw materials and consumables used	-	-	-	-	(1,264.5)	-	(7.7)	(31.0)	(1,303.2)
External expenses	-	-	-	-	(1,115.7)	-	-	-	(1,115.7)
Other operational income and expenses	-	-	-	37.5	(39.1)	-	1.3	9.6	9.3
Financial income (loss)									
Income from securities	-	12.3	-	-	-	-	-	-	12.3
Gross financial debt expense	-	-	(1.0)	-	(64.0)	-	-	-	(65.0)
Other financial income and expenses	(1.6)	-	0.5	(2.3)	4.6	-	-	(4.9)	(3.7)
Equity									
Recognition in equity	-	-	-	-	-	-	19.1	-	19.1
Reclassification in profit or loss	-	-	-	-	-	-	6.7	-	6.7
Total financial instruments	**(1.6)**	**12.3**	**(0.5)**	**4,199.2**	**(2,478.7)**	**0.0**	**20.6**	**-**	**-**
of which impairment losses in profit or loss	(1.5)	-	-	(11.6)	-	-	-	(11.8)	-
of which reversals of impairment losses in profit or loss	0.3	-	-	7.2	-	-	-	11.1	-

The columns “Hedge derivatives / Fair value” and “Hedge derivatives / Cash flow” of the above table are analyzed as follows:

(€ millions)	Fair value: Change in fair value of hedged items	Fair value: Effective portion of hedges	Fair value: Ineffective portion of hedges	Fair value: Total	Cash flow: Effective portion of hedges	Cash flow: Ineffective portion of hedges	Cash flow: Total
Operating income							
Revenue	-	-	-	-	1.2	-	1.2
Raw materials and consumables used	-	-	-	-	(7.7)	-	(7.7)
Other operational income and expenses	-	-	-	-	(0.2)	1.5	1.3
Profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**(6.7)**	**1.5**	**(5.2)**
Equity							
Recognition in equity	-	-	-	-	19.1	-	19.1
Reclassification in profit or loss	-	-	-	-	6.7	-	6.7
Total financial instruments	**0.0**	**0.0**	**0.0**	**0.0**	**19.1**	**1.5**	**20.6**

As of December 31, 2015

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow		
Operating income									
Revenue	-	-	-	4,114.9	-	-	(28.2)	-	4,086.7
Raw materials and consumables used	-	-	-	-	(1,314.5)	-	(6.4)	21.4	(1,299.5)
External expenses	-	-	-	-	(1,117.8)	-	-	-	(1,117.8)
Other operational income and expenses	-	-	-	34.5	(35.5)	-	(1.0)	25.8	23.8
Financial income (loss)									
Income from securities	-	9.5	-	-	-	-	-	-	9.5
Gross financial debt expense	-	-	(1.0)	-	(57.6)	-	-	-	(58.6)
Other financial income and expenses	0.5	-	0.1	1.4	7.7	-	-	(16.1)	(6.4)
Equity									
Recognition in equity	-	-	-	-	-	-	(36.5)	-	(36.5)
Reclassification in profit or loss	-	-	-	-	-	-	34.6	-	34.6
Total financial instruments	**0.5**	**9.5**	**(0.9)**	**4,150.8**	**(2,517.7)**	**0.0**	**37.5**	**-**	**-**
of which impairment losses in profit or loss	-	-	-	(10.3)	-	-	-	(9.1)	-
of which reversals of impairment losses in profit or loss	-	-	-	8.6	-	-	-	11.3	-

The columns “Hedge derivatives / Fair value” and “Hedge derivatives / Cash flow” of the above table are analyzed as follows:

(€ millions)	Fair value				Cash flow		
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges	Total	Effective portion of hedges	Ineffective portion of hedges	Total
Operating income							
Revenue	-	-	-	-	(28.2)	-	(28.2)
Raw materials and consumables used	-	-	-	-	(6.4)	-	(6.4)
Other operational income and expenses	-	-	-	-	-	(1.0)	(1.0)
Profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**(34.6)**	**(1.0)**	**(35.6)**
Equity							
Recognition in equity	-	-	-	-	(36.5)	-	(36.5)
Reclassification in profit or loss	-	-	-	-	34.6	-	34.6
Total financial instruments	**0.0**	**0.0**	**0.0**	**0.0**	**(36.5)**	**(1.0)**	**(37.5)**

NOTE 12 FINANCIAL INCOME (LOSS)

The tables hereafter disclose the financial income (loss) by categories of financial instruments. A description of the categories of financial instruments is provided in *Note 11*.

As of December 31, 2016

	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			
(€ millions)		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	Total
Net financial debt expense	**0.0**	**12.3**	**(1.0)**	**0.0**	**(64.0)**	**0.0**	**0.0**	**0.0**	**(52.7)**
Income from securities	-	12.3	-	-	-	-	-	-	12.3
Gross financial debt expense	-	-	(1.0)	-	(64.0)	-	-	-	(65.0)
Other financial income and expenses	**(1.6)**	**0.0**	**0.5**	**(2.3)**	**4.6**	**0.0**	**0.0**	**(4.9)**	**(3.7)**
Net exchange rate differences	-	-	0.5	-	6.0	-	1.0	(1.2)	6.3
Expense and income on derivative instruments	-	-	-	-	-	-	(1.0)	-	(1.0)
Financial income and expenses of defined employee benefit plans	-	-	-	-	-	-	-	0.6	0.6
Unwinding of other provisions	-	-	-	-	-	-	-	(3.7)	(3.7)
Other financial income and expenses	(1.6)	-	-	(2.3)	(1.4)	-	-	(0.6)	(5.9)
Financial income (loss)	**(1.6)**	**12.3**	**(0.5)**	**(2.3)**	**(59.4)**	**0.0**	**0.0**	**(4.9)**	**(56.4)**

As of December 31, 2015

	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			
(€ millions)		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	Total
Net financial debt expense	**0.0**	**9.5**	**(1.0)**	**0.0**	**(57.6)**	**0.0**	**0.0**	**0.0**	**(49.1)**
Income from securities	-	9.5	-	-	-	-	-	-	9.5
Gross financial debt expense	-	-	(1.0)	-	(57.6)	-	-	-	(58.6)
Other financial income and expenses	**0.5**	**0.0**	**0.1**	**1.4**	**7.7**	**0.0**	**0.0**	**(16.1)**	**(6.4)**
Net exchange rate differences	-	-	0.1	-	10.1	-	4.2	(1.1)	13.3
Expense and income on derivative instruments	-	-	-	-	-	-	(4.2)	-	(4.2)
Financial income and expenses of defined employee benefit plans	-	-	-	-	-	-	-	(11.0)	(11.0)
Unwinding of other provisions	-	-	-	-	-	-	-	(3.9)	(3.9)
Other financial income and expenses	0.4	-	-	1.4	(2.4)	-	-	(0.1)	(0.7)
Financial income (loss)	**0.5**	**9.5**	**(0.9)**	**1.4**	**(49.9)**	**0.0**	**0.0**	**(16.1)**	**(55.5)**

NOTE 13 INCOME TAXES

Accounting policy

Current tax results in the recognition of a liability to the extent it is unpaid and of an asset where the amount already paid exceeds the amount due or if a tax loss can be carried back. Deferred tax assets and liabilities are accounted for with respect to all temporary taxable differences between the tax and consolidated values of assets and liabilities, except mainly for differences related to the initial recognition of goodwill and, in the case of taxable temporary differences between the accounting and tax values of investments, where the Group is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. A deferred tax asset is recognized with respect to taxable temporary differences, tax losses and tax credits only if it is probable that a future taxable profit shall be set against these items, or there are taxable temporary differences in the same tax entity, that come to maturity over the period these items remain recoverable. Tax rates and laws used are those that are enacted or substantively enacted at the closing date and shall be applicable over the period of reversal of the timing difference. Deferred taxes are not discounted. Deferred tax assets and liabilities are offset by tax entity, i.e. by legal entity or tax consolidation group. Current and/or deferred taxes are recognized in the same level of profit or loss as the related basis. That principle of linking the tax to its base also applies to the transactions directly recognized in equity.

Tax consolidation scope

In several countries, Imerys has set up tax consolidation system that notably enable the Group to offset potential profits and losses within the consolidated group. In 2016, tax consolidation scopes exist mainly in France, in the United States, in the United Kingdom, in Spain, in Germany and in Italy.

Income taxes paid

The amount of income taxes paid in 2016 in cash and by means of tax credits, amounts to €92.6 million (€92.7 million in 2015).

Carried forward tax losses

Deferred tax assets are recognized as carried forward tax losses when they are assessed as being recoverable and over a recovery expected time frame not exceeding five years. The measurement of the deferred tax assets recognized in this respect take into account the national legislations limiting the use of carried forward tax losses. As of December 31, 2016, these deferred tax assets amount to €22.3 million (€29.5 million as of December 31, 2015). On the other hand, tax losses and credits not having been recognized as deferred tax assets due to their uncertain recovery, amount as of December 31, 2016 to respectively €224.0 million (€209.2 million as of December 31, 2015) and €27.2 million (€29.3 million as of December 31, 2015), of which respectively €162.5 million and €26.7 million expire after 2021 or can be carried forward without any time limit. Deferred taxes are calculated by using effective rates over the period in question in accordance with the tax laws in force in each country.

Temporary differences controlled by the Group

No deferred tax liability is recognized with respect to temporary taxable differences between the accounting and tax values of investments where Imerys is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. The Group assesses that the related deferred tax liability unrecognized as of December 31, 2016 amounts to €18.6 million (€15.8 million as of December 31, 2015).

Income taxes recognized in profit or loss

(€ millions)	2016	2015
Payable and deferred income taxes		
Income taxes payable	**(119.6)**	**(128.6)**
Income taxes payable for the period	(120.9)	(127.0)
Income taxes payable – Prior period adjustments	1.3	(1.6)
Deferred taxes	**(22.6)**	**72.3**
Deferred taxes due to changes in temporary differences	(26.5)	72.5
Deferred taxes due to changes in income tax rates	3.9	(0.2)
Total	**(142.2)**	**(56.3)**
Income taxes by level of income		
Income taxes on current operating and financial income (loss)	**(155.4)**	**(140.5)**
Current operating and financial income (loss) taxes payable	(131.8)	(142.0)
Current operating and financial income (loss) deferred taxes	(23.6)	1.5
Income taxes on other operating income and expenses	**13.2**	**84.2**
Income taxes payable on other operating income and expenses	12.2	13.4
Deferred taxes on other operating income and expenses	1.0	70.8
Total	**(142.2)**	**(56.3)**

Income taxes recognized in equity

(€ millions)	2016	2015
Actuarial gains and (losses), excess of the actual return on assets over their normative return in profit or loss	(3.3)	(6.7)
Income taxes on items never reclassified	**(3.3)**	**(6.7)**
Cash flow hedges	**(8.8)**	**1.5**
Income taxes recognized in equity	(6.5)	13.4
Income taxes reclassified in profit or loss	(2.3)	(11.9)
Translation reserve	**5.6**	**9.2**
Income taxes recognized in equity	5.6	9.2
Income taxes reclassified in profit or loss	-	-
Other comprehensive income	**(3.2)**	**10.7**
Total	**(6.5)**	**4.0**

Tax reconciliation excluding non-recurring items

	2016	2015
Legal tax rate in France	**34.4%**	**34.4%**
National rates differences	(7.1)%	(6.4)%
Europe	(3.7)%	(3.9)%
North America	(2.8)%	(2.1)%
Asia – Oceania	(1.1)%	(0.9)%
Other countries	0.5%	0.5%
Permanent differences	1.0%	(1.5)%
3.0% contribution on the Imerys SA dividend	0.8%	0.8%
Impact of tax losses	0.2%	0.1%
Income taxes at different rates and bases	1.3%	1.6%
Impact of investments under the equity method	(0.1)%	(0.7)%
Others (tax credits, reassessments and tax provisions, deferred taxes adjustments in bases and rates, etc.)	(0.9)%	0.8%
Effective tax rate on current operating and financial income (loss)(1)	**29.6%**	**29.1%**

(1) 29.6% = €155.4 million (income taxes on current operating income and financial income (loss)) / [€582.1 million (current operating income) - €56.4 million (financial income (loss))]. In the current free operating cash flow non-GAAP measure (Note 24.2 – Current free operating cash flow), the effective tax rate on current operating income amounts to 29.7%. This rate includes the adjustment of the €1.2 million tax effect associated with the €7.5 million non-recurring liquidation gain of the Imerys UK retirement plan (Note 14).

Tax reconciliation including non-recurring items

Since the tax reconciliation including non-recurring items is disclosed in percentages, the recognition in 2015 of the impairment loss on the Oilfield Solutions business *(Note 19)* is strongly altering the values of reconciling items.

	2016	2015
Legal tax rate in France	**34.4%**	**34.4%**
Impact of national rate differences	(6.7)%	11.3%
Europe	(4.1)%	(11.9)%
North America	(2.5)%	25.7%
Asia – Oceania	(0.7)%	(3.4)%
Other countries	0.6%	0.9%
Permanent differences	1.5%	(6.0)%
3.0% contribution on the Imerys SA dividend	0.9%	3.0%
Impact of tax losses	0.6%	2.7%
Income taxes at different rates and bases	1.4%	(5.4)%
Impact of investments under the equity method	(0.1)%	(2.2)%
Others (tax credits, reassessments and tax provisions, deferred taxes adjustments in bases and rates, etc.)	0.5%	7.1%
Effective tax rate on operating and financial income (loss)(1)	**32.5%**	**44.9%**

(1) 32.5% = €142.2 million (income taxes on current operating income and financial income (loss)) / [€493.3 million (current operating income) - €56.4 million (financial income (loss))].

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Change in deferred taxes

As of December 31, 2016

(€ millions)	01/01/2016	Profit or loss	Scope, equity and others	12/31/2016
Deferred tax assets	104.5	(6.2)	(4.0)	94.3
Deferred tax liabilities	(52.8)	(16.4)	(3.5)	(72.7)
Net deferred tax position	**51.7**	**(22.6)**	**(7.5)**	**21.6**

As of December 31, 2015

(€ millions)	01/01/2015	Profit or loss	Scope, equity and others	12/31/2015
Deferred tax assets	34.7	32.1	37.7	104.5
Deferred tax liabilities	(43.1)	40.2	(49.9)	(52.8)
Net deferred tax position	**(8.4)**	**72.3**	**(12.2)**	**51.7**

Deferred tax breakdown by nature

(€ millions)	2015	Profit or loss	Scope, equity and others	2016
Deferred tax assets	**323.2**	**(37.4)**	**(4.2)**	**281.6**
Employee benefit liabilities	66.1	(3.8)	(8.2)	54.1
Other provisions	36.9	1.0	4.6	42.5
Intangible assets	38.0	(10.9)	1.4	28.5
Property, plant and equipment	78.6	(14.8)	(0.1)	63.7
Financial assets	(9.8)	10.9	(10.1)	(9.0)
Current assets and liabilities	39.9	(0.9)	2.8	41.8
Tax losses carried forward	29.5	(7.4)	0.3	22.4
Other	44.0	(11.5)	5.1	37.6
Deferred tax liabilities	**(271.5)**	**14.8**	**(3.3)**	**(260.0)**
Intangible assets	(11.9)	3.4	-	(8.5)
Property, plant and equipment	(216.3)	16.8	(5.9)	(205.4)
Financial assets	(7.4)	(5.7)	(0.1)	(13.2)
Current assets and liabilities	(2.2)	0.8	-	(1.4)
Other	(33.7)	(0.5)	2.7	(31.5)
Net deferred tax position	**51.7**	**(22.6)**	**(7.5)**	**21.6**

NOTE 14 NET INCOME FROM CURRENT OPERATIONS AND NET INCOME, GROUP SHARE

(€ millions)	**2016**	**2015**
Current operating income	582.1	538.1
Financial income (loss)	(56.4)	(55.5)
Income taxes on current operating income and financial income (loss)	(155.4)	(140.4)
Non-recurring settlement of the Imerys UK closed plan(1)	(7.5)	-
Income taxes on the non-recurring settlement of the Imerys UK closed plan(1)	1.2	-
Non-controlling interests	(1.9)	(0.7)
Net income from current operations, Group share	**362.1**	**341.5**
Other operating income and expenses – gross	(88.8)	(357.2)
Income taxes on other operating income and expenses	13.2	84.1
Non-recurring settlement of the Imerys UK closed plan(1)	7.5	-
Income taxes on the non-recurring settlement of the Imerys UK closed plan(1)	(1.2)	-
Net income, Group share	**292.8**	**68.4**

(1) Since the closure of the Imerys UK retirement plan on April 1, 2015, the net change in its liability is classified in Financial income (loss) (Note 23.1 – Accounting policy), including this gain on liquidation recognized in the fourth quarter of 2016 further to an offer made to its beneficiaries (Note 23.1 – Tables of changes). In the financial communication indicator "Net income from current operations, Group share", this gain is reclassified in "Other net operating revenue and expenses, Group share" so as to stress its non-recurring and significant character.

NOTE 15 EARNINGS PER SHARE

Accounting policy

The Imerys financial statements disclose basic earnings per share and diluted earnings per share. The basic earnings per share is equal to the net income attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding over the period, i.e. excluding treasury shares *(Note 22)*. Basic earnings per share is further broken down as net basic earnings per share from current operations and net basic earnings per share. Diluted earnings per share simulates the dilutive effect of free shares and share options *(Note 8)*. The previously defined weighted average number of ordinary shares is thus increased by the average, between the opening and the closing of the period, of ordinary shares that would be issued if all dilutive options would be exercised at the closing date. The number of dilutive shares is calculated by difference between on the one hand, the number of shares to be issued in relation to free shares and options and on the other hand, the number of shares that would be issued at the period average market price for an issue of the same amount. Upon calculation of the amount of this issue, each share resulting from the exercise of share options is reputed to be issued at the share option exercise price increased by the fair value of services to be rendered *(Note 8)*, while each free share is reputed to be issued at the sole fair value of services to be rendered, its exercise price being nil. The excess of the number of shares to be issued in relation to free shares and options over the number of shares issued under market conditions is the number of dilutive shares. However the shares to be issued in relation to options are only taken into account in the diluted earnings per share calculation where the options are in the money, i.e. their exercise price increased by the fair value of services to be rendered is below the period average market price of the Imerys share.

Earnings per share

The number of potential ordinary shares taken into account in the calculation of the diluted earnings per share excludes the share options out of the money, i.e. those whose exercise price increased by the fair value of services to be rendered is superior to the period average market price of the Imerys share (€62.00 in 2016 and €65.17 in 2015). Potentially dilutive options of the plans of May 2007 (276,564 options with an exercise price of €65.61) are thus excluded from the calculation of the diluted earnings per share as of December 31, 2016. No significant transaction has changed the number of ordinary shares and potential ordinary shares between December 31, 2016 and February 15, 2017, date of authorization of issue of the financial statements by the Board of Directors.

(€ millions)	2016	2015
Numerator		
Net income, Group share	292.8	68.4
Net income from current operations, Group share	362.1	341.5
Denominator		
Weighted average number of shares used for the calculation of the basic income per share	78,714,966	79,275,846
Impact of share option conversion	1,169,276	1,179,193
Weighted average number of shares used for the calculation of the diluted income per share	79,884,242	80,455,039
Basic income per share, Group share *(in €)*		
Basic net income per share	3.72	0.86
Basic net income from current operations per share	4.60	4.31
Diluted income per share, Group share *(in €)*		
Diluted net income per share	3.66	0.85
Diluted net income from current operations per share	4.53	4.24

▪ NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Accounting policy

The assets and liabilities recognized in the consolidated statement of financial position are aggregated by natures in accordance with materiality and classified by increasing order of liquidity and payability with a distinction between non-current and current items, when these shall be recovered or settled in more or less than 12 months after the end of the period. They are only offset or incorporate in their cost revenue or expenses in application of a standard or interpretation. Comparative information is disclosed with respect to period N-1, comparative information with respect to period N-2 being incorporated by reference *(Chapter 9, section 9.4 of the Registration Document).*

NOTE 16 GOODWILL

Accounting policy

Goodwill is the excess of the acquisition price of a business and of the amount of non-controlling interests over the fair value of the acquired identifiable assets and assumed liabilities. Goodwill is recognized at the date control is obtained. Transaction costs are recognized as incurred in profit or loss in other operating income and expenses *(Note 10)*. Any excess of the identifiable net asset of the acquired business over its acquisition price (negative goodwill) is credited to the acquirer's profit or loss on the acquisition period in other operating income and expenses *(Note 10)*. The measurement of goodwill is finalized within the 12 months following the date at which control is obtained. The goodwill of a foreign operation is measured in the functional currency of the business and translated in accordance with the rules applicable to the translation of financial statements of foreign operations. Goodwill is not amortized. It is allocated to the Cash-Generating Units *(Note 19)* that benefit from the synergies resulting from the acquisition. Goodwill is initially tested for impairment before the closing date of the acquisition period and subsequently annually or more frequently if there is an indication that it may be impaired. An impairment loss on goodwill is recognized in other operating income and expenses *(Note 10)* and cannot be reversed.

Table of changes

The goodwill recognized upon acquisitions mainly represents development prospects of the acquired businesses within Imerys. Impairment losses on goodwill are disclosed in *Note 19*. Where goodwill incurs an impairment loss, the latter is only maintained on the statement of financial position in case of partial impairment loss, as disclosed in the table below. Where goodwill is fully impaired, the gross amount and impairment loss are removed from the statement of financial position and no longer appear in the table below.

(€ millions)	2016	2015
Opening carrying amount	**1,631.3**	**1,106.8**
Gross amount	1,702.8	1,174.0
Impairment losses	(71.5)	(67.2)
Incoming entities	45.7	616.2
Outgoing entities	(1.1)	(3.6)
Impairment losses	(0.5)	(118.8)
Exchange rate differences	(0.7)	30.7
Closing carrying amount	**1,674.7**	**1,631.3**
Gross amount	1,744.5	1,702.8
Impairment losses	(69.8)	(71.5)

The following table analyzes the rows "Acquisitions of investments in consolidated entities" of the consolidated statement of cash flows.

(€ millions)	2016	2015
Cash paid	**(51.3)**	**(431.5)**
Cost of investments acquired	(42.8)	(695.2)
Capital increases in kind	-	248.8
Payables on acquisitions of investments	(8.5)	14.9
Cash from acquired entities	**6.8**	**80.5**
Total	**(44.6)**	**(351.0)**
Acquisitions of investments in consolidated entities after deduction of cash acquired	(44.5)	(351.0)
Acquisitions of investments in consolidated entities from non-controlling interests	(0.1)	-
Incoming entities of the period – Settlement in cash	(44.4)	(434.4)
Incoming entities of the period – Settlement in shares	-	(12.0)
Incoming entities of the period – Cash from acquired entities	6.4	80.5
Incoming entities of the period – Payables on acquisitions of investments	1.7	44.0
Incoming entities of prior periods	(8.3)	(29.1)

6

Purchase accounting finalized in 2016

S&B. On February 26, 2015, Imerys acquired 100.00% of the voting rights corresponding to the major industrial minerals businesses of the Greek S&B group, mainly in bentonite (binders for foundry, sealing solutions, additives for drilling and for consumer products), continuous casting fluxes for the steel industry, wollastonite (functional additives for polymers and paints) and perlite (mineral solutions used in building materials and horticulture). As of February 26, 2016, the mineral reserves, intangible assets, property, plant and equipment, inventories, high yield bond (level 1 fair value), employee benefits, provisions and income tax assets and liabilities were remeasured. The final goodwill amounts to €577.0 million as of December 31, 2016 without any significant change from its provisional value published as of December 31, 2015.

Solvay. On October 30, 2015, Imerys acquired 100.00% of the voting rights corresponding to the four European industrials sites (Germany, Austria, France and the United Kingdom) of the PCC (Precipitated Calcium Carbonate) business of the Belgian Solvay group. As the European leader for fine and ultra-fine PCC products used as functional additives, this business mainly serves the automotive (polymers), building (paints, coatings, sealants) and consumer goods markets (food and pharma). As of October 30, 2016, emission rights, intangible assets, property, plant and equipment, inventories, employee benefits, provisions and income tax assets and liabilities were re-measured. The final goodwill amounts to €13.7 million as of December 31, 2016.

The fair values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is final as of December 31, 2016 present the following amounts:

(€ millions)	S&B	Solvay	Others	Total
Consideration transferred by the Group	**623.8**	**27.0**	**42.4**	**693.2**
Cash remitted to the seller when control was obtained	339.8	27.0	42.4	409.2
Imerys shares remitted to the seller	251.0	-	-	251.0
Imerys shares to be remitted to the seller	12.0	-	-	12.0
Contingent consideration of the seller	21.0	-	-	21.0
Investment of non-controlling interests	**0.8**	**-**	**0.2**	**1.0**
Shareholders' investment	**624.6**	**27.0**	**42.6**	**694.2**
Assets – non-current	**350.0**	**35.9**	**5.8**	**391.7**
Intangible assets	33.3	-	0.2	33.5
Property, plant and equipment	228.1	32.2	5.4	265.7
Other receivables	46.3	-	-	46.3
Deferred tax assets	42.3	3.7	0.2	46.2
Assets – current	**226.5**	**15.5**	**25.0**	**267.0**
Inventories	61.4	8.2	17.0	86.6
Trade receivables	65.1	6.0	6.2	77.3
Other receivables	18.6	1.7	0.8	21.1
Other financial assets	1.3	-	0.1	1.4
Cash and cash equivalents	80.1	(0.4)	0.9	80.6
Liabilities – non-current	**(438.1)**	**(29.1)**	**(8.8)**	**(476.0)**
Employee benefit liabilities	(31.6)	(6.2)	(0.2)	(38.0)
Other provisions	(41.2)	(11.2)	(2.2)	(54.6)
Loans and financial debts	(318.2)	(6.6)	(6.1)	(330.9)
Other debts	(1.3)	-	-	(1.3)
Deferred tax liabilities	(45.8)	(5.1)	(0.3)	(51.2)
Liabilities – current	**(90.8)**	**(9.0)**	**(6.9)**	**(106.7)**
Other provisions	(0.5)	(0.3)	-	(0.8)
Trade payables	(40.7)	(3.9)	(4.8)	(49.4)
Income taxes payable	(5.5)	-	-	(5.5)
Other debts	(24.4)	(3.8)	(1.5)	(29.7)
Loans and financial debts	(19.7)	(1.0)	(0.5)	(21.2)
Bank overdrafts	-	-	(0.1)	(0.1)
Identifiable net asset	**47.6**	**13.3**	**15.1**	**76.0**
Goodwill	**577.0**	**13.7**	**27.5**	**618.2**
Goodwill, Group share	577.0	13.7	27.5	618.2

Provisional purchase accounting as of December 31, 2016

Alteo. On December 31, 2016, Imerys acquired 100.00% of the voting rights corresponding to three industrial sites of the specialty alumina business of the French group Alteo located in Germany and in France. This business is mainly addressing the refractories, abrasives and ceramics markets. The €32.7 million acquisition price was paid in cash at the date control was obtained. The assets and liabilities of the business were temporarily maintained at their historical values pending the results of purchase accounting works. The goodwill resulting from the difference between that non remeasured net asset and the value of the investment thus amounts to a provisional value of €13.4 million as of December 31, 2016.

The values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is final as of December 31, 2016 present the following amounts:

(€ millions)	Alteo	Others	Total
Consideration transferred by the Group	**32.7**	**11.4**	**44.1**
Cash remitted to the seller when control was obtained	32.7	11.4	44.1
Investment of non-controlling interests	**-**	**18.0**	**18.0**
Shareholders' investment	**32.7**	**29.4**	**62.1**
Assets – non-current	**13.7**	**24.2**	**37.9**
Intangible assets	-	4.7	4.7
Property, plant and equipment	13.0	18.8	31.8
Other receivables	0.7	0.7	1.4
Assets – current	**38.4**	**11.4**	**49.8**
Inventories	24.7	2.5	27.2
Trade receivables	8.4	2.7	11.1
Other receivables	3.6	0.6	4.2
Other financial assets	-	0.9	0.9
Cash and cash equivalents	1.7	4.7	6.4
Liabilities – non-current	**(16.9)**	**(33.4)**	**(50.3)**
Employee benefit liabilities	(5.0)	-	(5.0)
Other provisions	(11.8)	-	(11.8)
Loans and financial debts	-	(33.3)	(33.3)
Other debts	(0.1)	-	(0.1)
Deferred tax liabilities	-	(0.1)	(0.1)
Liabilities – current	**(15.9)**	**(3.2)**	**(19.1)**
Other provisions	-	(0.3)	(0.3)
Trade payables	(9.1)	(0.9)	(10.0)
Income taxes payable	-	(0.2)	(0.2)
Other debts	(5.8)	(1.5)	(7.3)
Loans and financial debts	(1.0)	(0.3)	(1.3)
Identifiable net asset	**19.3**	**(1.0)**	**18.3**
Goodwill	**13.4**	**30.4**	**43.8**
Goodwill, Group share	13.4	30.4	43.8

NOTE 17 INTANGIBLE ASSETS

Accounting policy

Intangible assets controlled by Imerys are recognized as assets over their useful lives. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. The expenditures incurred by the research teams of Imerys to improve the quality and properties of products generally address specific requirements of customers and are thus immediately recognized as expenses in current operating income. They are capitalized only if they correspond to an industrial process that is new or improved, technically feasible and related to future economic benefits. In the absence of any applicable standard or interpretation, the Executive Management considers greenhouse gases emission rights as intangible assets. Imerys holds these rights with the sole intent to justify its emissions volume and performs no trading transactions such as forward purchases or sales. The rights received free of charge are recognized for a value of zero and the rights acquired on the market are recognized at the acquisition cost. Where at the closing date the rights held are inferior to actual emissions, a provision is recognized in current operating income for the value of rights to acquire, measured at market value (net liability method). Disposals only relate to excess rights and are recognized in current operating income as assets disposals *(Note 9)*. The amortization methods of intangible assets are an estimate of the Executive Management.

Estimates

As part of its ordinary activities, Imerys uses intangible assets whose consumption is represented by amortization. The Executive Management estimates that the best estimate of this consumption is reflected by the straight-line mode over the following useful lives:

- software: 1 to 5 years;
- trademarks, patents and licenses: 5 to 40 years ;
- industrial processes and others: maximum 10 years.

The rights held to justify the greenhouse gases emissions of the Group are not amortizable.

Emission rights

For 17 sites in Europe and one site in the United-States, Imerys is subject to authorization schemes regulating greenhouse gases emissions. In 2016, Imerys has used 92.6% of the greenhouse gas emission quotas granted to the eligible sites (88.4% in 2015). Since the actual emissions of the Group are inferior to the authorized level, no provision has been recognized as of December 31, 2016.

Table of changes

(€ millions)	Software	Trademarks, patents and licenses	Industrial processes and others	Total
Carrying amount as of January 1, 2015	**21.1**	**3.4**	**41.9**	**66.4**
Gross amount	84.6	18.5	63.7	166.8
Amortization and impairment losses	(63.5)	(15.1)	(21.8)	(100.4)
Incoming entities	0.3	24.5	10.0	34.8
Acquisitions	2.9	(0.1)	46.1	48.9
Cessions	(0.1)	-	-	(0.1)
Increases in amortization	(6.3)	(1.6)	(5.7)	(13.6)
Impairment losses	(0.5)	-	(35.6)	(36.1)
Reclassification and other	1.6	3.3	(3.5)	1.4
Exchange rate differences	1.6	0.3	1.5	3.4
Carrying amount as of December 31, 2015	**20.6**	**29.8**	**54.7**	**105.1**
Gross amount	84.3	48.1	123.6	256.0
Amortization and impairment losses	(63.7)	(18.3)	(68.9)	(150.9)
Incoming entities	-	(0.3)	3.8	3.5
Outgoing entities	-	-	(0.1)	(0.1)
Acquisitions	2.8	0.7	6.0	9.5
Disposals	(0.1)	-	(13.5)	(13.6)
Increases in amortization	(6.3)	(1.3)	(1.9)	(9.5)
Impairment losses	(0.1)	-	(0.6)	(0.7)
Reclassification and other	1.9	0.5	(15.4)	(13.0)
Exchange rate differences	0.4	0.4	(0.4)	0.4
Carrying amount as of December 31, 2016	**19.2**	**29.8**	**32.6**	**81.6**
Gross amount	78.2	48.5	100.4	227.1
Amortization and impairment losses	(59.0)	(18.7)	(67.8)	(145.5)

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment. Items of property, plant and equipment are recognized as assets if they are controlled as a result of a title of ownership, or under a finance lease that transfers the risks and rewards incident to ownership. Items of property, plant and equipment are initially measured at acquisition or production cost. The initial cost of items under finance lease is the lower of the fair value of the asset and the present value of future minimum lease payments. The cost of property, plant and equipment incorporates the cost of borrowings that finance their construction or production where these require a substantial period of time. The cost of property, plant and equipment is decreased, where applicable, by the amount of government grants that finance their acquisition or construction. Maintenance and repair expenditures are immediately recognized as expenses in current operating income. The cost of property, plant and equipment incorporates, in particular for satellite industrial facilities constructed on the land of customers, the discounted value of restoration or dismantling obligations, where a present obligation exists *(Note 23.2)*. Items of property, plant and equipment are subsequently measured at cost, decreased by accumulated depreciation and any impairment loss. The depreciation methods of property, plant and equipment are an estimate of the Executive Management.

Mining assets. In the absence of any specific applicable standard or interpretation, the Executive Management has defined the accounting recognition and measurement policies hereafter on mining assets. Prospection expenditures, i.e. the research of new knowledge on the mineral producing potential, technical feasibility and commercial viability of a geographical area, are immediately recognized as expenses in current operating income. Mineral reserves qualify as property, plant and equipment and are initially measured at acquisition cost excluding subsoil, increased by expenditures incurred to determine the tonnage of ore present in the deposit. Overburden works, i.e. works of removal of the top soil to enable access to the deposit, qualify as a component of the mineral reserve asset. Their initial measurement incorporates their production cost and the discounted value of restoration obligations resulting from the deterioration caused by their construction. Mineral reserves and overburden assets form the position "Mining assets" of the table of changes disclosed hereafter. Mining assets are subsequently measured at cost, decreased by accumulated amortization and any impairment loss. The depreciation methods of mining assets are an estimate of the Executive Management presented hereafter. Mining assets are allocated to Cash-Generating Units *(Note 19)* as the other assets of the Group and are subject to the same impairment tests.

Estimates

As part of its ordinary activities, Imerys uses property, plant and equipment whose consumption is represented by depreciation. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives, reflecting where necessary, the useful lives of the components:

- office buildings: 10 to 50 years;
- industrial buildings: 10 to 30 years;
- improvements to office and industrial buildings: 5 to 15 years;
- machinery, tooling, facilities and equipment: 5 to 20 years;
- vehicles: 2 to 5 years.

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of property, plant and equipment related to mining activity such as mineral reserves (€483.1 million as of December 31, 2016 and €460.8 million as of December 31, 2015) and overburden assets (€102.3 million as of December 31, 2016 and €91.5 million as of December 31, 2015), as well as certain industrial assets of discontinuous use. Their depreciation is thus estimated in units of production on the basis of actual extraction for mining assets or, for these industrial assets, of operational follow-up units such as production or operating hours. A mineral reserve is depreciated over a quantity equal to the geological inventory of the deposit decreased by discounts representative of the geological uncertainty inherent to resources. Overburden assets, that qualify as a component of the mineral reserve asset, are depreciated over the quantity of reserve they specifically give access to. Subsoil, i.e. the surface of land excluding mineral deposit, is not depreciated since it is not consumed by mining activity.

Property, plant and equipment leases

Items of property, plant and equipment controlled under finance lease are recognized as assets for an amount of €2.1 million as of December 31, 2016 (€2.4 million as of December 31, 2015). These are essentially freight material. As of December 31, 2016, the financial liability recognized with respect to finance leases amounts to €2.1 million (€2.2 million as of December 31, 2015), of which €0.4 million for 2017, €0.7 million from 2018 to 2021 and €1.0 million beyond. Besides, the Group has entered into operating leases contracts that convey the right of use, but not the control of items of property, plant and equipment. The corresponding items are thus not presented as assets. The lease fees are recognized in profit or loss in the position "Operating leases" *(Note 7)* and the commitments to pay future rents qualify as off balance sheet commitments *(Note 28 – Commitments given)*.

Table of changes

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction	Other property, plant and equipment	Total
Carrying amount as of January 1, 2015	**471.6**	**304.6**	**1,016.2**	**124.6**	**57.8**	**1,974.8**
Gross amount	790.8	539.8	3,258.6	126.4	231.0	4,946.6
Depreciation and impairment losses	(319.2)	(235.2)	(2,242.4)	(1.8)	(173.2)	(2,971.8)
Incoming entities	81.6	36.9	121.3	9.1	5.1	254.0
Outgoing entities	-	-	(2.3)	-	-	(2.3)
Acquisitions	53.8	4.3	28.7	134.5	4.0	225.3
Disposals	-	(0.7)	(1.4)	(0.7)	(0.4)	(3.2)
Increases in depreciation	(51.2)	(16.0)	(129.4)	-	(19.0)	(215.6)
Impairment losses	(4.8)	(19.0)	(90.3)	(0.9)	(4.0)	(119.0)
Reversals of impairment losses	-	0.1	2.0	-	-	2.1
Reclassification and other	0.2	11.7	55.0	(83.1)	18.3	2.1
Exchange rate differences	1.1	-	21.1	0.6	0.9	23.7
Carrying amount as of December 31, 2015	**552.3**	**321.9**	**1,020.9**	**184.1**	**62.7**	**2,141.9**
Gross amount	891.3	598.1	3,573.5	186.7	276.9	5,526.5
Depreciation and impairment losses	(339.0)	(276.2)	(2,552.6)	(2.6)	(214.2)	(3,384.6)
Incoming entities	12.4	14.4	18.9	0.9	2.0	48.6
Outgoing entities	(0.1)	(2.3)	(5.1)	-	(0.3)	(7.8)
Acquisitions	50.7	5.5	59.8	154.1	8.9	279.0
Disposals	-	(1.2)	(6.1)	(0.2)	8.0	0.5
Increases in depreciation	(51.8)	(15.4)	(140.2)	(0.2)	(15.9)	(223.5)
Impairment losses	(1.1)	(2.2)	(20.8)	(0.9)	(0.2)	(25.2)
Reversals of impairment losses	0.1	0.7	2.7	-	-	3.5
Reclassification and other	5.9	21.2	130.3	(159.5)	1.7	(0.4)
Exchange rate differences	17.0	8.3	21.4	7.5	1.1	55.3
Carrying amount as of December 31, 2016	**585.4**	**350.9**	**1,081.8**	**185.8**	**68.0**	**2,271.9**
Gross amount	935.2	642.5	3,640.7	188.9	282.1	5,689.4
Depreciation and impairment losses	(349.8)	(291.6)	(2,558.9)	(3.1)	(214.1)	(3,417.5)

NOTE 19 IMPAIRMENT TESTS

Accounting policy

An impairment test is performed every 12 months on all Cash-Generating Units (CGUs) at the end of the period. An impairment test consists in comparing the carrying amount of these assets to their recoverable amount. The latter is the higher between the fair value less costs to sell and the value in use. Fair value corresponds to the selling price. Value in use is measured by discounting the future cash flows generated by the continuous use of assets and by their final disposal. As a consequence, a CGU's recoverable amount may not be considered as an indicator of the price at which that CGU could be disposed of. In addition to this annual test, impairment indicators may require the immediate performance of a test in case of an unfavorable trend. Furthermore, each activity manager, under the supervision of business group controllers, ensures that no individual asset within a CGU presents any impairment loss issue. An impairment loss is recognized as soon as the recoverable amount of a CGU or an individual asset becomes inferior to its carrying amount. Any increase in the recoverable amount of a CGU or an individual asset results in the reversal of the previously recognized impairment loss in the limit of the carrying amount that would have been obtained in the absence of impairment loss. Impairment losses on goodwill cannot be reversed. The definitions of CGUs and impairment indicators are judgments of the Executive Management. The duration and the amount of forecasted cash flows as well as the discount rates used in the calculation of the values in use of the CGUs are estimates of the Executive Management.

Judgments

Cash-Generating Units (CGUs). The definition of CGUs qualifies as a judgment of the Executive Management that meets, at the level of the smallest group of assets possible, the three following criteria:

- a homogeneous production process in terms of portfolio of minerals, transformation processes and applications;
- an active market presenting homogeneous macroeconomic characteristics; and
- a level of operating power in terms of continuation, restructuring or discontinuation of mining, industrial and/or commercial activity.

The validation of these three criteria for each CGU guarantees the independence of their respective cash flows. CGUs directly result from the analysis structure followed each month by the Executive Management in its business reporting. All assets within the Group including mining assets and goodwill, are allocated to the CGUs. The grouping of CGUs forms the reported segments *(Information by segments)*.

Impairment loss indicators. The trigger events of an impairment test are judgments of the Executive Management. These are mainly significant changes in business, interest rates, technological level, obsolescence and level of performance of assets. The adverse evolution of one of these indices requires the immediate performance of an impairment test, either on a CGU, or on an individual asset.

Estimates

Recoverable amount. The recoverable amount of a CGU or individual asset is the higher between the fair value less costs to sell and the value in use. In practice, fair value is reliably determinable only for individual assets and then corresponds to prices of recent transactions on disposals of similar assets. The value in use qualifies as the most frequently used measurement basis for both CGUs and individual assets.

Forecasted cash flows. The forecasted cash flows used to estimate the value in use result from the 2017 budget and from the plan for 2018 to 2020. The key underlying assumptions of these projections are in the first place the level of volumes and to a lesser extent, the level of prices. For the terminal value, Imerys uses the Gordon and Shapiro perpetual growth model. Future cash flows correspond to current free operating cash flow *(Note 24.2 – Current free operating cash flow)* adjusted by the "Change in other items of working capital" *(Note 24.2 – Change in net financial debt)*.

Discount rate. The discount rate used to calculate the value in use is determined from the weighted average cost of capital of groups comparable to Imerys present in the industrial minerals sector. This rate, of 6.50% in 2016 (6.75% in 2015), is adjusted in accordance with the tested assets by a country-market risk premium of 0 to +170 basis points (0 to +200 basis points in 2015). The average discount rate after income taxes amounts to 6.78% in 2016 (6.96% in 2015). The calculations performed after income taxes are identical to those that would be performed with cash flows and rates before income taxes, as required by applicable standards. In the following table, the weighted average discount and perpetual growth rates used in the calculation of the value in use are presented by groups of CGUs:

	2016		2015	
	Discount rate	**Perpetual growth rate**	**Discount rate**	**Perpetual growth rate**
Energy Solutions & Specialties (ESS)	6.78%	1.94%	6.83%	1.89%
Filtration & Performance Additives (F&PA)	6.70%	2.00%	7.01%	2.00%
Ceramic Materials (CM)	6.77%	1.56%	6.89%	1.43%
High-Resistance Minerals (HRM)	7.01%	2.00%	7.21%	2.00%
Total	**6.78%**	**1.86%**	**6.96%**	**1.81%**

Among these estimates, forecasted cash flows, discount rates and perpetual growth rates are those whose changes result in the most significant impacts on the Group financial statements. The following table presents the impairment losses by CGU that would be recognized as a result of adverse changes from the assumptions retained in the financial statements as of December 31, 2016:

(€ millions)	**Adverse changes**
Forecasted cash flows	**(5.0)%**
Impairment loss	None
Discount rates	**+1.0%**
Impairment loss on the industrial tool of the Oilfield Solutions CGU (ESS)	Immaterial
Perpetual growth rates	**(1.0)%**
Impairment loss on the industrial tool of the Oilfield Solutions CGU (ESS)	Immaterial

Annual test of CGUs

The systematic performance of this annual test on each of the CGUs is mandatory as a consequence of the presence of goodwill in all CGUs. In 2016, this test does not requires the recognition of any impairment loss. In 2015, this test had required the recognition of a €251.4 million impairment loss on the Oilfield Solutions CGU of the Energy Solutions & Specialties (ESS) business Group, of which €117.6 million corresponding to the entirety of goodwill and €133.8 million to part of the production tool. Including the inventories write-downs measured separately at €22.1 million, the total losses recognized with respect to this business amounted to €273.5 million. This impairment loss had been recognized in "Other operating revenue and expenses" *(Note 10)*. In the following table, the carrying amount and the impairment loss on goodwill recognized over the period are disclosed by groups of CGUs (ESS, F&PA, CM and HRM):

	2016		2015	
(€ millions)	**Carrying amount**	**Impairment loss of the period**	**Carrying amount**	**Impairment loss of the period**
Energy Solutions & Specialties (ESS)	313.2	-	280.1	(117.6)
Filtration & Performance Additives (F&PA)	794.4	-	790.8	-
Ceramic Materials (CM)	274.8	(0.5)	277.9	(1.2)
High-Resistance Minerals (HRM)	291.5	-	281.7	-
Goodwill of the CGUs	**1,673.9**	**(0.5)**	**1,630.5**	**(118.8)**
Holdings	0.8	-	0.8	-
Total	**1,674.7**	**(0.5)**	**1,631.3**	**(118.8)**

Tests of individual assets

Impairment indicators may require the immediate performance of this test in case of an unfavorable evolution, in addition to the test carried out on CGUs. The resulting impairment losses recognized in 2016 amount to €24.5 million, of which €1.8 million in the Energy Solutions & Specialties business group, €1.0 million in the Filtration & Performance Additives business group, €6.5 million in the Ceramic Materials business group and €15.2 million in the High Resistance Minerals business group. These impairment losses, recognized in "Other operating income and expenses" *(Note 10)*, were related to the industrial tool of the business groups for €24.0 million and to goodwill for €0.5 million. Impairment loss reversals recognized in 2016 amount to €1.6 million in the Ceramic Materials business group. These impairment losses, net of reversals thus amount to €22.4 million recognized in "Other operating income and expenses" *(Note 10)*. In 2015, the tests of individual assets had required the recognition of impairment losses for an amount of €21.3 million, of which €9.5 million in the Energy Solutions & Specialties business group, €3.4 million in the Filtration & Performance Additives business group, €7.3 million in the Ceramic Materials business group and €1.1 million in the High Resistance Minerals business group. These impairment losses, recognized in "Other operating income and expenses" *(Note 10)*, were related to the industrial tool of the business groups. Impairment loss reversals recognized in 2015 amounted to €2.1 million in the Ceramic Materials business group. These impairment losses, net of reversals thus amounted to €19.2 million recognized in "Other operating income and expenses" *(Note 10)*.

NOTE 20 INVENTORIES

Accounting policy

Inventories are recognized as assets at the date at which the risks, rewards and control are transferred to Imerys. Upon the sale, inventories are recognized as an expense in current operating income at the same date as the related revenue. Inventories are measured at the lower of the cost of production and net realizable value. Where production is lower than normal capacity, fixed production overheads specifically exclude the share corresponding to under-activity. Inventories presenting similar characteristics are measured in accordance with the same formula. The formulas used within the Group are the "First-In, First-Out" (FIFO) and the weighted average cost. Where the cost of production is not recoverable, it is written-down to its net realizable value in accordance with the conditions existing at the closing date.

Gross amount and write-down of inventories

	2016			2015		
(€ millions)	Gross amount	Write-down	Carrying amount	Gross amount	Write-down	Carrying amount
Raw materials	320.1	(29.3)	290.8	329.0	(27.4)	301.6
Work in progress	76.3	(1.3)	75.0	78.4	(0.4)	78.0
Finished goods	316.3	(21.1)	295.2	323.5	(21.7)	301.8
Merchandises	53.8	(2.3)	51.5	59.1	(2.2)	56.9
Total	**766.5**	**(54.0)**	**712.5**	**790.0**	**(51.7)**	**738.3**

NOTE 21 FINANCIAL ASSETS

21.1 CATEGORIES OF FINANCIAL ASSETS

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. These carrying amounts are representative of fair value, in so far as they correspond to the amounts of cash to be received.

As of December 31, 2016

		Fair value through profit or loss			Hedge derivatives				
(€ millions)	Available-for-sale financial assets	Non derivative	Non hedge	Loans and receivables	Fair value	Cash flow	Net investment in a foreign operation	Non IAS 39	Total
Non-current assets									
Other financial assets	8.1	-	-	24.5	-	-	-	7.4	40.0
Other receivables	-	-	-	37.4	-	-	-	3.1	40.5
Derivative financial assets	-	-	17.3	-	-	-	0.5	-	17.8
Current assets									
Trade receivables	-	-	-	608.1	-	-	-	-	608.1
Other receivables	-	-	-	113.0	-	-	-	121.4	234.4
Derivative financial assets	-	-	0.5	-	-	14.4	-	-	14.9
Other financial assets	-	9.6	-	-	-	-	-	-	9.6
Cash and cash equivalents	-	-	-	809.6	-	-	-	-	809.6
Total financial assets	**8.1**	**9.6**	**17.8**	**1,592.6**	**0.0**	**14.4**	**0.5**	**-**	**-**

As of December 31, 2015

		Fair value through profit or loss			Hedge derivatives				
(€ millions)	Available-for-sale financial assets	Non derivative	Non hedge	Loans and receivables	Fair value	Cash flow	Net Investment in a foreign operation	Non IAS 39	Total
Non-current assets									
Other financial assets	3.2	-	-	21.6	-	-	-	6.8	31.6
Other receivables	-	-	-	31.3	-	-	-	2.2	33.5
Derivative financial assets	-	-	13.4	-	-	-	1.6	-	15.0
Current assets					-				
Trade receivables	-	-	-	578.1	-	-	-	-	578.1
Other receivables	-	-	-	103.9	-	-	-	119.7	223.6
Derivative financial assets	-	-	1.3	-	-	3.7	-	-	5.0
Other financial assets	-	19.6	-	-	-	-	-	-	19.6
Cash and cash equivalents	-	-	-	415.1	-	-	-	-	415.1
Total financial assets	**3.2**	**19.6**	**14.7**	**1,150.0**	**0.0**	**3.7**	**1.6**	**-**	**-**

21.2 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Accounting policy

After their initial recognition, trade receivables are measured at their amortized cost. Where the occurrence of a credit event makes the carrying amount of a trade receivable partially or fully irrecoverable, it is individually written-down to its recoverable amount by means of a write-down in accordance with the conditions existing at the closing date *(Note 21.3)*. A receivable sold to a banking institution for financing purposes is only derecognized where the factoring contract also transfers to the factor the entire risks and rewards related to the receivable.

Table of changes

As of December 31, 2016, other non-current financial assets correspond to loans to joint ventures and associates for €11.1 million (€8.2 million as of December 31, 2015), to loans and deposits for €13.3 million (€13.4 million as of December 31, 2015), to assets related to employee benefits for €7.4 million (€6.8 million as of December 31, 2015) *(Note 23.1)* and to available-for-sale financial assets for €8.1 million (€3.2 million as of December 31, 2015). The greater part of other non-current receivables and related write-down corresponds to tax receivables other than income taxes in Brazil. Other current receivables also mainly correspond to tax receivables other than income taxes. In addition, the Group has set up in September 2009 a factoring contract without recourse for an unlimited duration in the limit of a global authorized outstanding amount of €125.0 million, all taxes included. Since the object of this contract is to transfer the trade receivables of certain customers to the factor as well as the entire related risks and rewards, including the risks of default and late payment, these receivables are derecognized. As of December 31, 2016, they represent an amount of €41.5 million (€44.1 million as of December 31, 2015).

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Carrying amount as of January 1, 2015	**26.0**	**37.8**	**538.8**	**180.3**	**782.9**
Gross amount	36.7	84.0	564.8	182.3	867.8
Write-down	(10.7)	(46.2)	(26.0)	(2.0)	(84.9)
Changes in the scope of consolidation	(55.6)	-	76.6	21.0	42.0
Net change	64.9	2.5	(44.9)	27.2	49.7
Write-down	(0.5)	0.5	(1.1)	(0.4)	(1.5)
Other	0.1	(1.0)	(0.5)	0.7	(0.7)
Exchange rate differences	(3.3)	(6.2)	9.2	(5.2)	(5.5)
Carrying amount as of December 31, 2015	**31.6**	**33.5**	**578.1**	**223.6**	**866.8**
Gross amount	42.7	68.8	611.9	224.9	948.3
Write-down	(11.1)	(35.3)	(33.8)	(1.3)	(81.5)
Changes in the scope of consolidation	(5.2)	-	7.4	4.2	6.4
Net change	16.0	1.7	24.5	3.2	45.4
Write-down	(4.6)	0.6	(2.2)	(0.6)	(6.8)
Other	1.5	0.4	0.3	(3.4)	(1.2)
Exchange rate differences	0.6	4.3	-	7.5	12.4
Carrying amount as of December 31, 2016	**39.9**	**40.5**	**608.1**	**234.5**	**923.0**
Gross amount	55.7	83.4	644.7	235.9	1,019.7
Write-down	(15.8)	(42.9)	(36.6)	(1.4)	(96.7)

21.3 MANAGEMENT OF RISKS ARISING FROM FINANCIAL ASSETS

Credit risk

Description of the risk. The credit risk is the risk that a debtor of Imerys does not reimburse his debt at the due date. This risk mainly has an impact on the category of loans and receivables.

Management of the risk. The credit risk is followed at the level of each entity. This follow up mainly bases on the analysis of past due receivables and can be extended to a more detailed solvency investigation. The Group entities may hedge the credit risk through credit insurance contracts or warranties *(Note 28 – Commitments received)*. At the closing date, loans and receivables are reduced to their recoverable amount by an individual write-down. As of December 31, 2016, the maximum exposure of Imerys to credit risk before credit insurance and warranties, i.e. the gross amount of receivables net of write-downs, amounts to €914.9 million (€863.6 million as of December 31, 2015). The table hereafter summarizes the total of write-downs on loans and receivables (€90.0 million as of December 31, 2016; €76.0 million as of December 31, 2015) and write-downs on available-for-sale financial assets (€6.7 million as of December 31, 2016; €5.5 million as of December 31, 2015):

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Balance as of January 1, 2015	**(10.7)**	**(46.2)**	**(26.0)**	**(2.0)**	**(84.9)**
Changes in the scope of consolidation	-	-	(7.9)	-	(7.9)
Increases	(0.6)	-	(9.5)	(0.4)	(10.5)
Utilizations	0.1	0.5	8.4	-	9.0
Other	-	(0.7)	1.9	1.0	2.2
Exchange rate differences	0.1	11.1	(0.7)	0.1	10.6
Balance as of December 31, 2015	**(11.1)**	**(35.3)**	**(33.8)**	**(1.3)**	**(81.5)**
Changes in the scope of consolidation	-	-	(0.8)	-	(0.8)
Increases	(5.3)	-	(9.1)	(0.7)	(15.1)
Utilizations	0.6	0.5	6.9	0.1	8.1
Other	-	-	-	0.5	0.5
Exchange rate differences	-	(8.1)	0.2	-	(7.9)
Balance as of December 31, 2016	**(15.8)**	**(42.9)**	**(36.6)**	**(1.4)**	**(96.7)**

Trade receivables do not bear interest and are generally due between 30 to 90 days. Some trade receivables may be past due without being impaired, for example where hedged by a credit insurance contract or a warranty.

(€ millions)	2016	2015
Past due trade receivables that are not impaired	**126.7**	**106.3**
Since less than 30 days	74.0	53.8
Since 30 to 89 days	27.0	24.6
Since 90 days and more	25.7	27.9
Undue trade receivables and past-due and impaired trade receivables	**481.4**	**471.8**
Total	**608.1**	**578.1**

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency. In the assets, the transactional currency risk has an impact mainly on trade receivables.

Management of the risk. In the assets, the transactional currency risk is managed in accordance with the same principles as the transactional currency risk related to financial liabilities *(Note 24.5 – Transactional currency risk)*.

NOTE 22 EQUITY

Capital management principles

The management of capital presents three main fields: consolidated equity, share-based payments and share repurchases. The management of consolidated equity pursues the objective to maintain a stable financial structure so as to generate dividends for shareholders through a regular and steady growth of results. The share options and free shares granted to certain key employees aim at promoting their loyalty to reach this objective *(Note 8)*. The objective of share repurchases is to foster the liquidity of transactions and regularity of quotation of the Imerys share, to make certain share-based payments and to perform the cancellations necessary to offset the dilutive impact on shareholders of exercised share options and of definitely vested free shares grants.

Consolidated equity corresponds to the capital and premiums of Imerys SA and consolidated income and reserves. There are no hybrid instruments combining the characteristics of liabilities and equity instruments. As of December 31, 2016:

- consolidated equity amounts to €2,914.2 million (€2,671.9 million as of December 31, 2015) on the basis of which the Board of Directors proposes a dividend per share of €1.87 (€1.75 in 2015);
- the 865,621 share options and 1,063,376 conditional free shares not exercised or not vested represent 2.37% of the capital of Imerys SA after dilution (2.88% of the capital after dilution as of December 31, 2015);
- Imerys SA holds, after purchase, sale, cancellation and transfer transactions of the period 932,821 Imerys shares (229,423 as of December 31, 2015).

The capital of Imerys SA is subject to several mandatory requirements of the French Code of Commerce. These requirements do not have any significant impact on the financial statements. However their compliance is subject to verifications by the Statutory Auditors. Furthermore, part of the Group's financing is ensured through liabilities instruments whose external issuers impose the compliance to ratios, some of which using the amount of consolidated equity. These ratios as well as their amounts at the closing date are presented in *Note 24.5 – Borrower's liquidity risk*.

Accounting policy

The repurchase by Imerys SA of its own shares is recognized at acquisition cost as a decrease in equity. The result performed upon any subsequent disposal is directly recognized in equity.

Period activity

	2016			2015		
(number of shares)	**Issued shares**	**Treasury shares**	**Outstanding shares**	**Issued shares**	**Treasury shares**	**Outstanding shares**
Number of shares at the opening	**79,572,491**	**(229,423)**	**79,343,068**	**75,885,591**	**(179,649)**	**75,705,942**
Capital increases	295,383	-	295,383	4,686,900	-	4,686,900
Capital decreases	(300,000)	300,000	0	(1,000,000)	1,000,000	0
Transactions on treasury shares	-	(1,003,398)	(1,003,398)	-	(1,049,774)	(1,049,774)
Number of shares at the closing	**79,567,874**	**(932,821)**	**78,635,053**	**79,572,491**	**(229,423)**	**79,343,068**

On December 15, 2016, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 30, 2015 and May 4, 2016, and in accordance with the authorization given by the Shareholders' General Meeting of April 30, 2015, cancelled 300,000 treasury shares directly acquired on the market through an investment services provider. This shares cancellation lead to a capital decrease of a nominal amount of €600,000.

On January 5, 2017, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 15, 2016, noted that, on December 31, 2016, the share capital had been increased by a nominal amount of €590,766 as a result of the exercise between January 1, and December 31, 2016 of 295,383 share options and of the creation of the same number of new Imerys shares.

As a result of these transactions, Imerys' fully-paid up share capital as of December 31, 2016 totaled €159,135,748; it was made up of 79,567,874 shares with €2.00 par value of which 43,307,351 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. The total number of theoretical voting rights attached to existing shares was 122,875,225. Considering the 932,821 treasury shares held on December 31, 2016, the total number of net voting rights attached to outstanding shares was 121,942,404 on the same date. No directly registered shares have been pledged. The share capital did not change and the number of voting rights did not undergo any significant change between December 31, 2016 and February 15, 2017, i.e. the date at which the annual consolidated financial statements as of December 31, 2016 were closed by the Board of Directors.

NOTE 23 PROVISIONS

23.1 EMPLOYEE BENEFIT LIABILITIES

Imerys contributes, in accordance with the regulation and business benchmark of each country, to the constitution of retirement benefits for its employees. The granted benefits thus take the form, either of defined contribution plans whose future level is not guaranteed by Imerys *(Note 8)*, or of defined benefit plans whose future level is guaranteed by Imerys through the liabilities analyzed in this note.

(€ millions)	**2016**	**2015**
Retirement plans	250.3	277.3
Medical plans	17.4	19.3
Other long-term benefits	13.5	11.5
Termination benefits	14.2	14.8
Total	**295.4**	**322.9**

Accounting policy

Defined contribution plans. Imerys contributes, in accordance with the regulation and business benchmark of each country, to the constitution of retirement benefits for its employees by paying, either on a mandatory or voluntary basis, contributions to third parties institutions such as pension funds, insurance companies or financial institutions. These plans, referred to as defined contribution plans, provide no guarantee to the beneficiaries on the level of the benefit that will be paid in the future. The contributions to these plans are recognized as “Staff expenses” *(Note 8)*.

Defined benefit plans. On the other hand, Imerys guarantees to the beneficiaries of defined benefit plans the level of the benefit that will be paid in the future. The corresponding obligations are measured in accordance with the Projected Unit Credit Method by means of financial and demographic actuarial assumptions. These are used to measure the value of the services acquired by the beneficiaries on the basis of an estimated salary at retirement date. The recognized liabilities or assets correspond to the discounted value of the obligation, decreased by the fair value of plan assets, limited where necessary by a ceiling. The rates used to discount the obligations and calculate the normative return on assets in profit or loss are fixed by reference to the rates of bonds issued by companies rated AA (high quality) within the main indices iBoxx Corporate AA GBP and USD. Actuarial assumptions are estimates of the Executive Management. The contributions to the funds and direct payments to beneficiaries are recognized in current operating income *(Note 8)* except for the contributions and payments related to restructurings that are recognized in other operating revenue and expenses *(Note 10)* and the contributions to under-funded closed plans with mandatory funding requirement that are recognized in financial income (loss) *(Note 12)*. The profit or loss impact of these contributions is neutralized by liabilities reversals recognized in each of these three profit or loss levels. The other items of the change in post-employment plans are recognized in current operating income *(Note 8),* except for the amendments, curtailments and settlements related to a restructuring that are recognized in other operating income and expenses *(Note 10)* and for the unwinding of obligations and normative return on assets that are recognized in financial income (loss) *(Note 12)*. Administrative fees are recognized in current operating income *(Note 8)* except for the administrative fees of under-funded closed plans with mandatory funding requirement that are recognized in financial income (loss) *(Note 12)*. Plan amendments, curtailments and settlements are immediately recognized in profit or loss. The actuarial differences and assets limitations of post-employment plans are entirely recognized in equity, net of assets management fees, with no subsequent reclassification in profit or loss.

Defined benefit plans characteristics

As of December 31, 2016, the defined employee benefit obligation of Imerys amounts to €1,494.8 million (€1,530.0 million as of December 31, 2015). This obligation is made up of retirement indemnities, medical post-retirement benefits and other pre-retirement benefits such as jubilee awards. The main obligations, whose amounts are disclosed as negative values in the following table, are located in the United Kingdom and United States:

	2016				2015			
(€ millions)	**United Kingdom**	**United States**	**Rest of the world**	**Total**	**United Kingdom**	**United States**	**Rest of the world**	**Total**
Retirement indemnities	(933.4)	(281.5)	(248.8)	(1,463.7)	(981.9)	(280.4)	(236.9)	(1,499.2)
Medical post-retirement benefits	-	(9.7)	(7.7)	(17.4)	-	(12.0)	(7.3)	(19.3)
Other pre-retirement benefits	-	-	(13.7)	(13.7)	-	-	(11.5)	(11.5)
Total	**(933.4)**	**(291.2)**	**(270.2)**	**(1,494.8)**	**(981.9)**	**(292.4)**	**(255.7)**	**(1,530.0)**

As of December 31, 2016, these obligations relate to 24,980 beneficiaries (26,668 beneficiaries as of December 31, 2015) made up of those employees who acquire rights for the services they render within the Group (active beneficiaries), of those employees who ceased to acquire rights for the services they render within the Group as well as those former employees active outside the Group (deferred beneficiaries) and of retired former employees (retired beneficiaries). The following table discloses the main characteristics of these beneficiaries:

	2016				2015			
	United Kingdom	**United States**	**Rest of the world**	**Total**	**United Kingdom**	**United States**	**Rest of the world**	**Total**
Headcounts								
Number of active beneficiaries	609	1,291	12,388	14,288	700	1,523	12,853	15,076
Number of deferred beneficiaries	1,804	1,448	378	3,630	1,969	1,800	348	4,117
Number of retired beneficiaries	4,161	2,181	720	7,062	4,552	2,206	717	7,475
Total	**6,574**	**4,920**	**13,486**	**24,980**	**7,221**	**5,529**	**13,918**	**26,668**
Age								
Average age of active beneficiaries	53	50	44	45	53	50	44	45
Average age of deferred beneficiaries	53	53	49	53	54	51	50	53
Average age of retired beneficiaries	75	65	74	72	75	64	74	71
Past service								
Years of past service of active members	27	19	16	17	26	19	16	17

Two plans represent 71.9% of the Group total obligation as of December 31, 2016 (73.2% as of December 31, 2015): the British Imerys UK Pension Scheme (Imerys UK) and the American Imerys USA Retirement Growth Account Plan (Imerys USA). The following table presents their main characteristics:

	2016		2015	
	Imerys UK	**Imerys USA**	**Imerys UK**	**Imerys USA**
Obligation by categories of beneficiaries *(€ millions)*				
Active beneficiaries	(163.9)	(41.0)	(177.1)	(45.3)
Deferred beneficiaries	(181.0)	(37.4)	(185.8)	(37.1)
Retired beneficiaries	(588.5)	(62.9)	(619.0)	(55.0)
Total	**(933.4)**	**(141.3)**	**(981.9)**	**(137.4)**
Age				
Average age of active beneficiaries	53	52	53	52
Average age of deferred beneficiaries	53	54	54	53
Average age of retired beneficiaries	75	70	75	69
Eligibility				
Last hiring date	12/31/04	03/31/10	12/31/04	03/31/10
Retirement age	65	65	65	65
Description of the benefit				
Mode of payment	Annuity(1)	Capital(2)	Annuity(1)	Capital(2)
Increase on retail price index	Yes	No	Yes	No
Closing date for future accruals	03/31/15	12/31/14	03/31/15	12/31/14
Regulatory framework				
Minimum funding requirement by the employer	Yes(3)	Yes(3)	Yes(3)	Yes(3)
Minimum contribution requirement by the beneficiary	Yes	No	Yes	No
Governance				
Trustees representing the employer	Yes	Yes	Yes	Yes
Trustees representing the beneficiaries	Yes	No	Yes	No
Independent trustees	Yes	No	Yes	No
Trustee's responsibility				
Definition of the investing strategy	Yes	Yes	Yes	Yes
Negotiation of the refinancing of deficits with the employer	Yes	-	Yes	-
Administrative management of the benefit payment	Yes	Yes	Yes	Yes

(1) Annuity calculated on the basis of the number of years of service rendered, of the annual salary at the retirement date and of the average of the three last annual salaries.

(2) Capital with guaranteed interest rate (Cash Balance Plan).

(3) The employer is required to fund each unit of service rendered by 100% on the basis of a funding valuation.

Management of risks arising from employee benefits

Description of the risks. The main issue related with the financial management of employee benefits is the control of the funding ratio of obligations, i.e. the ratio between the value of plan assets and the value of obligations. The funding ratio of obligations may thus be subject to a deterioration caused by a decorrelation between the evolution (especially downwards) of the plan assets and the evolution (especially upwards) of the obligations. The value of plan assets may be lowered by a deterioration of the fair value of investments. The value of obligations may be raised on the one hand for all plans as a result of a decrease in discount rates and on the other hand for benefits paid as life annuities, either from a rise in the inflation rates used to remeasure the obligations of certain plans, or from the increase in the life expectancy of beneficiaries.

Management of the risks. The strategy to control the funding ratio of obligations consists in the first place to optimize the value of plan assets. The objective of investment policies thus aim at delivering a steady return while taking advantage of opportunities with limited or moderate risks levels. The choice of investments is specific to each plan and its determination considers the duration of the plan as well as minimum funding regulatory constraints. In the United Kingdom in particular, Imerys applies since 2011 a specific strategy of control of the funding ratio of obligations that consists in defining the investment of plan assets so as to match the obligation. This device designated as Liability Driven Investment (LDI) aims at controlling the funding rate of the obligation through the correlation of cash inflows and outflows over the duration of the obligation. In practice, this strategy consists in structuring the portfolio of plan assets so that the cash inflows generated by the return on investments match the cash outflows generated by the payment of benefits. Within this device, the hedging policy of the risk that the obligation raises as a result of a decrease in discount rates (respectively of an increase in inflation rates) covers at least 100.0% (respectively 89.0%) of the amount of the obligation as of December 31, 2016.

Employee benefits financing

Imerys finances the greater part of employee benefits with investments unavailable to third parties in trusts or insurance contracts legally separate from the Group. These investments designated as plan assets amount to €1,214.9 million as of December 31, 2016 (€1,222.5 million as of December 31, 2015). Imerys also holds reimbursement rights, i.e. investments directly held by the Group and amounting to €6.1 million as of December 31, 2016 (€6.2 million as of December 31, 2015). The funding rate of obligations thus amounts to 81.7% as of December 31, 2016 (80.3% as of December 31, 2015). The deficit of funded plans and unfunded plans is accrued for €273.8 million as of December 31, 2016 (€301.3 million as of December 31, 2015), as presented in the following table:

	2016				2015			
(€ millions)	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Obligations funded by plan assets	(933.4)	(279.9)	(129.9)	(1,343.2)	(981.9)	(278.1)	(124.0)	(1,384.0)
Obligations funded by reimbursement rights	-	-	(29.4)	(29.4)	-	-	(26.5)	(26.5)
Plan assets	923.3	212.6	79.0	1,214.9	935.8	213.5	73.2	1,222.5
Reimbursement rights	-	-	6.1	6.1	-	-	6.2	6.2
Funded plans surplus (deficit)	**(10.1)**	**(67.3)**	**(74.2)**	**(151.6)**	**(46.1)**	**(64.6)**	**(71.1)**	**(181.8)**
Unfunded obligations	-	(11.3)	(110.9)	(122.2)	-	(14.3)	(105.2)	(119.5)
Total surplus (deficit)	**(10.1)**	**(78.6)**	**(185.1)**	**(273.8)**	**(46.1)**	**(78.9)**	**(176.3)**	**(301.3)**

The following table presents the contributions paid to the funds by profit or loss level in 2015 and 2016 as well as an estimate for 2017. Contributions are generally recognized in current operating income. They are recognized as other operating revenue and expenses where they relate to a restructuring. Contributions recognized in financial income (loss) are intended to recover the deficit of those closed plans (absence of current service) with mandatory funding requirement. In this respect, each euro of service rendered before the plan was closed has been funded by a contribution of the same amount through current operating income. However the decrease in discount rates, the increase in inflation rates and the decrease in the fair value of investments has broken this initial balance and now requires additional contributions to restore it.

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(€ millions)	2017 (estimate)	2016	2015
Contributions in current operating income	(14.2)	(7.8)	(8.9)
Contributions in other operating revenue and expenses	-	-	(0.3)
Contributions in financial income (loss) (closed plans)	(14.5)	(11.6)	(8.9)
Employer contributions	**(28.7)**	**(19.4)**	**(18.1)**

Plan assets are mainly invested in instruments whose market values are quoted in an active market:

	2016				2015			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Assets with a quoted price	**100.0%**	**100.0%**	**59.3%**	**97.4%**	**100.0%**	**100.0%**	**68.0%**	**98.1%**
Equity	37.0%	50.0%	7.8%	37.4%	42.5%	47.3%	8.2%	41.2%
Debt	56.7%	50.0%	5.2%	52.2%	52.2%	49.7%	5.3%	49.0%
Real estate	6.1%	-	-	4.6%	5.0%	3.0%	-	4.4%
Monetary	0.2%	-	46.3%	3.2%	0.3%	-	54.6%	3.5%
Assets without a quoted price	**0.0%**	**0.0%**	**40.7%**	**2.6%**	**0.0%**	**0.0%**	**32.0%**	**1.9%**
Equity	-	-	-	0.0%	-	-	-	0.0%
Debt	-	-	-	0.0%	-	-	-	0.0%
Real estate	-	-	-	0.0%	-	-	-	0.0%
Monetary	-	-	40.7%	2.6%	-	-	32.0%	1.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The assets held by Imerys to fund the employee benefits generate an actual interest of €179.2 million in 2016 (€63.4 million in 2015), i.e. an actual rate of return of 16.4% in 2016 (5.5% in 2015), as disclosed in the table hereafter. In accordance with applicable standards, this return is only credited to the financial income (loss) to the extent of a normative part of €40.1 million in 2016 (€41.6 million in 2015) calculated on the basis of the risk-free rate used to discount the obligations. The excess of the actual return beyond normative return is credited to equity for €139.1 million in 2016 (€21.8 million in 2015).

	2016				2015			
(€ millions)	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Opening assets	**935.8**	**213.5**	**79.4**	**1,228.7**	**877.9**	**191.3**	**68.2**	**1,137.4**
Changes in the scope of consolidation	-	(0.6)	(0.1)	(0.7)	-	17.9	2.3	20.2
Contributions	7.4	7.0	6.3	20.7	9.0	5.3	5.0	19.3
Payments to the beneficiaries	(49.3)	(21.8)	(4.3)	(75.4)	(49.7)	(34.9)	(5.5)	(90.1)
Exchange rate differences	(138.9)	6.6	0.8	(131.5)	53.7	22.4	2.4	78.5
Actual return on assets	**168.3**	**7.9**	**3.0**	**179.2**	**44.9**	**11.5**	**7.0**	**63.4**
Normative return (financial income (loss))	30.8	8.1	1.2	40.1	32.4	7.7	1.5	41.6
Adjustment to actual return (equity)	137.5	(0.2)	1.8	139.1	12.5	3.8	5.5	21.8
Closing assets	**923.3**	**212.6**	**85.1**	**1,221.0**	**935.8**	**213.5**	**79.4**	**1,228.7**
Actual rate of return	**20.7%**	**3.9%**	**3.8%**	**16.4%**	**5.2%**	**5.5%**	**10.2%**	**5.5%**

Estimates

The actuarial assumptions used to measure defined benefit plans are estimates of the Executive Management. The assumptions hereafter are weighted by the amounts of obligations or assets, depending upon the item to which they apply.

	2016				2015			
	United Kingdom	United States	Rest of the world	Total	United Kingdom	United States	Rest of the world	Total
Discount rate	2.70%	3.90%	1.60%	2.70%	3.50%	4.00%	1.70%	3.40%
Retail price index	2.20%	-	-	2.20%	1.90%	-	-	1.90%
Salary increase	2.20%	-	2.40%	2.20%	2.20%	-	2.50%	2.20%
Medical cost trend rates	-	-	7.30%	7.30%	-	5.20%	6.80%	5.40%
Duration *(years)*	14	11	11	13	15	10	13	14

Among these estimates, the discount rate results in the most significant impacts on the Group financial statements. The following table presents the impact of a reasonably possible change in discount rates for a decrease (lower case) and an increase (higher case) around the assumption retained in the financial statements as of December 31, 2016 (actual 2016). The impact of these changes is measured on three aggregates (obligation, net interest, current service cost) in the two monetary zones where the most significant obligations are located (United Kingdom and United States). The range of the reasonably possible change in discount rates is assessed at 50 basis points with respect to the weighted average change in discount rates in the United Kingdom and the United States over the last five periods.

(€ millions)	Lower case	Actual 2016	Higher Case
United Kingdom			
Discount rate	2.2%	2.7%	3.2%
Obligation at the closing date	(999.4)	(933.4)	(872.1)
Net interest in the profit or loss of the period(1)	(0.6)	0.9	3.0
Current service cost in the profit or loss of the period(2)	-	-	-
United States			
Discount rate	3.4%	3.9%	4.4%
Obligation at the closing date	(308.5)	(291.2)	(275.9)
Net interest in the profit or loss of the period(1)	(2.8)	(2.6)	(2.3)
Current service cost in the profit or loss of the period	(1.2)	(1.1)	(1.0)

(1) Unwinding of the obligation, net of the normative return on assets.

(2) Closed and frozen plan since April 1, 2015.

Tables of changes

As of December 31, 2016

(€ millions)	Obligations	Assets	Asset (liability)
Balance as of January 1, 2016	**(1,530.0)**	**1,228.7**	**(301.3)**
Plan assets			0.6
Reimbursement rights			6.2
Liabilities			(308.1)
Unwinding	(46.3)	-	(46.3)
Current service cost	(14.4)	-	(14.4)
Plan amendments	0.3	-	0.3
Curtailments	2.3	-	2.3
Settlements	(0.5)	-	(0.5)
Non-recurring settlement of the Imerys UK closed plan(1)	7.5	-	7.5
Actuarial gains and (losses) of other employee benefits	(0.2)	-	(0.2)
Normative return on plan assets	-	40.0	40.0
Normative return on reimbursement rights	-	0.1	0.1
Changes recognized in profit or loss			**(11.2)**
Excess of the actual return on assets over their normative return	-	139.1	139.1
Actuarial gains and (losses) of post-employment benefits on			
▪ changes in demographic assumptions	(3.1)	-	(3.1)
▪ changes in financial assumptions	(142.0)	-	(142.0)
▪ experience adjustments	18.8	-	18.8
Changes recognized in equity			**12.8**
Incoming entities	(5.0)	(0.1)	(5.1)
Outgoing entities	1.0	(0.6)	0.4
Routine benefit payments	72.8	(64.4)	8.4
Settlements payments	11.2	(11.0)	0.2
Employer contributions	-	19.4	19.4
Employee contributions	(1.3)	1.3	0.0
Exchange rate differences	134.1	(131.5)	2.6
Balance as of December 31, 2016	**(1,494.8)**	**1,221.0**	**(273.8)**
Plan assets			1.3
Reimbursement rights			6.1
Liabilities			(281.2)

(1) In the second half of 2016, Imerys offered to the beneficiaries of the Imerys UK retirement plan to move from an inflation-linked benefit to a fixed benefit. The acceptance of that offer by the beneficiaries resulted in a €7.5 million settlement gain. Since the Imerys UK retirement plan is closed since April 1, 2015, this settlement gain is credited in Financial income (loss) (Note 23.1 – Accounting policy). However, in the financial communication indicator "Net income from current operations, Group share", this gain is reclassified in "Other net operating revenue and expenses, Group share" so as to stress its non-recurring and significant character (Note 14)

The row "Changes recognized in profit or loss" of the above table is analyzed as follows:

(€ millions)	Asset (liability)
Current operating income	**(11.5)**
Net change in employee benefit liabilities	3.5
Contributions to defined employee benefit plans	(15.0)
Other operating income and expenses	**(0.3)**
Net change in employee benefit liabilities	1.1
Contributions to defined employee benefit plans	(1.4)
Financial income (loss)	**0.6**
Net change in employee benefit liabilities – Closed plans	18.4
Contributions to defined employee benefit plans – Closed plans	(11.6)
Normative return on assets of defined benefit plans	40.1
Unwinding of defined employee benefit liabilities	(46.3)
Changes recognized in profit or loss	**(11.2)**

As of December 31, 2015

(€ millions)	Obligations	Assets	Asset (liability)
Balance as of January 1, 2015	**(1,427.1)**	**1,137.4**	**(289.7)**
Plan assets			0.8
Reimbursement rights			6.0
Liabilities			(296.5)
Unwinding	(50.9)	-	(50.9)
Current service cost	(16.7)	-	(16.7)
Plan amendments	2.5	-	2.5
Curtailments	2.3	-	2.3
Settlements	(1.4)	-	(1.4)
Normative return on plan assets	-	41.5	41.5
Normative return on reimbursement rights	-	0.1	0.1
Changes recognized in profit or loss			**(22.6)**
Excess of the actual return on assets over their normative return	-	21.8	21.8
Actuarial gains and (losses) of post-employment benefits on			
▪ changes in demographic assumptions	0.6	-	0.6
▪ changes in financial assumptions	15.9	-	15.9
▪ experience adjustments	(6.3)	-	(6.3)
Changes recognized in equity			**32.0**
Incoming entities	(58.0)	20.2	(37.8)
Routine benefit payments	92.7	(84.9)	7.8
Settlements payments	10.6	(5.2)	5.4
Employer contributions	-	18.1	18.1
Employee contributions	(1.2)	1.2	0.0
Exchange rate differences	(93.0)	78.5	(14.5)
Balance as of December 31, 2015	**(1,530.0)**	**1,228.7**	**(301.3)**
Plan assets			0.6
Reimbursement rights			6.2
Liabilities			(308.1)

The row “Changes recognized in profit or loss” of the above table is analyzed as follows:

(€ millions)	Asset (liability)
Current operating income	**(9.3)**
Net change in employee benefit liabilities	9.3
Contributions to defined employee benefit plans	(18.6)
Other operating income and expenses	**(2.3)**
Net change in employee benefit liabilities	1.5
Contributions to defined employee benefit plans	(3.8)
Financial income (loss)	**(11.0)**
Net change in employee benefit liabilities – Closed plans	7.2
Contributions to defined employee benefit plans – Closed plans	(8.9)
Normative return on assets of defined benefit plans	41.6
Unwinding of defined employee benefit liabilities	(50.9)
Changes recognized in profit or loss	**(22.6)**

Changes recognized in equity

	2016				2015			
(€ millions)	Actuarial gains and (losses)	Excess of the actual return on assets over their normative return in profit or loss	Assets limitation	Total	Actuarial gains and (losses)	Excess of the actual return on assets over their normative return in profit or loss	Assets limitation	Total
Opening balance	**(473.4)**	**230.0**	**2.5**	**(240.9)**	**(446.1)**	**190.0**	**2.3**	**(253.8)**
Changes related to obligations	(126.3)	-	-	(126.3)	10.2	-	-	10.2
Changes related to assets	-	139.1	-	139.1	-	21.8	-	21.8
Changes recognized in equity	**(126.3)**	**139.1**	**0.0**	**12.8**	**10.2**	**21.8**	**0.0**	**32.0**
Exchange rate differences	18.6	(11.5)	-	7.1	(37.5)	18.2	0.2	(19.1)
Closing balance	**(581.1)**	**357.6**	**2.5**	**(221.0)**	**(473.4)**	**230.0**	**2.5**	**(240.9)**

23.2 OTHER PROVISIONS

(€ millions)	2016	2015
Other non-current provisions	343.8	304.2
Other current provisions	22.6	19.2
Total	**366.4**	**323.4**

Accounting policy

A provision is recognized as soon as it becomes probable that a present obligation shall require a settlement whose amount can be measured reliably. Provisions are recognized against the profit or loss except for provisions for dismantling and some provisions for restoration whose counterpart is included in the cost of the assets whose construction has created the obligation. This treatment mainly applies to some satellite industrial facilities and mining overburden assets. The measurement of provisions corresponds to the best estimate of the amount required to settle the obligation. Provisions whose settlement is expected within 12 months after the end of the period or whose settlement may occur at any time are not discounted. Provisions whose settlement is expected after 12 months after the end of the period are discounted. This treatment applies in particular to the provisions accrued with respect to environmental obligations to remediate pollutions, to obligations to dismantle plants and to obligations to restore mine sites once extraction is complete. Changes in discounted provisions due to a revision of the amount of the obligation, of its timing of settlement or of its discount rate are recognized in profit or loss or, for provisions recognized against assets, as an adjustment of the cost of the latter. The unwinding is recognized as a debit in the other financial income and expenses *(Note 12)*.

The assessment of the probability of settlement and amount of the obligation, of the expected timing of future payments and of discount rates are estimates of the Executive Management.

Estimates

Probability of settlement and amount of the obligation. The probabilities of settlement and the amounts of the obligations are estimated by the Executive Management with the support of external counsels for the significant litigation and claims. These relate to allegations of personal or financial injury implicating the civil liability of Imerys and the potential breach of contractual obligations or regulations on employee, property and environmental issues. In their risk estimate, the Executive Management is considering in particular the following items: (i) possible transfer to third parties of all or part of the relevant risks (insurance, third parties contractual guarantees); (ii) available remedies to contest the reality or the amount of all or part of the relevant risks; and (iii) specificities of national legal environments and specifically those applicable to contentious cases in the United States (class actions, high level of defense costs, unpredictability of the verdicts issued by popular juries, media coverage of certain court decisions).

Expected timing of future payments. The following table discloses the discounted value of future cash outflows necessary to settle the obligations of the "Other provisions" position:

(€ millions)	2017 - 2021	2022 - 2031	2032 and later	Total
Products warranties	30.7	-	-	30.7
Environmental and dismantling obligations	43.4	12.1	24.1	79.6
Mine sites restoration	35.5	71.0	16.5	123.0
Legal, social and regulatory risks	133.1	-	-	133.1
Other provisions	**242.7**	**83.1**	**40.6**	**366.4**

Discount rates. These rates integrate the time value of money and monetary inflation over the timeline of future payments. For the main discounted provision (mine sites restoration), the assumptions of the major monetary zones are the following:

	2016			2015		
	Euro zone	United Kingdom	United States	Euro zone	United Kingdom	United States
Time value of money	0.8%	1.6%	3.3%	1.3%	2.5%	3.4%
Monetary inflation	0.8%	1.6%	2.2%	0.3%	0.2%	0.7%

Table of changes

(€ millions)	Products warranties	Environ-mental and Dismantling obligations	Mine sites restoration	Legal, social and regulatory risks	Total
Balance as of January 1, 2015	**25.5**	**52.7**	**101.2**	**103.3**	**282.7**
Changes in the scope of consolidation	-	11.9	16.8	16.5	45.2
Increases	6.5	2.6	(1.2)	35.3	43.2
Utilizations	(3.4)	(5.9)	(5.8)	(21.4)	(36.5)
Non-utilized decreases	(1.3)	(1.7)	-	(11.7)	(14.7)
Unwinding expense	-	1.3	2.6	-	3.9
Reclassification and other	-	-	-	(9.5)	(9.5)
Exchange rate differences	0.1	2.1	6.7	0.2	9.1
Balance as of December 31, 2015	**27.4**	**63.0**	**120.3**	**112.7**	**323.4**
Changes in the scope of consolidation	-	14.6	0.6	7.9	23.1
Increases	7.5	9.9	1.0	43.6	62.0
Utilizations	(2.2)	(4.1)	(4.3)	(14.3)	(24.9)
Non-utilized decreases	(1.8)	(0.4)	-	(20.6)	(22.8)
Unwinding expense	-	1.0	2.7	-	3.7
Reclassification and other	(0.2)	(3.5)	3.5	0.2	0.0
Exchange rate differences	-	(0.9)	(0.8)	3.6	1.9
Balance as of December 31, 2016	**30.7**	**79.6**	**123.0**	**133.1**	**366.4**

NOTE 24 FINANCIAL LIABILITIES

24.1 CATEGORIES OF FINANCIAL LIABILITIES

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. Since they correspond to the amounts of cash to be paid, these carrying amounts are representative of fair value for all instruments except for bonds. The tables hereafter are followed by an analysis of the differences between carrying amount and fair value. For listed bonds, fair value qualifies as a directly observable data since it corresponds to the market value at the closing date (level 1 fair value). For unlisted bonds, fair value including accrued interests results from a model using observable data, i.e. a revaluation of discounted future contractual flows (level 2 fair value).

As of December 31, 2016

	Financial liabilities at amortized cost		Non hedge derivatives	Hedge derivatives			
(€ millions)	**Non hedge**	**Net investment in a foreign operation**	**Fair value through profit or loss**	**Fair value**	**Cash flow**	**Non IAS 39**	**Total**
Non-current liabilities							
Loans and financial debts	1,583.3	-	(0.6)	17.3	-	1.7	1,601.7
Other debts	30.1	-	-	-	-	8.4	38.5
Derivative financial liabilities	-	4.6	(0.1)	-	0.1	-	4.6
Current liabilities							
Trade payables	422.7	-	-	-	-	-	422.7
Other debts	124.6	-	-	-	-	211.9	336.5
Derivative financial liabilities	-	-	2.3	-	2.9	-	5.2
Loans and financial debts	585.8	-	(2.2)	-	-	0.4	584.0
Bank overdrafts	11.4	-	-	-	-	-	11.4
Total financial liabilities	**2,757.9**	**4.6**	**(0.6)**	**17.3**	**3.0**	**-**	**-**

The fair value of fixed rate bonds included in "Loans and financial debts" is superior to their carrying amount by €81.9 million:

			Interest rate				
Nominal amount *in millions*	**Maturity**	**Quotation**	**Nominal**	**Effective**	**Carrying amount**	**Fair value**	**Difference**
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	73.8	84.0	10.2
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	29.1	30.8	1.7
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	517.6	524.9	7.3
EUR 300.0	11/26/2020	Listed	2.50%	2.60%	303.3	324.2	20.9
EUR 100.0	11/26/2020	Listed	2.50%	1.31%	99.9	108.1	8.2
EUR 300.0	3/31/2022	Listed	0.88%	0.96%	299.8	305.5	5.7
EUR 300.0	3/31/2028	Listed	1.88%	1.92%	301.8	314.5	12.7
EUR 500.0	12/10/2024	Listed	2.00%	2.13%	494.6	509.8	15.2
Total as of December 31, 2016 *(€ millions)*					**2,119.9**	**2,201.8**	**81.9**

As of December 31, 2015

	Financial liabilities at amortized cost		Non hedge derivatives	Hedge derivatives			
(€ millions)	Non hedge	Net investment in a foreign operation	Fair value through profit or loss	Fair value	Cash flow	Non IAS 39	Total
Non-current liabilities							
Loans and financial debts	1,486.3	-	(1.6)	13.4	-	1.9	1,500.0
Other debts	33.2	-	-	-	-	9.2	42.4
Derivative financial liabilities	-	1.8	(0.1)	0.1	0.1	-	1.9
Current liabilities							
Trade payables	441.0	-	-	-	-	-	441.0
Other debts	114.7	-	-	-	-	200.9	315.6
Derivative financial liabilities	-	-	2.2	-	17.0	-	19.2
Loans and financial debts	424.0	-	(0.6)	-	-	0.4	423.8
Bank overdrafts	3.5	-	-	-	-	-	3.5
Total financial liabilities	**2,502.7**	**1.8**	**(0.1)**	**13.5**	**17.1**	**-**	**-**

The fair value of fixed rate bonds included in "Loans and financial debts" is superior to their carrying amount by €82.3 million:

			Interest rate				
Nominal amount *in millions*	**Maturity**	**Quotation**	**Nominal**	**Effective**	**Carrying amount**	**Fair value**	**Difference**
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	65.5	76.6	11.1
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	28.1	30.9	2.8
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	517.3	547.2	29.9
EUR 300.0	11/26/2020	Listed	2.50%	2.60%	304.0	319.9	15.9
EUR 100.0	11/26/2020	Listed	2.50%	1.31%	99.9	106.6	6.7
EUR 500.0	12/10/2024	Listed	2.00%	2.13%	493.9	509.8	15.9
Total as of December 31, 2015 *(€ millions)*					**1,508.7**	**1,591.0**	**82.3**

24.2 FINANCIAL DEBT

The net financial debt is the net position of Imerys towards the market and the financial institutions, i.e. the total of financing liabilities subscribed towards the market and the financial institutions in the form of bonds, bank credits, finance lease credits and bank overdrafts, decreased by cash, cash equivalents and other current financial assets. Although they are offset in the calculation of the net financial debt, overdrafts and excess cash are disclosed separately on the statement of financial position, either in the form of bank overdrafts, or in the form of cash, in accordance with the agreements signed between Imerys and its bank counterparties. Most of these agreements provide that the various accounts opened at the bank counterparties remain as debit or credit balances, without any offset. However, some netting agreements exist within the Group in order to achieve, over a certain scope, a unique position towards certain bank counterparties. Such a unique position is organized by the heading entity of the netting scope, either directly through its own bank account, or indirectly through an investment made at the bank counterparty that the latter is crediting under the form of loans to the entities of the scope. Direct netting corresponds to agreements in force in Europe and the United-States, while indirect netting is applied in China.

The net financial debt is used in the management of the financial resources of the Group. This indicator is used in particular in the calculation of financial ratios that Imerys has to comply with under financing agreements entered into with financial markets *(Note 24.5 – Borrower's liquidity risk)*.

The present note analyses the change in the net financial debt in two steps: from current operating income to current free operating cash flow; and from current free operating cash flow to the change in net financial debt. The following table presents the link between the net financial debt and the consolidated statement of financial position with a distinction between non-derivative and derivative financial instruments. Derivative financial instruments included in the calculation of the net financial debt correspond to financing hedge instruments assets and liabilities since they are part of the future cash outflows of this aggregate *(Note 24.5 – Borrower's liquidity risk)*. The operational hedge instruments *(Note 24.4 – Derivative instruments in the financial statements)* are not included in the calculation of the net financial debt.

(€ millions)	Notes	2016	2015
Non-derivative financial liabilities		**2,197.1**	**1,927.3**
Loans and financial debts – non-current		1,601.7	1,500.0
Loans and financial debts – current		584.0	423.8
Bank overdrafts		11.4	3.5
Non-derivative financial assets		**(819.2)**	**(434.7)**
Other financial assets		(9.6)	(19.6)
Cash and cash equivalents		(809.6)	(415.1)
Hedge derivatives		**(11.4)**	**(12.2)**
Financing hedge instruments – liabilities	24.4	6.9	3.8
Financing hedge instruments – assets	24.4	(18.3)	(16.0)
Net financial debt		**1,366.5**	**1,480.4**

Current free operating cash flow

The current free operating cash flow is the residual cash flow resulting from current operating business and remaining after payment of current operating income taxes and operating capital expenditure, receipt of the disposal proceeds of operating assets and adjustment from cash changes in operational working capital requirement.

(€ millions)	**2016**	**2015**
Current operating income	582.1	538.1
Operating amortization, depreciation and impairment losses[1]	225.8	225.5
Net change in operating provisions	7.0	(17.5)
Share in net income of joint ventures and associates	(1.7)	(8.1)
Dividends received from joint ventures and associates	5.6	7.4
Operating cash flow before taxes (current EBITDA)	**818.8**	**745.4**
Notional taxes on current operating income[2]	(173.1)	(156.7)
Current net operating cash flow	**645.7**	**588.7**
Paid capital expenditures[3] & [4]	**(278.5)**	**(271.6)**
Intangible assets	(9.5)	(48.9)
Property, plant and equipment	(230.1)	(174.4)
Overburden mining assets[5]	(48.9)	(50.9)
Debts on acquisitions	10.0	2.6
Carrying amount of current asset disposals	**13.0**	**3.6**
Change in the operational working capital requirement	**14.4**	**21.8**
Inventories	58.5	6.1
Trade accounts receivable, advances and down payments received	(25.5)	41.2
Trade accounts payable, advances and down payments paid	(18.6)	(25.5)
Current free operating cash flow	**394.6**	**342.5**
(1) Operating amortization, depreciation and impairment losses	*225.8*	*225.5*
Net operating amortization and depreciation (Appendix 1 of the consolidated statement of cash flows)	*225.6*	*225.1*
Finance leases depreciation (Appendix 3 of the consolidated statement of cash flows)	*0.2*	*0.4*
(2) Effective tax rate on current operating income	*29.7%*	*29.1%*
(3) Paid capital expenditure	*(278.5)*	*(271.6)*
Acquisitions of intangible assets and property, plant and equipment (Consolidated statement of cash flows)	*(278.4)*	*(271.6)*
Finance lease acquisitions (Appendix 3 of the consolidated statement of cash flows)	*(0.1)*	*-*
(4) Recognized capital expenditures / asset depreciation ratio	*127.8%*	*121.6%*
The recognized capital expenditures / asset depreciation ratio equals the paid capital expenditures (except for debts on acquisitions) divided by the increases in amortization and depreciation		
Increases in asset amortization and depreciation	*225.8*	*225.5*
(5) Overburden mining assets	*(48.9)*	*(51.0)*
Overburden mining assets – capital expenditure	*(48.9)*	*(51.0)*

Change in net financial debt

(€ millions)	2016	2015
Current free operating cash flow	**394.6**	**342.5**
Financial income (loss)	(56.4)	(55.5)
Financial impairment losses and unwinding of the discount	(2.5)	7.5
Income taxes on financial income (loss)	19.0	16.2
Change in income tax debt	30.1	36.6
Change in deferred taxes on current operating income	22.1	(1.9)
Change in other items of working capital	10.7	(13.8)
Share-based payments expense	10.5	7.3
Change in fair value of operational hedge instruments	0.9	(0.7)
Change in dividends receivable from available-for-sale financial assets	(0.2)	0.2
Current free cash flow	**428.8**	**338.4**
External growth	**(84.6)**	**(950.5)**
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	(78.5)	(950.1)
Acquisitions of investments in consolidated entities from non-controlling interests	(0.1)	-
Acquisitions of available-for-sale financial assets	(6.0)	(0.4)
Disposals	**28.5**	**6.7**
Disposals of investments in consolidated entities after deduction of the net debt disposed of	27.5	6.7
Non-recurring disposals of intangible assets and property plant and equipment	1.0	-
Transaction costs	**(13.5)**	**(10.6)**
Changes in estimate of the contingent remuneration of the seller	**-**	**(0.2)**
Cash flow from other operating income and expenses	**(41.9)**	**(48.7)**
Dividends paid to shareholders and non-controlling interests	**(139.4)**	**(132.6)**
Financing requirement	**177.9**	**(797.5)**
Transactions on equity	(49.8)	227.0
Net change in financial assets	(4.3)	0.6
Change in net financial debt	**123.8**	**(569.9)**

(€ millions)	2016	2015
Opening net financial debt	**(1,480.4)**	**(869.9)**
Change in net financial debt	123.8	(569.9)
Impact of changes due to exchange rate fluctuations	(9.9)	(40.6)
Closing net financial debt	**(1,366.5)**	**(1,480.4)**

24.3 OTHER DEBTS

(€ millions)	2016	2015
Non-current liabilities		
Income taxes payable	0.6	0.4
Capital expenditure payables	27.4	29.8
Tax debts	0.1	0.1
Social debts	5.5	6.3
Other	4.9	5.8
Total	**38.5**	**42.4**
Current liabilities		
Capital expenditure payables	66.6	63.9
Tax debts	36.3	32.8
Social debts	172.8	166.5
Other	60.8	52.4
Total	**336.5**	**315.6**

As of December 31, 2016, capital expenditure payables include €29.0 million related to the acquisition of the S&B group *(Note 16)*, of which €25.0 million in non-current (€21.0 million to be paid as performance-related contingent consideration and €4.0 million to be paid in Imerys shares) and €4.0 million in current to be paid in Imerys shares.

24.4 DERIVATIVE INSTRUMENTS

Derivative instruments management principles

The use of derivative instruments is framed by a policy defined and operated by the Group Treasury Department and periodically presented to the Board of Directors. In accordance with this policy, derivative instruments are exclusively used to hedge risks related to operating transactions (transactional foreign exchange and energy price risks), to foreign investments (conversion of financial statements risk) and to financing (transactional currency and interest rate risks). Imerys is not taking any speculative position. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with first-rank banking institutions. Imerys proscribes to its entities to subscribe derivative instruments outside the Group. The implementation of this policy to the foreign exchange (transactional currency and conversion of financial statements), interest rate and energy price risks is developed in *Note 24.5*.

Accounting policy

Derivatives are recognized at the transaction date, i.e. at the subscription date of the hedging contract and classified as non-current and current assets and liabilities in accordance with their maturities and those of underlying transactions. Derivatives are initially measured at fair value and subsequently re-measured at the end of each period by reference to market terms. The fair value including accrued interests of derivatives results from a model using observable data, i.e. prices at the closing date provided by third parties active on financial markets (level 2 fair value). These values are adjusted by the credit risk of the counterparties and the own credit risk of Imerys. Hence where the market value of the derivative is positive (derivative asset), its fair value integrates the probability of default of the counterparty (Credit Value Adjustment or CVA). Where the market value of the derivative is negative (derivative liability), its fair value takes into account the probability of default of Imerys (Debit Value Adjustment or DVA). These adjustments are measured from the spreads of the bonds outstanding on the secondary market, as issued by Imerys and its counterparties (level 2 fair value). The exclusive purpose of these instruments is to hedge economic risks to which the Group is exposed. However, only financial instruments that meet the criteria of hedge accounting follow the accounting treatment described hereafter. All transactions qualified as hedge accounting are thus documented by reference to the hedging strategy by an identification of the hedged risk, the hedged item, the hedging instrument, the hedging relationship and the measurement method of the hedge relationship effectiveness. The measurement of the hedge effectiveness is reviewed at the end of each period. Accounting for a hedge derivative depends upon its designation as either fair value hedge, or cash flow hedge or hedge of a net investment in a foreign operation *(Notes 11, 12 and 24.5)*. Any derivative that is not eligible to hedge accounting is recognized in financial income (loss).

Fair value hedge. Where the changes in fair value of a recognized asset or liability or a firm commitment may have an impact on the profit or loss, these changes may be hedged by a fair value hedge. The hedged item and the hedging instrument are re-measured symmetrically against the profit or loss at the end of each period. The impact in profit or loss is limited to the ineffective portion of the hedge *(Note 11)*.

Cash flow hedge. A cash flow hedge enables to hedge the unfavorable changes in cash flows related to a recognized asset or liability or a highly probable future transaction, where these

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changes may have an impact on the profit or loss. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. When the transaction is recognized, the effective portion in equity is reclassified in profit or loss at the same time the hedged item is recognized *(Note 11)*. Where a derivative is de-designated, i.e. hedge accounting is interrupted, the effective portion of the hedge previously recognized in equity is amortized in operating income or financial income (loss), in accordance with the nature of the hedged item.

Hedge of a net investment in a foreign operation. The foreign exchange differences generated by the net assets held by the Group in foreign currencies may be hedged *(Note 24.5 – Conversion of financial statements risk)*. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. The effective portion in equity is reclassified in other operating income and expenses only where control on a consolidated business is lost or interest in a business under significant influence is reduced.

The ineffective portion of operational hedge instruments is recognized in current operating income. The ineffective portion of financing hedge instruments is recognized in financial income (loss). The changes in fair value of financial instruments that do not qualify for hedge accounting are immediately recognized in other financial income and expenses *(Note 11)*. In the consolidated statement of cash flow, the cash flows of derivatives are disclosed in the same levels as the cash flows of the underlying transactions.

Derivative instruments in the financial statements

Assets and liabilities. The following table presents the derivative instruments recognized in the assets and liabilities in accordance with the hedged risks: foreign exchange, interest rate, energy price and conversion of financial statements risks. The total of this table distinguishes between on the one hand, non-current and current items and on the other hand, between hedge instruments related to operations (hedge of operating foreign exchange risk and energy price risk) and financing (financing foreign exchange rate risk, interest rate risk and conversion of financial statements risk).

	2016			2015		
(€ millions)	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Foreign exchange risk	**8.1**	**5.2**	**2.9**	**4.6**	**11.5**	**(6.9)**
Forward derivative instruments	8.1	5.2	2.9	2.5	10.8	(8.3)
Optional derivative instruments	-	-	0.0	2.1	0.7	1.4
Interest rate risk	**17.3**	**0.0**	**17.3**	**13.5**	**0.1**	**13.4**
Forward derivative instruments	17.3	-	17.3	13.5	-	13.5
Optional derivative instruments	-	-	0.0	-	0.1	(0.1)
Energy price risk	**6.8**	**0.0**	**6.8**	**0.4**	**7.7**	**(7.3)**
Forward derivative instruments	-	-	0.0	-	-	0.0
Optional derivative instruments	6.8	-	6.8	0.4	7.7	(7.3)
Conversion of financial statements risk	**0.5**	**4.6**	**(4.1)**	**1.5**	**1.8**	**(0.3)**
Forward derivative instruments	0.5	4.6	(4.1)	1.5	1.8	(0.3)
Optional derivative instruments	-	-	0.0	-	-	0.0
Total	**32.7**	**9.8**	**22.9**	**20.0**	**21.1**	**(1.1)**
Non-current	17.8	4.6	13.2	15.0	1.9	13.1
Current	14.9	5.2	9.7	5.0	19.2	(14.2)
Operational hedge instruments	14.4	2.9	11.5	4.0	17.3	(13.3)
Financing hedge instruments	18.3	6.9	11.4	16.0	3.8	12.2

As of December 31, 2016, there is no legally enforceable right to set-off the amounts recognized above and Imerys intends neither to settle on a net basis, nor to realize the asset and settle the liability simultaneously. However, in accordance with the master agreements in force, any default of Imerys or one of its counterparties would settle their outstanding transactions on a net basis. The total of all positions that would be offset in case of default would reduce the total of assets and liabilities derivative instruments by €4.1 million as of December 31, 2016 (€4.7 million as of December 31, 2015).

Equity. As part of its policy of management of the foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments intended to hedge certain future purchases and sales in foreign currencies, a portion of its floating rate financing and part of its future energy consumption in the United States, in the United Kingdom and in France. These positions qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss. The detail of these reclassifications at the level of the underlying income and expenses is presented in *Note 11*. These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in *Note 24.5*.

(€ millions)	Foreign exchange rate risk	Interest rate risk	Energy price risk	Total
Balance as of January 1, 2015	**(10.3)**	**0.0**	**(4.8)**	**(15.1)**
Recognition in equity	(26.6)	-	(9.9)	(36.5)
Reclassification in profit or loss	27.2	-	7.4	34.6
Balance as of December 31, 2015	**(9.7)**	**0.0**	**(7.3)**	**(17.0)**
Recognition in equity	12.4	-	6.7	19.1
Reclassification in profit or loss	(0.7)	-	7.4	6.7
Balance as of December 31, 2016	**2.0**	**0.0**	**6.8**	**8.8**
of which reclassification to profit or loss expected within 12 months	2.0	-	6.8	8.8

24.5 MANAGEMENT OF RISKS ARISING FROM FINANCIAL LIABILITIES

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency.

Management of the risk. Imerys recommends to its operating entities to perform, to the extent it is possible, their transactions in their functional currencies. Where this is not possible, the transactional currency risk may be hedged on an individual basis by currency forwards, currency swaps and foreign exchange options. These instruments are used as hedges of highly probable budget flows. The corresponding hedges qualify as cash flow hedges.

The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2016	2015
Opening balance	**(9.7)**	**(10.3)**
Recognition in equity	12.4	(26.6)
Reclassification in profit or loss	(0.7)	27.2
Closing balance	**2.0**	**(9.7)**
of which reclassification to profit or loss expected within 12 months	2.0	(9.7)

The following table presents the impact of a change in foreign exchange rates on the portfolio of derivative instruments held as of December 31, 2016 with respect to highly probable future purchases and sales transactions in foreign currencies. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2016 foreign exchange rates *(Note 26)* (actual 2016). The impact of these changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as cash flow hedges and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as cash flow hedges and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2016	Higher case
Foreign currencies exchange rates	(10.0)%	-	10.0%
Effective portion in equity at the closing date	10.1	2.0	(6.6)
Ineffective portion in the profit or loss of the period	0.5	2.7	(0.4)

Interest rate risk

Description of the risk. The interest rate risk is the risk whereby the interest flow due in relation to the financial debt is deteriorated by a rise in the market interest rates.

Management of the risk. The objective of the management of the interest rate risk consists in guaranteeing its medium-term cost. The net financial debt is known through a reporting that describes the financial debt of each entity and indicates its components and characteristics. This reporting, reviewed monthly by the Financial Department and quarterly by the Board of Directors, enables the situation to be monitored and the management policy to be adjusted as necessary. The management policy is drawn up by the Group Treasury Department and approved every year by the Financial Department and the Board of Directors. As part of this process, the Group Treasury Department works with first-rank banking institutions and obtains financial data and pricing from information providers. The policy of Imerys is to obtain financing mainly in Euro, the most accessible financial resource and at a fixed rate. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. Given anticipated trends in interest rates in 2016, the Group fixed the interest rate for part of its future financial debt on various terms.

Imerys usually holds a certain number of derivative instruments intended to hedge a portion of its debt at floating rate. These instruments include interest rate swaps, options – including caps, floors, swaptions and futures. These instruments qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2016	2015
Opening balance	**0.0**	**0.0**
Recognition in equity	-	-
Reclassification in profit or loss	-	-
Closing balance	**0.0**	**0.0**
of which reclassification to profit or loss expected within 12 months	-	-

Furthermore, Imerys holds as of December 31, 2016 an interest rate swap intended to hedge the exposure to changes in fair value of a loan. This instrument qualifies as fair value hedge. It hedges the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the Group. The hedged loan and the derivative instrument present the same characteristics.

Currency	**Notional amount** *(in millions)*	**Fixed rate received**	**Floating rate paid**
JPY	7,000	2.39%	Libor Yen 6 months

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of December 31, 2016:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Debt at fixed rate	**2,025.5**	**29.1**	**0.1**	**0.0**	**2,054.7**
Debt at fixed rate on issue	2,025.5	29.1	56.8	-	2,111.4
Swap fixed rate into floating rate	-	-	(56.7)	-	(56.7)
Debt at floating rate	**(644.3)**	**303.6**	**28.9**	**(376.4)**	**(688.2)**
Debt at floating rate on issue	(5.7)	28.6	0.1	39.9	62.9
Net cash and marketable securities	(419.0)	(38.2)	(27.9)	(322.7)	(807.8)
Swap fixed rate into floating rate	-	-	56.7	-	56.7
Exchange rate swap	(219.6)	313.2	-	(93.6)	0.0
Net financial debt as of December 31, 2016	**1,381.2**	**332.7**	**29.0**	**(376.4)**	**1,366.5**

The following table provides a breakdown of interest rate hedging transactions by foreign currency as of December 31, 2016:

(€ millions)	EUR	USD	JPY	Other foreign currencies	Total
Exposure at floating rate before hedging	**(644.3)**	**303.6**	**28.9**	**(376.4)**	**(688.2)**
Fixed rate hedges	-	-	-	-	-
Swap at average rate of	-	-	-	-	-
Capped rate hedges	-	-	-	-	-
Cap at average rate of	-	-	-	-	-
Exposure at floating rate after hedging	**(644.3)**	**303.6**	**28.9**	**(376.4)**	**(688.2)**

The following table presents an evolution of interest rate hedging transactions as of December 31, 2016 and after by maturity dates:

(€ millions)	2016	2017 - 2021	2022 and later
Total exposure before hedging	**(688.2)**	**(688.2)**	**(688.2)**
Fixed rate hedges	-	-	-
Swap at average rate of	-	-	-
Capped rate hedges	-	-	-
Cap at average rate of	-	-	-
Total exposure after hedging	**(688.2)**	**(688.2)**	**(688.2)**

The following table presents the impact of a change in interest rates on the portfolio of interest rates derivative instruments held as of December 31, 2016. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2016 interest rates (actual 2016). The impact of these changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as cash flow hedges and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as cash flow hedges and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2016	Higher case
Interest rates	(0.5)%	-	0.5%
Effective portion in equity at the closing date	-	-	-
Ineffective portion in the profit or loss of the period	0.5	0.1	0.1

Energy price risk

Description of the risk. The energy price risk is the risk whereby the cash flow due in relation to an energy purchase may be subject to a deterioration caused by a rise in its market price. Imerys is exposed to the price risk of the energies that enter into the production cycle of its activities, mainly natural gas, electricity and coal to a lesser extent.

Management of the risk. Confronted with the energy price risk, the geographical locations and supply sources of Imerys are diversified. The Group strives to pass on energy price increases to the selling price of its products. Furthermore, the management of the price risk of natural gas, both in Europe and the United States is centralized, the Group Treasury Department being responsible for implementing the framework and resources needed for the application of a common management policy, which includes appropriate use of the financial instruments available in those markets. Since 2006, the Group has strengthened its research programs on alternative energy sources as well as its projects on the reduction of energy consumption under the supervision of a Group Energy Supervisor. Since 2008, energy managers are appointed throughout the Group. The energy price risk is hedged by forward and option contracts. These instruments qualify as cash flow hedges.

The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2016	2015
Opening balance	**(7.3)**	**(4.8)**
Recognition in equity	6.7	(9.9)
Reclassification in profit or loss	7.4	7.4
Closing balance	**6.8**	**(7.3)**
of which reclassification to profit or loss expected within 12 months	6.8	(7.3)

The following table summarizes the main positions taken as of December 31, 2016 to hedge the energy price risk.

	Net notional amounts *(in MWh)*	Maturities
Underlying position	6,071,269	<24 months
Management transactions	1,732,192	<24 months

The following table presents the impact of a change in natural gas and Brent prices on the portfolio of derivative instruments held as of December 31, 2016 with respect to highly probable future purchases of natural gas and Brent prices. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2016 natural gas and Brent prices (actual 2016).

The impact of these changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as cash flow hedges and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as cash flow hedges and non-hedge derivative instruments.

(€ millions)	Lower case	Actual 2016	Higher Case
Natural gas and Brent prices	(10.0)%	-	10.0%
Effective portion in equity at the closing date	(4.6)	6.8	4.6
Ineffective portion in the profit or loss of the period	-	-	-

Borrower's liquidity risk

Description of the risk. The borrower's liquidity risk is the risk whereby Imerys would not be in a position to meet the repayment obligations of its financial liabilities. The maturity on issue as of December 31, 2016 presented hereafter enables to assess the exposure of the Group to this risk.

	2017		2018 - 2022		2023 and later		
(€ millions)	Capital	Interests	Capital	Interests	Capital	Interests	Total
Non-derivative financial liabilities	**566.2**	**56.7**	**736.3**	**132.4**	**856.7**	**80.2**	**2,428.5**
Eurobond / EMTN	500.0	53.3	703.0	121.3	800.0	59.0	2,236.6
Private placements	-	3.4	28.5	11.1	56.7	21.2	120.9
Commercial paper issues	-	-	-	-	-	-	0.0
Bilateral facilities	-	-	-	-	-	-	0.0
Facilities due within one year	66.2	-	4.8	-	-	-	71.0
Hedge derivatives	**(11.4)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(11.4)**
Financing hedge instruments – liabilities	6.9	-	-	-	-	-	6.9
Financing hedge instruments – assets	(18.3)	-	-	-	-	-	(18.3)
Future cash outflows with respect to gross financial debt	**554.8**	**56.7**	**736.3**	**132.4**	**856.7**	**80.2**	**2,417.1**
Non-derivative financial liabilities	**11.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**11.4**
Bank overdrafts	11.4	-	-	-	-	-	11.4
Non-derivative financial assets	**(819.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(819.2)**
Other current financial assets	(9.6)	-	-	-	-	-	(9.6)
Cash and cash equivalents	(809.6)	-	-	-	-	-	(809.6)
Future cash outflows with respect to net financial debt	**(253.0)**	**56.7**	**736.3**	**132.4**	**856.7**	**80.2**	**1,609.3**
of which items recognized as of December 31, 2016 (net financial debt)	(253.0)	26.5	736.3	-	856.7	-	1,366.5
Non-derivative financial liabilities	**759.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**759.2**
Trade payables	422.7	-	-	-	-	-	422.7
Other debts	336.5	-	-	-	-	-	336.5
Hedge derivatives	**(11.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(11.5)**
Operational hedge instruments – liabilities	2.9	-	-	-	-	-	2.9
Operational hedge instruments – assets	(14.4)	-	-	-	-	-	(14.4)
Future cash outflows	**494.7**	**56.7**	**736.3**	**132.4**	**856.7**	**80.2**	**2,357.0**

In addition, a large part of the debt at fixed rate on issue being swapped into floating rate, the maturity of the net financial debt after interest rate swap is analyzed as follows:

(€ millions)	2017	2018 - 2022	2023 and later	Total
Debt at fixed rate	**526.5**	**728.5**	**800.0**	**2,055.0**
Debt at fixed rate on issue	526.5	728.5	856.7	2,111.7
Swap fixed rate into floating rate	-	-	(56.7)	(56.7)
Debt at floating rate	**(753.0)**	**7.8**	**56.7**	**(688.5)**
Debt at floating rate on issue	54.8	7.8	-	62.6
Net cash and other current financial assets	(807.8)	-	-	(807.8)
Swap fixed rate into floating rate	-	-	56.7	56.7
Net financial debt	**(226.5)**	**736.3**	**856.7**	**1,366.5**

Management of the risk. For part of its financing, Imerys is required to comply with several covenants. The main restrictive terms and conditions attached to certain bilateral facilities and to part of the bond issues under private placements are as follows:

- purpose: general corporate financing requirement;
- obligations in terms of financial ratio compliance:
  - the ratio consolidated net financial debt / consolidated equity shall, in accordance with the related financing contracts, be inferior or equal to 1.50 or 1.60 at each half-year or annual closing of consolidated financial statements. As of December 31, 2016, the ratio amounts to 0.47 (0.55 as of December 31, 2015),
  - the ratio consolidated net financial debt / consolidated EBITDA of the last 12 months shall, in accordance with the related financing contracts, be inferior or equal to 3.75 at each half-year or annual closing of consolidated financial statements. As of December 31, 2016, the ratio amounts to 1.67 (1.99 as of December 31, 2015);
- absence of any lien in favor of lenders.

The failure to comply with the above obligations on one of the related financing contracts could lead to the cancellation of its available amount and, upon demand of the related creditor(s), make the amount of the corresponding financial debt immediately callable. Apart from two exceptions, the financing contracts of the Group do not provide for any cross default with each other in case of breach of a mandatory covenant applicable to one of these contracts. As of December 31, 2016, Imerys has a long-term rating of Baa2 outlook Stable by Moody's (Baa2 outlook Stable as of December 31, 2015) and a new rating BBB outlook Stable by S&P (Imerys was not rated by S&P in 2015).

As of June 10, 2016, Imerys has updated its new Euro Medium Term Note program (EMTN) with the Commission de Surveillance du Secteur Financier (Luxemburg). The program amounts to €2.5 billion and enables the issue of notes considered as ordinary bonds of a maturity of one month to thirty years. As of December 31, 2016, outstanding securities total €1,556.7 million (€953.4 million as of December 31, 2015), of which €600.0 million issued in March 2016 in two tranches: €300.0 million with a maturity in 2022 and an annual yield of 0.875%, and €300.0 million with a maturity in 2028 and an annual yield of 1.875%. Imerys also has a commercial paper program limited to €1,000.0 million (€800.0 million as of December 31, 2015) rated P-2 by Moody's (P-2 as of December 31, 2015). As of December 31, 2016, outstanding securities are nil (€347.6 million as of December 31, 2015). As of December 31, 2016, Imerys has access to €1,855.0 million of bank facilities (€1,425.0 million as of December 31, 2015) part of which secures the issued commercial paper in accordance with the financial policy of the Group.

Market liquidity risk

Description of the risk. The market liquidity risk is the risk whereby a non-confirmed financial resource (commercial paper, bank facility and accrued interests, other debt and facilities) would not be renewed.

Management of the risk. Financial resources are the main adjustment variable of the financing capacities available to Imerys. These capacities exist either as drawn financial debt or as financing commitments granted by first-rank banking institutions. Medium-term financial resources provided by the bilateral facilities may be used over very short drawing periods (from 1 to 12 months) while remaining available over longer maturities (5 years). The financial resources of the Group amount to €3,943.2 million as of December 31, 2016 (€2,909.0 million as of December 31, 2015). Imerys manages the amount of its financial resources by comparing it regularly with the amount of its utilizations in order to measure by difference the financial liquid borrowings to which the Group may have access.

The robustness of financial resources is assessed on the basis of their amounts and average maturity as analyzed hereafter:

	2016	2015
Financial resources by maturity *(€ millions)*		
Maturity less than one year	500.0	103.0
Maturity from one to five years[(1)]	2,286.5	2,252.6
Maturity beyond five years	1,156.7	553.4
Total	**3,943.2**	**2,909.0**
Financial resources by nature *(€ millions)*		
Bond resources	**2,088.2**	**1,484.0**
Eurobond / EMTN	2,003.0	1,403.0
Private placements	85.2	81.0
Bank resources	**1,855.0**	**1,425.0**
Syndicated credit	500.0	-
Miscellaneous bilateral facilities	1,355.0	1,425.0
Total	**3,943.2**	**2,909.0**
Average maturity of financial resources *(in years)*		
Bond resources	5.6	5.5
Bank resources	3.4	3.8
Total	**4.5**	**4.6**

(1) Of which a €500.0 million syndicated loan with an initial maturity expiring on December 11, 2017, with the option for a one-year extension, cancelled on January 25, 2017 (Note 29).

The table below measures the available financial resources after the repayment of financing from uncommitted resources. It measures the real exposure of Imerys to an illiquidity crisis on both financial and banking markets. As of December 31, 2016, available financial resources, after repayment of uncommitted resources, total €1,768.9 million (€997.4 million as of December 31, 2015), which gives the Group substantial room to maneuver and a guarantee of financial stability.

	2016			2015		
(€ millions)	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	2,088.2	2,088.2	0.0	1,484.0	1,484.0	0.0
Commercial papers	-	-	0.0	-	347.6	(347.6)
Committed bank facilities	1,855.0	-	1,855.0	1,425.0	-	1,425.0
Bank facilities and accrued interests	-	32.0	(32.0)	-	21.1	(21.1)
Other debts and facilities	-	54.1	(54.1)	-	58.9	(58.9)
Total	**3,943.2**	**2,174.3**	**1,768.9**	**2,909.0**	**1,911.6**	**997.4**

Conversion of financial statements risk

Description of the risk. The conversion of financial statements risk is a form of foreign exchange rate risk whereby the value in Euro of the financial statements of a foreign operation may be subject to a deterioration caused by an unfavorable change in the foreign exchange rate of the functional currency of that business.

Management of the risk. Imerys hedges part of its net investments in foreign operations through loans specifically allocated to their long term financing and by the proportion of its financial debt stated in foreign currencies. The foreign exchange differences generated by these loans and financings qualified as hedges of net investments in foreign entities, are recognized in equity so as to neutralize, to a certain extent, the gains or losses of translation of the hedged net investments. As of December 31, 2016, the loans and exchange rate swaps hedging net investments in foreign entities are the following: USD447.2 million, CHF47.5 million, GBP2.2 million, ZAR558.6 million and SGD5.5 million (USD397.9 million, CHF47.5 million, GBP20.0 million, ZAR152.2 million and SGD5.5 million as of December 31, 2015).

The table below describes the financial debt before and after the impact of these foreign currencies swaps.

	2016			2015		
(€ millions)	**Before exchange rate swap**	**Exchange rate swap**	**After exchange rate swap**	**Before exchange rate swap**	**Exchange rate swap**	**After Exchange rate swap**
EUR	2,019.8	(219.6)	1,800.2	1,763.6	(172.4)	1,591.2
USD	57.7	313.2	370.9	52.0	327.1	379.1
JPY	56.9	-	56.9	54.2	(8.0)	46.2
Other foreign currencies	39.9	(93.6)	(53.7)	41.8	(146.7)	(104.9)
Total	**2,174.3**	**0.0**	**2,174.3**	**1,911.6**	**0.0**	**1,911.6**

As of December 31, 2016, the portion of the financial debt in each foreign currency, after swap, is as follows:

(€ millions)	**EUR**	**USD**	**JPY**	**Other foreign currencies**	**Total**
Gross financial debt	1,800.2	370.9	56.9	(53.7)	2,174.3
Net cash and marketable securities	(419.0)	(38.2)	(27.9)	(322.7)	(807.8)
Net financial debt as of December 31, 2016	**1,381.2**	**332.7**	**29.0**	**(376.4)**	**1,366.5**

The following table presents the impact of a change in foreign exchange rates on the portfolio of foreign exchange swaps held as of December 31, 2016 with respect to hedges of net investments in foreign entities. This simulation is performed through a decrease (lower case) and an increase (higher case) around the 2016 foreign exchange rates *(Note 26)* (actual 2016). The impact of these changes is measured on the one hand on equity for the effective portion of the derivative instruments qualified as hedges of net investments in foreign entities and on the other hand on the profit or loss for the ineffective portion of the derivative instruments qualified as hedges of net investments in foreign entities and non-hedge derivative instruments.

(€ millions)	**Lower case**	**Actual 2016**	**Higher case**
Foreign currencies exchange rates	(10.0)%	-	10.0%
Effective portion in equity at the closing date	(250.7)	(201.0)	(152.9)
Ineffective portion in the profit or loss of the period	-	-	-

▪ OTHER INFORMATION

NOTE 25 MAIN CONSOLIDATED ENTITIES

Accounting policy

The entities controlled by Imerys, i.e. those over which the Group has the power to govern the financial and operating policies, are consolidated. Their assets, liabilities, income and expenses thus contribute to the various positions of the consolidated financial statements. Intra-group transactions are eliminated. An entity's losses are allocated to non-controlling interests proportionally to their interest, even if they finally present a negative balance. Changes in interest with no impact on control are recognized in equity. In the absence of sufficient detail of existing standards and interpretations, the Executive Management considers that any commitment entered into by Imerys with the intent to acquire shares from the minority interests results in the recognition of a liability measured at the fair value of the commitment against a derecognition of these interests. Any difference between the fair value of the liability and the carrying amount of the minority interests is recognized in equity. When at the closing date, it is highly probable that non-current assets or groups of directly related assets and liabilities shall be disposed of, they are designated as non-current assets or groups of assets held for sale. Their sale is considered as highly probable if, at the closing date, a plan designed to sell them at a price that is reasonable with respect to their fair value has been initiated to identify a buyer and to conclude definitively the sale within a maximum of one year. Non-current assets or groups of assets held for sale are presented in separate positions in the financial statements. They cease to be depreciated and are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets or groups of assets that are to be closed rather than sold are non-current assets that are to be abandoned and not held for sale. Where non-current assets corresponding to a disposal or held for sale or to be abandoned correspond to one or several CGUs and are to be abandoned as part of a single coordinated plan, they qualify as discontinued operations and their related flows are disclosed separately in the income statement and in the statement of cash flows.

Changes in the scope of consolidation

Energy Solutions & Specialties (ESS). The previous significant evolution of the consolidation scope of the Energy Solutions & Specialties business group corresponds to the acquistion, on October 30, 2015, of the PCC (Precipitated Calcium Carbonate) business of the Belgian Solvay group, the European leader for fine and ultra-fine PCC products *(Note 16)*.

Filtration & Performance Additives (F&PA). The Filtration & Performance Additives business group has not performed any significant acquisition since it took control of the bentonite, continuous casting fluxes for the steel industry, wollastonite and perlite businesses of the S&B group on February 26, 2015 *(Note 16)*.

Ceramic Materials (CM). The last significant change in the scope of the Ceramic Materials business group corresponds to the disposal to the Bouyer Leroux group of the clay bricks, walls and chimney blocks business on September 30, 2013.

High Resistance Minerals (HRM). On December 31, 2016, the High Resistance Minerals business group took control of three industrial sites of the specialty alumina business of the French group Alteo located in Germany and in France and addressing the refractories, abrasives and ceramics markets *(Note 16)*.

Scope of consolidation as of December 31, 2016

In the following table, 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	ESS	100.00	Imerys SA	Holding	Parent
Imerys Ceramics France	F&PA/CM	99.99	Imerys Services	Holding	100.00
Imerys Filtration France	F&PA	100.00	Imerys Tableware France	CM	100.00
Imerys Metalcasting France	F&PA	100.00	Imerys Talc Luzenac France	F&PA	100.00
Imerys PCC France	ESS	100.00	Imerys TC	CM	100.00
Imerys Refractory Minerals Clérac	HRM	100.00	Mircal	Holding	100.00
Imerys Refractory Minerals Glomel	HRM	100.00	Mircal Europe	Holding	100.00
Imerys Refractory Minerals International Sales	HRM	100.00	Profimo	CM	85.00[(1)]
Europe					
Austria					
Imerys Fused Minerals Villach	HRM	100.00	Imerys Talc Austria	F&PA	100.00
Belgium					
Imerys Graphite & Carbon Belgium	ESS	100.00	Imerys Talc Belgium	F&PA	100.00
Imerys Minéraux Belgique	ESS/CM	100.00			
Finland					
Calderys Finland	ESS	100.00	Imerys Minerals	CM	100.00
Germany					
Calderys Deutschland	ESS	100.00	Imerys Metalcasting Germany	F&PA/HRM	100.00
Imerys Fused Minerals Laufenburg	HRM	100.00	Imerys Minerals	ESS	99.99[(1)]
Imerys Fused Minerals Murg	HRM	100.00	Imerys Tableware Deutschland	CM	100.00
Imerys Fused Minerals Zschornewitz	HRM	100.00			
Greece					
Imerys Industrial Minerals Greece	F&PA	100.00			
Hungary					
Imerys Kiln Furniture Hungary	CM	100.00			
Italy					
Calderys Italia	ESS	100.00	Imerys Minerali	ESS/CM	100.00
Imerys Bentonite Italy	F&PA	100.00	Imerys Talc Italy	F&PA	99.66
Imerys Fused Minerals Domodossola	ESS/HRM	100.00			
Luxembourg					
Imerys Minerals International Sales	F&PA/HRM	100.00			
Netherlands					
Calderys The Netherlands	ESS	100.00			
Russia					
Calderys	ESS	100.00			
Slovenia					
Imerys Fused Minerals Ruse	HRM	100.00			
Spain					
Imerys Diatomita Alicante	F&PA	100.00	Imerys Perlita Barcelona	F&PA	100.00
Sweden					
Calderys Nordic	ESS	100.00	Imerys Mineral	ESS/CM	100.00
Switzerland					
Imerys Graphite & Carbon Switzerland	ESS	100.00			
Ukraine					
Calderys Ukraine	ESS	100.00	Vatutinsky Kombinat Vognetryviv	HRM	89.34
United Kingdom					
Imerys Fused Minerals Hull	HRM	100.00	Imerys PCC UK	ESS	100.00
Imerys Minerals	ESS/F&PA/CM/HRM/Holding	100.00	Imerys UK	Holding	100.00

(1) Percentage of control: 100.00%.

Countries Entities	Business groups	% of interest	Entities	Business groups	% of interest
United States					
Advanced Minerals Corporation	F&PA	100.00	Imerys Refractory Minerals USA	HRM	100.00
Americarb	ESS	100.00	Imerys Steelcasting USA	F&PA	100.00
Imerys Carbonates USA	ESS	100.00	Imerys Talc America	F&PA	100.00
Imerys Clays	CM/Holding	100.00	Imerys USA	Holding	100.00
Imerys Fused Minerals Greeneville	HRM	100.00	Kentucky Tennessee Clay Company	CM	100.00
Imerys Fused Minerals Niagara Falls	HRM	100.00	NYCO Minerals	F&PA	100.00
Imerys Minerals California	F&PA	100.00	Pyramax Ceramics Southeast	ESS	100.00
Imerys Oilfield Minerals	ESS	100.00	S&B Industrial Minerals North America	F&PA	100.00
Imerys Perlite USA	F&PA	100.00			
Rest of the World					
Australia					
Imerys Talc Australia	F&PA	100.00			
Bahrain					
Imerys Al Zayani Fused Minerals	HRM	70.00			
Brazil					
Imerys Do Brasil Comercio	ESS/F&PA/CM	100.00	Imerys Rio Capim Caulim	CM	100.00
Imerys Fused Minerals Salto	HRM	100.00	L-Imerys Industria e Comercio de Cal	ESS	100.00
Imerys Itatex Solucoes Minerais	F&PA	100.00	Pará Pigmentos	CM	100.00
Canada					
Imerys Canada	CM	100.00	Imerys Mica Suzorite	F&PA	100.00
Imerys Graphite & Carbon Canada	ESS	100.00	Imerys Talc Canada	F&PA	100.00
Chile					
Imerys Minerales Chile	F&PA	100.00			
China					
Calderys China	ESS	100.00	Imerys Shanghai Investment Management	ESS/F&PA/CM/HRM/Holding	100.00
Imerys Fused Minerals Yingkou	HRM	100.00	Linjiang Imerys Diatomite	F&PA	100.00
Imerys Shanghai Filtration Minerals Trading	F&PA	100.00			
India					
Calderys India Refractories	ESS	100.00	Imerys Minerals India	ESS	100.00
Imerys Ceramics India	CM	100.00			
Indonesia					
PT ECC	ESS	51.00	PT Indoporlen	ESS	70.00
Japan					
Calderys Japan	ESS	100.00	Imerys Specialities Japan	F&PA	100.00
Imerys High Resistance Minerals Japan	HRM	100.00	Niigata GCC	ESS	60.00
Imerys Minerals Japan	ESS/CM	100.00			
Malaysia					
Imerys Minerals Malaysia	ESS	100.00			
Mexico					
Imerys Diatomita Mexico	F&PA	100.00	Minera Roca Rodando	F&PA	100.00
KT Clay de Mexico	CM	100.00			
Singapore					
Imerys Asia Pacific	ESS/CM	100.00			
South Africa					
Imerys Refractory Minerals South Africa	HRM	73.95[(1)]			
South Korea					
Imerys Minerals Korea	F&PA	100.00			
Taiwan					
Calderys Taiwan	ESS	100.00			

(1) Percentage of control: 100.00%

NOTE 26 CURRENCY RATES

Accounting policy

The consolidated financial statements of Imerys are stated in Euro. The functional currencies of the main consolidated entities *(Note 25)* correspond to the local currencies. The accumulated impact of the translation of the financial statements of foreign operations is recognized in equity. The assets and liabilities of foreign operations are translated at the closing rate and their income and expenses at the average rate of the period. The non-monetary assets and liabilities resulting from transactions in foreign currencies are measured at the rate of the day or the average rate of the month of the transaction. Except for derivative financial instruments, monetary assets and liabilities resulting from transactions in foreign currencies are measured at the closing rate. The corresponding foreign exchange differences are recognized in other financial income and expenses *(Note 12)* except for those generated by the monetary assets and liabilities of net investments in foreign operations and by their hedges that are recognized in equity *(Note 24.5 – Conversion of financial statements risk)*. Upon disposal of a foreign operation, the accumulated impact of the financial statements translation and hedges is recognized in other operating income and expenses with the result on disposal of the business *(Note 10)*.

		2016		2015	
(€1 =)	**Foreign currencies**	**Closing**	**Average**	**Closing**	**Average**
Australia	AUD	1.4596	1.4883	1.4897	1.4778
Bahrain	BHD	0.3964	0.4175	0.4098	0.4188
Brazil	BRL	3.4354	3.8558	4.2512	3.6981
Canada	CAD	1.4188	1.4659	1.5116	1.4185
Chile	CLP (100)	7.0339	7.4878	7.7315	7.2609
China	CNY	7.3123	7.3417	7.0696	6.9122
Hungary	HUF (100)	3.0983	3.1144	3.1598	3.1000
India	INR	71.6310	74.3699	72.2091	71.2346
Indonesia	IDR (100)	141.7343	147.2083	150.3999	148.7343
Japan	JPY (100)	1.2340	1.2020	1.3107	1.3435
Malaysia	MYR	4.7280	4.5835	4.6704	4.3368
Mexico	MXN	21.7719	20.6673	18.9145	17.6161
Russia	RUB	64.3000	74.1446	80.6736	68.0639
Singapore	SGD	1.5234	1.5275	1.5417	1.5258
South Africa	ZAR	14.4570	16.2645	16.9530	14.1635
South Korea	KRW (100)	12.7388	12.8361	12.7596	12.5619
Sweden	SEK	9.5525	9.4689	9.1895	9.3548
Switzerland	CHF	1.0739	1.0902	1.0835	1.0679
Taiwan	TWD	34.0200	35.6981	35.7695	35.3060
Ukraine	UAH	28.5428	28.2892	26.1087	24.3353
United Kingdom	GBP	0.8562	0.8195	0.7340	0.7261
United States	USD	1.0541	1.1069	1.0887	1.1101

NOTE 27 RELATED PARTIES

External related parties of Imerys

The related parties of Imerys are the Canadian group Power and the Belgian group Frère-CNP. These groups are the ultimate controlling parties of Imerys. Through their joint venture Parjointco, they exercise joint control on the Swiss group Pargesa that controls Imerys through a direct investment in the Belgian group GBL. In this respect, Pargesa and GBL are related parties of Imerys. Imerys is not party to any contract with its external related parties.

Key management personnel of Imerys

The managers qualifying as related parties as of December 31, 2016 are the 17 members of the Board of Directors (18 members as of December 31, 2015) and the 9 members of the Executive Committee (8 members as of December 31, 2015).

Remuneration and assimilated benefits granted to these related parties are disclosed in the table hereafter:

		2016		2015	
(€ millions)	**Notes**	**Expense**	**Liability**	**Expense**	**Liability**
Short-term benefits	1	(7.4)	3.2	(6.8)	2.7
Long-term benefits		-	-	-	-
Directors' attendance fees	2	(0.9)	0.5	(0.9)	0.4
Post-employment benefits	3	(1.9)	11.5	(1.6)	11.0
Contributions to defined contribution plans		(1.1)	-	(0.4)	-
Termination benefits		(0.7)	-	(1.5)	1.0
Share-based payments	4	(3.8)	-	(2.5)	-
Total		**(15.8)**	**15.2**	**(13.7)**	**15.1**

Note 1. Short-term benefits. These amounts include the fixed part of the remuneration paid for the period as well as the variable part due for the same period, but paid over the subsequent period.

Note 2. Directors' attendance fees. These amounts correspond to the fees paid to the members of the Board of Directors.

Note 3. Post-employment benefits. These amounts mainly correspond to the post-employment defined benefit plans allowed to the main executives of the Group's French entities who meet the required conditions of eligibility. These amounts are recognized for the beneficiaries qualifying as related parties, among which some of the above mentioned executives (three in 2016, four in 2015). The maximum amount of the life annuity that can be paid to the beneficiaries of these plans as from the liquidation of their retirement rights is calculated in order to guarantee a life annuity:

- of a total gross annual amount (after recognition of pensions from mandatory and complementary retirement plans) of 60.0% of their salary of reference, this salary of reference being capped to 30 times the annual ceiling of the French Social Security as of December 31, 2016 (30 times as of December 31, 2015);
- subject to a payment ceiling of 25.0% of the above mentioned salary of reference of the last 12 calendar months preceding the withdrawal from the Group's headcount.

Note 4. Share-based payments. This amount corresponds to expenses recognized with respect to the Imerys share options and the free shares attributed to the related parties.

Post-employment benefits for Imerys employees

The post-employment benefit plans for the benefit of Imerys employees are related parties. The amount of the contributions to external funds recognized as an expense in 2016 amounts to €19.4 million (€18.1 million in 2015), of which mainly €7.4 million to Imerys UK Pension Fund Trustees Ltd., United Kingdom (€9.0 million in 2015) and €5.4 million to Comerica, United States (€4.5 million in 2015).

FCPE Imerys Actions

The FCPE Imerys Actions is managed by BNP Paribas Asset Management SAS. Its management is controlled by a Supervisory Board of 8 members, equally made up of shareholders' and Imerys representatives. As Imerys exercises together with the shareholders a joint control over the FCPE Imerys Actions, the FCPE Imerys Actions is a related party. The amounts recognized in 2016 (and 2015) for the FCPE Imerys Actions are immaterial.

NOTE 28 COMMITMENTS

In the course of its activities, Imerys is liable towards third parties for obligations, often subordinated to conditions or subsequent events, that do not (or partially) meet the recognition criteria of liabilities, but may have an impact on the future financial position.

The unrecognized portion of the obligation is designated hereafter by the term commitment. Identified in accordance with applicable accounting standards, the significant commitments, given and received, are presented hereafter.

Commitments given

(€ millions)	Notes	2016	2015
Operating lease	1	201.2	171.2
Site restoration	2	31.6	34
Commitments related to operating activities	3	325.7	229.8
Commitments related to treasury	4	57.2	41.8
Other commitments	5	29.3	6.4
Total		**645.0**	**483.2**

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts of real estate, equipment, rail cars, trucks and vehicles, in which Imerys is the lessee. The non-discounted value of these commitments amounts to €201.2 million, of which €50.1 million for 2017, €81.1 million for the period 2018 to 2021 and €69.9 million beyond.

Note 2. Site restoration. These amounts correspond to sureties and guarantees obtained from financial institutions in accordance with legal requirements, decreased by recognized provisions *(Note 23.2)*. These sureties and guarantees are generally taken out for the benefit of government agencies to secure the financial capacity of Imerys to meet its environmental obligations.

Note 3. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by Imerys as part of purchase contracts of goods, services, energy and freight. These commitments comprise in particular two commitments of purchase of services that aim at guaranteeing the shipping logistics of the Group until 2022 (sea chartering contracts entered into with an entity under significant influence, whose main characteristics are described in *Note 9* and a storage and handling contract entered into with a third party) for a total amount of €172.9 million as of December 31, 2016 (€47.3 million as of December 31, 2015). The energy supply commitments (mainly electricity and gas) amount to €35.6 million as of December 31, 2016 (€48.2 million as of December 31, 2015).

Note 4. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by Imerys from financial institutions in order to guarantee operating treasury requirements in favor of customers.

Note 5. Other commitments. This position encompasses the whole of the commitments given not mentioned above, among which the seller warranties and the price adjustment clauses given by the Group upon disposals of businesses.

Commitments received

(€ millions)	Notes	2016	2015
Operating lease	1	19.0	20.0
Commitments related to operating activities	2	64.3	36.9
Commitments related to treasury	3	0.5	1.7
Available financial resources	4	1,855.0	1,425.0
Other commitments	5	131.8	111.7
Total		**2,070.6**	**1,595.3**

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts in which Imerys is the lessor.

Note 2. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by customers in favor of Imerys as part of sales contracts of goods and services.

Note 3. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by certain suppliers from their financial institutions, in order to guarantee their operating treasury requirements in favor of Imerys.

Note 4. Available financial resources. These commitments correspond to the amount of available financial resources, after the repayment of financing from uncommitted resources *(Note 24.5 – Market liquidity risk)*.

Note 5. Other commitments. This position encompasses the whole of the commitments received not mentioned above, among which the seller warranties and the price adjustment clauses in favor of the Group upon acquisitions of businesses. Imerys thus benefits from a seller warranty of €57.9 million (€56.0 million as of December 31, 2015) received from the Rio Tinto group related to the acquisition in 2011 of the Luzenac group, of seller warranty of €5.4 million received from the Solvay group related to the acquisition in 2015 of its PCC business and of seller warranty of €4.4 million received from the Alteo group related to the acquisition in 2016 of its fused minerals business.

NOTE 29 EVENTS AFTER THE END OF THE PERIOD

Accounting policy

Events occurring between the end of the period and the authorization of issue of the financial statements by the Board of Directors result in an adjustment only if they reveal, specify or confirm situations existing at the closing date.

Events after the end of the period

The annual consolidated financial statements as of December 31, 2016 were closed by the Board of Directors at its meeting on February 15, 2017. On January 4, 2017, Imerys acquired the Danish group Damolin (€45.0 million sales in 2015) specialized in particular in oil and chemical absorbents. On January 10, 2017, Imerys issued a €600.0 million bond with a maturity of 10 years and an annual yield of 1.50%. On January 25, 2017, Imerys cancelled an available €500.0 million financial resource made up of a syndicated loan with an initial maturity expiring on December 11, 2017, with the option for a one-year extension *(Note 24.5 – Market liquidity risk)*.

6.2 STATUTORY FINANCIAL STATEMENTS

6.2.1 FINANCIAL STATEMENTS

INCOME STATEMENT

(€ thousands)	Notes	2016	2015
Operating revenue		**31,051**	**31,410**
Rendering of services		30,521	30,378
Other revenue and decreases in provisions		530	1,032
Operating expenses		**(97,311)**	**(87,763)**
Purchases and external services		(47,400)	(46,524)
Taxes and duties		(1,377)	(1,426)
Staff expenses		(43,840)	(36,819)
Amortization, depreciation, write-downs and provisions		(3,598)	(1,984)
Other expenses		(1,096)	(1,010)
Operating income	**10**	**(66,260)**	**(56,353)**
Financial income	**11**	**134,411**	**356,615**
Revenue from subsidiaries and affiliates		187,230	470,473
Net financial expenses		(52,852)	(46,266)
Increases and decreases in write-downs and provisions		3,663	3,111
Exchange rate gains and losses		(3,630)	(70,703)
Current income		**68,151**	**300,262**
Exceptional income (loss)	**12**	**3,454**	**(6,787)**
Exceptional revenue		26,318	36,929
Exceptional expenses		(22,864)	(43,716)
Income taxes	**13**	**33,969**	**46,644**
Net income		**105,574**	**340,119**

■ BALANCE SHEET

(€ thousands)	Notes	2016	2015
Net intangible assets		**2,850**	**1,305**
Intangible assets	14	14,754	12,534
Accumulated amortization	14	(11,904)	(11,229)
Net property, plant and equipment		**844**	**1,105**
Property, plant and equipment	14	8,896	8,675
Accumulated depreciation	14	(8,052)	(7,570)
Net investments		**4,016,123**	**4,003,834**
Investments	15	4,019,126	4,006,837
Write-downs	15	(3,003)	(3,003)
Loans related to direct investments and other subsidiaries – net value	**16**	**1,152,362**	**1,107,128**
Loans related to direct investments and other subsidiaries		1,152,433	1,107,205
Write-downs		(71)	(77)
Other financial investments	**17**	**36,911**	**47**
Non-current assets		**5,209,090**	**5,113,419**
Other receivables	16	30,200	28,579
Derivative financial assets		39	2,224
Marketable securities	18	19,939	47,664
Cash and cash equivalents		425,752	24,030
Current assets		**475,930**	**102,497**
Regularization accounts	16	11,994	9,713
Assets		**5,697,014**	**5,225,629**
Share capital		159,136	159,145
Additional paid-in capital		529,772	530,235
Reserves		959,939	959,939
Retained earnings		230,459	27,816
Net income of the period		105,574	340,119
Shareholders' equity	**19**	**1,984,880**	**2,017,254**
Provisions for risks and charges	**20**	**55,311**	**49,635**
Financial debts	21	3,575,917	3,087,046
Other debts	21	61,864	61,197
Derivative financial liabilities	21	0	1,168
Debts		**3,637,781**	**3,149,411**
Regularization accounts	21	19,042	9,329
Shareholders' equity and liabilities		**5,697,014**	**5,225,629**

6.2.2 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND POLICIES

Imerys SA presents its financial statements in accordance with accounting principles and policies established by the General Accounting Plan as provided by regulation no. 2014-03 of the Accounting Standard Authority of June 5, 2014 and amended by subsequent regulations. General accounting rules were applied under the principle of prudence and in accordance with the following fundamental assumptions: going concern, permanence of accounting policies from one period to the other, independence of periods, in accordance with the general rules of preparation and presentation of annual financial statements. The methodology generally used is the historical cost method for the items recognized in the books. Statutory financial statements provide comparative information with respect to period N-1. Comparative information with respect to period N-2 is incorporated by reference to the financial statements included in the registration document of period N-2 *(Chapter 9, section 9.4 of the Registration Document)*.

NOTE 1 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LONG TERM INVESTMENTS

Intangible assets

Intangible assets are measured at acquisition cost. Software is amortized over 3 years under the straight-line method.

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost or contribution value.

Depreciation methods are representative of economic depreciation; therefore, no excess tax depreciation was recognized as liabilities on the balance sheet.

Depreciation methods and useful lives are as follows:

- machinery and equipment: straight-line method, over 10 years;
- equipment and office furniture: straight-line method, over 5 and 10 years;
- office equipment: straight-line method, over 5 years;
- IT equipment: straight-line method, over 3 and 5 years.

Long-term investments

The long-term investments are measured at acquisition cost, excluding ancillary expenses. Investments and other long-term investments are measured at their value in use. The value in use is derived from the enterprise value, mainly based upon past results and profitability prospects, from the translated share in equity held in these investments and from the net asset value. Where this value exceeds the carrying amount recognized on the balance sheet, the latter is not modified. On the contrary, a write-down of the investment is recognized. Long-term investments and other financial assets in foreign currencies are not remeasured at the closing rate. Unrealized losses from the fluctuations of foreign currencies in which long-term investments are denominated are not aimed to realize. Therefore, unrealized foreign exchange losses do not qualify in themselves as sufficient criteria to justify systematically a write-down.

NOTE 2 RECEIVABLES AND DEBTS IN FOREIGN CURRENCIES

Receivables and debts in foreign currencies are translated at the closing rate.

NOTE 3 GLOBAL FOREIGN EXCHANGE EXPOSURE

Where, for transactions with sufficiently close maturities, unrealized gains and losses may be considered as contributory to a global foreign exchange exposure, the amount of the increase in the provision for exchange rate losses is limited to the excess of unrealized losses over unrealized gains.

NOTE 4 MARKETABLE SECURITIES

Their value in use is assessed at their average market price over the last month of the period for listed securities, at the last known redemption price for monetary funds (SICAVs) and at their net asset value for equity funds (FCPs). Unrealized losses result in a write-down, unrealized gains are not recognized.

NOTE 5 PROVISIONS

Provisions for risks

Provisions for risks cover identified risks. They are determined in accordance with the following method:

- provisions for operational risks mainly include litigation in progress related to current activities;
- provisions for restructuring relate to reorganization plans officially decided and initiated before the end of the period;
- provisions pertaining to changes in the value of certain equity interests are determined in accordance with the last financial information available and the evolution prospects;
- provisions pertaining to the grant of free shares are determined in accordance with their maturity, on the basis of the opening share price at the date of their allocation to the plan or, where the shares are not purchased at the closing date, at the share price at that date, in accordance with the recommendation CNC 2008-17. The calculation of the provisions pertaining to the grant of free shares incorporates an assessment of the achievement of economic and/or financial performance objectives to which these shares are conditioned and apportioned. The increases and decreases in provisions and the expenses on employer contributions are presented as staff expenses.

Provisions for charges

They mainly include:

- provisions for the rehabilitation of the headquarters as part of the headquarters' relocation;
- provisions for supplementary pension plans and pensions for former employees;
- the retirement indemnities expense, calculated in accordance with the Projected Unit Credit Method. Imerys is applying Recommendation ANC 2013-R02 applicable to the recognition and measurement of pension commitments and similar benefits. Actuarial differences are recognized in accordance with the corridor method.

NOTE 6 FINANCIAL DEBTS

They mainly include:

- commissions and external costs incurred in connection with loan issues, that are recognized as "Expenses to be allocated over several periods" and are spread on a straight-line basis over the maturity of loans;
- bond reimbursement premiums, that are amortized on a straight-line basis over the maturity of each bond.

NOTE 7 RISKS PERTAINING TO FINANCIAL MARKETS

As the holding company of the Imerys Group, Imerys SA is implementing the management policy on financial markets risks as identified within the Group (foreign exchange rate risk, interest rate risk, energy price risk).

The main instruments and risks are described hereafter:

- the derivative instruments used to hedge the foreign exchange rate risk are mainly forward purchasing and selling foreign currency contracts as well as foreign exchange options. A global foreign exchange exposure is calculated where transactions in foreign currencies (hedged items and hedging instruments) result in the symmetrical recognition of an asset and a liability presenting similar characteristics. For those options complying with the Group's risk management policy, but not qualifying for hedge accounting, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized;
- Imerys SA is using swaps and options in order to hedge the interest rate risk. The expenses and revenue related to hedging instruments are recognized in profit or loss symmetrically to the expenses and revenue of hedged items;
- to hedge the energy price risk of its subsidiaries, Imerys SA uses option contracts as well as forward purchasing and selling contracts. The expenses and revenue related to hedging instruments of risks are recognized in profit or loss symmetrically to the expenses and revenue of hedged items. For those options and contracts related to the hedging of risks affecting those subsidiaries that comply with the Group's risk management policy, but that do not meet hedge accounting criteria, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized.

NOTE 8 TAX CONSOLIDATION

Since 1993, Imerys and some of its French subsidiaries are assessed under Article 223 A of the French Tax Code in respect of group taxation. Two entities left the tax consolidation scope in 2016: Mircal Asia and Mircal Chili. As of December 31, 2016, the tax consolidation scope includes the 23 entities mentioned below:

▪ Ardoise et Jardin	▪ Imerys Services
▪ Ardoisières d'Angers	▪ Imerys Tableware France
▪ Calderys France	▪ Imerys TC
▪ Captelia	▪ La Française des Tuiles et Briques
▪ Imerys	▪ Mircal
▪ Imerys Ceramics France	▪ Mircal Brésil
▪ Imerys Filtration France	▪ Mircal Europe
▪ Imerys PCC France	▪ Parimetal
▪ Imerys Refractory Minerals International Sales	▪ Parnasse 25
▪ Imerys Minéraux France	▪ Parnasse 27
▪ Imerys Refractory Minerals Clerac	▪ PLR Réfractaires SAS U
▪ Imerys Refractory Minerals Glomel	

Within the tax group headed by Imerys, relationships are governed by a convention whose principles are summarized below:

- the tax consolidated entities benefit from a situation identical to the one that they would have had in the absence of tax consolidation;
- all additional expenses are recognized at Imerys SA, that benefits in counterpart from any potential savings generated by this scheme.

NOTE 9 TRANSFER OF EXPENSES

The "transfer of expenses" positions mainly correspond to:

- transfers of expenses to balance sheet accounts (loan issuance expenses, capital increase expenses);
- the transfer from one category of expenses to another (operating expenses transferred to exceptional or financial expenses or vice versa).

NOTES TO THE INCOME STATEMENT

NOTE 10 OPERATING INCOME

Operating revenue amounts to €31.1 million (€31.4 million in 2015), i.e. a €0.3 million decrease attributable to a lower level of reinvoicing of the services rendered by the holding to its subsidiaries. Purchases and external services remain stable at €47.4 million (€46.5 million in 2015). Staff expenses increase by €7.0 million, mainly as a result of free shares grants. Besides, in order to bring together on one single site the teams of Imerys SA and its subsidiaries of the Île-de-France region, the headquarters of Imerys SA shall be relocated at the end of 2017. A provision for the rehabilitation of the current headquarters was thus accrued for €1.1 million *(Note 20)*.

NOTE 11 FINANCIAL INCOME

(€ thousands)	2016	2015
Financial revenue	**357,800**	**635,272**
Revenue from subsidiaries and affiliates(1)	187,230	470,473
Other investment income – net(1)	27,941	22,816
Decreases in provisions and transfer of expenses	12,503	16,228
Exchange rate gains	130,126	125,755
Financial expenses	**223,389**	**278,657**
Financial interests and expenses on financial instruments(2)	80,793	69,082
Increases in financial amortization and provisions	8,840	13,117
Exchange rate losses	133,756	196,458
Financial income	**134,411**	**356,615**
(1) Of which revenue related to controlled entities	*207,360*	*486,786*
(2) Of which expenses related to controlled entities	*3,720*	*2,238*

Revenue from subsidiaries and affiliates amounts to €187.2 million, i.e. a decrease of €283.2 million vs. 2015, a period over which the company Imerys TC had paid to Imerys SA an exceptional dividend of €220.0 million. Imerys SA is managing the foreign exchange rate risk related to directly or indirectly held foreign net assets, as well as that resulting from the loans and advances granted to the subsidiaries and entities under treasury contracts, through adjustments of the proportions of its indebtedness drawn in foreign currencies. In 2016, Imerys SA recognized in this respect a net foreign exchange loss of -€3.6 million (-€70.7 million in 2015). Besides, the net change in the foreign exchange risk provision amounts to -€1.7 million in 2016 (+€3.0 million in 2015). Foreign exchange gains and losses net of provisions thus amount to -€5.3 million in 2016 (-€67.7 million in 2015). The net financial expenses included in the position "Financial interests and expenses on financial instruments", increase by €6.6 million further to the issue in March 2016 of a €600.0 million bond in two tranches: €300.0 million with a maturity in 2022 and an annual yield of 0.875%, and €300.0 million with a maturity in 2028 and an annual yield of 1.875%. The net of increases and decreases in financial provisions other than foreign exchange gains and losses, amounts to +€5.4 million in 2016 (+€0.1 million in 2015). In 2016, these changes correspond to a +€6.5 million decrease in the provision on financial instruments and a -€1.1 million increase on current financial management expenses.

NOTE 12 EXCEPTIONAL INCOME (LOSS)

(€ thousands)	2016	2015
Gains and losses on disposals of assets	(390)	(30,350)
Other exceptional revenue	222	3
Decreases in provisions and transfer of expenses	10,615	32,539
Increases in provisions	(6,973)	(8,972)
Other exceptional expenses	(20)	(7)
Exceptional income (loss)	**3,454**	**(6,787)**

The decreases in provisions include a provision for management risks of €9.3 million and a provision for staff-related risks of €1.3 million. A provision for management risks of €6.7 million and a provision for staff-related risks of €0.2 million were accrued in 2016.

NOTE 13 INCOME TAXES

(€ thousands)	2016	2015
Taxes on long-term capital gains	-	-
Income taxes	33,969	46,644
Total	**33,969**	**46,644**

Breakdown of the tax expense

(€ thousands)	Result before taxes	Taxes	Result after taxes
Current income	68,151	-	68,151
Exceptional income (loss)	3,454	-	3,454
Impact of the tax consolidation	-	33,969	33,969
Total	**71,605**	**33,969**	**105,574**

In accordance with the terms of the tax consolidation conventions signed by each company of the Imerys Group, the tax expense or credit recognized in the accounts of Imerys SA is made up of the tax expense of Imerys SA, calculated as if it was not part of the tax consolidation; and of the net amount of additional expenses and credits resulting from the tax consolidation. In this respect, Imerys SA recognized a credit of €34.0 million in 2016 (€46.6 million in 2015).

On a stand-alone basis, Imerys SA is recognizing a loss of €88.1 million in 2016. The stand-alone cumulated amount of the Imerys SA carried forward losses thus amounts to €1,134.3 million as of December 31, 2016 (€1,046.2 million as of December 31, 2015), of which €15.9 million may be indefinitely carried forward.

Deferred taxation

The deferred tax position corresponds to timing differences on certain items of revenue and expenses between tax rules and accounting rules. In accordance with French accounting rules, the decreases and increases in future tax expense resulting from such differences are not recognized, but are subject to the following disclosure:

(€ thousands)	2016	2015
Deferred tax assets (decrease in the future tax expense)	27,000	25,321
Deferred tax liabilities (increase in the future tax expense)	2,219	1,617

▪ NOTES TO THE BALANCE SHEET

NOTE 14 CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Gross amount 12/31/2015	Acquisitions	Disposals	Gross amount 12/31/2016
Intangible assets	12,534	2,220	-	14,754
Property, plant and equipment	8,675	221	-	8,896
Total gross intangible assets and property, plant and equipment	**21,209**	**2,441**	**0**	**23,650**

(€ thousands)	Amortization and depreciation 12/31/2015	Increases	Decreases	Amortization and depreciation 12/31/2016
Amortization of intangible assets	11,229	675	-	11,904
Depreciation of property, plant and equipment	7,570	482	-	8,052
Total amortization and depreciation of intangible assets and property, plant and equipment	**18,799**	**1,157**	**0**	**19,956**

NOTE 15 CHANGES IN THE VALUE OF INVESTMENTS

The gross amount of investments increases by €12.3 million in 2016 period as a result of contingent consideration related to the S&B Minerals Finance shareholding. Investments write-downs amount to €3.0 million as of December 31, 2016.

NOTE 16 RECEIVABLES AND REGULARIZATION ACCOUNTS

(€ thousands)	Gross amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Loans and receivables related to investments	**1,152,362**	**762,684**	**129,877**	**259,802**
Loans and receivables related to direct investments	448,966	349,577	99,390	-
Loans and receivables related to other Group subsidiaries	703,396	413,107	30,487	259,802
Other receivables	**30,200**	**26,515**	**1,229**	**2,456**
Operating receivables	26,399	26,399	-	-
Bond issuance premium	3,801	116	1,229	2,456
Regularization accounts	**11,994**	**7,913**	**2,716**	**1,365**
Prepaid expenses(1)	735	683	52	-
Bond issuance cost	4,813	784	2,664	1,365
Unrealized exchange rate losses(2)	6,446	6,446	-	-
Total	**1,194,556**	**797,112**	**133,822**	**263,623**

(1) Prepaid expenses mainly comprise purchases of external services.

(2) The unrealized exchange rate gains/losses derive from the closing revaluation of loans and receivables in foreign currencies.

The gross amount of loans related to investments increases by €45.2 million. Receivables related to investments correspond to loan contracts and intra-group credit agreements aimed at optimizing cash management. Loans write-downs amount to €0.1 million as of December 31, 2016.

NOTE 17 OTHER FINANCIAL INVESTMENTS

As of December 31, 2016, other financial investments amount to €36.9 million and mainly correspond to treasury shares held to be cancelled.

NOTE 18 MARKETABLE SECURITIES

Net values

(€ thousands)	2016	2015
SICAVs and mutual funds	81	33,374
Deposit certificate	19	-
Treasury shares	19,839	14,290
Total	**19,939**	**47,664**

As of December 31, 2016, the gross amount of marketable securities amounts to €19.9 million. Treasury shares include €7.6 million of Imerys SA shares allocated to the deferred payment of the acquisition of S&B shares.

Measurement of marketable securities as of December 31, 2016

Nature	Quantity	Average cost price per unit *(€)*	Closing price December 2016 *(€)*
SICAV BNP	1	57,261.81	57,160.66
SICAV SG	1	23,895.95	23,888.74
Treasury shares	325,651	60.92	72.07

NOTE 19 BREAKDOWN OF CHANGES IN SHAREHOLDERS' EQUITY

			Reserves[1]					
(€ thousands)	Capital	Premiums	Legal	Regulated	Other	Retained earnings	Income of the period	Total
Shareholders' equity as of 01/01/2015 before allocation of net income	**151,771**	**334,111**	**15,248**	**273,471**	**670,482**	**129,107**	**31,197**	**1,605,387**
Allocation of 2014 income	-	-	-	-	-	(101,291)	(31,197)	(132,488)
Movements of the 2015 period								
Cancellation of 1,000,000 shares of €2	(2,000)	(60,382)	-	-	-	-	-	(62,382)
Subscription of 958,592 shares by exercise of options	1,917	50,301	-	-	-	-	-	52,218
Issue of 3,728,308 shares as consideration for a contribution in kind	7,457	206,205	738	-	-	-	-	214,400
Net income as of 12/31/2015	-	-	-	-	-	-	340,119	340,119
Shareholders' equity as of 01/01/2016 before allocation of net income	**159,145**	**530,235**	**15,986**	**273,471**	**670,482**	**27,816**	**340,119**	**2,017,254**
Allocation of 2015 income	-	-	-	-	-	202,643	(340,119)	(137,476)
Movements of the 2016 period								
Cancellation of 300,000 shares of €2	(600)	(16,046)	-	-	-	-	-	(16,646)
Subscription of 295,383 shares by exercise of options	591	15,583	-	-	-	-	-	16,174
Net income as of 12/31/2016	-	-	-	-	-	-	105,574	105,574
Shareholders' equity as of 01/01/2017 before allocation of net income	**159,136**	**529,772**	**15,986**	**273,471**	**670,482**	**230,459**	**105,574**	**1,984,880**
Proposal for allocation of income[2]	-	-	-	-	-	(43,218)	(105,574)	(148,792)
Shareholders' equity as of 01/01/2017 with proposal for allocation of income	**159,136**	**529,772**	**15,986**	**273,471**	**670,482**	**187,241**	**0**	**1,836,088**

(1) Imerys' shareholders' equity does not include revaluation differences.

(2) Proposed to the Shareholders' General Meeting on May 3, 2017.

Number of shares

	2016	2015
Number of shares outstanding at the opening	**79,572,491**	**75,885,591**
Capital increase	295,383	4,686,900
Capital decrease	(300,000)	(1,000,000)
Number of shares outstanding at the closing	**79,567,874**	**79,572,491**

For 2016, the capital movements are the following:

- On December 15, 2016, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 30, 2015 and May 4, 2016, and in accordance with the authorization given by the Shareholders' General Meeting of April 30, 2015, cancelled 300,000 treasury shares directly acquired on the market through an investment services provider (for further detail, *see chapter 7, paragraph 7.2.4 of the Registration Document*). This shares cancellation lead to a capital decrease of a nominal amount of €600,000.
- On January 5, 2017, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 15, 2016, noted that, on December 31, 2016, the share capital had been increased by a nominal amount of €590,766 as a result of the exercise between January 1, and December 31, 2016 of 295,383 share options and of the creation of the same number of new Imerys shares.
- As a result of these transactions, Imerys' fully-paid up share capital as of December 31, 2016 totaled €159,135,748; it was made up of 79,567,874 shares with €2.00 par value of which 43,307,351 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. The total number of theoretical voting rights attached to existing shares was 122,875,225. Considering the 932,821 treasury shares held on December 31, 2016 *(see chapter 7, paragraph 7.2.4 of the Registration Document)*, the total number of net voting rights attached to outstanding shares was 121,942,404 on the same date. Taking into account the 865,621 share options and the 1,063,376 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired on December 31, 2016, the maximum potential dilution of the share capital was 2.37% as on this date (i.e. a nominal amount of €162,993,742). The share capital did not change since that date. No directly registered shares have been pledged.

Detailed information concerning share capital is available in *chapter 7, paragraph 7.2.1 of the Registration Document*.

Change in treasury shares

(€ thousands)	2016	2015
Gross amount of treasury shares booked as of January 1	**14,290**	**10,395**
Sales (purchases) of treasury shares	66,350	74,155
Transfer of treasury shares (free shares)	(7,315)	(7,878)
Capital decrease by cancellation of treasury shares	(16,646)	(62,382)
Gross amount of treasury shares booked as of December 31(1)	**56,679**	**14,290**

(1) As of December 31, 2016, treasury shares are classified as marketable securities for €19.8 million and as other financial investments for €36.9 million.

NOTE 20 WRITE-DOWNS AND PROVISIONS

(€ thousands)	Amount at the beginning of the period	Increases			Decreases(1)			Amount at the end of the period
		Operating	Financial	Exceptional	Operating	Financial	Exceptional	
Write-downs								
Investments	3,003	-	-	-	-	-	-	3,003
Trade receivables	263	-	-	-	(263)	-	-	0
Loans related to investments	76	-	-	-	-	(5)	-	71
Non-consolidated investments	-	-	-	-	-	-	-	0
Bond issuance premium(2)	1,192	-	1,264	-	-	(1,136)	-	1,320
Marketable securities	-	-	-	-	-	-	-	0
Prepaid expenses – future employee benefits	-	-	-	-	-	-	-	0
Total assets	**4,534**	**0**	**1,264**	**0**	**(263)**	**(1,141)**	**0**	**4,394**
Provisions								
Provisions for risks	**43,802**	**30,293**	**6,485**	**6,973**	**(18,593)**	**(11,245)**	**(10,616)**	**47,099**
Management risks	30,116	30,293	39	6,725	(18,593)	-	(9,344)	39,236
Provisions for exchange rate losses	4,696	-	6,446	-	-	(4,696)	-	6,446
Staff-related risks	1,624	-	-	248	-	-	(1,272)	600
Environmental risks	-	-	-	-	-	-	-	0
Financial instruments	6,549	-	-	-	-	(6,549)		0
Risks on subsidiaries and investments	817	-	-	-	-	-	-	817
Provisions for charges	**5,835**	**2,367**	**242**	**0**	**(116)**	**(116)**	**0**	**8,212**
Rehabilitation of the Company's offices	-	1,120	-	-	-	-	-	1,120
Future employee benefits	5,835	1,247	242	-	(116)	(116)	-	7,092
Other social contributions and tax expenses	-	-	-	-	-	-	-	0
Total liabilities	**49,637**	**32,660**	**6,727**	**6,973**	**(18,709)**	**(11,361)**	**(10,616)**	**55,311**
Grand Total	**54,171**	**32,660**	**7,991**	**6,973**	**(18,972)**	**(12,502)**	**(10,616)**	**59,705**

(1) Provisions decreased in accordance with used amounts for €4,108 thousand.

(2) The amortization of the bond issuance premium has been increased by the premiums on the new bonds for €2,844 thousand.

As head of a group, Imerys SA recognizes management risk, specifically related to the future grant of conditional free shares, as well as environmental provisions. The provision for risks on financial instruments accrued in 2015 was fully reversed in 2016. This provision related to hedging transactions in foreign currencies and on energy prices. No provision for risks on financial instruments was recognized in 2016. In 2016, a provision for risks was accrued for an amount of €30.2 million in view of future conditional grants, partly with respect to 201,651 shares held at the closing date, and partly with respect to shares to be acquired. The provision for risks accrued in 2015 for an amount of €18.5 million is fully reversed in 2016 further to the grant over the period of 48,297 treasury shares and new plans granted in 2016. As part of the relocation project of the headquarters, a provision for the rehabilitation of the rented offices was accrued for an amount of €1.1 million.

Future employee benefits

The defined benefit plans correspond to retirement benefits in accordance with the collective labor agreement of the metalworking industry on the one hand, and to supplementary retirement plans, including the French managers' plan on the other hand. The provision for future employee benefits is calculated in accordance with the following assumptions:

	Retirement	Other long-term employee benefits
Discount rates	0.7%	0.9%
Expected rates of return on plan assets	0.8%	-
Expected rates of salary increases	2.5%	2.5%
Annual turnover rates:		
▪ Executives and non-executives until 30 years	20.0%	20.0%
▪ Executives and non-executives between 30 and 40 years	15.0%	15.0%
▪ Executives and non-executives between 40 and 50 years	10.0%	10.0%
▪ Executives and non-executives between 50 and 55 years	5.0%	5.0%
▪ Executives and non-executives after 55 years	-	-

Change in the discounted value of obligations

	2016			2015		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Opening obligations	**(20,158)**	**(767)**	**(20,925)**	**(19,103)**	**(711)**	**(19,814)**
Interest cost	(230)	(12)	(242)	(215)	(13)	(228)
Current service cost	355	(66)	289	490	(61)	429
Benefit payments	499	20	519	1,395	56	1,451
Curtailments and settlements	-	-	0	-	-	0
Actuarial gains and (losses)	(1,442)	(55)	(1,497)	(2,725)	(38)	(2,763)
Closing obligations(1)	**(20,976)**	**(880)**	**(21,856)**	**(20,158)**	**(767)**	**(20,925)**
Funded by plan assets	(19,580)	-	(19,580)	(18,770)	-	(18,770)
Unfunded	(1,396)	(880)	(2,276)	(1,388)	(767)	(2,155)

(1) Of which retirement obligations to the benefit of the Executive Management and of members of the Board of Directors: €5,609 thousand in 2016, against €4,927 thousand in 2015.

Change in fair value of plan assets

	2016			2015		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Opening assets	**9,098**	**-**	**9,098**	**10,120**	**-**	**10,120**
Expected return on assets	116	-	116	106	-	106
Benefit payments	(423)	-	(423)	(1,189)	-	(1,189)
Employer contributions	-	-	0	-	-	0
Actuarial gains and (losses)	749	-	749	61	-	61
Closing assets	**9,540**	**0**	**9,540**	**9,098**	**0**	**9,098**

Assets / liabilities in the balance sheet

	2016			2015		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Funded obligations	(19,580)	-	(19,580)	(18,770)	-	(18,770)
Fair value of assets	9,540	-	9,540	9,098	-	9,098
Funded status	**(10,040)**	**0**	**(10,040)**	**(9,672)**	**0**	**(9,672)**
Unfunded obligations	(1,396)	(880)	(2,276)	(1,388)	(767)	(2,155)
Unrecognized past service cost	1,124	-	1,124	2,061	-	2,061
Net unrecognized actuarial differences	4,101	-	4,101	3,932	-	3,932
Assets (provisions) in the balance sheet	**(6,211)**	**(880)**	**(7,091)**	**(5,067)**	**(767)**	**(5,834)**
Provisions for retirement	-	-	0	-	-	0
Provisions for future employee benefits	(6,211)	(880)	(7,091)	(5,067)	(767)	(5,834)

Change in assets (provisions) in the balance sheet

	2016			2015		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Opening assets (provisions)	**(5,067)**	**(767)**	**(5,834)**	**(5,666)**	**(711)**	**(6,377)**
Current service cost after curtailments / settlements	(1,220)	(133)	(1,353)	393	(112)	281
Contributions	76	20	96	206	56	262
Closing assets (provisions)	**(6,211)**	**(880)**	**(7,091)**	**(5,067)**	**(767)**	**(5,834)**

NOTE 21 DEBTS AND REGULARIZATION ACCOUNTS

(€ thousands)	**Amount**	**Maturity less than one year**	**Maturity from one to five years**	**Maturity beyond five years**
Financial debts	3,575,917	1,987,749	431,442	1,156,726
Other debts(1)	61,864	36,864	25,000	-
Deferred revenue	0	-	-	-
Unrealized exchange rate gains	19,042	19,042	-	-
Total	**3,656,823**	**2,043,655**	**456,442**	**1,156,726**

(1) Including the additional price on the S&B shares acquisition of €29.0 million subsequent to the payment of €4.0 million over the 2016 period.

The various bank overdrafts do not provide any grants or guarantees to the benefit of the lending banks. The financial debts by foreign currency share out as follows:

(€ thousands)	**Amount**
EUR	2,939,615
USD	340,000
GBP	71,984
JPY	53,285
Other foreign currencies	171,033
Total	**3,575,917**

The analysis of the financial debts by nature and maturity is the following:

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Bonds	2,088,168	500,000	431,442	1,156,726
Commercial papers	0	-	-	-
Bank loans	0	-	-	-
Subsidiary loans	0	-	-	-
Group financial current accounts	1,457,174	1,457,174	-	-
Bank overdrafts and accrued interests	30,575	30,575	-	-
Total	**3,575,917**	**1,987,749**	**431,442**	**1,156,726**

Debts with a maturity less than one year are backed up by draw-downs on confirmed, non-utilized and available bilateral credit lines if necessary. The amount of confirmed and available bilateral credit lines as of December 31, 2016 is disclosed in *Note 23*.

NOTE 22 ACCRUED RECEIVABLES AND PAYABLES

(€ thousands)	Accrued receivables	Accrued payables
Operating	-	5,384
Financial	779(1)	934
Total	**779**	**6,318**

(1) Accrued receivables mainly comprise accrued interests on financial instruments.

▪ OTHER INFORMATION

NOTE 23 OFF BALANCE SHEET COMMITMENTS

Endorsements, sureties, guarantees

As of December 31, 2016, the amount of bilateral multi-currencies credit lines confirmed, non-utilized and available for the benefit of Imerys with a maturity from 2017 to 2021 is €1,355.0 million, completed by a €500.0 million syndicated loan with an initial maturity expiring on December 11, 2017, with the option for a one-year extension.

Commitments given

	For the benefit of				
(€ thousands)	Subsidiaries	Equity interests	Other controlled entities	Other	Total
Avals, sureties, guarantees	-	100,130	196,201	18,945	315,276

Commitments received

	Received from				
(€ thousands)	Subsidiaries	Equity interests	Other controlled entities	Other	Total
Avals, sureties, guarantees	-	-	-	41,800	41,800

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Commitments on the foreign exchange rate risk

As of December 31, 2016, the net commitments on forward purchases and sales against euros are broken down as follows by foreign currencies:

	(foreign currency thousands)		*(€ thousands)*	
	Forward purchases	**Forward sales**	**Forward purchases**	**Forward sales**
AUD	24,468	1,438	16,763	985
CAD	97,607	62,876	68,795	44,317
CHF	-	58,250	-	54,242
DKK	-	455,800	-	61,310
GBP	57,350	2,248	66,984	2,627
MXN	1,068,569	107,282	49,080	4,927
NZD	407	-	269	-
PLN	2,800	-	635	-
SGD	191,568	5,490	125,750	3,604
THB	-	372,226	-	9,867
USD	109,837	443,410	104,200	420,653
ZAR	83,495	695,506	5,775	48,109
Total			**438,251**	**650,641**

These transactions were entered into to hedge the foreign exchange rate risk generated by intra-group borrowings and investments in foreign currencies. They also include the net positions between internal and external derivatives on transactions carried out in relation with the Group's management policy of foreign exchange rate risk.

Commitments on the interest rate risk

As part of the management of the interest rate risk, Imerys SA is holding, as of December 31, 2016, an interest rate swaps with a nominal of JPY7,000.0 million.

Commitments on the energy price risk

The following table summarizes the positions taken as of December 31, 2016 to hedge the energy price risk:

	Net notional amounts *(in MWh)*	**Maturities**
Underlying position	6,071,269	<24 months
Management transactions	1,732,192	<24 months

NOTE 24 ELEMENTS RECOGNIZED UNDER MORE THAN ONE BALANCE SHEET ITEM (NET VALUE)

(€ thousands)	**Total**	**Of which controlled entities**[1]
Investments	4,016,123	4,015,896
Loans related to direct investments and other subsidiaries	1,152,362	1,151,545
Other financial investments	36,911	-
Operating receivables	26,399	12,418
Financial debts	3,575,917	1,456,473
Other debts	61,864	17,189

(1) The controlled entities are those that can be consolidated by full integration into the same group.

NOTE 25 MAIN SHAREHOLDERS

	Number of shares	% of interest	% of voting rights[1]
Belgian Securities BV[2]	42,851,473	53.86%	69.67%
Blue Crest Holding SA	4,122,150	5.18%	3.35%
Group employees	390,457	0.49%	0.56%
Self-holding	932,821	1.17%	0.76%
Public	31,270,973	39.30%	25.66%
Total as of December 31, 2016	**79,567,874**	**100.00%**	**100.00%**

(1) Total theoretical voting rights: 122,875,225.
(2) A 100% subsidiary of the company Groupe Bruxelles Lambert.

The consolidated financial statements of Imerys are included in the scope of consolidation of the Belgian group GBL.

NOTE 26 2016 AVERAGE HEADCOUNT

	Non-executives	Executives	Total
Full-time	19	145	164
Part-time	2	2	4
Total employees of the entity	**21**	**147**	**168**

NOTE 27 COMPENSATION OF DIRECTORS AND EXECUTIVE MANAGERS

(€ thousands)	2016	2015
Board of Directors[1]	931	835
Executive Management	1,719	1,726
Total	**2,650**	**2,561**

(1) Directors' attendance fees

The global amount of retirement obligations contracted for the benefit of members of the Board of Directors and of the Executive Management is presented in *Note 20*.

NOTE 28 EVENTS AFTER THE END OF THE PERIOD

The annual statutory financial statements as of December 31, 2016 were closed by the Board of Directors at its meeting on February 15, 2017. On January 10, 2017, Imerys issued a €600.0 million bond with a maturity of 10 years and an annual yield of 1.50%. On January 25, 2017, Imerys cancelled an available €500.0 million financial resource made up of a syndicated loan with an initial maturity expiring on December 11, 2017, with the option for a one-year extension.

NOTE 29 ALLOCATION OF EARNINGS

Proposed allocation of earnings pursuant to the provisions of article L. 232-7 of the French Code of Commerce[1].

(€)	
Income for the period	105,574,029.59
Increase in legal reserve in order to reach 10% of the share capital	-
Retained earnings	230,458,814.34
Distributable income	**336,032,843.93**
Dividend of €1.87 to each of the 79,567,874 shares existing as of January 1, 2017	(148,791,924.38)
Retained earnings	**187,240,919.55**

(1) Which will be proposed to the Shareholders' General Meeting on May 3, 2017.

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NOTE 30 TABLE OF SUBSIDIARIES AND EQUITY INTERESTS

	Country	SIREN Number	Local units (thousands) Capital	Shareholders' equity other than share capital	Number of shares held by Imerys	Type of securities
Subsidiaries (at least 50% of equity held by Imerys)						
Imerys TC	France	449 354 224	161,228	(11,607)	80,613,850	shares of €2
Mircal	France	333 160 620	1,034,982	361,410	68,998,786	shares of €15
Imerys USA	United States	-	526,005	605,341	1,000	shares of USD1
Imerys Services	France	320 750 730	371	552	24,700	shares of €15
Mircal Europe	France	444 384 234	56,365	580,440	56,365,195	shares of €1
S&B Minerals Finance	Luxembourg	-	121,505	308,781	12,150,505,599	shares of €0.01
Imerys (SHANGHAI) Investment Management Company Limited	China	-	14,404	23,409	1	share of CNY14,404,000

	% of interest held by Imerys	(€ thousands) Gross amount of securities held	Net amount of securities held	Loans and advances granted by Imerys and not repaid	Borrowings taken up by Imerys and not repaid	Sureties, avals given by Imerys	Dividends collected by Imerys in 2016	2016 sales	2016 net income or loss
Subsidiaries (at least 50% of equity held by Imerys)									
Imerys TC	100.00	758,369	758,369	-	69,205	-	66,909	281,506	65,629
Mircal	100.00	1,304,557	1,304,557	143,970	-	-	60,010	-	63,410
Imerys USA	100.00	663,837	663,837	17,658	154,288	99,611	-	-	(9,473)
Imerys Services	100.00	1,043	1,043	313	-	-	-	20,002	138
Mircal Europe	100.00	565,483	565,483	286,200	-	-	60,311	31	53,351
S&B Minerals Finance	100.00	721,003	721,003	-	56,801	-	-	-	99,261
Imerys (SHANGHAI) Investment Management Company Limited	100.00	1,359	1,359	8	-	-	-	18,194	1,636
Equity interests									
10 to 50% of equity held by Imerys		-	-	-	-	-	-	-	-
Miscellaneous equity interests									
Non-significant French entities		3,475	472	817	543	519	-	-	-
Total		**4,019,126**	**4,016,123**	**448,966**	**280,837**	**100,130**	**187,230**	**319,733**	**273,952**

6.3 AUDIT FEES

TERMS OF OFFICE OF AUDITORS

The Shareholders' General Meeting of May 4, 2016 approved the renewal of the term of office of ERNST & YOUNG et Autres and Deloitte & Associés for another 6 years.

ORGANIZATION OF THE AUDIT OF IMERYS SUBSIDIARIES

For numerous years, the Group has primarily asked, in an equal standing, the two Imerys Statutory Audit firms to conduct the audit of the subsidiaries throughout the world. However, for practical or historical reasons, other audit firms intervened; the quantitative details were as follows:

Periods	2016	2015	2014	2013	2012	2011
Audit fees *(€ millions)*	7.3	7.5	6.2	6.3	6.5	6.2
Distribution						
ERNST & YOUNG	54%	59%	50%	52%	51%	51%
Deloitte & Associés	42%	40%	49%	46%	44%	45%
Other firms	4%	1%	1%	2%	5%	4%

FEES AS OF DECEMBER 31, 2016

The total fees paid in 2016 to the two Statutory Audit firms of the parent company Imerys, ERNST & YOUNG (EY) and Deloitte & Associés (DA), are as follows:

	2016				2015			
	EY		DA		EY		DA	
	(€M)	*(%)*	*(€M)*	*(%)*	*(€M)*	*(%)*	*(€M)*	*(%)*
Certification and auditing of individual and consolidated accounts	**4.0**	**83.3%**	**3.0**	**65.2%**	**4.5**	**86.5%**	**3.0**	**83.3%**
Imerys SA	0.8		0.8		0.8		0.8	
Fully integrated subsidiaries	3.2		2.2		3.7		2.2	
Services other than certification of accounts	**0.8**	**16.7%**	**1.6**	**34.8%**	**0.7**	**13.5%**	**0.6**	**16.7%**
Imerys SA	0.4		1.2		0.4		0.2	
Fully integrated subsidiaries	0.4		0.4		0.3		0.4	
Total	**4.8**	**100.0%**	**4.6**	**100.0%**	**5.2**	**100.0%**	**3.6**	**100.0%**

6

7

INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

7.1 INFORMATION ABOUT IMERYS

▪ CORPORATE NAME

Imerys.

▪ REGISTERED OFFICE

154, rue de l'Université, 75007 Paris (France).

Phone number: +33 (0) 1 49 55 63 00.

▪ DATE OF REGISTRATION AND DURATION

Imerys was incorporated on April 22, 1880.

The Company's term of incorporation, initially set at 50 years, was extended until June 30, 2024 (article 5 of the by-laws).

▪ REGISTRATION

The Company is registered with the Commercial Register of Paris under number 562 008 151. Its N.A.F code (code of main activity) is 7010Z.

▪ LEGAL STATUS AND LAW OF INCORPORATION

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

▪ HISTORIC AND KEY DATES

The Group has its origins in mining and metallurgy. When created the Company's core business was the extraction and processing of non-ferrous metals. Numerous acquisitions led to the Group's reorganization with the withdrawal from non-ferrous metallurgy to industrial minerals activities.

In the early 1970s federated under the name Imetal, the Group acquired the French company Huguenot Fenal, an event which marked its entry into the clay roof tiles market. It then purchased Copperweld Corporation (United States), a company specialized in steel production and metals processing.

In 1985 the first significant investment in refractory minerals and ceramics was made with the acquisition of Damrec (France). The Group then structured its business around three sectors: Building Materials, Industrial Minerals and Metals Processing. This reorganization is part of the Group's future withdrawal from non-ferrous metallurgy activities.

From 1990 onwards, the Group placed significant emphasis on the development of industrial minerals[(1)]. It acquired major positions in the kaolin sector (Dry Branch Kaolin Company, United States), calcium carbonate (Georgia Marble, United States), refractory minerals (C-E Minerals, United States), monolithic refractories (Plibrico, Luxembourg), ball clays (Ceratera, France), ceramic bodies (KPCL, France), graphite (Stratmin Graphite, Canada and Timcal, Switzerland) and technical ceramics markets (Imerys Kiln Furniture, France). Through its subsidiary Timcal (North America, Europe, Asia), acquired in 1994, Imerys has become the world leader in technical applications of high performance graphite.

In 1999 with the acquisition of English China Clays plc (ECC, United Kingdom), one of the foremost specialists in industrial minerals, the Group became a global leader[(2)] in white pigments. The Group continued to increase its kaolin resources by acquiring Rio Capim Caulim S.A. (Brazil) and pursued its industrial base expansion in refractory minerals with Transtech and Napco (United States) and Rhino Minerals (South Africa). Through the acquisition of ECC and the related divestment of Copperweld (United States) and ECC's specialty chemicals business (Calgon, United States), the Group focused on industrial minerals processing. To reflect this development, Imetal changed its name to **Imerys.**

Since then, Imerys has been pursuing its development by continuously expanding its product line, extending its geographic network into high growth areas and entering new markets.

2000-2002 new minerals were added to the Group's portfolio: halloysite (New Zealand China Clays, New Zealand) and clays and feldspar (K-T Clay, United States and Mexico). The Group increased its carbonates resources in South America (Quimbarra, Brazil), in Asia (Honaik, Malaysia) and in France (AGS-BMP's carbonates activity). The takeover of the world's leading producer of corundum (fused alumina and bauxite), Treibacher Schleifmittel (Austria), is followed by more acquisitions in this sector in the Czech Republic, Germany, Brazil and China. The Group increased its Asian market presence for applications that mainly serve the sanitaryware industry with the acquisition of MRD-ECC (Thailand), a local kaolin producer.

Early 2005 the acquisition of Lafarge Réfractaires Monolithiques enabled Imerys to become the European leader in monolithic refractories. The merger of these activities with Plibrico, acquired a few years earlier, led to the creation of a new entity, Calderys. In July, Imerys acquired World Minerals (United States), world leader in filtration and performance minerals, bringing in new minerals: diatomite and perlite. The year ended with the acquisition of Denain Anzin Minerals adding feldspar, mica, quartz and kaolin deposits in Europe.

(1) Industrial minerals: non-metallic and non-combustible rocks or minerals, mined and transformed for industrial purposes.

(2) Throughout the Registration Document, information on market positions corresponds to evaluations made by Imerys on the basis of its market knowledge, or is derived from trade publications such as Roskill and Industrial Minerals, or from reports drawn up by Kline & Company, Inc.

2006-2008 the Group continued to grow: calcined clays with specialists AGS (France) and Vatutinsky (Ukraine), extensive reserves of high quality white marble in Malaysia, China and Vietnam as well as Europe, and feldspar mines in India (Jumbo Mining), the United States (The Feldspar Corporation) and Turkey. The acquisition of ACE, the Indian leader in monolithic refractories, gave Calderys a new dimension, reinforced by B&B (South Africa) and Svenska Silika Verken AB (Sweden). Imerys added fused zircon, a mineral for the refractory, technical ceramics and automotive markets to its portfolio, becoming the world leader with the successive acquisitions of UCM Group Plc (United Kingdom) and Astron China. Perlite activities were bolstered in South America with the acquisition of Perfiltra in Argentina. The acquisitions of Kings Mountain Minerals, Inc. (North Carolina, United States) and Suzorite Mining, Inc. (Quebec, Canada) added high quality mica to the Group's mineral portfolio.

In 2010 the commissioning of a new plant increased andalusite production capacity in China. The acquisition of Pará Pigmentos S.A. increased the Group's kaolin resources in Brazil.

In 2011 Imerys acquired the Luzenac Group and became the world leader in talc processing. A production unit was inaugurated in Andersonville (Georgia, United States) to provide ceramic proppant, used to keep fractures open in non-conventional oil and gas exploration. Through the joint venture "The Quartz Corp SAS" created with the Norwegian group Norsk Mineral AS, the Group can serve the increasing demand of high purity quartz in semiconductor and photovoltaic markets. In Malaysia, the production capacity of the calcium carbonate plant was extended and in Japan, the Miyagi plant, rebuilt after the Tsunami, also increased its production capacity to meet higher demand from its main customer.

In 2012 the Group enhanced product offering in Brazil for the paint, polymer and rubber markets with the acquisition of Itatex and refractory activities with a refractory bauxite deposit from the Vale Group.

In 2013 several acquisitions are made throughout the Group's businesses: PyraMax Ceramics LLC (United States), an industrial complex for manufacturing ceramic proppants, Goonvean kaolin activities (United Kingdom), Ceraminas (Thailand) a local feldspar producing company. To support growing demand from mobile energy segments, the Group doubled the capacity of the Willebroek carbon black plant (Belgium). The construction of the lime production plant in Deresopolis (Brazil) was completed and the plant went into production. Arefcon B.V (Netherlands), Indoporlen (Indonesia) and Tokai (Japan) were integrated in the Group's Monolithic Refractories division. The sale of Imerys Structure (brick walls and partitions, and flues) to Bouyer Leroux group (France) is finalized.

In 2014 the acquisition of Termorak strengthened the Group's position in the design and installation of refractory materials for the petrochemical and thermal industries. The Group expanded its geographical footprint in natural calcium carbonate with the integration of Kinta Powdertec Sdn Bhd (Malaysia). An applied R&D center opened in Japan to support the Graphite and Carbone's major local customers. The fused alumina production plant in Bahrain, whose construction was initiated in 2012, went into production. This joint-venture with Al Zayani Investments group, Imerys' first industrial base in the Middle East, enabled the Group to enlarge its business activities in this region. At the same time the Group disposed of four calcium carbonate paper plants in Europe and the United States as well as a production plant in Tunisia, and closed down the Ardoisières d'Angers site (France).

In 2015, Imerys acquired the S&B Group, world leader in steel casting fluxes, wollastonite, perlite-based solutions and European leader in bentonite. The Group also completed the acquisition of the activity of precipitated Calcium Carbonate (Austria, France, Germany and United Kingdom) of the Solvay Group, the European leader in fine and ultra thin PCC, used as a functional additive in specialty applications (polymers, paints, hygiene, health and beauty), as well as the Matisco Development Group (France), a company specialized in the manufacture of metal profiles.

The **2016** acquisitions are detailed in *chapter 2 of the Registration Document*.

▪ CORPORATE PURPOSE *(ARTICLE 3 OF THE BY-LAWS)*

Imerys is the parent company of an industrial and commercial group, which is the world leader in mineral-based specialty solutions for industry.

Under the terms of article 3 of the by-laws, "The Company's purpose, in France and abroad, is:

- the search for, acquisition, leasing, sale and operation of any mines and quarries, of any kind whatsoever;
- the processing and transformation of, and trading in, any minerals, metals, organic or non-organic materials and mineral substances, as well as their by-products and alloys;
- the manufacturing of any processed products in which minerals, metals, organic or non-organic materials and mineral substances are used;
- the purchase, obtaining, acquisition, operation, concession and sale, in whole or in part, on a temporary or permanent basis, of any patents, certificates or licenses pertaining to the above-mentioned purposes;
- the creation, acquisition, sale, concession of any buildings and plants, of any means of transportation and energy sources;
- the participation in any country, in any mining, quarrying, commercial, industrial and maritime operations aimed at favoring or developing the Company's own industries and businesses, through the creation of new companies, alliances, holding companies or otherwise; and, generally, any mining, quarrying, commercial, industrial, maritime, real estate, personal property and financial operations relating directly or indirectly, in whole or in part, to any of the above-specified purposes or any other similar or related purposes."

FINANCIAL YEAR *(ARTICLE 28 OF THE BY-LAWS)*

The financial year is 12 months. It begins on January 1 and ends on December 31 of each year.

BOARD OF DIRECTORS *(ARTICLES 12 AND 13 OF THE BY-LAWS)*

The Company is managed by a Board of Directors comprised of at least three members and no more than eighteen members, except for any dispensation provided by law.

Directors are appointed or renewed by the Ordinary General Meeting of the Shareholders, which may remove them at any time. The term of office of the Directors is three years. The term of office of a Director shall expire at the close of the Ordinary General Meeting of the Shareholders that rules on the financial statements for the previous financial year and which is held in the year during which the term of office expires. No person aged seventy (70) or over may be appointed a Director. If one of the Directors reaches said age, he or she shall be deemed to have automatically resigned on the date of the first General Meeting of the Shareholders after his or her 70th birthday.

In accordance with legal provisions and article 12 of the Company's by-laws, the Board of Directors shall also comprise one Director representing employees who is designated by the European Works Council. When the number of Directors appointed by the Shareholders' General Meeting is higher than 12, second Director representing employees shall be designated by the France Group Committee.

√ For more details regarding the composition, powers and functioning of the Board of Directors, please *see chapter 3, section 3.1 of the Registration Document*.

SHAREHOLDERS' GENERAL MEETINGS *(ARTICLES 21 AND 22 OF THE BY-LAWS)*

Convening

Shareholders' General Meetings are convened under the terms and conditions provided by current legal provisions and are held either at the registered office or in any other place specified in the notice of meeting.

Conditions for admission

All shareholders have the right to take part in Shareholders' General Meetings – whether in person, *via* a proxy or by correspondence – subject to the obligation to prove their identity and their share ownership by means of, either being registered in the name of the holder, or by transmission of a certificate of holding proving the registration of bearer shares. Registration or deposit formalities must be completed no later than two business days prior to the meeting. Any shareholder may also, by decision of the Board of Directors as notified in the notice of meeting, take part in General Meetings and vote by data transmission and/or any other means of telecommunication, under the conditions provided by current legal provisions.

Conditions for the exercise of voting rights

All documents specified by articles R. 225-81 and R. 225-83 of the French Code of Commerce, including a postal or proxy voting form, are sent to shareholders on request. This form can only be validly taken into account if it is completed in accordance with current legislation and returned to the registered office or to the address given on the notice of meeting. Moreover, any shareholder may, by decision of the Board of Directors as notified in the notice of meeting, obtain and return the voting form by post or proxy, by data transmission or any other means of telecommunication, under the terms and conditions provided by current legal provisions.

Double voting rights

Shares registered in the name of the same shareholder for at least two years carry a double voting right. This right is authorized by law and provided by article 22 of the by-laws, and is intended to reward the Company's shareholders for their loyalty. The double voting right is also granted to new free shares granted to shareholders under a capital increase operation, on the basis of the old shares which benefited from this right. The double voting right ceases ipso jure when a registered share is converted to a bearer share or is transferred, except in cases of collateral assignment or transfer as life interest or by inheritance or family bequest. Finally, the double voting right may be cancelled by decision of an Extraordinary Shareholders' General Meeting with prior authorization of the Special General Meeting of the holders of this right.

Restriction of voting rights

None.

ALLOCATION OF PROFITS *(ARTICLE 30 OF THE BY-LAWS)*

Income for each financial year is determined in accordance with the legal and regulatory provisions in force, as follows:

- at least 5% of net earnings for the financial year, less any prior losses, where applicable, are withheld to make up the legal reserve. This withholding ceases to be obligatory when the reserve reaches 10% of the share capital;
- earnings for the financial year, less any prior losses and increased by any earnings carried over, subject to deduction of any retained earnings carried forward by the Shareholders' General Meeting or assigned by it to one or more reserves, are allocated among shares, without distinction;
- the Shareholders' General Meeting may grant to each shareholder, for all or part of the dividend being distributed, or for advances on dividends, an option between payment of the dividend in cash or in shares.

IDENTIFIABLE BEARER SHARES *(ARTICLE 9 OF THE BY-LAWS)*

The Company is authorized, under the terms and conditions provided by current legal provisions, to ask Euroclear France for the information needed to identify the owners of bearer shares that grant, whether immediately or at a later date, voting rights in its Shareholders' Meetings, as well as the quantity of shares or other securities held by each of them and, as the case may be, any restrictions that may apply to these securities.

▪ DISCLOSURE OF THRESHOLD CROSSINGS

Imerys' by-laws do not contain any clause imposing disclosure requirements in the case of holdings that cross certain thresholds, other than those set down by law.

Any shareholder, whether acting alone or with others, whose holding rises above or passes below one of the holding thresholds for the Company's capital and/or voting rights provided by the legislation in force must comply with the provisions of articles L. 233-7 *et seq.* of the French Code of Commerce and, more specifically, notify the Company (or, as the case may be, any person that the Company may have been designated for that purpose) and the Autorité des marchés financiers (AMF), within four trading days of their holding crossing the threshold in question, in line with article 223-14 of the AMF's General Regulations. In the event of failure to comply with this obligation, the provisions of article L. 233-14 of the French Code of Commerce shall apply.

▪ DOCUMENTS ACCESSIBLE TO THE PUBLIC

The by-laws, minutes of Shareholders' General Meetings, statutory and consolidated financial statements, Statutory Auditors' Reports and all documents made available to the shareholders may be read at the Company's registered office or on the Company's website (*www.imerys.com* – Media Center – regulated information & publications section).

7.2 INFORMATION ABOUT THE SHARE CAPITAL

7.2.1 SHARE CAPITAL AMOUNT

On December 15, 2016, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 30, 2015 and May 4, 2016, and according to the authorization granted by the Shareholders' General Meeting of April 30, 2015, the Board of Directors cancelled 300,000 treasury shares acquired on the market through an investment services provider (for more details, please *see paragraph 7.2.4 of the present chapter*). This cancellation of shares led to a share capital decrease of the Company by a nominal amount of €600,000.

On January 5, 2017, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 15, 2016, acknowledged that, on December 31, 2016, the share capital had been increased by a nominal amount of €590,766 as a result of the exercise between January 1 and December 31, 2016 of 295,383 stock options and consequently the creation of an equivalent number of new Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as of December 31, 2016 totaled €159,135,748; it was made up of 79,567,874 shares with a €2 par value of which 43,307,351 benefited from double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 122,875,225. Considering the 932,821 treasury shares held by the Company as on December 31, 2016 *(see paragraph 7.2.4 of this chapter)*, the total number of net voting rights attached to existing shares was 121,942,404 at that date.

Taking into account the 865,621 stock options and 1,063,376 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired at December 31, 2016, the maximum potential dilution of the Company's share capital was 2.37% as on this date (i.e. a nominal amount of €162,993,742). The share capital has not changed since that date.

No directly registered shares have been pledged by the Company.

7.2.2 CHANGES IN SHARE CAPITAL OVER THE PAST FIVE YEARS

Changes in the number of shares and in the Company's share capital over the past five years are as follows:

Year	Operation	Nominal amount of change in capital *(€)*	Issue premium *(€)*	Number of shares created	Par value of shares *(€)*	Successive amounts of the Company's capital *(€)*	Number of shares that make up capital
2012	Exercise of stock options	452,060	6,561,165	226,030	2	150,737,092	75,368,546*
2013	Cancellation of shares	(87,448)	(1,963,193)	(43,724)	2	150,649,644	75,324,822
	Exercise of stock options	1,826,884	38,078,652	913,442	2	152,476,528	76,238,264*
2014	Cancellation of shares	(1,836,630)	(54,236,971)	(918,315)	2	150,639,898	75,319,949
	Exercise of stock options	1,131,284	26,244,140	565,642	2	151,771,182	75,885,591*
2015	Exercise of stock options	626,748	15,747,996	313,374	2	152,397,930	76,198,965
	Share capital increase in compensation of a contribution in kind	7,456,616	206,943,483	3,728,308	2	159,854,546	79,927,273
	Cancellation of shares	(2,000,000)	(60,381,827)	(1,000,000)	2	157,854,546	78,927,273
	Exercise of stock options	1,290,436	34,552,929	645,218	2	159,144,982	79,572,491*
2016	Cancellation of shares	(600,000)	(16,046,322)	(300,000)	2	158,544,982	79,272,491
	Exercise of stock options	590,766	15,582,577	295,383	2	159,135,748	79,567,874*

* *As at December 31.*

7.2.3 FINANCIAL AUTHORIZATIONS

In accordance with the provisions of article L. 225-100 of the French Code of Commerce, an overview of all the financial authorizations and delegations of authority granted to the Board of Directors by the Shareholders' General Meeting and existing at the date of this Registration Document is set out in the table below.

SUMMARY OF THE FINANCIAL AUTHORIZATIONS AND DELEGATIONS OF AUTHORITY IN FORCE

Type of authorizations	Expiry and duration of the authorization	Maximum nominal authorized amount	Use in 2016
Issue of shares and debt securities			
Issue of shares or debt securities giving access to the share capital with preemptive subscription rights(1) (Shareholders' General Meeting of April 30, 2015, 13th resolution)	June 29, 2017 (26 months)	Capital: €75 million Debt securities: €1 billion	None
Issue of shares or debt securities giving access to the share capital without preemptive subscription rights, and, as the case maybe, a priority period granted by the Board of Directors(2) (Shareholders' General Meeting of April 30, 2015, 14th resolution)	June 29, 2017 (26 months)	Capital: €15 million Debt securities: €1 billion	None
Issue of shares or securities giving access to the share capital, by private investments with cancellation of preemptive subscription rights in favor of qualified investors or a limited circle of investors(3) (Shareholders' General Meeting of April 30, 2015, 15th resolution)	June 29, 2017 (26 months)	15% of the capital on the issue day, the issued amount being charged to the ceiling of the 14th resolution of the Shareholders' General Meeting of April 30, 2015	None
Authorization to increase the number of shares in the event of excess demand of shares to be issued with or without preemptive subscription rights(4) (Shareholders' General Meeting of April 30, 2015, 16th resolution)	June 29, 2017 (26 months)	15% of the initial issue, the issued amount being charged to the ceiling of the 14th and 20th resolutions of the Shareholders' General Meeting of April 30, 2015	None
Authorization to set the issue price of shares or securities giving access to the share capital in the event of cancellation of preemptive subscription rights(5) (Shareholders' General Meeting of April 30, 2015, 17th resolution)	June 29, 2017 (26 months)	10% of the capital per year, the issued amount being charged to the ceiling of the 14th resolution of the Shareholders' General Meeting of April 30, 2015	None
Issue of shares or securities giving access to the share capital in compensation for contributions in kind made of shares or securities giving access to the share capital(6) (Shareholders' General Meeting of April 30, 2015, 18th resolution)	June 29, 2017 (26 months)	10% of the capital per year, the issued amount being charged to the ceiling of the 14th resolution of the Shareholders' General Meeting of April 30, 2015	None
Increase of share capital by capitalization of reserves, earnings and issue or share premiums(7) (Shareholders' General Meeting of April 30, 2015, 19th resolution)	June 29, 2017 (26 months)	€75 million, the issued amount being charged to the ceiling of the 13th resolution of the Shareholders' General Meeting of April 30, 2015	None
Overall ceilings of the share capital increases with or without preemptive subscription right (Shareholders' General Meeting of April 30, 2015, 20th resolution)		Capital: €75 million Debt securities: €1 billion	-
Share buyback and cancellation of shares			
Purchase by the Company of treasury shares(8) (Shareholders' General Meeting of May 4, 2016, 16th resolution)	November 3, 2017 (18 months)	10% of the existing shares as of January 1, 2016	121,061 acquired shares
Share capital decrease by cancellation of treasury shares (Shareholders' General Meeting of April 30, 2015, 22nd resolution)	April 29, 2017 (24 months)	10% of the capital per 24-month period	300,000 cancelled shares

(1) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-91 et seq. of the French Code of Commerce.
(2) In accordance with the provisions of articles L. 225-129 et seq., L. 225-135 et seq., L. 225-136 and L. 228-91 et seq. of the French Code of Commerce.
(3) In accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. of the French Code of Commerce and L. 411-2 of the French Monetary and Financial Code.
(4) In accordance with the provisions of article L. 225-135-1 of the French Code of Commerce.
(5) In accordance with the provisions of articles L. 225-129-2 and L. 225-136-1°, paragraph 2 of the French Code of Commerce.
(6) In accordance with the provisions of articles L. 225-147 and L. 228-91 et seq. of the French Code of Commerce.
(7) In accordance with the provisions of articles L. 225-129, L. 225-129-2 et seq. and L. 225-130 of the French Code of Commerce.
(8) In accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and 241-1 to 241-6 of the AMF's General Regulations.

<table>
<tr><th>Type of authorizations</th><th>Expiry and duration of the authorization</th><th>Maximum nominal authorized amount</th><th>Use in 2016</th></tr>
<tr><td colspan="4">Issues in favor of employees and corporate officers</td></tr>
<tr><td>Issue of shares or securities giving access to the share capital reserved for Group employees that joined a company or Group savings plan[9]
(Shareholders' General Meeting of April 30, 2015, 21st resolution)</td><td>June 29, 2017
(26 months)</td><td>€1.6 million</td><td>None</td></tr>
<tr><td>Grant of Imerys stock options to employees and corporate officers, or certain categories of them[10]
(Shareholders' General Meeting of April 29, 2014, 14th resolution)</td><td>June 28, 2017
(38 months)</td><td rowspan="2">Common ceiling: 3% of the share capital on the day of the Board's decision to grant share subscription and/or acquisition options or free shares or to issue share subscription and/or acquisition
Sub-ceiling of grant of stock options and conditional free shares to executive officers: 0.5% of share capital on the day of the Board's decision to grant</td><td>None[11]</td></tr>
<tr><td>Grant of Imerys conditional free shares to employees and corporate officers, or certain categories of them[12]
(Shareholders' General Meeting of May 4, 2016, 17th resolution)</td><td>July 3, 2017
(14 months)</td><td>302,500 conditional free shares were allotted in 2016 i.e. 0.37% of the capital[13]</td></tr>
</table>

(9) In accordance with the provisions of articles L. 225-129 et seq. and L. 225-138 of the French Code of Commerce and L. 3332-1 et seq. of the French Labor Code.

(10) In accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce.

(11) For more details regarding stock options grants, see chapter 3, section 3.4 of the Registration Document.

(12) In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.

(13) For more details regarding allotments of conditional free shares, see chapter 3, section 3.5 of the Registration Document.

The table below sets out the financial authorizations of which the renewal will be proposed to the Shareholders' General Meeting of May 3, 2017.

√ For more details, *see chapter 8, paragraphs 8.1.6, 8.1.7 and 8.1.8 and section 8.4 of the Registration Document*.

SUMMARY OF THE FINANCIAL AUTHORIZATIONS FOR WHICH THE RENEWAL WILL BE PROPOSED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 3, 2017

Type of authorizations	Expiry and duration of the authorization	Maximum nominal authorized amount
Issue of shares and debt securities		
Issue of shares or debt securities giving access to the share capital with preemptive subscription rights(1) (Shareholders' General Meeting of May 3, 2017, 13th resolution)	July 2, 2019 (26 months)	Capital: €75 million (i.e. approx. 47% of capital) Debt securities: €1 billion
Issue of shares or debt securities giving access to the share capital without preemptive subscription rights, and, as the case maybe, a priority period granted by the Board of Directors(2) (Shareholders' General Meeting of May 3, 2017, 14th resolution)	July 2, 2019 (26 months)	Capital: €15 million (i.e. approx. 9.5% of capital) Debt securities: €1 billion
Issue of shares or securities giving access to the share capital, by private investments with cancellation of preemptive subscription rights in favor of qualified investors or a limited circle of investors(3) (Shareholders' General Meeting of May 3, 2017, 15th resolution)	July 2, 2019 (26 months)	10% of the capital on the issue day, the issued amount being charged to the ceiling of the 14th resolution of the Shareholders' General Meeting of May 3, 2017
Authorization to increase the number of shares in the event of excess demand of shares to be issued with or without preemptive subscription rights(4) (Shareholders' General Meeting of May 3, 2017, 16th resolution)	July 2, 2019 (26 months)	15% of the initial issue, the issued amount being charged to the ceiling of the 13th and 14th resolutions of the Shareholders' General Meeting of May 3, 2017
Authorization to set the issue price of shares or securities giving access to the share capital in the event of cancellation of preemptive subscription rights(5) (Shareholders' General Meeting of May 3, 2017, 17th resolution)	July 2, 2019 (26 months)	10% of the capital per year, the issued amount being charged to the ceiling of the 14th resolution of the Shareholders' General Meeting of May 3, 2017
Issue of shares or securities giving access to the share capital in compensation for contributions in kind made of shares or securities giving access to the share capital(6) (Shareholders' General Meeting of May 3, 2017, 18th resolution)	July 2, 2019 (26 months)	10% of the capital per year, the issued amount being charged to the ceiling of the 14th resolution of the Shareholders' General Meeting of May 3, 2017
Increase of share capital by capitalization of reserves, earnings and issue or share premiums(7) (Shareholders' General Meeting of May 3, 2017, 19th resolution)	July 2, 2019 (26 months)	€75 million, the issued amount being charged to the ceiling of the 13th resolution Shareholders' General Meeting of May 3, 2017
Overall ceilings of the share capital increases with or without preemptive subscription right Shareholders' General Meeting of May 3, 2017, 20th resolution)	July 2, 2019 (26 months)	Capital: €75 million Debt securities: €1 billion
Share buyback and cancellation of shares		
Purchase by the Company of treasury shares(8) (Shareholders' General Meeting of May 3, 2017, 12th resolution)	November 2, 2018 (18 months)	10% of the existing shares as of January 1, 2017 (i.e. 7,956,787 shares)
Share capital decrease by cancellation of treasury shares (Shareholders' General Meeting of May 3, 2017, 22nd resolution)	May 2, 2019 (24 months)	

(1) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-91 et seq. of the French Code of Commerce.
(2) In accordance with the provisions of articles L. 225-129 et seq., L. 225-135 et seq., L. 225-136 and L. 228-91 et seq. of the French Code of Commerce.
(3) In accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. of the French Code of Commerce and L. 411-2 of the French Monetary and Financial Code.
(4) In accordance with the provisions of article L. 225-135-1 of the French Code of Commerce.
(5) In accordance with the provisions of articles L. 225-129-2 and L. 225-136-1°, paragraph 2 of the French Code of Commerce.
(6) In accordance with the provisions of articles L. 225-147 and L. 228-91 et seq. of the French Code of Commerce.
(7) In accordance with the provisions of articles L. 225-129, L. 225-129-2 et seq. and L. 225-130 of the French Code of Commerce.
(8) In accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and 241-1 to 241-6 of the AMF's General Regulations.

Type of authorizations	Expiry and duration of the authorization	Maximum nominal authorized amount
Issues in favor of employees and corporate officers		
Issue of shares or securities giving access to the share capital reserved for Group employees that joined a company or Group savings plan(9) (Shareholders' General Meeting of May 3, 2017, 21st resolution)	July 2, 2019 (26 months)	€1.6 million
Grant of Imerys stock options to employees and corporate officers, or certain categories of them(10)(11) (Shareholders' General Meeting of May 3, 2017, 23rd resolution)	July 2, 2020 (38 months)	Common ceiling: 3% of the share capital on the day of the Board's decision to grant share subscription and/or acquisition options or free shares or to issue share subscription and/or acquisition
Grant of Imerys conditional free shares to employees and corporate officers, or certain categories of them(12)(13) (Shareholders' General Meeting of May 3, 2017, 24th resolution)	July 2, 2020 (36 months due to a deferred starting date)	Sub-ceiling of grant of stock options and conditional free shares to executive officers: 0.5% of share capital on the day of the Board's decision to grant

(9) In accordance with the provisions of articles L. 225-129 et seq. and L. 225-138 of the French Code of Commerce and L. 3332-1 et seq. of the French Labor Code.

(10) In accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce.

(11) For more details regarding stock options grants, see chapter 3, section 3.4 of the Registration Document.

(12) In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.

(13) For more details regarding allotments of conditional free shares, see chapter 3, section 3.5 of the Registration Document.

▪ OTHER SECURITIES

As the decision to issue ordinary bonds is within the competence of the Board of Directors in accordance with article L. 228-40 of the French Code of Commerce, the Board of Directors delegated on May 4, 2016 full powers to the Chairman and Chief Executive Officer for the purposes of carrying out such issues and deciding their conditions, within the period of one year and an initial limit of a maximum annual nominal amount of €1.5 billion and a maximum nominal amount per operation of €350 million.

Pursuant to the authorization given by the Board of Directors on March 18, 2016, the Company completed on March 23, 2016 under the Euro Medium Term Notes program (EMTN), a bond issue for the amount of €600 million in two tranches:

- a €300 million six-year tranche with a 0,875% annual coupon corresponding to a spread of mid-swap +80 bps;
- a €300 million tranche with a 12-year maturity for the first time and a 1,875% annual coupon corresponding to a spread of mid-swap +115 bps (see the press release dated March 23, 2016).

7.2.4 SHARE BUYBACK PROGRAMS

▪ LEGAL FRAMEWORK OF SHARE BUYBACK PROGRAMS IMPLEMENTED IN 2016

The Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2016 renewed in favor of the Board of Directors and for a period of 18 months, i.e. until November 3, 2017, the authorization previously granted by the Ordinary and Extraordinary Shareholders' General Meeting held on April 30, 2015 for the Company to buy back its own shares, in accordance with articles L. 225-209 et seq. of the French Code of Commerce, within the limit of 10% of the shares existing and outstanding as of January 1, 2016, i.e. 7,957,249 and within the limit of a global investment amount of €676 million. This Shareholders' General Meeting also decided that the number of shares likely to be held, directly or indirectly, at all times, shall not exceed 10% of the shares making up the share capital. Lastly, the maximum acquisition price was set at €85 per share.

In accordance with provisions of article L. 225-209 paragraph 3 of the French Code of Commerce, the Board of Directors delegated to the Chairman and Chief Executive Officer on May 4, 2016 all powers for the purposes of purchasing the Company's shares, under the conditions and within the limits set by the Shareholders' General Meeting.

▪ OPERATIONS CARRIED OUT IN 2016[1]

In accordance with article L. 225-211 of the French Code of Commerce, the following operations were carried out with respect to the Company's share buyback programs in force in 2016.

Transactions completed between January 1 and May 4, 2016 within the framework of the former share buyback program

Under the share buyback program approved by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2015, 1,000,000 shares were acquired on the market at an average weighted price of €59.27 by an investment services provider (ISP) as part of a share purchase mandate entered into by the Company on February 15, 2016, in accordance with the provisions of European regulation (EU) 2273/2003, articles 241-1 et seq. and 631-5 et seq. of AMF's General Regulations and AMF's position on the implementation of the share buyback framework. The execution of this mandate was announced on Imerys website on February 16, 2016.

Among these shares, 80,590 were allocated for the purposes of conditional free share grants to certain employees and corporate officers, 15,521, for the purposes of their subsequent transfer with respect to the share performance amount for the S&B group acquisition to be paid by the Company in 2017 and 2018 pursuant to the provisions of the share purchase agreement entered into on November 5, 2014 and 903,889 shares were allocated for the purposes of subsequent cancellation.

Transactions completed between May 5 and December 31, 2016 within the framework of the current share buyback program

Under the share buyback program approved by the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2016, 121,061 shares were acquired on the market at an average weighted price of €58.46 by an ISP as part of the share purchase mandates entered into by the Company on February 15, 2016 and June 1, 2016 (the conclusion of the mandate dated June 1, 2016 was announced on Imerys website on June 2, 2016). The whole shares then acquired were allocated for the purposes of conditional free share grants to certain employees and corporate officers.

Number of treasury shares held as at December 31, 2016

Taking into account:

- the remaining number of treasury shares as on January 1, 2016, i.e. 229,423;
- the number of shares acquired on the market in 2016 through the share purchase mandates concluded by the Company with an investment services provider i.e. 1,121,061;
- the delivery in 2016 of 69,366 shares as payment of the first share performance amount for the S&B group acquisition and the delivery of 48,397 vested shares to the beneficiaries of conditional Free Share Plans (for further details, *see chapter 3, paragraph 3.5.1 of the Registration Document*); and
- the cancellation of 300,000 treasury shares by the Board of Directors of December 15, 2016,

932,821 treasury shares with a par value of €2 and acquired on the market at an average price of €60.76 were self-held by the Company on December 31, 2016, representing 1.17% of share capital at that date.

It is noted that:

- all transactions conducted in 2016 by the Company with respect to its share buyback programs were made on a spot basis without any open purchasing or selling position being taken;
- the Company does not use derivatives with respect to its share buyback programs;
- the bank fees relating to the buyback transactions made directly on the market by the Company in 2016 amounted to €33,175. The French tax on financial transactions ("TTF") amounted to €132,701.

(1) All prices and amounts are given excluding fees and commissions.

RENEWAL OF THE SHARE BUYBACK PROGRAM

As the authorization granted by the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2016 expires on November 3, 2017, its renewal in favor of the Board of Directors, on a similar basis, will be proposed at the Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2017 for a further period of 18 months, *i.e.* until November 2, 2018 *(see chapter 8, paragraph 8.1.6 and section 8.4 of the Registration Document)*.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of the AMF's General Regulations, will be available on the Company's website (*www.imerys.com* – Media Center section – Regulated Information) and sent to the AMF. A copy of this description can also be obtained on request from the Company's head office.

7.2.5 EMPLOYEE SHAREHOLDING

As at December 31, 2016, 0.49% of the share capital and 0.56% of the voting rights in the Company were held, either directly or through the Imerys Actions mutual fund, by Group employees under the Group Savings Plan.

7.3 SHAREHOLDING

7.3.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS OVER THE PAST THREE YEARS

The changes in the share capital and voting rights structure over the past three years are as follows:

	As of December 31, 2014				As of December 31, 2015				As of December 31, 2016			
	Number of shares held	% of share capital	Voting rights attached(1)	% of voting rights(2)	Number of shares held	% of share capital	Voting rights attached(1)	% of voting rights(2)	Number of shares held	% of share capital	Voting rights attached(1)	% of voting rights(2)
Belgian Securities BV	42,851,473	56.47	85,702,946	71.87	42,851,473	53.85	85,602,946	69.70	42,851,473	53.86	85,602,946	69.67
Blue Crest Holding SA	-	-	-	-	4,052,784	5.09	4,052,784	3.30	4,122,150	5.18	4,122,150	3.35
Group employees	154,807	0.20	183,788	0.15	146,238	0.18	292,158	0.24	390,457	0.49	686,619	0.56
Treasury shares	179,649	0.24	179,649(3)	0.15	229,423	0.29	229,423(3)	0.19	932,821	1.17	932,821(3)	0.76
Public	31,671,162	41.74	32,148,897	26.96	32,292,573	40.59	32,634,727	26.57	31,270,973	39.30	31,530,689	25.66
Total	**75,885,591**	**100**	**119,243,780**	**100**	**79,572,491**	**100**	**122,812,038**	**100**	**79,567,874**	**100**	**122,875,225**	**100**

(1) *In compliance with article 22 of the by-laws, nominal shares registered for at least two years carry a double voting rights.*

(2) *The percentages are calculated on the basis of the theoretical voting rights existing as of December 31 of each year.*

(3) *These are theoretical voting rights, as treasury shares do not benefit from voting rights at the Shareholders' General Meetings.*

7.3.2 CROSSING OF THRESHOLDS

On March 3, 2017, Blue Crest Holding SA declared to AMF for regularization that it exceeded on February 26, 2017 the 5% threshold in the Company's voting rights and held 4,102,150 shares representing 6,630,458 voting rights, i.e. 5.15% of capital and 5.28% of voting rights in Imerys as of that date (AMF decision and information No. 217C0590 dated March 3, 2017).

No other threshold crossing was brought to the attention of the Company during the 2016 financial year and up to the date of the Registration Document.

To the best of Imerys' knowledge, no shareholder other than those mentioned in *paragraph 7.3.1 of this chapter* directly or indirectly holds more than 5% of the share capital and voting rights of the Company.

7.3.3 CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENT

▪ CONTROL OF THE COMPANY

Because of the number of voting rights held by Belgian Securities BV which is directly controlled by Groupe Bruxelles Lambert and indirectly by Pargesa Holding SA (for further details, *see the organizational chart in paragraph 7.3.5 of this chapter*), the Pargesa-GBL concert has controlling rights over the Company. Nevertheless, the Company judges that there is no risk of such control being exercised abusively. The Company and its Board of Directors have always been extremely attentive to the respect of all shareholders' interests and have always striven to comply with the best Corporate Governance rules and practices in this field, as shown, in particular, by the number of independent members of the Board of Directors and its Audit Committee and Appointment and Compensation Committee (for further information on the composition of the Board of Directors and its Committees, *see chapter 3, paragraph 3.1.2 of the Registration Document*).

▪ SHAREHOLDERS' AGREEMENT

On November 5, 2014, Groupe Bruxelles Lambert, Belgian Securities B.V., Blue Crest Holding S.A. and S&B Minerals S.A entered into a shareholders' agreement with respect to their direct or indirect shareholding in the Company. This agreement, governed by Luxembourg law, came into force on February 26, 2015 for a renewable period of seven years and provides for the following:

- a commitment to keep for three years the 3,728,308 shares created as compensation for the contribution of shares by S&B Minerals S.A for the benefit of Imerys, held since February 26, 2015 by Blue Crest Holding SA (as well as the Imerys shares that the latter would receive in consideration of the performance amount by virtue of the share purchase agreement concluded on November 5, 2014);
- a joint tag-along right for three years for Blue Crest Holding SA with respect to Groupe Bruxelles Lambert, in the event of a transfer of Imerys shares by Groupe Bruxelles Lambert to a third party with the effect of reducing Groupe Bruxelles Lambert's interest to less than 40% of Imerys' capital;
- a pre-emptive right for the benefit of Groupe Bruxelles Lambert, with Blue Crest Holding SA having pledged, after the expiry of its holding commitment, to grant Groupe Bruxelles Lambert a pre-emptive right on any Imerys shares that Blue Crest Holding SA may wish to sell;
- a right of representation for Blue Crest Holding SA on the Board of Directors and on the Strategic Committee, for as long as Blue Crest Holding SA holds at least 3% of Imerys shares;

This shareholders' agreement also provides for its early termination if any of the following events occur:

- in the event that Blue Crest Holding SA comes to directly or indirectly hold a number of Imerys shares that is less than 50% of the 3,728,308 shares newly created as compensation for the contribution of shares implemented on February 26, 2015;
- in the event it is terminated by Groupe Bruxelles Lambert, which it would be authorized to do if Blue Crest Holding SA's current shareholders were to no longer control Blue Crest Holding SA or no longer directly or indirectly hold 100% of Blue Crest Holding SA's capital;
- if Groupe Bruxelles Lambert's direct or indirect interest was to fall below 40% of Imerys' capital.

It is specified that this shareholders' agreement does not form a concert in the sense of article L. 233-10 of the French Code of Commerce. It was disclosed to the AMF and the Company on March 5, 2015 (AMF decision and information No. 215C0360 dated March 27, 2015 available on the AMF website: *www.amf-france.org*).

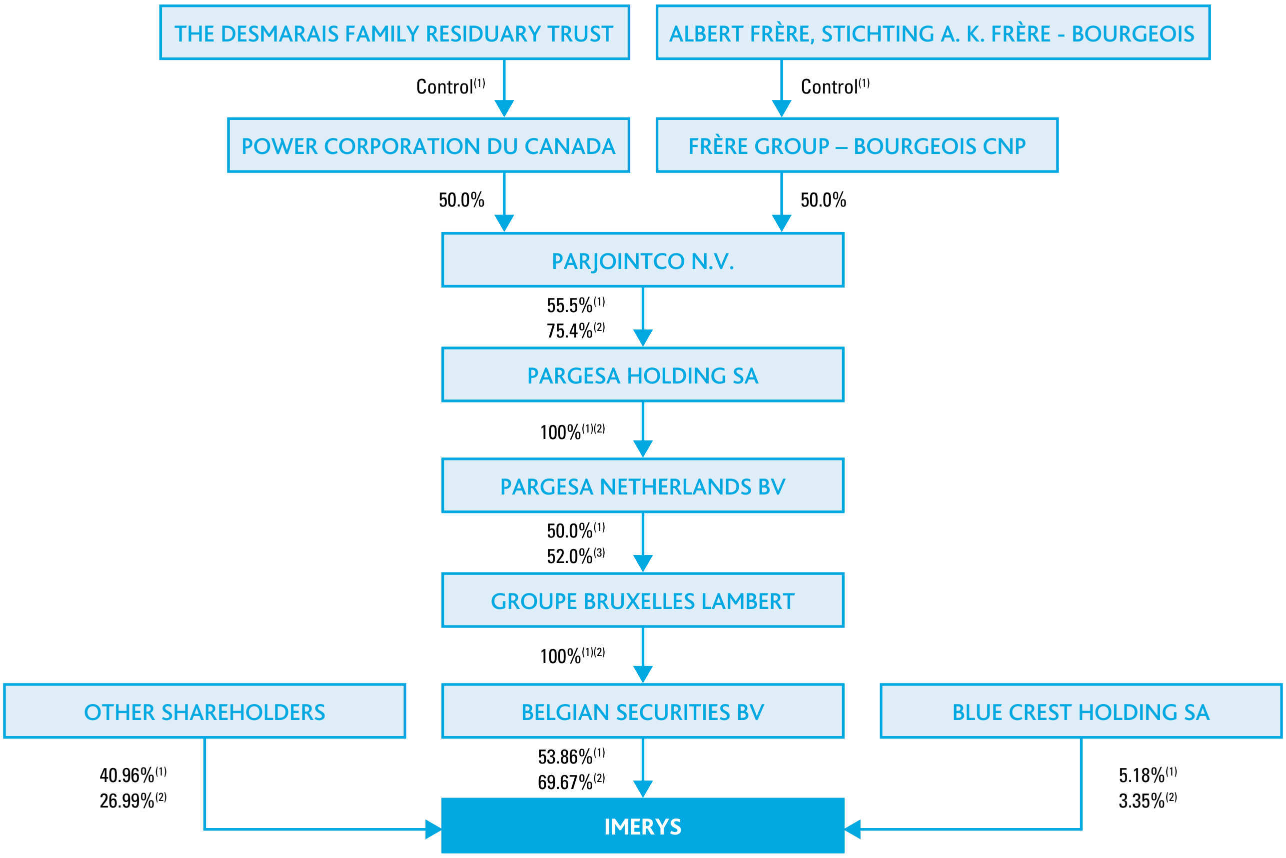
As of the date of this Registration Document, the Company has not been informed of any other agreement between the Company's shareholders, nor of any agreement that, if implemented, could lead to a change of control.

7.3.4 IDENTIFICATION OF BEARER SHAREHOLDERS

In 2016, Imerys asked Euroclear France to conduct a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 30,000 shares. Except for the controlling shareholder (Belgian Securities BV), this survey identified 3,363 bearer shareholders with over 200 shares that together represented 38.1% of share capital as of December 31, 2016 (of which 357 institutional investors holding 34.88% of share capital).

7.3.5 GROUP SHAREHOLDING STRUCTURE

The organizational chart showing the relationships between Imerys shareholders as regards share capital and voting rights as of December 31, 2016 may be presented as follows:



(1) Participation of share capital
(2) Participation of voting rights
(3) Given the suspended voting rights of treasury shares

Pargesa Holding SA is a company governed by Swiss law with registered offices located at 11, Grand-Rue, CH-1204 Geneva (Switzerland). Pargesa Netherlands BV is a company governed by Dutch law, with registered offices located at Herengracht 483, 1017 BT Amsterdam (Netherlands). Groupe Bruxelles Lambert (GBL) is a company governed by Belgian law, with registered offices located at Avenue Marnix 24, 1000 Brussels (Belgium). Belgian Securities BV is a company governed by Dutch law, with registered offices located at Herengracht 555, 1017 BW Amsterdam (Netherlands). The direct tie-up of Imerys to the Pargesa-GBL group results from the merger of Parfinance with the Company, completed on June 30, 1998. Parfinance was then the Company's controlling shareholder, and had already been so for several years.

Parjointco is a company governed by Dutch law, with registered offices located at Veerkade 5, 3016 DE-Rotterdam (Netherlands). It is held equally and jointly controlled by both Power Group, a Canadian group controlled by the Desmarais family and by Groupe Frère/CNP (Compagnie Nationale à Portefeuille), a Belgian group controlled by the family of Baron Albert Frère.

Blue Crest Holding SA is a company governed by Luxembourg law with registered offices located at 19, rue Eugène Ruppert, L-2453 Luxembourg (Luxembourg). It is held and controlled by the Kyriacopoulos family.

On March 21, 2011, the Pargesa-GBL group notified the AMF of its intention to reclassify Imerys shares, following which Belgian Securities BV would acquire all of the Imerys shares held by Pargesa Netherlands BV. As this reclassification gave rise to a direct crossing by Belgian Securities BV and an indirect one by Groupe Bruxelles Lambert (holding 100% of Belgian Securities BV) of the one-third threshold of the Company's share capital and an increase of more than 2% in their direct and indirect stake in less than a twelve-month period, Belgian Securities BV and Groupe Bruxelles Lambert requested an exemption from the AMF from the obligation to file a take-over bid plan for the Company's shares. An exemption was granted on March 29, 2011 (AMF Decision and Information No. 211C0389 dated March 31, 2011), and Imerys shares held by Paragesa Netherlands BV were transferred to Belgian Securities BV on April 8, 2011. This transaction, which has no impact on the ultimate control of the Company, resulted in the loss of double voting rights attached to Pargesa Netherlands

BV's stake and similarly reduced the total number of voting rights of the Company. On April 8, 2013, in accordance with the provisions of the Company's by-laws, double voting rights were granted to the shares acquired by Belgian Securities BV from Pargesa Netherlands BV leading to the increase of the total number of the Company's voting rights and a direct crossing by Belgian Securities BV of the two-third threshold of these voting rights *(see section 7.3.2 of this chapter)*.

7.4 ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

Pursuant to article L. 225-100-3 of the French Code of Commerce, elements which could have an impact in the event of a takeover bid for the securities of the Company are as follows, it being stipulated that no specific mechanism has been set up by the Company:

Structure of the share capital – direct or indirect investments in the share capital – Shareholders' agreements

Information regarding the shareholding of the Company (structure of the share capital, thresholds crossings and control of the Company) appear in *section 7.3 of this chapter*.

Restrictions to the exercise of voting rights and to the transfer of shares or agreements known by the Company

See paragraph 7.3.3 of this chapter.

Holders of securities granting specific control rights

The Company's by-laws specify that shares registered in the name of the same shareholder for at least two years carry double voting rights *(see section 7.1 of this chapter)*.

Control mechanisms under employee shareholding schemes

None.

Agreements between shareholders known by the Company that could lead to restrictions of share transfers and exercice of voting rights

See paragraph 7.3.3 of this chapter.

Specific rules governing the appointment or replacement of Directors and the modification of the Company's by-laws

None.

Powers of the Board of Directors regarding, in particular issues of shares or share buybacks

The terms and conditions for the buyback of the Company's shares are set out in *paragraphs 7.2.3 and 7.2.4 of this chapter*.

Moreover, it will be proposed to the Ordinary and Extraordinary Shareholders' General Meeting to be held on May 3, 2017 to to exclude the possibility for the Board of Directors to make share buybacks or to use the delegations of authority that will be granted to the Board, during periods of public offer on the Company's shares *(see chapter 8, paragraphs 8.1.6 and 8.1.7 and section 8.4 of the Registration Document)*.

Agreements that may be amended or terminated in the event of a change of control of the Company

Some of the Company's main financing agreements *(see note 24.5 to the consolidated financial statements)* contain a clause which provides for their early reimbursement, under certain conditions and on the Company's initiative, in the event of a change of control.

Joint venture agreements entered into by the Company's subsidiaries generally provide for an exit clause in the event of a change of control of the said subsidiaries.

Agreements providing indemnities to be paid to members of the Board of Directors or employees if they resign or are dismissed without genuine and serious cause or if their employment ends because of a takeover bid

Terms and conditions of the indemnity that may be owed to the Chairman and Chief Executive Officer in the event his duties end are detailed in *chapter 3, paragraph 3.3.2 of the Registration Document*.

7.5 IMERYS STOCK EXCHANGE INFORMATION

Imerys shares are listed on Euronext Paris and are eligible for the deferred settlement system ("Système à Règlement Différé" – SRD) (ISIN code FR 0000120859-Mnemo NK). Imerys is part of the CAC MD (mid 60) index within the SBF 120 which represents the 120 largest stocks listed on Euronext Paris (in terms of market capitalization, free float and trading volumes), as well as of the CAC Basic Materials index. Imerys shares are also part of the "Dow Jones Euro Stoxx", the benchmark index for the euro zone. Within the SBF 120 and the Dow Jones Euro Stoxx 600, Imerys shares have been listed, since November 2, 2009, under the general mining sector ("1775 General Mining Activities" according to ICB classification) and they also belong to more than 60 international indexes.

The Group remains attentive to the ratings of non-financial analysis agencies *(see chapter 5, paragraph 5.2.4 of the Registration Document)*.

No securities in any Imerys subsidiary are listed on a stock exchange.

7.5.1 HIGHEST AND LOWEST MARKET PRICES BETWEEN 2012 AND 2016

Year	Highest market price* *(€)*	Lowest market price* *(€)*	Final market closing price of the year* *(€)*
2012	48.70	35.09	48.19
2013	64.00	45.31	63.21
2014	68.10	50.45	61.01
2015	73.93	56.85	64.42
2016	72.24	50.38	72.07

* *Market prices observed during trading (sources: Bloomberg and Euronext).*

7.5.2 TRADING SINCE JANUARY 2015

	Highest price* *(€)*	Lowest price* *(€)*	Total monthly trading volume		Average daily trading		
			Number of shares	Capital *(€M)*	Number of shares	Capital *(€M)*	Number of trades
2015							
January	65.69	57.75	1,941,683	118.15	92,461	5.63	1,348
February	67.88	63.10	1,573,318	103.78	78,666	5.19	1,154
March	70.97	65.36	1,635,009	111.22	74,319	5.06	1,127
April	73.93	65.65	2,150,616	153.12	107,531	7.66	1,589
May	69.44	64.45	2,169,193	145.71	108,460	7.29	1,565
June	72.00	66.04	2,994,196	206.86	136,100	9.40	1,641
July	71.45	64.66	1,657,589	113.10	72,069	4.92	1,171
August	69.68	58.72	1,586,138	103.25	75,530	4.92	1,337
September	63.33	56.85	2,168,283	130.01	98,558	5.91	1,710
October	62.50	56.86	1,900,957	113.87	86,407	5.18	1,296
November	64.38	60,44	1,534,117	96.28	73,053	4.58	1,254
December	65.00	59.34	1,419,952	88.09	64,543	4.00	1,015
Total 2015			**22,731,051**	**1,483.43**			
2016							
January	63.24	55.30	1,818,197	105.60	90,910	5.28	1,351
February	58.00	50.38	2,417,562	131.52	115,122	6.26	1,764
March	61.80	55.61	1,948,675	114.56	92,794	5.46	1,596
April	64.95	59.26	1,869,899	116.98	89,043	5.57	1,503
May	65.00	59.99	1,545,870	96.37	70,267	4.38	1,137
June	65.00	54.86	1,867,363	112.54	84,880	5.12	1,341
July	64.29	55.12	1,288,995	75.97	61,381	3.62	1,056
August	64.91	61.86	980,698	62.20	42,639	2.70	773
September	65.55	61.91	1,007,150	64.17	45,780	2.92	793
October	68.75	56.75	1,546,424	100.94	73,639	4.81	1,402
November	68.00	61.72	1,417,830	91.69	64,447	4.17	1,278
December	72.24	64.88	1,609,548	112.99	76,645	5.38	1,395
Total 2016			**19,318,211**	**1,185.53**			

* *Market prices observed during trading (sources: Bloomberg and Euronext).*

7.6 DIVIDENDS

Imerys' policy with regard to the distribution of dividends is based on the net income from current operations recorded for the considered financial year. Imerys historical payout ratio is approximately 37% of such income.

In accordance with the provisions of article 243 bis of the French General Tax Code, the dividends distributed with respect to the last three financial years were as follows:

	2015	2014	2013
Net income per share	€4.31	€4.15	€4.03
Net dividend per share	€1.75	€1.65	€1.60
Gross dividend per share	€1.75	€1.65	€1.60
Number of shares entitled to dividend	78,557,578	80,298,521	76,519,723
Total net distribution	**€137.5 million**	**€132.5 million**	**€122.4 million**

Imerys does not usually make interim distributions. Dividends are paid once a year following the Shareholders' General Meeting called upon to approve the management and financial statements for the financial year just ended.

The right to claim dividends lapses five years from the date of payment. Unclaimed amounts are deposited with the French State in the first 20 days of January of the year following the expiry of the limitation period.

7.7 SHAREHOLDER RELATIONS

Imerys pays special attention to its shareholders by keeping them up to date with its activities, strategy, capital expenditure, results and prospects. This goal is reflected in the various communication vehicles that involve shareholders in the Group's life:

- the *www.imerys.com* website for news of the Group's activities and share prices, with a specific section dedicated to individual shareholders which provides access to the "Individual Shareholder's Guide";
- a Letter to Shareholders published several times a year, presenting the Group's news, results and outlook;
- an Annual Report;
- a Registration Document including the Annual Financial Report, plus a Half-year Financial Report;
- a Sustainable Development Report;
- a dedicated phone line and e-mail address.

All these documents are published in English and French and are sent to each registered shareholder and to the bearer shareholders who wish to receive them regularly.

The financial community and individual shareholders are also informed on the Company's business through financial announcements published in the press (paper and web format) whenever results are published and when annual Shareholders' General Meeting is convened.

Imerys, through the intermediary of CACEIS Corporate Trust which is in charge of its registry services, provides shareholders who opt to register their shares in their own name[(1)] with an online service for consulting their securities account through the secure Internet site *www.nomi.olisnet.com*. This site gives shareholders access in particular to the prices and characteristics of the securities in their portfolio, their latest security transactions and the availability of their stocks and the attached voting rights. It also contains all documentation concerning the annual Shareholders' General Meeting and enables them to vote on line.

Imerys keeps up ongoing, open and transparent relations with the whole financial, institutional and socially responsible community through individual meetings, sector conferences and conference calls. More than 450 meetings organized throughout 2016 enabled the Executive Management and the Investor Relations team to dialog with financial analysts, institutional investors and international fund managers in the United States, Canada, France and United Kingdom as well as in Austria, Belgium, Germany, Italy and Switzerland. The number of road shows in second rank financial places has notably increased in 2016 in countries such as Denmark, Ireland, Monaco, the Netherlands and Sweden, to develop and diversify Imerys' shareholder base.

(1) Shares registered in the holder's name are kept on Imerys' books and administrated by CACEIS Corporate Trust. This identification makes direct, personalized contact possible.

Financial Communication is part of the Group Finance Function:

- Telephone: +33 (0) 1 49 55 64 01
- Fax: +33 (0) 1 49 55 63 16
- e-mail address: finance@imerys.com

Registry services for Imerys shares are provided by the following bank:

CACEIS Corporate Trust
14, rue Rouget-de-Lisle
92862 Issy-les-Moulineaux Cedex 9 (France)

- Telephone: +33 (0) 1 57 78 34 44
- Fax: +33 (0) 1 49 08 05 80
- e-mail address: ct-contact@caceis.com

CACEIS Corporate Trust is more specifically at the service of registered shareholders for the management of their Imerys shares.

7.8 PARENT COMPANY/SUBSIDIARIES ORGANIZATION

As of December 31, 2016, the Group was made up of 338 companies in 59 countries (the main consolidated entities of the Group are listed in *note 25 to the consolidated financial statements*). The Group operational structure is based on four business groups details of which are set out in *chapter 1, paragraph 1.2.6 of the Registration Document*.

Imerys is the Group's holding company. In that respect it does not directly carry out any industrial or commercial activity. The Company's assets are mainly comprised of the investments it directly holds in some Group subsidiaries. For further information about the subsidiaries held directly by the Company, *see note 35 to the statutory financial statements*.

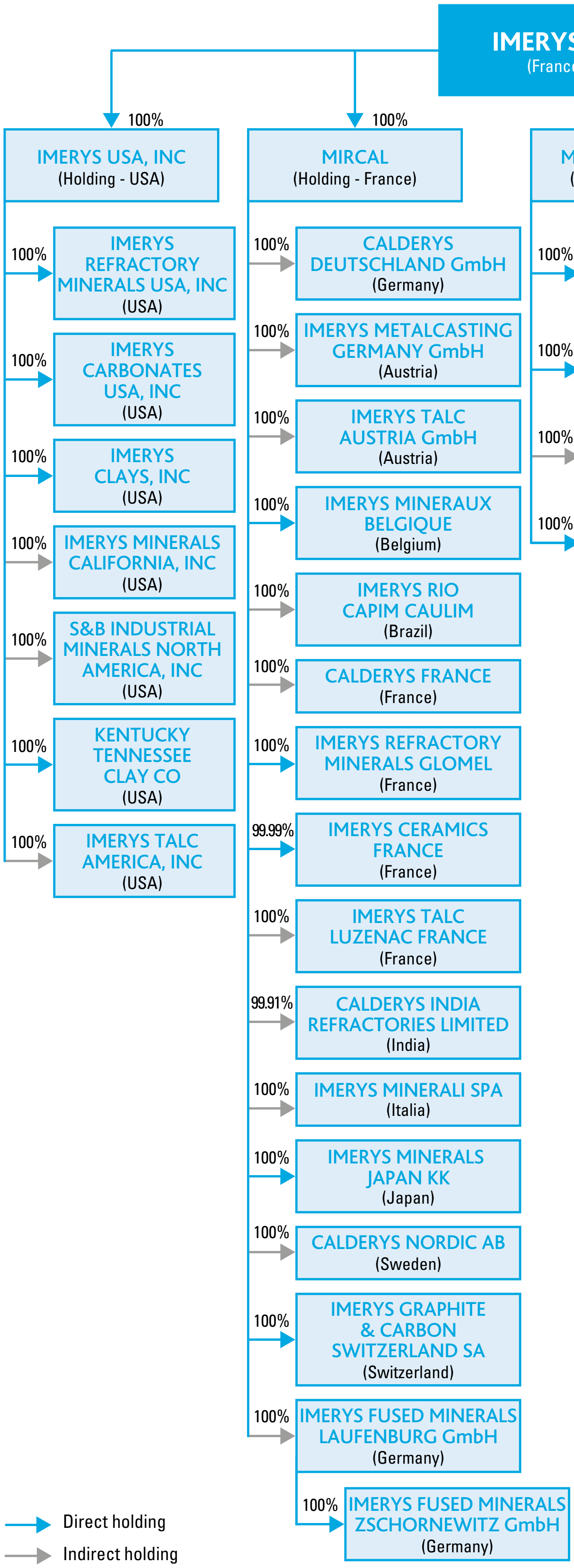
Imerys as well as some of its local holding companies (Belgium, Brazil, China, Singapore, United Kingdom and United States) provide all its subsidiaries with general assistance and expertise in particular in the following areas:

- Accounting & Financial Control;
- Audit;
- Communication;
- Environment, Health & Safety;
- Human Resources;
- Information Technology;
- Innovation, Research & Development;
- Insurance;
- Intellectual Property;
- Legal;
- Purchasing;
- Strategy;
- Tax;
- Treasury.

These services include, notably: assistance and advice in response to case-by-case requests from its subsidiaries, as well as more general studies and analyses or even recommendations or proposed actions as preventive measures.

Compensation for these services is determined on the basis of the related costs incurred by Imerys and its local holding companies. These costs are allocated among the subsidiaries that benefit from the services. either in proportion to their revenues compared to the total revenues of the activity they belong to or in proportion to the number of their employees. In addition, external costs incurred specifically on behalf of a subsidiary and the costs of employees seconded to a subsidiary are allocated separately to that subsidiary. The Company invoiced a net total amount of €26.7 million in 2016 for services provided to its subsidiaries. Imerys is also the parent company of the tax consolidation group for the Group's French companies with more than 95% of their share capital being held by Imerys *(see note 8 to the statutory financial statements)*.

The simplified organization chart presented below shows the main operating entities of the Group whose turnover exceeded €50.0 million as of December 31, 2016.



8

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 3, 2017

8.1 PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

The resolutions that the Board of Directors drew up at its meeting of February 15, 2017 and submit for your approval, fall within the scope of the Ordinary part of the Shareholders' General Meeting for resolutions 1 to 12 and 26 and within the scope of the Extraordinary part of the Shareholders' General Meeting for resolutions 13 to 25.

8.1.1 FINANCIAL YEAR 2016 – ANNUAL FINANCIAL STATEMENTS AND ALLOCATION OF EARNINGS

(Three resolutions falling within the scope of the Ordinary Shareholders' General Meeting)

We first submit for your approval the Company's financial statements ***(first resolution)*** and the Group's consolidated financial statements ***(second resolution)*** for the 2016 financial year.

The presentation of these financial statements and the description of the financial situation, business and results of the Group and the Company for the financial year just ended, as well as the various items of information required by current legal and regulatory provisions, appear in *chapters 2 and 6 of the Registration Document*.

You are then called upon to decide on the allocation of the Company's 2016 earnings ***(third resolution).*** The Company's net income in 2016 totaled €105,574,029 to which the retained earnings appearing in the balance sheet of €230,458,814 be added in order to give a total distributable amount of €336,032,844. The Board of Directors proposes the payment of a dividend of €1.87 per share, i.e. a 6.9% increase compared with the dividend paid in 2016 with respect to the previous financial year. The dividend will be payable as from May 11, 2017.

In accordance with the provisions of article 243 *bis* of the French General Tax Code, the entire proposed dividend with respect to 2016 is eligible for the 40% tax credit provided for by article 158-3-2° of the French General Tax Code, which natural persons resident in France for tax purposes may benefit from.

Dividends paid out with respect to the previous three financial years were as follows:

Financial year ending	12/31/2015	12/31/2014	12/31/2013
Net dividend per share	€1.75(1)	€1.65(1)	€1.60(1)
Number of shares entitled to dividend	78,557,578	80,298,521	76,519,723
Total net distribution	€137.5 M	€132.5 M	€122.4 M

(1) Dividend eligible for the 40% allowance.

8.1.2 REGULATED AGREEMENTS AND COMMITMENTS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

You are asked under the ***fourth resolution*** to consider the Statutory Auditors' special report relating to the regulated agreements and commitments governed by the provisions of articles L. 225-38 et seq. of the French Code of Commerce as well as the modification made to the collective defined-benefit supplementary pension plan of which one of the beneficiaries is Gilles Michel, Chairman and Chief Executive Officer. At its meeting of December 15, 2016, the Board of Directors, on the recommendation of the Compensation Committee, decided to amend the terms for appraising the seniority requirement for benefiting from this specific pension plan (eight years in the Group, of which four as an Executive Committee member). Following this amendment, seniority will now be appraised on January 1 of each year in the Group.

At its meeting of February 15, 2017, the Board of Directors, in accordance with legal provisions, reexamined all the other regulated agreements and commitments authorized and entered into in previous years in favor of Gilles Michel (defined contribution supplementary pension plan, possible severance indemnity and social guarantee for Company managers and executives) and confirmed that said commitments were to continue unchanged according to their initial terms and conditions.

√ For more information *see chapter 3, paragraph 3.3.2 of the Registration Document*.

All the regulated agreements and commitments made by the Company are detailed in the Statutory Auditors' special report inserted in *chapter 2, paragraph 2.2.3 of the Registration Document*.

8.1.3 COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, your opinion is required under the ***fifth resolution*** on the compensation items and benefits due or awarded for the 2016 financial year to Gilles Michel, as Chairman and Chief Executive Officer, and that are summarized in the table below (for further details on the compensation policy, *see chapter 3, section 3.3 of the Registration Document*).

Compensation items due or awarded for the year ended	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€800,000	Gross fixed compensation decided by the Board of Directors on February 11, 2016, unchanged since 2010.
Annual variable compensation	€882,816 paid in 2016 €870,144 to be paid in 2017	The economic performance criteria for 2016 were related to the achievement of financial targets: net income, Group operating cash flow for 2016 and return on capital employed. A multiplier of 0.8 to 1.2 could be applied to the resulting amount according to the achievement of other annual specific goals concerning the Group's organizational development, strategy and management of operating financial performance. The confidential nature of these goals prevents their publication. It is reminded that a ceiling of 132% of the fixed amount of Gilles Michel's compensation is set for the variable part of his compensation. At its meeting of February 15, 2017, the Board, on the recommendation of the Compensation Committee, set the amount of the variable compensation to be paid in 2017 to Gilles Michel to €870,144, i.e. 108.8% of his annual fixed compensation. This amount results from the application to the amount coming from the achievement of the economic goals, of the maximum multiplier of 1.2, which reflects the quality of the achievement of the specific goals assigned to Gilles Michel by the Board.
Deferred variable compensation	NA	No deferred variable compensation was paid to the Chairman and Chief Executive Officer.
Multi-annual variable compensation	NA	No multi-annual variable compensation was paid to the Chairman and Chief Executive Officer.
Extraordinary compensation	NA	No extraordinary compensation was paid to the Chairman and Chief Executive Officer.
Stock options, performance shares and any other element of long-term compensation	Stock options: NA	No stock options were granted to the Chairman and Chief Executive Officer in 2016.
	Performance shares: 32,500 Valuation of performance shares awarded = €1,420,792 Other element = NA	32,500 performance shares were granted to the Chairman and Chief Executive Officer upon the decision of the Board of Directors of May 4, 2016 on the recommendation of the Appointment and Compensation Committee. This grant made pursuant to the Ordinary and Extraordinary Shareholders' General Meeting authorization of the same day (17th resolution) represents 0.04% of the Company's share capital after dilution. These performance shares, and their number, are conditioned by and proportionate to the achievement of economic performance goals related to the growth of the Group's net income per share and of the Group's ROCE (return on capital employed) during the 2016-2018 period. These goals are identical to those set for the performance shares of all beneficiaries of the Company's general free share plan.
Attendance fees	NA	No attendance fees are allotted to the Chairman and Chief Executive Officer.
Valuation of any benefits	€18,155 (accounting valuation)	Company car with driver.

Compensation items due or awarded for the year ended	Amounts or accounting valuation submitted to the vote	Presentation
Indemnity due to end of duties	€0	The Board of Directors on February 11, 2016, on the recommendation of the Appointment and Compensation Committee and in order to comply with the terms of the AFEP-MEDEF Corporate Governance Code, decided to amend the conditions for the payment of the severance indemnity that could be owed to Gilles Michel in the event of the end of his corporate office. These conditions now provide that severance indemnity would only be owed in the event of forced departure linked to a change of control, a change of strategy or a major disagreement over them; no indemnity would be owed in the event of Gilles Michel's voluntary departure or if he had the possibility of benefiting from his pension rights at short notice after he reaches the age of 63. In accordance with legal provisions, this amendment was published on the Company's website and notified to the Statutory Auditors for the drafting of their special report on regulated agreements and commitments. It was also approved by the Shareholders' General Meeting of May 4, 2016 (4th resolution). It is specified that the other payout conditions (calculation of amount, applicable performance conditions) are unchanged: the payment would be subject and proportional to performance conditions appraised on the basis of the arithmetic average of the percentages of achievement of the sole economic and financial goals of the last three financial years, as set down by the Board of Directors for the determination of the variable compensation with respect to each of those financial years (for more details, *see chapter 3, paragraph 3.3.2 of the Registration Document)*. In addition, Gilles Michel benefits from the social guarantee for Company managers and executives (GSC).
Indemnity under a non-competition clause	NA	There is no indemnity under a non-competition clause.

Compensation items due or awarded for the year ended	Amounts or accounting valuation submitted to the vote	Presentation
Supplementary pension plans	€0	The Chairman and Chief Executive Officer since April 28, 2011 is among the potential beneficiaries of the collective supplementary pension plan with defined benefits for the principal managers of Imerys who meet the restrictive and objective eligibility criteria. The maximum amount of the life annuity that may be paid to the beneficiaries of the plan as from the liquidation of their pension rights is calculated in order to guarantee them: ▪ a total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan described below) of 60% of their reference salary (average of the last two years of the beneficiary's fixed plus variable compensation); said salary is limited to 30 times the annual French social security ceiling (PASS); ▪ subject to a pay-in ceiling equal to 25% of said reference salary. Furthermore, the Company decided to set up, as from October 1, 2009, a defined contribution supplementary pension plan for the benefit of some of Imerys' top managers, including the Chairman and Chief Executive Officer. Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of 8 PASS, are made jointly by the employee (for 3%) and the Company (for 5%). These commitments taken by the Company in favor, among others, of Gilles Michel, Chairman and Chief Executive Officer, were approved again by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2015 on the occasion of the renewal of his office as Director. They continued without any modification during the financial year 2016. At its meeting of December 15, 2016, the Board of Directors, on the recommendation of the Compensation Committee, decided to amend the terms for appraising the seniority requirement for benefiting from the collective supplementary pension plan with defined benefits (eight years in the Group, of which four as an Executive Committee member). Following this amendment, seniority will now be appraised on January 1 of each year in the Group. These commitments and the amendment made to the collective supplementary pension plan with defined benefits were notified to the Statutory Auditors for the drafting of their special report on regulated agreements and commitments *(see chapter 2, paragraph 2.2.3 of the Registration Document)*. In accordance with the law, the amendment made to the collective supplementary pension plan with defined benefits will be submitted to the approval of the Shareholders' General Meeting of May 3, 2017 (4th resolution).

8.1.4 PRINCIPLES AND CRITERIA OF DETERMINATION OF COMPENSATION ITEMS OF THE EXECUTIVE CORPORATE OFFICERS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

Furthermore, this year you are asked, for the first time and pursuant to the provisions of article L. 225-37-2 of the Code of Commerce, to approve the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that may be allotted to Mr. Gilles Michel in his capacity as Chairman & Chief Executive Officer as well as to any Executive Corporate Officer who could be appointed ***(sixth resolution).*** These items are presented in detail in *chapter 3, sections 3.5 and 3.6 and paragraph 3.3.2 of the Registration Document*.

8.1.5 COMPOSITION OF THE BOARD OF DIRECTORS

(Five resolutions falling within the scope of the Ordinary Shareholders' General Meeting)

The terms of office of Mrs. Marion Guillou and Mrs. Arielle Malard de Rothschild and those of Messrs. Aldo Cardoso, Paul Desmarais III and Colin Hall will expire at the end of this Meeting. At its meeting of February 15, 2017, the Board of Directors acknowledged that Mrs. Arielle Malard de Rothschild did not request the renewal of her expiring term of office and, in accordance with the recommendations of the Appointments Committee, decided to propose to the Shareholders' General Meeting to:

- renew the term of office of Mrs. Marion Guillou and Messrs. Aldo Cardoso, Paul Desmarais III and Colin Hall for a further three-year period, i.e. until the close of the Shareholders' General Meeting that will be called in 2020 to rule on the management and financial statements for the 2019 financial year ***(seventh to tenth resolutions)*** and
- appoint for the same three-year period, i.e. also until the end of the Shareholders' General Meeting called in 2020 to rule on the management and financial statements for the 2019 financial year, Mrs. Martina Merz a new Director ***(eleventh resolution).***

Professional information regarding Mrs. Marion Guillou and Messrs. Aldo Cardoso, Paul Desmarais III and Colin Hall is included in *chapter 3, paragraph 3.1.3 of the Registration Document*.

Information concerning Mrs. Martina Merz is provided below.

Professional information concerning Mrs. Martina Merz (born on March 1, 1963, German national):

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

In accordance with the principles used by the Company to determine the independent status of its Directors, and after examining their personal situation, the Board of Directors, upon proposal of the Appointments Committee, recognized the independent status of Mrs. Marion Guillou and Mrs. Martina Merz as well as Mr. Aldo Cardoso. Independent status was not awarded to Messrs. Paul Desmarais III and Colin Hall who represent Imerys controlling shareholders (for more details, *see chapter 3, paragraph 3.1.2 of the Registration Document*).

Following the Shareholders' General Meeting of May 3, 2017 and subject to its approval of the above proposals, the Board of Directors will be made up as follows:

Year of end of term of office	Name	Independent member
2018	Xavier Le Clef	No
	Gilles Michel	No
	Giovanna Kampouri Monnas	Yes
	Ulysses Kyriacopoulos	No
	Katherine Taaffe Richard	Yes
	Marie-Françoise Walbaum	Yes
2019	Odile Desforges	Yes
	Ian Gallienne	No
	Laurent Raets	No
	Arnaud Vial	No
2020	Aldo Cardoso	Yes
	Paul Desmarais III	No
	Marion Guillou	Yes
	Colin Hall	No
	Martina Merz	Yes

According to legal and statutory provisions, Mrs. Éliane Augelet-Petit and Mr. Enrico d'Ortona were appointed as Directors representing employees on October 6, 2014 for a three-year period, i.e. until October 6, 2017. In accordance with legal provisions and those for appointing Directors representing employees set down in the Company's by-laws, the Imerys France Group Works Council and European Works Council shall rule in 2017 on the renewal of the offices held by Mrs. Augelet-Petit and Mr. d'Ortona.

8.1.6 SHARE BUYBACK PROGRAM AND CANCELLATION OF TREASURY SHARES

(Two resolutions, one falling within the scope of the Ordinary Shareholders' General Meeting and one falling within the scope of the Extraordinary Shareholders' General Meeting)

■ SHARE BUYBACK PROGRAM

The authorization to buy back the Company's shares on the market, given to the Board of Directors for an 18-month period by the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2016 will expire on November 3, 2017; it is therefore proposed that you renew it now in accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and articles 241-1 to 241-6 of the AMF's General Regulations ***(twelfth resolution).***

√ For further information about the Company's implementation of its share buyback programs in 2016, *see chapter 7, paragraph 7.2.4 of the Registration Document*.

This authorization is intended to enable the Board of Directors to purchase a maximum number of Company shares representing 10% of the outstanding shares at January 1, 2017 (i.e. 7,956,787 shares) mainly for the purpose of:

- their subsequent cancellation by reducing the Company's capital;
- covering the stock purchase option plans and/or free share grant plans, as well as any grant of shares under shareholding plans set up by the Company (or assimilated plans), or with respect to profit-sharing and/or any other forms of grant, award or transfer of shares to current employees, former employees and/or corporate officers of the Company and/or any related companies pursuant to articles L. 225-180 and L. 233-16 of the French Code of Commerce, within the frame of the regulations in force or ad hoc plans set up by the Company;
- awarding or exchanging shares purchased on the occasion, in particular, of rights exercises or issues of securities giving the right by redemption, conversion, swap, warrant or in any other manner to the grant of shares;
- keeping shares with a view to their later transfer for exchange or payment, under or following external growth, merger, split or contribution operations;
- ensuring the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a Code of Conduct recognized by the AMF; and
- more generally, operating for any other purpose that is or may come to be authorized by law, and/or implementing any market practice that may come to be authorized by Autorité des marchés financiers.

The number of shares that may be held, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares making up the capital. Finally, the maximum purchase price would be €90 per share, representing a maximum total investment of €716 million.

Acquisitions will be carried out by any means, including the transfer of blocks and the use of derivatives except during periods of public offers for the Company's securities.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (***www.imerys.com*** – Media Center – Regulated Information section) prior to the Shareholders' General Meeting of May 3, 2017. A copy of this description can also be obtained on request from the Company's head office.

▪ CANCELLATION OF TREASURY SHARES

You are also requested to renew the authorization granted to the Board of Directors for the purposes of cancelling all or part of the treasury shares held by the Company under its share buyback programs, within the limit of 10% of its capital per 24-month period, by reducing its share capital accordingly and allocating the difference between the purchase value of the cancelled shares and their par value to available premiums and reserves ***(twenty-second resolution).***

8.1.7 FINANCIAL AUTHORIZATIONS

(Eight resolutions, one falling within the scope of the Ordinary Shareholders' General Meeting and the seven others falling within of the Extraordinary Shareholders' General Meeting)

The Board of Directors has at its disposal a set of financial authorizations, last renewed by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2015, allowing it to increase the net equity of the Company through the issue of shares or any securities that represent a debt or give access, immediately or in the future, to shares in the Company with or without preemptive subscription rights, or by incorporation of reserves, premiums, income or other items (an overview of the financial authorizations and delegations in force is set out in *chapter 7, paragraph 7.2.3 of the Registration Document*).

Like in the past, these financial authorizations were designed to give the Board of Directors the greatest leeway and flexibility in choosing the issue arrangements that are most favorable and appropriate to the development of the Company and its Group and the most adapted to market fluctuations and the financial context.

These delegations and authorizations will expire in June 2017. You are therefore asked to renew them in similar conditions to those presented below (the table summarizing the financial authorizations and delegations of authority that you are asked to renew is in *chapter 7, paragraph 7.2.3 of the Registration Document*). These new delegations and authorizations would be granted for a period of 26 months and would replace those previously given by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2015, which would therefore become invalid.

Finally, you are informed that, without the prior authorization of the Shareholders' General Meeting, the Board of Directors may not use these delegations of authority in the event of a public offer for the Company's securities, for the duration of that offer.

▪ ISSUE OF COMMON SHARES OR SECURITIES GIVING ACCESS TO CAPITAL WITH PREEMPTIVE SUBSCRIPTION RIGHTS

The ***thirteenth resolution*** concerns the renewal of the delegation of authority granted to the Board of Directors for the purposes of issuing common shares or any other securities with preemptive subscription rights for shareholders. The Board proposes maintaining the ceiling of capital increases that may thus be carried out at €75 million (i.e. approximately 47% of share capital as of December 31, 2016). The total nominal amount of securities that represent a debt which may be issued under this delegation may not be greater than €1 billion, it being specified that the nominal amount of these issues would be deducted from the overall ceiling for issues of debt securities set in the twentieth resolution.

▪ ISSUE OF COMMON SHARES OR SECURITIES GIVING ACCESS TO CAPITAL WITHOUT PREEMPTIVE SUBSCRIPTION RIGHTS

The renewal of the delegation of authority granted to the Board of Directors for the purposes of issuing common shares or any other securities without preemptive subscription rights for shareholders is provided for by the ***fourteenth resolution.*** The possibility of carrying out such issues would enable your Company, on one hand, to call on a greater number of investors, on both the French and international markets, and, on the other hand, to make it easier to carry out issues, particularly because of the shorter completion time. It is specified that a subscription priority may be granted to shareholders by the Board of Directors for a period and under the terms and conditions that it would define according to current regulations.

The Board proposes that the ceiling for capital increases that may be carried out without preemptive subscription rights be maintained at €15 million (i.e. approximately 9.5% of share capital as of December 31, 2016), it being specified that this amount would constitute a sub-ceiling from which the total of any issues to be carried out without such rights would be deducted.

The total nominal amount of securities representing debt that may be issued under this authorization may not be greater than €1 billion, which amount is to be deducted from the overall ceiling for issues of debt securities set in the twentieth resolution.

The subscription price of the shares that may be issued under this delegation would be determined by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Code of Commerce and would be at least equal to the weighted average price for the three latest trading sessions leading up to its determination, possibly decreased by a maximum discount of 5%.

Finally, the fourteenth resolution provides for the possibility of issuing common shares in order to compensate securities contributed to the Company with respect to a public exchange offer that fulfills the conditions set down by article L. 225-148 of the French Code of Commerce.

SHARE CAPITAL INCREASES UNDER AN OFFERING BY PRIVATE INVESTMENT

It is proposed under the ***fifteenth resolution*** to renew the delegation granted to the Board of Directors to carry out capital increases through issuance of shares or securities giving access to the Company's share capital, by private investment. These share capital increases would be carried out with cancellation of preemptive subscription rights in favor of qualified investors or a limited circle of investors as defined in article L. 411-2 of the French Monetary and Financial Code which would enable the Company to benefit from flexible, fast access to the market. The Board of Directors proposes that the annual global ceiling of such capital increases be set at 10% of the share capital. The nominal amount of the securities to be issued pursuant to this delegation would be charged to the nominal amount of €15 million set for the share capital increases that may be carried out with cancellation of preemptive subscription rights. Lastly, the subscription price of the shares that may be issued pursuant to this delegation, shall be set in accordance with the provisions of article R. 225-119 of the French Code of Commerce: it shall thus be at least equal to the weighted average price of the three trading sessions preceding the determination of such a price, minus a maximum possible discount of 5%. This delegation would enable the Company to propose subscriptions for its securities, particularly to financial partners, with shorter completion times, giving it faster access to the market.

INCREASE IN THE NUMBER OF SHARES TO BE ISSUED IN CASE OF EXCESS DEMAND

In accordance with the provisions of article L. 225-135-1 of the French Code of Commerce, the delegation set in the ***sixteenth resolution*** would allow the Board of Directors, in case of excess demand for any issue decided under the fourteenth and fifteenth resolutions, to increase the number of shares to be issued in the conditions set forth by the law and within the limits of the global ceilings provided for by such resolutions. Pursuant to provisions of article R. 225-118 of the French Code of Commerce, applicable conditions are currently as follows: increase of the amount of the initial issue within 30 days from the closing of the subscription period, up to 15% of the initial issue and for an equal subscription price.

SETTING OF THE ISSUE PRICE

Moreover, you are asked under the ***seventeenth resolution*** to renew the authorization granted to the Board of Directors, in the event of the issue of shares and/or securities giving access to capital without preemptive subscription rights, to derogate, within the annual limit of 10% of the Company's capital, from their price-setting conditions and to fix such a price as follows:

- the issue price of ordinary shares should be at least equal to the closing price for Imerys shares on the stock market the day before the issue, minus a maximum possible discount of 10%; and
- the issue price of the securities giving access to capital shall be such that the sum immediately received by the Company plus, as the case may be, any sum that may be received later by the Company, is, for every ordinary share issued as a result of the issue of those securities, at least equal to the issue price of the above-mentioned shares.

This possibility, provided by the provisions of article L. 225-136, 1° paragraph 2 of the French Code Commerce would enable the Company to carry out capital increases in the event of a downward trend in the Imerys share price, which is not possible under the fourteenth resolution.

SHARE CAPITAL INCREASES AS COMPENSATION FOR CONTRIBUTIONS IN KIND

You are also upon called under the ***eighteenth resolution*** to renew the authorization granted to the Board of Directors to carry out one or more share capital increases as compensation for contributions in kind made to the Company outside any public exchange offer and comprised of securities representing shares in or giving access to capital of another company, within the limit of 10% of the Company's share capital and upon presentation of a report issued by one or more independent auditor(s).

SHARE CAPITAL INCREASES BY INCORPORATION OF PREMIUMS, RESERVES OR OTHER ITEMS

The ***nineteenth resolution*** again provides for the possibility of increasing the share capital by incorporation of premiums, reserves, income or any other amounts that could be capitalized, within the limit of the global nominal amount provided for in the thirteenth resolution, i.e. €75 million. A share capital increase of this kind would involve the creation and allotment of free shares and/or an increase in the nominal value of existing shares.

ISSUE CEILINGS

The overall amount of the increases in Company share capital that may result from the use of the delegations and authorizations granted by the thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions would be set at €75 million, i.e. around 47% of the share capital as of December 31, 2016 ***(twentieth resolution).*** The overall nominal amount of shares that may be issued without preemptive subscription rights under the fourteenth, fifteenth, sixteenth and eighteenth resolutions shall be charged to the specific ceiling of €15 million set in the fourteenth resolution representing approximately 9.5% of the share capital as of December 31, 2016. The additional amount of any shares to be issued to maintain, in accordance with the law and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital that exist on the issue date, as the case may be, shall be added to that amount.

The maximum nominal amount of the debt securities that may be issued pursuant to the authorizations relating to the issue of securities giving access to capital, immediately or in the future granted by the thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions would be maintained at €1 billion.

8.1.8 SPECIFIC AUTHORIZATIONS IN FAVOR OF EMPLOYEES AND/OR CORPORATE OFFICERS OF THE GROUP

(Three resolutions falling within the scope of the Extraordinary Shareholders' General Meeting)

SHARE CAPITAL INCREASES RESERVED TO EMPLOYEES THAT JOINED A COMPANY OR GROUP SAVINGS PLAN

As the present Meeting is called to rule on the renewal of delegation and financial authorizations in favor of the Board of Directors that may lead to one or more increases in the Company's capital, you are asked under the ***twenty-first resolution*** to renew, for a further period of 26 months, the delegation of authority previously granted to the Board of Directors by the Shareholders' General Meeting of April 30, 2015 in order to carry out capital increases reserved for employees and/or corporate officers that have joined a company or Group savings plan. Subject to your approval, this delegation shall replace the previous one which shall thus be rendered null and void.

The conditions of the existing authorization would remain unchanged: cancellation of the preemptive subscription rights in favor of the beneficiaries, price of the shares to be issued at least equal to 80% of the average stock market price for Imerys shares during the 20 trading sessions before the issue date in accordance with the law, and a nominal maximum increase in share capital set at €1.6 million. It is specified that this ceiling would be autonomous and separate from the overall capital increases ceiling set by the twentieth resolution.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND ALLOTMENT OF FREE SHARES OF THE COMPANY

You are proposed to renew the authorizations previously given to the Board of Directors by the Shareholders' General Meetings of April 29, 2014 and May 5, 2016 to grant purchase or subscription options on the Company's shares ***(twenty-third resolution)*** or free shares ***(twenty-fourth resolution)*** to Group's employees or corporate officers in order to strengthen their loyalty and associate them closely with the Group's development (policy and details regarding granting of options or conditional free shares decided by the Board of Directors under the existing authorizations are set out in *chapter 3, sections 3.4 and 3.5 of the Registration Document*).

Terms and conditions of granting provided for by these new authorizations, similar to the existing ones, would be as follows:

- in the event of stock subscription options, the subscription price would be equal to 100% of the average of the first prices listed for the share on the twenty stock market trading days leading up to the grant date, thus excluding any possibility for the Board to apply a discount;
- in the event of stock purchase options, the purchase price of the shares would be equal to 100% of the average purchase price of the shares held by the Company with in accordance with articles L. 225-208 and L. 225-209 of the French Code of Commerce, also excluding any possibility for the Board to apply a discount;

- the granting of stock subscription or purchase options or the vesting of free shares may be subject to the fulfillment of one or more performance criteria determined by the Board of Directors on the day of granting, and shall be, whatever the case, for any grants made to executive corporate officers;
- the total number of shares that may be issued from the exercising of stock subscription options or stock purchase options and the maximum number of conditional free shares that could be awarded to executive corporate officers pursuant to these authorizations shall not be greater than 0.5% of the Company's capital on the day on which the Board grants its decision.

Furthermore, regarding the allotment of free shares, the minimum vesting period as well as the minimum holding period for that shares would be those provided by the regulations in force on the day of their grant.

Lastly, the total number of shares that may be the subject of share subscription or acquisition options or free shares granting could not exceed an overall ceiling of 3% of the Company's capital on the day of the Board's granting decision, this ceiling being common to share subscription and/or acquisition warrants that may be issued.

It is specified that, in accordance with the recommendations of the Appointments and Compensation Committee, the Board of Directors reviewed its policy at its meeting of April 25, 2013 and decided to grant solely free shares subject to the achievement of economic or financial performance goals (performance shares), excluding any stock options with which they were previously combined.

These authorizations would be granted for a period of 38 months as from the date of the Shareholders' General Meeting and shall replace the previous ones which shall thus be rendered null and void for the unused part.

The authorization to grant subscription or purchase options on the Company's shares would be given for a period of 38 months from the date of this Shareholders' General Meeting. The authorization to grant free shares would be given for a period of 36 months and would take effect from the expiry of the authorization given previously by the Ordinary and Extraordinary Shareholders' General Meeting of May 4, 2016 in its 17th resolution, i.e. July 3, 2017.

8.1.9 EXTENSION OF THE COMPANY'S DURATION

(One resolution falling within the scope of the Extraordinary Shareholders' General Meeting)

In accordance with article 5 of the by-laws, the duration of the Company will expire on June 30, 2024. Given Imerys' long-term financial commitments, we propose you to extend its duration for a further period of 99 years from today, i.e. until May 3, 2116 ***(twenty-fifth resolution).***

Subject to your approval of this extension, article 5 of the by-laws shall be amended as follows:

"Article 5 Duration
The duration of the Company that was originally set at fifty (50) years, has been extended until May 3, 2116".

The rest of article 5 would remain unchanged.

8.1.10 POWERS

(One resolution falling within the scope of the Ordinary Shareholders' General Meeting)

The ***twenty-sixth resolution,*** and ***the last one,*** confers all necessary powers to complete legal formalities arising from the Shareholders' General Meeting.

8.2 STATUTORY AUDITORS' REPORTS

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

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

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

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

8.2.1 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND MARKETABLE SECURITIES WITH RETENTION AND/OR WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS

Combined Shareholders' Meeting of May 3, 2017

Thirteenth, fourteenth, fifteenth, sixteenth, seventeenth and eighteenth resolutions

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

To the Shareholders,

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.

Your Board of Directors proposes, based on its report:

- that shareholders delegate to it for a period of 26 months as from the date of this Shareholders' Meeting, the authority to decide on the following transactions and to set the final terms and conditions of these issues and proposes, when necessary, that you waive 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.

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 may not exceed € 15 million pursuant to the 14th, 15th, 17th and 18th resolutions.

The total nominal amount of debt securities likely to be issued may not exceed, pursuant to the 20th resolution, € 1 million pursuant to the 13th, 14th, 15th, 16th and 18th 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 information extracted from the accounts, on the proposed waiver of preferential subscription rights and on certain other information concerning these transactions, contained 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 and Neuilly-sur-Seine, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres

Jean-Roch VARON

Sébastien HUET

Deloitte & Associés

Frédéric GOURD

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

Combined Shareholders' Meeting of May 3, 2017

Twenty-first resolution

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

To the Shareholders,

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 Articles L. 225-180 of the French Commercial Code and L. 3344-1 of the French Labor Code (Code du travail), and who satisfy, in addition, all conditions required by the Board of Directors, for a maximum amount of €1,600,000, a transaction on which you are being asked to vote.

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, 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 and Neuilly-sur-Seine, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres		Deloitte & Associés
Jean-Roch VARON	Sébastien HUET	Frédéric GOURD

8.2.3 STATUTORY AUDITORS' REPORT ON THE REDUCTION IN CAPITAL

Ordinary and Extraordinary Annual General Meeting of May 3, 2017

Twenty-second resolution

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

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L. 225-209 of the French Commercial Code (Code de commerce) in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions for the proposed reduction in capital.

Your Board of Directors requests that it be authorized, for a period of twenty-six months as of the date of the present Annual General Meeting, to proceed with the cancellation of shares the Company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by periods of twenty-four months in compliance with the article mentioned above.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report as to the terms and conditions of the proposed reduction in capital.

Neuilly-sur-Seine and Paris-La Défense, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres		Deloitte & Associés
Jean-Roch VARON	Sébastien HUET	Frédéric GOURD

8.2.4 STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION FOR ALLOCATION OF STOCK OPTIONS OR SHARE PURCHASE PLANS

Ordinary and Extraordinary Annual General Meeting of May 3, 2017

Twenty-third resolution

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

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with Articles L. 225-177 and R. 225-144 of the French Commercial Code (Code de commerce), we hereby report on the authorization for allocation of stock options or share purchase plans reserved for employees and corporate officers of Imerys and, where applicable, of the companies or groups affiliated with it under the conditions set out in Article L. 225-180 of the French Commercial Code (Code de commerce), an operation upon which you are called to vote.

The number of options which may be granted pursuant to this authorization may not give entitlement to subscribe or purchase a total number of shares greater than 3% of the share capital of the Company at the date of the allocation decision by the Board of Directors; further, the number of options which may be granted to corporate officers pursuant to this authorization may not give entitlement to subscribe or purchase a total number of shares greater than 0.5% of the share capital at the date of the allocation decision by the Board of Directors. These caps are common to this resolution and to the twenty-forth resolution brought before the present Annual General Meeting.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of thirty-eight months as of the date of the present Annual General Meeting, to allocate stock options or share purchase plans.

It is the responsibility of the Board of Directors to prepare a report on the reasons for the stock options or share purchase plans and on the proposed methods used to determine the subscription or purchase price. Our role is to report on the proposed methods to determine the subscription or purchase price of the shares.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying that the methods proposed to determine the subscription or purchase price are included in the Board of Directors' report, and are in accordance with French laws and regulations.

We have no matters to report as to the proposed methods for the determination of the subscription or purchase price.

Neuilly-sur-Seine and Paris-La Défense, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres		Deloitte & Associés
Jean-Roch VARON	Sébastien HUET	Frédéric GOURD

8.2.5 STATUTORY AUDITORS' REPORT ON THE FREE ALLOCATION OF EXISTING SHARES OR SHARES TO BE ISSUED

Ordinary and Extraordinary Annual General Meeting of May 3, 2017

Twenty-fourth resolution

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

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L. 225-197-1 of the French Commercial Code (Code de commerce), we hereby report on the proposed free allocation of existing shares or shares to be issued, reserved for employees and corporate officers – or certain categories thereof - of Imerys and, where applicable, of the companies and Economic Interest Groupings affiliated with it under the conditions set out in article L. 225-197-2 of the French Commercial Code (Code de commerce), an operation upon which you are called to vote.

The number of existing shares or shares to be issued which may be granted pursuant to this authorization may represent no more than 3% of the share capital of the company at the date of the allocation decision by the Board of Directors; further, the number of existing shares or shares to be issued which may be granted to corporate officers pursuant to this authorization may not give entitlement to subscribe or purchase a total number of shares greater than 0.5% of the share capital at the date of the allocation decision by the Board of Directors. These caps are common to this resolution and to the twenty-third resolution brought before the present Annual General Meeting.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of thirty-six months as of the date of the present Annual General Meeting, to allocate, for free, existing shares or shares to be issued.

It is the responsibility of the Board of Directors to prepare a report on the proposed operation. Our role is to report on any matters relating to the information regarding the proposed operation.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed free allocation of shares.

Neuilly-sur-Seine and Paris-La Défense, March 20, 2017

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres		Deloitte & Associés
Jean-Roch VARON	Sébastien HUET	Frédéric GOURD

8.3 AGENDA

ORDINARY PART

1. Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2016;
2. approval of the Group's consolidated financial statements for the financial year ended on December 31, 2016;
3. allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2016;
4. statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce on regulated agreements and commitments governed by articles L. 225-38 et seq. of the French Code of Commerce and approval, pursuant to paragraph 4 of article L. 225-42-1 of the French Code of Commerce, of the modification made to the collective, defined-benefit supplementary pension for the benefit of Mr. Gilles Michel, Chairman and Chief Executive Officer;
5. opinion on the compensation items due or awarded for the financial year ended on December 31, 2016 to Mr. Gilles Michel, Chairman and Chief Executive Officer;
6. approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that may be allotted to Executive Corporate Officers;
7. renewal of the term of office as Director of Mr. Aldo Cardoso;
8. renewal of the term of office as Director of Mr. Paul Desmarais III;
9. renewal of the term of office as Director of Mrs. Marion Guillou;
10. renewal of the term of office as Director of Mr. Paul Colin Hall;
11. appointment of Mrs. Martina Merz as a new Director;
12. repurchase by the Company of its own shares.

EXTRAORDINARY PART

13. Delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital with shareholders' preemptive subscription right;
14. delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without shareholders' preemptive subscription right;
15. delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without shareholders' preemptive subscription right, under an offering by private investment with respect to section II of article L. 411-2 of the French Monetary and Financial Code;
16. delegation of authority to the Board of Directors for the purposes of increasing the number of shares to be issued under increases of share capital with or without shareholders' preemptive subscription right;
17. authorization to the Board of Directors to set the issue price of shares or securities giving access to capital, in the event of the cancellation of the shareholders' preemptive subscription right, within the limit of 10% of capital per year;
18. delegation of powers to the Board of Directors for the purposes of increasing capital in compensation for contributions in kind comprised of securities representing shares in or giving access to capital, within the limit of 10% of capital per year;
19. delegation of authority to the Board of Directors for the purposes of increasing capital by capitalization of premiums, reserves, income or other items;
20. overall limitation of the nominal amount of share capital increases that may result from the above delegations and authorizations;
21. delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares reserved for members of a company savings plan of the Company or its Group with cancellation of the shareholders' preemptive subscription right;
22. authorization to the Board of Directors to reduce share capital by cancelling shares held by the Company;
23. renewal of authorization to grant options for subscription or purchase of the Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them;
24. renewal of authorization to make allotments of free Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them;
25. extension of the Company's duration and correlative amendment of the Company's by-laws;
26. powers.

8.4 DRAFT RESOLUTIONS

ORDINARY PART

FIRST RESOLUTION

Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2016

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report and the Auditors' Report relating to the Company's financial statements for the financial year ended on December 31, 2016 approves, as presented, such financial statements, as well as the transactions evidenced by such financial statements and summarized in such reports.

SECOND RESOLUTION

Approval of the Group's consolidated financial statements for the financial year ended on December 31, 2016

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report and the Auditors' Report relating to the Group's consolidated financial statements for the financial year ended on December 31, 2016 approves, as presented, such financial statements as well as the transactions evidenced by such financial statements and summarized in such reports.

THIRD RESOLUTION

Allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2016

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report:

▪ acknowledges that the Company's profit for the past financial year is:	€105,574,029.59
▪ increased by the retained earnings amounting to:	€230,458,814.34
▪ representing a total distributable amount of:	€336,032,843.93
▪ resolves to pay in respect of financial 2016 a dividend of €1.87 to each of the 79,567,874 shares that make up the share capital as on December 31, 2016, which represents a distribution of:	€(148,791,924.38)
▪ and allocates the remaining amount to retained earnings which now amount to:	€187,240,919.55

The Shareholders' General Meeting decides that the total amount of the dividend paid out shall be adjusted according to the exercise as from January 1, 2017 of subscription options for shares entitled to the dividend with respect to financial year 2016 as on the payment date of that dividend. The amount allocated to retained earnings shall be determined on the basis of the total amount of dividend effectively paid out. Moreover, if the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that would not have been paid out as a result would be allocated to retained earnings.

The Shareholders' General Meeting decides that the dividend will be paid as from May 11, 2017.

In accordance with article 243 *bis* of the French General Tax Code, the proposed dividend is eligible for the 40% allowance provided for by article 158-3-2° of the French General Tax Code, from which private individuals domiciled in France for tax purposes may benefit.

The Shareholders' General Meeting acknowledges that the sums paid out as dividends with respect to the previous three financial years were as follows:

	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013
Net dividend per share	€1.75(1)	€1.65(1)	€1.60(1)
Number of shares compensated	78,557,578	80,298,521	76,519,723
Total net distribution	€137.5 M	€132.5 M	€122.4 M

(1) Dividend eligible for the 40% allowance.

FOURTH RESOLUTION

Statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce on regulated agreements and commitments governed by articles L. 225-38 et seq. of the French Code of Commerce and approval, pursuant to paragraph 4 of article L. 225-42-1 of the French Code of Commerce, of the modification made to the collective, defined-benefit supplementary pension for the benefit of Mr. Gilles Michel, Chairman and Chief Executive Officer

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report and the Statutory Auditors' special report drawn up pursuant to the provisions of article L. 225-40 of the Code of Commerce, and ruling on that report, again approves, in accordance with the provisions of paragraph 4 of article L. 225-42-1 of the French Code of Commerce, the modification made to the collective, defined-benefit supplementary pension for the benefit of Mr. Gilles Michel, Chairman and Chief Executive Officer. The Shareholders' General Meeting acknowledges that all the other regulated agreements or commitments concluded and approved during previous years continued without modification.

FIFTH RESOLUTION

Opinion on the compensation items due or awarded for the financial year ended December 31, 2016 to Mr. Gilles Michel, Chairman and Chief Executive Officer

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, consulted pursuant to the AFEP-MEDEF Corporate Governance Code, gives a favorable opinion on the compensation items due or awarded for the 2016 financial year to Mr. Gilles Michel, Chairman and Chief Executive Officer, as described in the presentation of the resolutions by the Board of Directors, in chapter 8 of the Company's 2016 Registration Document.

SIXTH RESOLUTION

Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds that may be allotted to Executive Corporate Officers

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Report provided for in article L. 225-37-2 of the Code of Commerce, approves the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of all kinds presented in the above-mentioned report that may be allotted to Mr. Gilles Michel in his capacity as Chairman and Chief Executive Officer, as well as to any future Executive Corporate Officer who could be appointed.

SEVENTH RESOLUTION

Renewal of the term of office as Director of Mr. Aldo Cardoso

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mr. Aldo Cardoso's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2020 to rule on the management and financial statements for financial year 2019.

EIGHTH RESOLUTION

Renewal of the term of office as Director of Mr. Paul Desmarais III

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mr. Paul Desmarais III's term of office as Director expires following the present General Meeting, resolves, subject to the approval of the sixth resolution above, to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2020 to rule on the management and financial statements for financial year 2019.

NINTH RESOLUTION

Renewal of the term of office as Director of Mrs. Marion Guillou

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mrs. Marion Guillou's term of office as Director expires following the present General Meeting, resolves, subject to the approval of the sixth resolution above, to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2020 to rule on the management and financial statements for financial year 2019.

TENTH RESOLUTION

Renewal of the term of office as Director of Mr. Colin Hall

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, acknowledging that Mr. Colin Hall's term of office as Director expires following the present General Meeting, resolves, subject to the approval of the sixth resolution above, to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2020 to rule on the management and financial statements for financial year 2019.

ELEVENTH RESOLUTION

Appointment of Mrs. Martina Merz as a new Director

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report, resolves to appoint as a new Director Mr. Martina Merz for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2020 to rule on the management and financial statements for financial year 2019.

TWELFTH RESOLUTION

Repurchase by the Company of its own shares

The Shareholders' General Meeting, ruling under the quorum and majority conditions required for ordinary shareholders' general meetings, having considered the Board of Directors' report pursuant to the provisions of articles L. 225-209 et seq. of the French Code of Commerce and articles 241-1 to 241-6 of the General Regulations of Autorité des marchés financiers (AMF):

1) authorizes the Board of Directors, with the possibility of sub-delegating under the conditions provided by law, to make purchases of the Company's own shares for:
   - the subsequent cancellation of the shares acquired by reducing the Company's capital,
   - covering the stock purchase option plans and/or free share award plans, as well as any grant of shares under shareholding plans set up by the Company (or assimilated plans), or with respect to profit-sharing and/or any other forms of grant, award or transfer of shares to current employees, former employees and/or corporate officers of the Company and/or any related companies pursuant to articles L. 225-180 and L. 233-16 of the French Code of Commerce, under the legal frameworks in force or any ad hoc plans set up by the Company;
   - awarding or exchanging shares purchased on the occasion, in particular, of rights exercises or issues of securities giving the right by redemption, conversion, swap, warrant or in any other manner to the grant of shares,
   - ensuring the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a Code of Conduct recognized by the AMF, and
   - more generally, operating for any other purpose that is or may come to be authorized by law, and/or implementing any market practice that may come to be authorized by Autorité des marchés financiers.

   The acquisition, sale, transfer or exchange of the shares may be carried out at any time, except during any periods of public offer for the Company's securities, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks of shares and the use or exercise of any financial instrument or derivative;
2) sets the following limits for the use of the present authorization by the Board of Directors:
   - the maximum number of shares that may be purchased shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2017, that is 7,956,787 shares,
   - the number of shares that the Company may hold, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares that make up the Company's capital,
   - the maximum purchase price of the shares shall not be greater than €90,
   - consequently, the maximum amount that the Company is liable to use for such repurchases shall not be greater than €716 million;
3) resolves that, in the event that the par value of the stock is modified, the capital is increased by the capitalization of reserves or free shares are granted, or in the event of a stock split or consolidation, the above-stated maximum amount devoted to these buybacks and the maximum number of shares to be repurchased will be adjusted accordingly by a multiplier equal to the ratio between the number of shares that made up the capital before the operation and the resulting number after the operation;
4) sets at eighteen months from the date of this General Meeting the term of this authorization, which renders null and void, for the unused part, any previous authorizations granted to the Board of Directors with regard to the Company's repurchase of its shares;
5) grants full powers to the Board of Directors, with the authority to delegate such powers under the conditions provided by law, to implement this authorization and, in particular, to sign any stock purchase, sale, exchange or transfer agreements, file any statements with Autorité des marchés financiers or any other agency, proceed with the adjustments set forth above, complete any formalities and, generally, do what is necessary.

EXTRAORDINARY PART

THIRTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of common shares or of securities giving access to capital immediately or in the future with preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2, L. 228-91 et seq. of the French Code of Commerce:

1) delegates its authority to the Board of Directors to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it judges fit, on the French market and/or the international market, in Euros or any other currency by the issue, with preemptive subscription right, of common shares and/or any other securities in the Company, whether or not they represent debt, giving access by any means, immediately or in the future, at any time or on set dates, to common shares in the Company existing or to be issued, or, in accordance with article L. 228-93 of the French Code of Commerce, in any company that directly or indirectly owns more than half its capital or of which it directly or indirectly owns more than half the capital, whether by subscription, conversion, exchange, redemption, presentation of a warrant of in any other way, such securities being issued in Euros or in any monetary unit determined by reference to several currencies;
2) resolves to limit as follows the amounts of the authorized issues in the event of the Board of Directors using the present delegation of authority:
   - the total nominal amount of common shares that may be issued, whether directly or on presentation of securities, pursuant to the present delegation shall not be greater than €75 million, which represents, for guidance only, 47% of the Company's capital as on December 31, 2016, it being specified that the nominal amount of those issues shall be charged against the total ceiling for rights issues set down in the twentieth resolution, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount,
   - the total nominal amount of debt securities that may be issued pursuant to the present delegation and which give access, whether immediately or in the future, to the Company's capital, shall not be greater than €1 billion or the equivalent of that amount on the date of the issue decision, it being specified that the nominal amount of these issues shall be charged against the overall issue ceiling for debt securities set down in the twentieth resolution;
3) in the event of the use of the present delegation of authority:
   - resolves that the issue or issues shall be preferentially reserved for shareholders who may subscribe on an irreducible basis,
   - grants the Board of Directors the possibility of instituting a reducible subscription right,
   - in accordance with the provisions of article L. 225-134 of the French Code of Commerce, resolves that, if the irreducible subscriptions and, as the case may be, any reducible subscriptions have not taken up the whole of an issue as defined above, the Board of Directors may use one or more of the following possibilities in the order that it judges fit:
     - limit the amount of the subscriptions, provided that such amount is at least three-quarters of the intended issue,
     - allocate freely all or part of the unsubscribed securities,
     - offer all or part of the unsubscribed securities to the public;
4) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares to which the securities issued pursuant to the present delegation shall give the right;
5) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:
   - set the terms and conditions of the issue or issues, particularly the forms and characteristics of the securities to be issued, set the subscription opening and closing dates, acknowledge the completion of the resulting capital increases and amend the by-laws accordingly,
   - charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase,
   - make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital,
   - in turn delegate the powers needed to carry out the issue, or to refrain therefrom, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more Delegate Chief Executive Officers,
   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;
6) resolves that the Board of Directors may not, without the Shareholders' General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;
7) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void, for the unused part, any previous delegation granted to the Board of Directors for the same purposes.

FOURTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of common shares or securities giving access immediately or in the future to capital, with cancellation of the preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-135-1, L. 225-136 and L. 228-91 et seq. of the French Code of Commerce:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it sees fit, on the French market and/or the international market, by making a public offering by the issue in Euros or any other currency of common shares and/or any other securities in the Company, which may or not represent debt, giving access by any means, immediately or in the future, at any time or on set dates, to common shares in the Company to be issued or, in accordance with article L. 228-93 of the French Code of Commerce, in a company that directly or indirectly owns more than half of its capital or of which it directly or indirectly owns more than half the capital, whether by subscription, conversion, exchange, redemption, presentation of a warrant of in any other way, such securities being issued in Euros or in any monetary unit determined by reference to several currencies;
2) resolves to limit the amounts of issues authorized in the event of the Board of Directors using the present delegation of authority:
   - the total nominal amount of the shares that may be issued, whether directly or on presentation of securities, pursuant to the present delegation shall not be greater than €15 million, i.e., for guidance only, approximately 9,5% of the Company's capital as on December 31, 2016, it being specified that the nominal amount of these issues shall be charged against the overall ceiling for capital issues set down in the twentieth resolution, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount,
   - the total nominal amount of the debt securities that may be issued pursuant to the present delegation and which give access, whether immediately or in the future, to the Company's capital shall not be greater than €1 billion or the equivalent amount on the date of the issue decision, it being stipulated that the nominal amount of these issues shall be charged against the overall ceiling for debt securities set down in the twentieth resolution;
3) resolves to cancel the preemptive subscription right of shareholders to the securities concerned by the present resolution, while however giving the Board of Directors the possibility, in accordance with the provisions of article L. 225-135 of the French Code of Commerce, to grant shareholders, for a period and at the terms and conditions that it shall set and for all or part of an issue, a subscription priority that does not give the right to the creation of negotiable rights, which must be exercised in proportion to the number of shares owned by each shareholder;
4) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares in the Company to which the securities issued pursuant to the present delegation may give the right;
5) decides that:
   - the issue price of the common shares issued pursuant to the present delegation shall be determined by the Board of Directors in accordance with the provisions of articles L. 225-136-1° and R. 225-119 of the French Code of Commerce and shall be at least equal to the weighted average price of the Imerys share for the three trading sessions prior to the determination of that price, minus a maximum possible discount of 5%,
   - the issue price of the securities giving access to the Company's capital shall be such that the sum immediately received, plus, as the case may be, the sum that may to be received later, shall, for each common share in the Company issued as a result of the issue of those securities, be at least equal to the minimum price defined in the previous paragraph after correcting, if need be, that amount to take into account the difference in dated date;
6) resolves that the Board of Directors may, within the limit of the overall issue amount authorized in paragraph 2) above, issue common shares and/or securities giving access, whether immediately or in the future, to the Company's capital, in compensation for the securities contributed to the Company with respect to a public exchange offer within the limits and under the conditions provided by article L. 225-148 of the French Code of Commerce;
7) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:
   - set the terms and conditions of the issue or issues, particularly the forms and characteristics of the securities to be issued, set the subscription opening and closing dates, acknowledge the completion of the resulting capital increases and amend the by-laws accordingly,
   - in the event of the issue of securities intended as compensation for securities contributed with respect to a public exchange offer: draw up the number and characteristics of securities contributed in exchange, set the terms and conditions of the issue, the exchange rate and, as the case may be, the amount of the balancing cash adjustment to be made in cash, and determine the arrangements for the issue,
   - charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase,
   - make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital,
   - in turn delegate the powers needed to carry out the issue, or to refrain therefrom, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more Delegate Chief Executive Officers,
   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

8) resolves that the Board of Directors may not, without the General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;

9) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

▪ FIFTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without preemptive subscription right, under an offering by private investment with respect to section II of article L. 411-2 of the French Monetary and Financial Code

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the 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 Code of Commerce and article L. 411-2 of the French Monetary and Financial Code:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it sees fit, with respect to an offering by private investment as provided by section II of article L. 411-2 of the Monetary and Financial Code, carried out in France or another country, concerning common shares and/or any other securities in the Company giving access, whether immediately or in the future, at any time or on set dates, to common shares, whether to be issued, in the Company, whether by subscription, conversion, exchange, retirement, presentation of a warrant or in any other way, with the possibility of stating the securities thus issued in foreign currencies or any monetary unit established in reference to several currencies;

2) acknowledges that the issues that may be made pursuant to the present delegation are, in accordance with the law, limited to 10% of capital per year, it being stipulated that this period of one year runs from each issue made pursuant to the present delegation;

3) resolves to set as follows the amount of authorized issues in the event of the Board of Directors' use of the present delegation of authority:
   - the total nominal amount of shares that may be issued pursuant to the present delegation shall not be greater than 10% of the Company's capital on the day of issue, it being stipulated that the nominal amount of these issues shall be charged against the specific capital increase ceiling provided by paragraph 2 of the fourteenth resolution below, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount,
   - the total nominal amount of debt securities that may be issued pursuant to the present delegation and which give access, whether immediately or in the future, to the Company's capital shall not be greater than €1 billion or the equivalent amount on the date of the issue decision, it being stipulated that the nominal amount of these issues shall be charged against the overall ceiling for issues of debt securities set down in the twentieth resolution;

4) resolves to cancel the preemptive subscription right for shareholders to the securities coming under the present resolution;

5) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares in the Company to which the securities issued pursuant to the present delegation may give the right;

6) resolves that:
   - the issue price of the common shares issued pursuant to the present delegation shall be set by the Board of Directors in accordance with the provisions of articles L. 225-136-1° and R. 225-119 of the French Code of Commerce and shall be at least equal to the weighted average of Imerys share prices for the last three trading sessions prior to its definition, reduced as the case may be by a maximum 5% discount,
   - the issue price of the securities giving access to the Company's capital shall be such that the sum received immediately, plus, as the case may be, the sum to received later, shall, for every common share in the Company issued as a result of the issue of those securities, be at least equal to the minimum price defined in the previous paragraph after correcting, if need be, that amount to take into account the difference in dated date;

7) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:
   - set the conditions of the issue(s), particularly the forms and characteristics of the securities to be created, set the subscription opening and closing dates, acknowledge the completion of the resulting capital increases, and amend the by-laws accordingly,
   - charge, on its sole initiative, capital increase expenses against the amount of related premiums and take from that amount the sums needed to increase the legal reserves to one-tenth of capital after each increase,
   - make any adjustments required in compliance with applicable legal and contractual provisions and set down the arrangements, as the case may be, for maintaining the rights of bearers of securities or rights giving access to capital,
   - itself delegate to the Chief Executive Officer, or with his agreement to one or more Delegate Chief Executive Officers, the powers needed to complete the capital increase and to delay it within the limits and according to the arrangements that Board of Directors may set down beforehand,
   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do whatever is necessary to complete the issues under consideration successfully;

8) resolves that the Board of Directors may not, without the Shareholders' General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;

9) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation.

SIXTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the number of shares to be issued under increases of share capital with or without shareholders' preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of article L. 225-135-1 of the French Code of Commerce:

1) delegates to the Board of Directors, with the possibility of sub-delegating in the conditions provided by law, its authority to increase the number of securities to be issued under in the initial issue that may be decided under the thirteenth, fourteenth or fifteenth resolutions of the present Shareholders' General Meeting, within the percentage limit of the initial issue provided for by the legal and regulatory provisions in force at the time of issue, it being understood that the issue price shall be the same as that of the initial issue;
2) decides that the nominal amount of the issues that may be decided under the present resolution shall be charged to the specific ceiling applicable to the initial issue amount set up by the thirteenth, fourteenth or fifteenth resolutions of the present Shareholders' General Meeting, as the case may be, and to the overall ceiling set down in the twentieth resolution;
3) resolves that the Board of Directors may not, without the Shareholders' General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;
4) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation.

SEVENTEENTH RESOLUTION

Authorization to the Board of Directors for the purposes of setting the issue price of common shares and securities giving access to capital, in the event of cancellation of the preemptive subscription right of shareholders and within the limit of 10% of share capital per year

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2 and L. 225-136, 2° of paragraph 1 of the French Code of Commerce:

1) authorizes the Board of Directors, in the event of an issue of common shares and/or securities giving access to capital without preemptive subscription rights, in the conditions provided by the fourteenth and fifteenth resolutions, within the annual limit of 10% of the Company's capital as it exists at the end of the month prior to the issue date, to derogate from the price-setting conditions and set the issue price of common shares or securities giving access to capital at an amount that shall be at the least equal to:
   - in the case of the issue price of common shares, the closing price of Imerys stock on the Euronext Paris market on the trading day prior to the date of setting the issue price, possibly reduced by a maximum 10% discount, and
   - in the case of the issue price of securities giving access to capital, the amount such that the sum immediately received by the Company, plus, as the case may be, the amount to be perceived at a later date by the Company, i.e. for every common share issued as a result of the issue of those securities, at least equal to the issue price referred to in the previous paragraph;
2) states, as need be, that the amount of the issues made with respect to the present delegation shall be charged against the specific ceiling for capital increases referred to in paragraph 2 of the fourteenth resolution above;
3) resolves that the Board of Directors may not, without the Shareholders' General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;
4) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

EIGHTEENTH RESOLUTION

Authorization to the Board of Directors for the purposes of increasing the share capital in compensation for contributions in kind made up of securities representing shares in or giving access to capital, within the limit of 10% of the share capital per year

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-147 and L. 228-91 et seq*.* of the French Code of Commerce:

1) delegates to the Board of Directors the powers needed for the purposes of carrying out, upon the report of one or more capital contributions auditors, within the limit of 10% of the Company's capital, as it exists on the date on which the present delegation is used, the issue of common shares and/or any other securities, whether or not debt securities, which give access by any means, whether immediately or in the future, at any time or at set dates, to common shares, whether in existence or to be created, in the Company, in compensation for the contributions in kind made to the Company and made up of securities representing shares in or giving access to capital, if the provisions of article L. 225-148 of the French Code of Commerce do not apply;
2) resolves that the nominal amount of the issues carried out pursuant to the present delegation shall be charged against the specific ceiling for capital increases referred to in paragraph 2 of the fourteenth resolution, and that any additional nominal amount of shares to be issued to maintain, in accordance

with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount;

3) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares in the Company to be issued with respect to the present delegation for the benefit of the bearers of shares or securities representing shares in or giving access to capital which make up the contributions in kind;
4) resolves that the Board of Directors shall have, within the limits set above, the powers needed, with the possibility of sub-delegating in the conditions provided by law, to rule on the appraisal of the contributions and the report of the capital contributions auditor(s), set down the arrangements and conditions for the authorized operations and, in particular, the appraisal of the contributions and, as the case may be, the grant of special advantages, set down the number and characteristics of the securities to be issued in compensation for the contributions, make any charges, as the case may be, to the share premiums, amend the by-laws accordingly, carry out any formalities, make any statements and do what is necessary to complete successfully the operations thus authorized;
5) resolves that the Board of Directors may not, without the Shareholders' General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;
6) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

NINETEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by capitalization of premiums, reserves, income or other items

The Shareholders' Meeting, ruling in the quorum and majority conditions required for ordinary general meetings, after examining the Board of Directors' report and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Code of Commerce:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it sees fit, by capitalization of all or part of premiums, reserves, income or other items which incorporation to the capital would be admitted, in the form of a free share grant or an increase in the par value of existing shares or by the combined use of those processes;
2) resolves that the total nominal amount of the common shares that may be issued under the present delegation, shall not be greater than the specific ceiling of capital increase set at paragraph 2 of the thirteenth resolution above, it being specified that to such amount shall be added, as the case may be, the additional amount of any shares to be issued to maintain, in accordance with the applicable law and contractual terms, the rights of the holders of securities or rights giving access to capital that shall exist on the issue date;
3) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:
   - set the terms and conditions of the issue or issues, in particular set the amount and the nature of the reserves or premiums to be incorporated to the share capital, set the number of new shares to be issued or the amount by which the par value of the shares that make up the share capital shall be increased, set the date, even retrospectively, from which the new shares shall give entitlement or from which the increase in nominal amount shall take effect, and acknowledge the completion of the resulting capital increases and amend the by-laws accordingly,
   - charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase,
   - make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital,
   - resolve, as the case may be, that any rights forming odd lots shall not be negotiable and that the corresponding shares shall be sold, with the sums resulting from the sale allocated to the holders of rights within the timeframe set by legal provisions,
   - in turn delegate the powers needed to carry out the issue, or to refrain there from, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more deputy Chief Executive Officers,
   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;
4) resolves that the Board of Directors may not, without the Shareholders' General Meeting's prior authorization, use the present delegation of authority from the date of filing a public offer for the Company's securities by a third party until the end of the offer period;
5) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

TWENTIETH RESOLUTION

Overall limitation of the nominal amount of share capital increases that may result from the above delegations and authorizations

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report decides to set:

1) at €75 million the maximum nominal amount of the capital increase, whether immediate or in the future, that may be carried out pursuant to the delegations and authorizations given by the thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions of the present Meeting, with any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital to be added to that amount;

2) at €1 billion, or the equivalent amount on the date of the issue decision, the maximum nominal amount of the debt securities that may be issued pursuant to the delegations and authorizations relating to the issue of securities giving access, whether immediately or in the future, to a share of capital or securities giving the right to the grant of debt securities, given by the thirteenth, fourteenth, fifteenth, sixteenth and eighteenth resolutions of the present Meeting.

TWENTY-FIRST RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of shares or securities giving access to capital reserved for members of a company savings plan of the Company or its Group

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report, with respect to the provisions of articles L. 3332-1 et seq. of the French Labor Code concerning employee shareholding and pursuant to articles L. 225-129-2 to L. 225-129-6 and article L. 225-138-1 of the French Code of Commerce:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that is sees fit, by the issue of common shares in the Company and/or any other securities giving access by any means, immediately or in the future to the capital of the Company reserved for members of a company or a Group savings plan of the Company and/or of the French or foreign companies or groups affiliated to it in the sense of articles L. 225-180 of the French Code of Commerce and article L. 3344-1 of the French Labor Code, who also meet any other conditions imposed by the Board of Directors;
2) resolves that the nominal amount of the share capital increases that may be carried out pursuant to the present delegation shall not be greater than €1.6 million, i.e. for guidance only, approximately 1% of the Company's capital as on December 31, 2016, it being specified that this ceiling is autonomous and separate from the overall capital increase ceiling set by the twentieth resolution of the present Meeting, and that, as the case may be, the nominal amount of the shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or rights giving access to capital, shall be added to that amount;
3) resolves that the subscription price of the shares issued pursuant to the present delegation shall not be less than the average of the last prices listed for the twenty stock market trading days leading up to the date of the Board of Directors' decision setting the subscription opening date, minus, as the case may be, the maximum discount allowed by law on the date of the Board of Directors' decision;
4) resolves to cancel shareholders' pre-emptive subscription right to the securities to be issued in favor of the beneficiaries mentioned above;
5) grants all powers, with the possibility of sub-delegating in the conditions provided by the law, to the Board of Directors to implement the present delegation and, in particular, for the purposes of:
   - determining the companies of which the employees and officers may benefit from the subscription offer for the issues coming under the present delegation,
   - set down the conditions, particularly as regards length of service, that the beneficiaries of those subscription offers must meet,
   - set down the conditions of the issues, acknowledge the capital increase or increases resulting from any issue made using the present delegation, amend the by-laws accordingly,
   - set the subscription opening and closing dates, the price and dated date of the issued securities, and the share paying-up arrangements,
   - decide whether the subscriptions may be carried out directly and/or indirectly through mutual funds,
   - set the arrangements and conditions for joining company or Group savings plan, draw up their regulations or, in the event of preexisting plans, modify the regulations, if needed,
   - make, as the case may be, on its sole decision and if it sees fit, any charges to the premium or premiums related to the capital increases, particularly for the expenses, fees and duties arising from the completion of the issues, and take from these premiums the sums needed to increase the legal reserve to one-tenth of the new share capital after each capital increase,
   - make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital,
   - generally take any useful measures, enter into any agreements, carry out or have carried out any acts or formalities and do the necessary to complete successfully the planned issues;
6) sets at twenty-six months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-SECOND RESOLUTION

Authorization to the Board of Directors to reduce the share capital by cancelling shares held by the Company

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report:

1) authorizes the Board of Directors, with the possibility of sub-delegating in the conditions provided by the law, to cancel, in one or more times, the shares held by the Company in itself within the limit of 10% of capital per twenty-four month period, and to reduce the share capital accordingly by charging the difference between the purchase value and the nominal value of the cancelled shares to available premiums and reserves;
2) grants all powers to the Board of Directors for the purposes of setting the definitive amount of the capital reduction within the limits provided by law and by the present resolution, to set its arrangements, acknowledge its completion, charge the difference between the purchase value and the nominal value of the cancelled shares to the available premiums and reserves

of its choice, carry out all acts, formalities or declarations in order to make the capital increases carried out pursuant to the present authorization definitive and amend the by-laws accordingly;

3) sets at twenty-six months from the date of the present Shareholders' Meeting the duration of the present authorization, which renders null and void, any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-THIRD RESOLUTION

Renewal of authorization to grant options for subscription or purchase of the Company's shares to employees or corporate officers of the Company and its subsidiaries, or certain categories of them

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary shareholders' general meetings, after examining the Board of Directors' report and the Auditors' special report, in accordance with the provisions of articles L. 225-177 to L. 225-186 of the French Code of Commerce:

1) authorizes the Board of Directors to grant, as it judges appropriate, in one or more times, to certain employees and corporate officers of the Company and, as the case may be, companies and groups that are affiliated to it in the conditions provided in article L. 225-180 of the French Code of Commerce, or to certain categories of them, options giving the right to subscribe new shares or purchase existing shares in the Company;

2) acknowledges that, pursuant to the provisions of article L. 225-178 of the French Code of Commerce, this authorization entails the explicit waiver by shareholders of their preemptive subscription right to the shares that shall be issued as and when options are exercised, in favor of the beneficiaries of the share subscription options;

3) resolves that the number of shares that may be granted pursuant to the present authorization shall not give the right to subscribe or acquire a total number of shares greater than 3% of the Company's capital on the day of the Board's decision to grant the options, it being specified that this ceiling is common to the present resolution and the twenty-fourth resolution hereafter and that it is set without taking into account the number of shares to be issued, as the case may be, to maintain, in accordance with the law and applicable contractual stipulations, the rights of the bearers of securities or rights giving access to capital;

4) resolves that the number of options that may be granted pursuant to the present authorization to executive corporate officers shall not give the right to subscribe or acquire a total number of shares greater than 0.5% of the Company's capital as of the date of the Board's decision to grant the options, it being specified that this sub-ceiling is common to both the present resolution and the twenty-fourth resolution below;

5) resolves that the subscription or purchase price of the shares for the beneficiaries shall be determined by the Board of Directors on the date of granting the options, within the limits and according to the arrangements provided by the law, it being specified that:
   - in the event of stock subscription options, the subscription price shall be equal to 100% of the average of the first prices listed for the share on the twenty stock market trading days leading up to the grant date,
   - in the event of stock purchase options, the purchase price of the shares shall be equal to 100% of the average purchase price of the shares held by the Company with respect to articles L. 225-208 and L. 225-209 of the French Code of Commerce,
   - as an exception, a discount may, as the case may be, be applied to the share subscription or purchase price of the options that may be granted with respect to employee shareholding operations implemented by the Company under the conditions provided by law;

6) resolves that the granting of stock subscription options or stock purchase options may, except for grants under employee shareholder operations implemented by the Company, be subject to the fulfillment of one or more performance criteria determined by the Board of Directors on the day of granting, and shall be, whatever the case, for any grants made to executive corporate officers;

7) sets at ten years the period during which the options must be exercised, commencing on the date on which they are granted;

8) resolves that no share subscription or purchase option may be granted less than twenty trading sessions after a coupon giving the right to a dividend or a preemptive subscription right to a capital increase is detached from the shares;

9) states that the shares that may be obtained by exercising stock purchase options granted pursuant to the present resolution shall be acquired by the Company, either under L. 225-208 of the French Code of Commerce, or, as the case may be, under the share buyback program authorized by the twelfth resolution put to the present Meeting with respect to article L. 225-209 of the French Code of Commerce or of any share buyback program implemented before or after the passing of the present resolution;

10) grants to the Board of Directors full powers, with the possibility of subdelegating in the conditions provided for by law, to implement this authorization, particularly in order to:
   - set the dates on which the options shall be granted,
   - define the arrangements and other conditions in which the options shall be granted and determine the list of beneficiaries of the options as specified above,
   - set the exercise period or periods for the options thus granted, subject to the maximum term for the options as specified above,
   - provide the possibility of temporarily suspending the exercise of options for a maximum period of three months in the event of carrying out financial operations entailing the exercise of a right attached to the shares,
   - decide on the conditions in which the price and number of shares to be subscribed or purchased may be adjusted when such adjustments are stipulated by current legal and regulatory provisions, particularly in the various scenarios provided for in articles R. 225-137 and R. 225-142 of the French Code of Commerce,
   - make, as the case may be, on its sole decision and as it judges fit, any charges to the issue premium or premiums pertaining to the capital increases, particularly the premium for expenses, fees and duties incurred in carrying out the issues, and deduct from those premiums the amounts needed to increase the legal reserve to one-tenth of the new share capital after each capital increase,

- acknowledge the capital increase or increases carried out pursuant to the present authorization, amend the by-laws accordingly and carry out or have carried out any acts and formalities in order to make such capital increases definitive,
- and, in general, do whatever is necessary;

11) sets at thirty-eight months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void, for the unused part, any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-FOURTH RESOLUTION

Renewal of authorization to make allotments of free Company's shares to employees or corporate officers of the Company and its subsidiaries, or certain categories of them

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary shareholders' general meetings, after examining the Board of Directors' report and the Auditors' special report, pursuant to the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce:

1) authorizes the Board of Directors to make, as it judges appropriate, in one or more times, free allotments of existing shares or shares to be issued in the Company to the employees and corporate officers of the Company and, as the case may be, companies and groups that are affiliated to it in the conditions provided in article L. 225-197-2 of the French Code of Commerce, or certain categories of them;
2) resolves that the shares, whether in existence or to be issued, that may be granted pursuant to this authorization shall not represent more than 3% of the Company's capital on the date of the Board's decision to grant the shares, it being specified that this ceiling is common to the present resolution and the twenty-third resolution of the present Meeting and that it is set without taking into account the number of shares to be issued, as the case may be, to maintain, in accordance with the law and applicable contractual stipulations, the rights of the bearers of securities or rights giving access to capital;
3) resolves that any shares, whether existing or to be issued, that may be granted pursuant to the present authorization to executive corporate officers shall not represent more than 0.5% of the Company's capital on the day of the Board's decision to grant the shares, it being specified that that this sub-ceiling is common to both the present resolution and the twenty-third resolution above;
4) resolves that the granting of free shares may, except for grants under employee shareholder operations implemented by the Company, be subject to the fulfillment of one or more performance criteria determined by the Board of Directors on the day of granting, and shall be, whatever the case, for any grants made to executive corporate officers;
5) resolves that the shares shall be definitively granted to their beneficiaries at the end of the vesting period set by the Board of Directors, while such period may not be less than that provided by the regulations in force on the grant date;
6) resolves that the minimum period for which the beneficiaries must hold the shares shall be that set by the Board of Directors, while such period may not be less than that provided by the regulations in force on the grant date;
7) notes that, in the event of granting free shares to be issued, this decision constitutes, in favor of the beneficiaries, a waiver ipso jure by the shareholders of any right to the new shares freely granted and the portion of the reserves, profits or premiums that will be incorporated into capital if new shares are issued;
8) states that the existing shares that may be granted pursuant to the present resolution must be acquired by the Company, either under article L. 225-208 of the French Code of Commerce, or, as the case may be, under the share buyback program authorized by the twelfth resolution put to the present Meeting with regard to article L. 225-209 of the French Code of Commerce or any share buyback program implemented before or after the passing of the present resolution;
9) delegates full powers to the Board of Directors, with the option of subdelegating in the conditions provided by law, to implement the present authorization, in particular in order to:
   - determine the categories of the beneficiaries of the allotments and the terms and conditions and, as the case may be, the criteria for granting the shares,
   - set the vesting and holding periods for the shares in accordance with the minimum periods provided for by the applicable law,
   - set and define the issue conditions for the shares that may be issued under this authorization,
   - adjust, as the case may be, during the acquisition period, the number of shares pertaining to any operations on the Company's share capital in order to protect the rights of the beneficiaries,
   - acknowledge, as the case maybe, the capital increase or capital increases that may be carried out pursuant to this authorization, modify the by-laws accordingly, and carry out or have carried out any acts and formalities in order to make such capital increases definitive,
   - and, in general, do whatever is necessary;
10) sets at 36 months the term of validity of the present authorization, which will take effect on July 3, 2017, on which date the authorization to grant free shares, previously given to the Board by the Shareholders' Meeting of May 4, 2016 in its seventeenth resolution, shall expire.

TWENTY-FIFTH RESOLUTION

Extension of the Company's duration and according amendment of by-laws

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary shareholders' general meetings, after examining the Board of Directors' report, resolves to extend the Company's duration for 99 years, *i.e.* until May 3, 2116 and to amend accordingly the first paragraph of article 5 of the by-laws, which is henceforth worded as follows:

"Article 5 Duration

The duration of the Company, originally set at 50 years, has been extended until May 3, 2116".

The General Meeting duly notes that the rest of article 5 is unchanged.

TWENTY-SIXTH RESOLUTION

Powers

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary shareholders' general meetings, fully empowers the bearer of a duplicate or an extract of the minutes of the present Meeting to carry out any formalities with respect to registration or publication.

9

ADDITIONAL INFORMATION OF THE REGISTRATION DOCUMENT

9.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Gilles Michel, Chairman and Chief Executive Officer

9.2 CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I certify that, after taking every reasonable measure for that purpose, the information contained in the present Registration Document is, to the best of my knowledge, accurate and does not contain any omission that could make it misleading.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and profit and loss of the Company and all undertakings included in the consolidation, and that the Board of Directors' Management's discussion and analysis appearing on pages 34 to 44 presents a fair picture of the development and performance of the business and financial position of the Company and all undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter of completion from the Statutory Auditors in which they state that they have checked the information on the financial position and the financial statements given in this Registration Document and that they have read the Document in its entirety.

Paris, March 21, 2017

Gilles Michel

Chairman and Chief Executive Officer

9.3 AUDITORS

STATUTORY AUDITORS

Deloitte & Associés

represented by Frédéric Gourd
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex – France

first appointed by the Extraordinary and Ordinary Shareholders' General Meeting of May 5, 2003 and ultimately renewed by the Extraordinary and Ordinary Shareholders' General Meeting of May 4, 2016

Ernst & Young et Autres

represented by Jean-Roch Varon and Sébastien Huet
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1 – France

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of April 29, 2010 in replacement of Ernst & Young Audit and renewed by the Extraordinary and Ordinary Shareholders' General Meeting of May 4, 2016

Deloitte & Associés and Ernst & Young et Autres are members of the Auditors' Regional Company of Versailles.

ALTERNATE AUDITORS

BEAS

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex – France
part of the Deloitte network

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of May 5, 2003 and ultimately renewed by the Extraordinary and Ordinary Shareholders' General Meeting of May 4, 2016

Auditex

Faubourg de l'Arche
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1 – France
part of the Ernst & Young network

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of April 29, 2010 in replacement of Mr. Jean-Marc Montserrat and renewed by the Extraordinary and Ordinary Shareholders' General Meeting of May 4, 2016

9.4 INFORMATION INCLUDED IN THE REGISTRATION DOCUMENT BY REFERENCE

Pursuant to article 28 of EC Regulation 809/2004 of April 29, 2004, the following information is included in the present Registration Document by Registration:

- with respect to the financial year ending on December 31, 2015, the consolidated financial statements, annual financial statements, the related Auditors' Reports, the Auditors' special report on regulated agreements and the Board of Directors' management report appearing respectively on pages 146 to 220, 221 to 240, 49 to 50, 51 to 52, and 53 to 54 of the 2015 Registration Document filed with Autorité des marchés financiers (French Securities Regulator) on March 17, 2016 under number D.16-0153;
- with respect to the financial year ending on December 31, 2014, the consolidated financial statements, annual financial statements, the related Auditors' Reports, the Auditors' special report on regulated agreements and the Board of Directors' management report appearing respectively on pages 168 to 243, 244 to 264, 58 to 59, 60 to 61, and 62 to 63 of the 2014 Registration Document filed with Autorité des marchés financiers (French Securities Regulator) on March 19, 2015 under number D.15-0173.

Any other information that is not included in the present Document is either of no relevance to investors or mentioned in another part of the Registration Document.

9.5 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Olivier Pirotte, Group Chief Financial Officer.

9.6 CROSS-REFERENCE TABLE

In order to facilitate the reading of this Registration Document, the subject index can be used to identify the main information required by the Autorité des marchés financiers (the French Securities Regulator) with respect to its regulations and instructions.

Items of Annex 1 to the EC Regulations 809/2004 of April 29, 2004		References	Pages
21.2	Memorandum and Articles of Association	7	248-250
	21.2.1 The Issuer's scope of business	7	249
	21.2.2 Members of the management and supervisory bodies	3	54-55; 75-76
	21.2.3 Description of rights, preferences and restrictions attaching to the existing shares	7	250
	21.2.4 Changes of the rights of holders of the shares	7	250
	21.2.5 Description of the conditions governing the manner in which annual General Meeting of Shareholders are called including the conditions of admission	7	250
	21.2.6 Change in control of the Issuer	n.a.	
	21.2.7 An indication of the Articles of Association provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed	7	251; 258
	21.2.8 Changes in the capital	7	261
▪ 22	**Material contracts**	**Chapter 4**	**98**
▪ 23	**Third party information and statement by experts and declaration of any interest**	**n.a.**	
23.1	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the Issuer	n.a.	
23.2	Confirmation that this information has been accurately reproduced	n.a.	
▪ 24	**Documents on display**	**Chapter 7**	**251; 264-265**
▪ 25	**Information on holdings**	**Chapter 6**	**221-222; 244**

9.7 TABLE OF RECONCILIATION WITH THE ANNUAL FINANCIAL REPORT

This Registration Document includes all information of the Annual Financial Report provided for in I of article L. 451-1-2 of the French Monetary and Financial Code and in article 222-3 of the general regulations of the Autorité des marchés financiers.

The table below sets out the references to the extracts from the Registration Document that correspond to the various items comprising the Annual Financial Report.

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Statutory Auditors' Report on the Report of the Chairman of the Board of Directors	107

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