IMERYS

PRESS RELEASE

OCTOBER 28, 2019

Imerys: third quarter and nine months results 2019

- Revenue down -2.7% organically in first nine months (-5.1% in the third quarter), in a deteriorating market environment
- Current operating income[1] down -15.7% in the first nine months (-19.8% in the third quarter) hit by sales volume drop
- Positive price-mix maintained at +2.4% and savings of €31 million on the fixed costs and overheads thanks to the transformation program and cost containment measures in the first nine months
- 2019 outlook updated[2]: full year net income from current operations, Group share, expected to decline by around -20% compared to 2018[3], of which -7% due to the deconsolidation of the North American talc subsidiaries and the shutdown of the Willsboro plant in the first half

Chairman and Interim CEO Patrick Kron commented:

" Market conditions have significantly deteriorated since we reported our results for the first half of the year, causing the Group's sales volumes to drop further than anticipated during the third quarter. Our performance was hit by the volume shortfall which was only partly offset by price-mix and ramp up our cost savings measures. However, macroeconomic headwinds are expected to persist in the coming quarters. This is why we will continue to give priority to cost reduction and cash flow generation, and maintain a robust financial structure with strict management of capital expenditures and working capital requirements. While we now expect full year net income from current operations to decline by around -20% in 2019 versus 2018, we are confident our new market focused organization and our cost efficiency plans will enable the Group to achieve our long-term objectives presented during our Capital Markets Day last June."

Unaudited consolidated results (€ million)	Q3 2018	Q3 2019[4] IFRS 16	% change	9M 2018	9M 2019[5] IFRS 16	% change
Revenue	1,154	1,081	-6.3%	3,464	3,345	-3.5%
Current operating income	141	113	-19.8%	425	358	-15.7%
Current operating margin	12.2%	10.5%	-170 bp	12.3%	10.7%	-160 bp
Operating income	130	112	-14.1%	390	274	-29.6%
Net income from current operations, Group share	90	69	-23.1%	266	228	-14.4%
Net income from current operations, Group share (€ per share) [6]	€1.13	€0.87	-22.8%	€3.36	€2.88	-14.3%
Net income, Group share	80	64	-20.6%	242	160	-34.0%

[1] *Throughout this press release, "current" means "before other operating income and expenses".*

[2] *On October 22, the Group issued a press release with an update of its outlook and a change in governance.*

[3] *vs. a -10% decrease in net income from current operations compared to 2018, as announced on the release of the Group's first half results on July 25, 2019.*

[4] *IFRS 16 has an impact of +2.3 million euros on the current operating income and -0.4 million on the net income from current operations, Group share, in the third quarter 2019*

[5] *IFRS 16 has an impact of +5.2 million euros on the current operating income and -0.9 million euros on the net income from current operations, Group share, on the first nine months of 2019.*

[6] *The weighted average number of shares was 79,133,506 in the first 9 months of 2019 vs. 79,208,109 in the first 9 months of 2018.*

THIRD QUARTER AND NINE MONTHS 2019 FINANCIAL REVIEW

Revenue

Unaudited quarterly data (€ million)	2018	2019	Change	Organic growth	Volumes	Price-mix
First quarter	1,129.6	1,124.0	-0.5%	-0.9%	-3.6%	+2.7%
Second quarter	1,180.9	1,139.4	-3.5%	-2.0%	-4.8%	+2.7%
Third quarter	1,153.9	1,081.4	-6.3%	-5.1%	-6.9%	+1.7%
9 months	3,464.4	3,344.8	-3.5%	-2.7%	-5.1%	+2.4%

Revenue for the first 9 months of 2019 decreased by -2.7% like-for-like (-5.1% in the third quarter) compared to the same period of 2018. Market conditions, particularly in the automotive, industrial equipment and steel markets in Europe, have significantly deteriorated, causing Group volumes to fall by -6.9% in the third quarter ended September 30, 2019 after -4.8% in the second quarter. Imerys maintained a positive price-mix effect of +2.4% in the first 9 months (+1.7% in the third quarter).

Revenue also included a favorable impact of exchange rates of +€81.9 million, due mainly to the appreciation of the US dollar versus the euro. This compensated partially for a negative perimeter effect of -€108.2 million (-3.1%), of which -€87.5 million from the deconsolidation of our North American talc subsidiaries following their filing for chapter 11 on February 13, 2019.

Current operating income

Unaudited quarterly data (€ million)	2018	2019	Change
First quarter	129.6	109.6	-15.4%
Operating margin	11.5%	9.8%	-170 bp
Second quarter	154.2	135.5	-12.1%
Operating margin	13.1%	11.9%	-120 bp
Third quarter	140.9	113.0	-19.8%
Operating margin	12.2%	10.5%	-170 bp
9 months	424.6	358.1	-15.7%
Operating margin	12.3%	10.7%	-160 bp

The decrease in **current operating income** in the first 9 months of 2019 compared to the previous year (-€66.5 million) can be primarily attributed to the lower contribution from volumes (-€95.5 million) which the positive price-mix and cost savings only partly offset. It also includes the negative impact of the North American talc subsidiaries deconsolidation (-€14.3 million) and the impact of the temporary shutdown of the wollastonite plant in Willsboro, USA, due to production issues in the first half of the year (-€11.1 million). Effect of exchange rates was a positive +€16.8 million.

The Group continues to more than cover its variable costs with positive price-mix. In the first nine months of the year, the latter amounted +€81.5 million thus fully offsetting the +€65.0 million increase in variable costs (+3.7% year-on-year).

Fixed costs and overheads improved by +€30.6 million in the first 9 months of 2019, of which +€11.1 million in the third quarter, reflecting:

- €13.2 million of savings resulting from the positive effect of decisions made in the previous year on ceramic proppants and activities in Namibia;
- €17.4 million cost reduction generated by the ramp up of various measures in all our business areas to adapt the Group's cost structure to tougher current market environment as well as the initial benefits of the implementation of the Group's transformation program.

With a sharp fall in sales volumes in the third quarter, Imerys' current operating margin amounted to 10.5% of revenue, slightly lower than in the first half of the year (10.8%).

Net income from current operations

Net income from current operations, Group share, amounted to 227.6 million, down -14.4% compared to the first 9 months of 2018. It includes a +€16.1 million improvement in financial results, mainly due to the full repayment on March 2019 of the €56 million Japanese Yen denominated private placement maturing in 2033. The tax charge of -€93.7 million reflects an effective tax rate of 28.8 % (versus 29.6% in the first 9 months of 2018).

Net income from current operations, Group share, per share, is down - 14.3% to €2.88.

Net income

Other operating income and expenses, net of taxes, amounted to a negative -€68.0 million in the first 9 months of 2019 including -€50.1 million restructuring costs related to the transformation program (ie around half of the estimated costs of the latter) and -€5.5 million linked to the temporary shutdown of the Willsboro plant in the USA (the full-year negative impact of which is confirmed to be around -€25 million on net income).

Consequently **net income, Group share**, was €159.6 million, down -34.0%.

Financial structure

The Group' financial structure remains robust with strict management of capital expenditures and working capital requirements effectively protecting cash flow generation.

UPDATED OUTLOOK FOR 2019

Macroeconomic headwinds are expected to persist in the coming quarters. The Group will continue to give priority to cost reduction and cash flow generation, and maintain a robust financial structure with strict management of capital expenditures and working capital requirements.

While Imerys now expects full year net income from current operations to decline by around -20% versus 2018, (of which ca. -7% due to the deconsolidation of the North American talc subsidiaries and the temporary shutdown of the Willsboro plant), it remains confident in the long-term resilience of its business model and its ability to achieve its mid term objectives, as announced during its Capital Markets Day on June 13, 2019.

BUSINESS SEGMENTS' ACTIVITY FOR THE FIRST NINE MONTHS OF 2019

Performance Minerals (54% of consolidated revenue)

Unaudited quarterly revenue (€ million) and like-for-like growth (%)	Q1 2019	Q2 2019	Q3 2019	9M 2019	Change / 9M 2018
Americas	282.0 (-2.8%)	273.5 (-3.4%)	272.2 (-4.6%)	827.6 (-3.6%)	-9.7%[7]
EMEA	258.8 (-0.2%)	256.6 (-3.2%)	238.2 (-4.3%)	753.6 (-2.5%)	-2.4%
APAC	114.7 (+2.8%)	114.5 (+3.7%)	117.3 (-3.2%)	346.5 (+1.1%)	+7.8%
Eliminations	(32.4)	(24.1)	(31.0)	(87.5)	-
Total	623.1 (-1.7%)	620.5 (-1.8%)	596.7 (-4.8%)	1,840.3 (-2.8%)	-4.3%[7]

The **Performance Minerals** business segment's revenue was down -4.3% in the first 9 months of 2019 on a reported basis. This change takes into account a significant - €89.5 million perimeter effect (-4.7%), mainly due to the deconsolidation of the North American talc subsidiaries. Imerys has recently got the anti trust clearance to acquire EDK, a €20 million revenue calcium carbonates producer serving the paint and coatings market in Brazil (closing expected on November 1st). A positive exchange rate effect of €59.5 million (+3.1%) helped partly offset this scope effect. Like-for-like revenue was down -2.8% for the first nine months in an overall soft market environment.

Revenue in the **Americas** was down -4.6% on a like-for-like basis in the third quarter, and - 3.5% excluding the shutdown of the plant in Willsboro (USA) in the first half, of which operations have resumed in early June. While building, paints & coatings held up well, sales were still affected by negative trends in the paper market and weak demand in filtration for food and beverages in the USA.

Revenue in **EMEA** was down -4.3% like-for-like in the third quarter due to particularly weak paper market in Europe and unsupportive traditional ceramic markets in the Middle East Africa region (sanitaryware, floor and wall tiles). This was partly offset by a positive momentum in plastics, rubber, board and packaging over the same period.

Revenue in **APAC** was down -3.2% like-for-like in the third quarter, as a result of an inventory adjustment in Lithium-ion sales due to lower electric vehicle subsidies in China and weak trends in electronics, that does not however change the underlying growth potential in the long term. The market environment remained soft in plastics, rubber, paints and coatings, in India and in SouthEast Asia.

[7] *Performance Minerals Americas: +0.3% and Performance Minerals: +0.5% excluding the deconsolidation of North American talc-related subsidiaries from February 13, 2019*

High Temperature Materials and Solutions (46% of consolidated revenue)

Unaudited quarterly revenue (€ million) and like-for-like growth (%)	Q1 2019	Q2 2019	Q3 2019	9M 2019	Change / 9M 2018
High Temperature Solutions	201.4 (-1.8%)	208.6 (-3.4%)	203.8 (-5.5%)	613.8 (-3.6%)	-4.0%
Refractory, Abrasives, Construction	319.3 (-0.2%)	330.1 (-3.0%)	303.5 (-5.7%)	952.9 (-3.0%)	-1.7%
Eliminations	(11.1)	(11.3)	(11.8)	(34.2)	-
Total	509.6 (-0.5%)	527.4 (-3.2%)	495.6 (-5.8%)	1,532.5 (-3.2%)	-2.5%

The **High Temperature Materials and Solutions** business segment's **revenue** was down -2.5% year-on-year in the first 9 months of 2019 on reported basis. It includes a +27.8 million exchange rate impact (+1.8%) and a -€17.8 million perimeter effect (-1.1%), mainly related to the disposal of a cat litter business (October 1, 2018), and a non-core fused magnesia plant in United Kingdom (March 1, 2019). Like-for-like change in revenue trended down in the third quarter at -5.8%.

In the third quarter, the **High Temperature Solutions** revenue decreased by -5.5% on a like-for-like basis due to more challenging market conditions. While car production continued to weigh on the foundry market in Europe, declining trend in iron and steel accelerated sequentially in the third quarter, as a direct consequence of capacity reduction by steel producers. However, thermal markets (major kiln refurbishment projects for petrochemicals, boilers, incinerators industries) held up well.

Revenue of **Refractory, Abrasives and Construction** was down -5.7% like-for-like in the third quarter due to slowdown in iron and steel in Europe and the USA as well as declining car production, negatively impacting related Imerys' abrasives and refractories businesses. This was partially offset by refractories products for industrial markets (cement, aluminum…) and building chemistry (specialty cements).

Financial agenda 2020

February 13, 2020	FY 2019 Results
April 29, 2020	Q1 2020 Results
July 27, 2020	H1 2020 Results
November 2, 2020	Q3 2020 Results

This date is tentative and may be updated on the Group's website at ***https://www.imerys.com/finance***.

Conference call

The press release is available on the Group's website ***www.imerys.com***. The third quarter and nine months results 2019 will be discussed in a **conference call today at 6:30 pm** (Paris time). The conference call will be streamed live on the Group's website ***www.imerys.com***.

The world leader in mineral-based specialty solutions for industry*, with €4.6 billion revenue and 18,000 employees, Imerys delivers high value-added, functional solutions to diversified set of industrial sectors, from processing industries to consumer goods. The Group draws on its knowledge of applications, technological expertise and its material science know-how to deliver solutions based on beneficiation of its mineral resources, synthetic minerals and formulations. These contribute essential properties to customers' products and performance, including refractoriness, hardness, conductivity, opacity, durability, purity, lightness, filtration, absorption and repellency. Imerys is determined to develop responsibly, in particular by fostering the emergence of environmentally-friendly products and processes.*

More comprehensive information about Imerys *may be obtained from its website (www.imerys.com) under Regulated Information, particularly in its Registration Document filed with Autorité des marchés financiers on March 20, 2019 under number D.19-0175 (also available from the Autorité des marchés financiers website, www.amf-france.org). Imerys draws the attention of investors to chapter 4, "Risk Factors and Internal Control" of its Registration Document.*

Disclaimer*: This document contains projections and other forward-looking statements. Investors are cautioned that such projections and forward-looking statements are subject to various risks and uncertainties (many of which are difficult to predict and generally beyond the control of Imerys) that could cause actual results and developments to differ materially from those expressed or implied.*

Analyst / Investor Relations

Vincent Gouley - +33 (0)1 4955 6469

finance@imerys.com

Press contacts

Claire Garnier - +33 (0)1 4955 6427

APPENDIX: THIRD QUARTER AND NINE MONTHS 2019 RESULTS

Consolidated revenue breakdown by geography

Revenue by geographic destination (€ millions)	9M 2019 revenue	9M 2019 %	9M 2018 %	Change vs 9M 2018
EMEA	1,637	49%	49%	-4.0%
Americas	970	29%	30%	-6.6%
APAC	738	22%	21%	+2.3%
Total	3,345	100%	100%	-3.5%

Key income indicators

Non audited consolidated financial results (€ millions)	Without IFRS 16		With IFRS 16	
	Q3 2019	9M 2019	Q3 2019	9M 2019
Revenue	1,081	3,345	1,081	3,345
Current EBITDA	174	526	194	586
Current operating income	111	353	113	358
Current financial expenses	(12)	(27)	(15)	(33)
Current income tax	(28)	(94)	(28)	(94)
Minority interests	(1)	(4)	(1)	(4)
Net income from current operations, Group share	69	228	69	228
Other operating income and expenses, net	(5)	(68)	(5)	(68)
Net income, Group share	64	160	64	160

GLOSSARY

- The term **"on a comparable basis" or "like for like"** means: "at comparable Group structure and exchange rates";
  - 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.
- 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.
- the term **"Current operating income"** means operating income before other operating income and expenses;
- the term **"Net income from current operations"** means the Group's share of income before other operating revenue and expenses, net.