

First-Half Financial Report 2010

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1 | Person responsible for the First-Half Financial Report

1 - Person responsible for the First-Half Financial Report

Gérard Buffière, Chief Executive Officer

2 - Certificate of the person responsible for the First-Half Financial Report

I certify that to the best of my knowledge the condensed financial statements for the past six months have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the reporting entity and the companies included in the scope of consolidation, and that the enclosed half-year activity report includes a fair review of the material events that occurred in the first six months of the financial year, their impact on the financial statements, an account of the main related-party transactions as well as a description of the principal risks and the principal uncertainties for the remaining six months of the year.

Paris, July 30, 2010



Gérard Buffière
Chief Executive Officer

2 | First-Half Activity Report

The 1st half of 2010 was marked by further growth in emerging countries – which now represent 26% of the Group's sales. Global economic activity improved, driven by significant inventory rebuilding, which picked up speed in the 2nd quarter, particularly in industrial related sectors.

Business was firm in these markets. The automotive, major industrial equipment and infrastructure sectors benefited from dynamic activity in emerging countries and stimulus measures in some developed countries. In the 1st half of 2010, global steel production was very slightly higher than the pre-crisis levels recorded in the 1st half of 2008, driven by China. In North America, Europe and Japan, however, it remained approximately - 18% below 2008 levels.

Global printing and writing paper production rose + 7% compared with the 1st half of 2009, with an upturn in mature countries and healthy emerging markets. Currency trends contributed to higher performance by European papermakers, whose export sales increased. American producers benefited from positive trends on their local market.

Construction markets, affected by adverse weather conditions in January and February, were slack in Europe and North America, where housing starts remain very low. In France, a moderate upturn was recorded towards the end of the period, reflecting the first effects of the recovery of single-family housing sales observed since mid-2009. The renovation segment held out well overall, especially in Germany and France.

Trends on mass consumption-related markets, such as filtration, remained healthy.

The flexibility of its industrial assets enabled Imerys to draw full benefit from the upswing in sales volumes, which rose + 14.1% in the first half. Thanks to the control of overheads and fixed production costs, every business group regained an operating margin of more than 10%.

(€millions)	06.30.2010	06.30.2009	% current change
Consolidated results			
Sales	1,623.0	1,374.0	+ 18.1%
Current operating income ⁽¹⁾	207.3	110.0	+ 88.4%
<i>Operating margin</i>	12.8%	8.0%	
Net income from current operations, Group share ⁽²⁾	122.0	46.7	+ 161.3%
Net income, Group share	119.1	11.7	n.s.
Financing			
Current operating cash flow ⁽³⁾	259.0	172.6	+ 50.1%
Current free operating cash flow ⁽⁴⁾	127.6	187.7	- 32.0%
Booked capital expenditure	50.7	56.9	- 10.9%
Net financial debt	990.1	1,148.2	- 13.8%
Data per share			
Net income from current operations, Group share ^{(2) (5)}	€1.62	€0.68	+ 137.8%

(1) Operating income before other operating revenue and expenses, including share of joint operations.

(2) Group share of net income, before other operating revenue and expenses, net.

(3) EBITDA minus notional tax on current operating income.

(4) Current operating cash flow minus change in operating working capital and paid capital expenditure.

(5) The weighted average number of outstanding shares (adjusted following the rights issue of June 2, 2009) rose to 75,449,904 in the 1st half of 2010 compared with 68,688,790 in the 1st half of 2009.

■ DETAILED COMMENTARY ON THE GROUP'S RESULTS

SALES

	Sales as of 06.30.2010 (€millions)	Sales as of 06.30.2009 (€millions)	Change in sales (% previous year)	Change on comparable basis ⁽⁶⁾ (% previous year)	of which Volume effect	of which Price/Mix effect
1 st quarter ⁽⁷⁾	751.6	694.3	+ 8.2%	+ 9.5%	+ 7.6%	+ 1.9%
2 nd quarter ⁽⁷⁾	871.4	679.7	+ 28.2%	+ 22.7%	+ 20.8%	+ 1.9%
1st half	1,623.0	1,374.0	+ 18.1%	+ 16.0%	+14.1%	+1.9%

First half 2010 sales totaled €1,623.0 million (+ 18.1% from 1st half 2009). This rise takes into account:

- A limited change in Group structure ⁽⁸⁾ of - €6.0 million;
- An exchange rate effect of + €34.9 million, particularly reflecting the euro's depreciation against other currencies, except the US dollar.

At comparable Group structure and exchange rates, the rise in turnover (+ 16.0% vs. 1st half 2009) marks the overall recovery of sales volumes (+ 14.1%). Trends, however, were more contrasted between business groups. The price/mix component improved + 1.9%.

It should be remembered that activity in the 1st half of 2009, which was particularly affected by the economic crisis combined with the inventory reduction movement, forms a favorable basis of comparison for the 1st half of the current year.

Sales by geographic zone

(€millions)	Sales as of 06.30.2010	% change as of 06.30.2010 vs. 06.30.2009	% of consolidated sales as of 06.30.2010	% of consolidated sales as of 06.30.2009
Western Europe	782.7	+ 7.8%	48%	53%
United States / Canada	340.0	+ 25.9%	21%	19%
Japan / Australia	78.0	+ 18.3%	5%	5%
Emerging countries	422.3	+ 35.3%	26%	23%
Total	1,623.0	+ 18.1%	100%	100%

In the 1st half of 2010, the Group's sales in emerging countries grew + 35% compared with the 1st half of 2009 thanks to sound development in China, Eastern Europe, Brazil and India. In North America, where the recovery was significant, sales benefited from the US dollar's further appreciation against the euro.

⁽⁶⁾ At comparable Group structure and exchange rates.

⁽⁷⁾ Quarterly figures non-audited.

⁽⁸⁾ Chiefly, divestment of Planchers Fabre (May 2009).

CURRENT OPERATING INCOME ^{(9) (10)}

(€millions)	06.30.2010	06.30.2009	% Change	% Comparable change ⁽¹¹⁾
1 st quarter	84.1	44.4	+ 89.4%	+ 101.4%
<i>Operating margin</i>	11.2%	6.4%		
2 nd quarter	123.2	65.6	+ 87.8%	+ 90.0%
<i>Operating margin</i>	14.1%	9.6%		
1st half	207.3	110.0	+ 88.4%	+ 94.6%
<i>Operating margin</i>	12.8%	8.0%		

Current operating income totaled €207.3 million in the 1st half of 2010 (+ 88.4%). This growth takes into account an exchange rate impact of - €6.8 million (due in particular to the Brazilian real's appreciation against the euro and the US dollar). The net effect of changes in Group structure is not significant.

At comparable Group structure and exchange rates, current operating income increased by €104.1 million compared with the 1st half of 2009, thanks to the high contribution of sales volumes (+ €81.6 million). The product price and mix component was favorable (+ €14.7 million) and the Group recorded an overall decrease in variable costs (- €18.1 million) with lower energy bills in all four business groups. Overheads and fixed production costs remained under control, with the + €40.4 million increase from the 1st half of 2009 strictly due to the rise in production volumes and the related costs (personnel, maintenance).

At 12.8%, the Group's operating margin gained 4.8 points compared with the 1st half of 2009.

NET INCOME FROM CURRENT OPERATIONS ⁽¹²⁾

The + 161.3% increase in **net income from current operations**, to €122.0 million, resulted from the following factors:

- The sharp rise in current operating income;
- Financial expense of - €32.2 million (vs. - €44.9 million in the 1st half of 2009), including an exchange rate impact of + €2.1 million;
- A tax charge of - €50.8 million (- €18.7 million in the 1st half of 2009), reflecting an effective taxation rate of 29.0% (28.7% in the 1st half of 2009).

NET INCOME

The €107.4 million growth in the **Group share of net income** to €119.1 million takes into account **other income and expense, net of tax** (- €2.9 million). The gross amount of other income and expense (- €2.5 million) particularly takes into account:

- Non-current financial income from the recording of a non-recurring foreign exchange gain of + €10.2 million, following the restructuring of the Group's American subsidiaries' financing;
- Depreciation expense for sites restoration: the review of environmental situations of Group industrial sites led to an additional long-term provision being booked for - €7.4 million.

(9) Operating income before other operating revenue and expenses.

(10) Quarterly figures: non-audited.

(11) At comparable Group structure and exchange rates.

(12) Group share of net income, before operating revenue and expenses.

CASH FLOW

(€millions)	06.30.2010	06.30.2009
EBITDA	319.2	204.1
Current operating cash flow	259.0	172.6
Change in working capital	(77.1)	93.4
Paid capital expenditure	(56.5)	(79.0)
Current free operating cash flow *	127.6	187.7
Financial expense (net of tax)	(18.8)	(27.3)
Other working capital items	(1.8)	22.3
Current free cash flow	107.0	182.7

* including subsidies, value of divested assets and misc.

2.2

0.7

Taking into account the + 18.1% rise in turnover compared with the same period in 2009, operating working capital increased by €77.1 million. Thanks to continued discipline in operating management, inventory only rose + 6%. Working capital represents 21.4% of annualized sales of the previous quarter. Excluding €76 million of factoring in trade receivables as on June 30, 2010, this ratio amounts to 23.6% (vs. 27.9% as on June 30, 2009).

Booked capital expenditure totaled €50.7 million in the 1st half of 2010. It represents 47% of depreciation expense ⁽¹³⁾ (vs. 63% in 1st half 2009) and mainly concerned maintenance of industrial assets.

STRONG FINANCIAL STRUCTURE

(€millions)	06.30.2010	12.31.2009	06.30.2009
Paid dividends	(76.0)	(63.6)	-
Net debt	990.1	964.3	1,148.2
Shareholders' equity	2,140.5	1,855.8	1,808.1
EBITDA	319.2	416.6	204.1
Net debt/ shareholders' equity	46.2%	52.0%	63.5%
Net debt / EBITDA	1.9x	2.3x	2.5x

Consolidated financial net debt remains below €1 billion as on June 30, 2010, thanks to the cash flows generated by the Group and despite the impact of the US dollar's appreciation on debt towards the end of the 1st half (currency translation effect on net financial debt). At €990.1 million, financial debt takes into account the €75.5 million in dividends paid out on May 11, plus €0.5 million in dividends paid to minority shareholders in subsidiaries. It is worth noting that in 2009 the dividend was paid out on July 7.

As on June 30, 2010, Imerys' financial resources totaled almost €2.3 billion with no significant repayment due before the end of 2012.

(13) Booked capital expenditure divided by fixed asset depreciation expense.

CORPORATE GOVERNANCE

On June 9, it was announced that Gilles Michel would join Imerys in the fall of 2010. After approval of the project by the Company's relevant corporate bodies, his nomination as Chairman & CEO of Imerys will be proposed at the Shareholders' General Meeting that rules on the 2010 financial statements.

POST CLOSING EVENTS SINCE JUNE 30, 2010

Kaolin for paper and packaging assets acquired in Brazil

Imerys announces the signing of an agreement with the Brazilian group Vale to acquire its 86.2% stake in the Brazilian company Pará Pigmentos S.A. (PPSA), as well as mining rights in Pará State for a total price of approximately USD 70 million.

Through this operation, Imerys is enhancing its Brazilian resources with a kaolin for paper deposit, a processing plant and logistic capacities – a pipeline and harbor terminal – located near its Rio Capim Caulim Pigments for Paper industrial activities. This operation will enable the business group to secure its supply of white pigment for global paper and packaging markets and to control its long-term mining costs more effectively.

The acquisition, financed by available resources, was settled on July 26, 2010. It will be consolidated in the Group's accounts as from August 1, 2010.

OUTLOOK

Economic stimulus plans and the inventory rebuilding movement contributed to the improvement observed in the 1st half. The incentive measures and demand stimulus plans (automotive, construction, infrastructure, etc.) set up in some countries are drawing to an end and visibility remains low for the next quarters, with a macro-economic outlook that varies from one market to another.

In that context, given the actions implemented over the past 18 months, the Group estimates that its operating margin should be greater than 12% in 2010. The priority remains the continuation of internal and external growth, together with very tight management.

■ COMMENTARY BY BUSINESS GROUP

Minerals for Ceramics, Refractories, Abrasives & Foundry

(32% of consolidated sales)

(€millions)	06.30.2010	06.30.2009	Current change	Comparable change ⁽¹⁴⁾
Sales	536.6	383.2	+ 40.1%	+ 38.4%
Current operating income ⁽¹⁵⁾	66.9	13.8	+ 385.9%	+ 402.1%
<i>Operating margin</i>	12.5%	3.6%		
Booked capital expenditure	20.4	25.1	- 18.7%	
<i>As % of depreciation expense</i>	63%	94%		

Minerals for Refractories, Fused Minerals (particularly Abrasives) and Graphite markets, which had been worst hit by the 2009 global economic crisis, benefited from the upturn in end demand in the steel, industrial equipment and automotive sectors and from gradual inventory rebuilding that picked up speed in the second quarter.

Minerals for Ceramics markets only grew slightly, with no significant improvement seen in the construction sector in developed countries. Business is growing in emerging zones (North Africa, Middle East, Asia) where Imerys won new customers.

Several production lines that had been idled in 2008 and 2009 came back on stream during the first half. Manufacturing efficiency enabled all the business group's activities to serve demand growth effectively while maintaining good productivity. Over the first half, capital expenditure remained low.

Sales, at €536.6 million for the 1st half of 2010, rose + 40.1% compared with the 1st half of 2009 (which was - 35.7% down on 1st half 2008). Analysis of the change shows:

- A change in Group structure of - €0.6 million,
- An exchange rate effect of + €7.1 million.

The sharp upturn in demand in the Fused Minerals, Minerals for Refractories, Graphite and Carbon businesses and, to a lesser extent, in Minerals for Ceramics, explains the recovery in turnover, which is also driven by sales of higher value-added products.

Multiplied by 4 compared with the 1st half of 2009, **current operating income**, at €66.9 million, factors in a change in Group structure of + €0.6 million and an exchange rate effect of - €2.8 million.

At comparable Group structure and exchange rates, the very significant increase in sales volumes more than covers the limited rise in production costs (selective recruitment, use of agency workers). The product/mix component is favorable and variable costs are essentially in line with the previous year.

(14) At comparable Group structure and exchange rates.

(15) Operating income before operating revenue and expenses.

Performance & Filtration Minerals

(18% of consolidated sales)

(€millions)	06.30.2010	06.30.2009	Current change	Comparable change ⁽¹⁶⁾
Sales	300.4	246.3	+ 22.0%	+ 18.5%
Current operating income ⁽¹⁷⁾	34.8	9.1	+ 280.9%	+ 250.2%
Operating margin	11.6%	3.7%		
Booked capital expenditure	7.2	4.7	+ 53.2%	
As % of depreciation expense	34%	25%		

During the 1st half of 2010, the markets served by Performance and Filtration Minerals benefited from the significant effect of inventory rebuilding by customers and distributors.

Although the renovation sector held out well, the construction market remained slack in North America and Europe. Consumer goods markets (beverages, personal care products, etc.) grew slightly.

The industrial optimization plan for Filtration Minerals in the United States enabled the activity to meet demand efficiently in the 1st half of 2010. Capital expenditure for the period mainly concerns maintenance operations.

Sales amounted to €300.4 million in the 1st half of 2010 (+ 22.0%). This increase factors in an exchange rate impact of + €8.7 million. At comparable Group structure and exchange rates, sales growth reflects the significant upturn in volumes, partly related to inventory rebuilding.

Current operating income totaled €34.8 million, up + €25.7 million. It takes into account a favorable currency translation effect of + €2.9 million. At comparable Group structure and exchange rates, the increase works out at + €22.8 million. The sharp rise in volumes came with an increase in fixed production costs and overheads.

Pigments for Paper

(22% of consolidated sales)

(€millions)	06.30.2010	06.30.2009	Current change	Comparable change ⁽¹⁶⁾
Sales	356.3	309.5	+ 15.1%	+ 12.0%
Current operating income ⁽¹⁷⁾	37.1	15.0	+ 146.7%	+ 195.6%
Operating margin	10.4%	4.9%		
Booked capital expenditure	18.9	11.6	+ 62.9%	
As % of depreciation expense	55%	45%		

Global production of printing and writing paper, which recovered from late 2009, showed + 7% growth compared with the 1st half of 2009, which marked a low point. While business remains dynamic in emerging countries (+ 5%), the upturn is significant in mature countries (+ 8%), with distributors and printers rebuilding their paper inventory.

The business group's strategic development continues in Asia, particularly in carbonates with the commissioning in the second quarter of a new plant in China (Yueyang, Hunan province), under a joint venture with the Tiger Forest & Paper group. This new precipitated calcium carbonate (PCC) production unit is next to the new Yueyang Paper mill and has 90 KT annual capacity.

(16) At comparable Group structure and exchange rates.

(17) Operating income before other operating revenue and expenses.

Sales, at €356.3 million in the 1st half of 2010, were up + 15.1% with a + €9.6 million foreign exchange effect. At comparable Group structure and exchange rates, growth mainly reflects the sharp rise in sales volumes relating to:

- The business group's extensive presence in Europe and North America, where inventory rebuilding was more significant,
- Favorable currency trends (US dollar's appreciation vs. the euro), benefiting European papermakers,
- The success of new products launched since 2009 (particularly the new "Barrisurf" and "e-Type" American kaolin ranges),
- New capacities opened in India and China.

Current operating income totaled €37.1 million in the 1st half of 2010 (+ €22.1 million), taking into account a foreign exchange effect of - €7.4 million. At comparable Group structure and exchange rates, the business group's operating performance benefits from the increase in sales volumes, which came with good control of fixed costs and overheads.

Materials and Monolithics

(28% of consolidated sales)

(€millions)	06.30.2010	06.30.2009	Current change	Comparable change ⁽¹⁸⁾
Sales	451.4	443.4	+ 1.8%	+ 0.6%
Current operating income ⁽¹⁹⁾	92.4	84.3	+ 9.6%	+ 9.6%
<i>Operating margin</i>	20.5%	19.0%		
Booked capital expenditure	3.3	14.6	- 77.4%	
<i>As % of depreciation expense</i>	18%	81%		

In France, advanced indicators for the construction sector (new housing sales, building permits) show more positive trends and now reflect a turnaround in new individual housing starts: down approximately - 15% ⁽²⁰⁾ over 12 rolling months, they gained + 6% in the 2nd quarter compared with the same period the previous year.

After being particularly affected by adverse weather conditions in January and February, renovation picked up in the 2nd quarter but remained slightly down over the 1st half.

In that context, the clay products market, for the 1st half compared with the same period last year, posted a - 8% ⁽²¹⁾ decrease in volumes for roofing items but a + 9 % ⁽²¹⁾ increase for bricks, thanks to the gradual replacement of concrete.

Monolithic Refractories markets benefited from the strong upturn in steelmaking. Other consumption segments (cement, incineration, petrochemicals, etc.), which were less affected by the economic crisis, improved slightly. They benefited from the resumption of maintenance operations, with the number of orders related to new furnace construction projects remaining limited.

In Building Materials, productivity capital projects resumed with the modernization of two brick manufacturing lines in Colomiers (Haute-Garonne, France) and La Boissière du Doré (Loire-Atlantique, France). Moreover, the Cuntis, Spain, Kiln Furniture plant closed and its production was transferred to the Hungarian site.

(18) At comparable Group structure and exchange rates.

(19) Operating income before other operating revenue and expenses.

(20) Source: new individual housing starts – French Ministry of Ecology, Energy, Sustainable Development and Sea.

(21) FFTB, French Federation of roof tiles and bricks – temporary data.

The business group's **sales** increased + 1.8% compared with the 1st half of 2009, at €451.4 million. This includes:

- A change in Group structure ⁽²²⁾ of - €5.4 million,
- An exchange rate impact of + €10.7 million.

At comparable Group structure and exchange rates, the upturn observed in Monolithic Refractories offset lower sales volumes in Building Materials.

Current operating income was €92.4 million, (+ €8.1 million vs. 1st half 2009). The change in Group structure (- €0.5 million) balanced out exchange rate impact (+ €0.5 million). At comparable Group structure and exchange rates, strict cost management offset the lower contribution of Building Materials.

The present [Chapter 2](#) - First-Half Activity Report 2010 draws on detailed information from the following chapters of the present First-Half Financial Report 2010:

- Related parties Chapter 3 - Financial Statements - [Note 26](#)
- Risks Chapter 3 - Financial Statements - [Note 21.4](#)

Management considers that assessment of main risks and uncertainties for the last six months of the year 2010 is unchanged with respect to the description provided in chapter 4, section 1 of the 2009 Annual Report.

(22) *Divestment of Planchers Fabre (May 2009)*

3 | Condensed financial statements

Consolidated income statement

(€millions)	Notes	06.30.2010	06.30.2009	2009
Revenue	4	1,623.0	1,374.0	2,773.7
Current revenue and expenses		(1,415.7)	(1,264.0)	(2,524.8)
Raw materials and consumables used	5	(571.5)	(530.5)	(1,026.1)
External expenses	6	(396.3)	(322.6)	(674.9)
Staff expenses	7	(312.7)	(296.0)	(587.1)
Taxes and duties		(21.7)	(24.1)	(42.6)
Amortization, depreciation and impairment losses		(107.3)	(90.5)	(181.4)
Other current revenue and expenses		(7.3)	(1.2)	(12.6)
Share in net income of associates		1.1	0.9	(0.1)
Current operating income		207.3	110.0	248.9
Other operating revenue and expenses	8	(12.7)	(46.6)	(87.1)
Gain or loss from obtaining or losing control		(1.1)	11.2	11.3
Other non-recurring items		(11.6)	(57.8)	(98.4)
Operating income		194.6	63.4	161.8
Net financial debt expense		(29.2)	(35.4)	(69.1)
Income from securities		1.2	0.9	2.2
Gross financial debt expense		(30.4)	(36.3)	(71.3)
Other financial revenue and expenses		7.2	(9.5)	(14.3)
Other financial revenue		82.2	58.1	121.1
Other financial expenses		(75.0)	(67.6)	(135.4)
Financial income (loss)	10	(22.0)	(44.9)	(83.4)
Income taxes	11	(51.2)	(7.1)	(37.1)
Net income		121.4	11.4	41.3
Net income, Group share	12	119.1	11.7	41.3
Net income, share of non-controlling interests		2.3	(0.3)	-
Net income, Group share		119.1	11.7	41.3
Net income from current operations, Group share	12	122.0	46.7	119.3
Other net operating revenue and expenses, Group share	8	(2.9)	(35.0)	(78.0)
<i>Net basic earnings per share from current operations (in €)</i>	13	<i>1.62</i>	<i>0.68</i>	<i>1.66</i>
<i>Net basic earnings per share (in €)</i>	13	<i>1.58</i>	<i>0.17</i>	<i>0.57</i>
<i>Diluted net earnings per share (in €)</i>	13	<i>1.58</i>	<i>0.17</i>	<i>0.57</i>
<i>Average exchange rate euro/USD</i>	25	<i>1.3281</i>	<i>1.3326</i>	<i>1.3945</i>

Consolidated statement of comprehensive income

(€millions)	Notes	06.30.2010	06.30.2009	2009
Net income		121.4	11.4	41.3
Cash flow hedges		(1.3)	40.0	54.5
Recognition in equity	21.3	0.3	39.4	41.0
Reclassification in profit or loss	21.3	(1.6)	0.6	13.5
Translation reserve		230.9	27.9	33.1
Recognition in equity		241.1	28.4	33.1
Reclassification in profit or loss		(10.2)	(0.5)	-
Income taxes	11	6.2	(4.4)	(4.6)
Other comprehensive income		235.8	63.5	83.0
Total comprehensive income		357.2	74.9	124.3
Total comprehensive income, Group share		351.8	74.5	123.5
Total comprehensive income, share of non-controlling interests		5.4	0.4	0.8
<i>Average exchange rate euro/USD</i>	25	<i>1.3281</i>	<i>1.3326</i>	<i>1.3945</i>

Consolidated statement of financial position

(€millions)	Notes	06.30.2010	06.30.2009	2009
Non-current assets		2,939.4	2,817.2	2,740.5
Goodwill	14	977.6	907.1	897.5
Intangible assets	15	43.3	45.5	43.8
Mining assets	16	414.5	396.9	377.2
Property, plant and equipment	16	1,287.0	1,269.2	1,224.1
Investments in associates		53.6	54.6	50.0
Available-for-sale financial assets	19.1	7.0	7.0	7.5
Other financial assets	19.1	25.6	15.1	23.2
Other receivables	19.1	49.5	43.1	43.7
Derivative financial assets	21.3	29.0	18.3	17.6
Deferred tax assets	22	52.3	60.4	55.9
Current assets		1,446.7	1,297.7	1,190.8
Inventories	18	516.1	489.4	440.5
Trade receivables	19.1	500.0	490.4	364.4
Other receivables	19.1	139.6	125.3	110.7
Derivative financial assets	21.3	5.0	4.5	5.0
Marketable securities and other financial assets	19.1	6.9	4.4	5.6
Cash and cash equivalents	19.1	279.1	183.7	264.6
Consolidated assets		4,386.1	4,114.9	3,931.3
Equity, Group share		2,114.9	1,789.4	1,836.9
Capital		151.1	150.7	150.8
Premiums		342.4	339.2	339.4
Reserves		1,502.3	1,287.8	1,305.4
Net income, Group share		119.1	11.7	41.3
Equity, share of non-controlling interests		25.6	18.7	18.9
Equity		2,140.5	1,808.1	1,855.8
Non-current liabilities		1,409.0	1,438.1	1,388.9
Provisions for employee benefits		102.6	134.7	103.9
Other provisions	20	183.2	163.0	157.7
Loans and financial debts	21.1	1,033.3	1,042.8	1,037.7
Other debts	21.1	10.2	10.0	9.5
Derivative financial liabilities	21.3	20.0	19.7	16.5
Deferred tax liabilities	22	59.7	67.9	63.6
Current liabilities		836.6	868.7	686.6
Other provisions	20	17.1	26.0	18.6
Trade payables	21.1	328.1	264.2	260.7
Income taxes payable		18.7	24.7	20.6
Other debts	21.1	219.0	249.5	185.7
Derivative financial liabilities	21.3	2.3	11.5	2.9
Loans and financial debts	21.1	246.1	289.3	186.0
Bank overdrafts	21.1	5.3	3.5	12.1
Consolidated equity and liabilities		4,386.1	4,114.9	3,931.3
<i>Net financial debt</i>	21.2	<i>990.1</i>	<i>1,148.2</i>	<i>964.3</i>
<i>Closing exchange rate euro/USD</i>	25	<i>1.2271</i>	<i>1.4134</i>	<i>1.4406</i>

Consolidated statement of changes in equity

(€millions)	Equity, Group share								Equity, share of non-controlling interests	Total	
	Capital		Reserves				Net income, Group share				
	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves	Subtotal	Subtotal			
Equity as of January 1, 2009	125.6	115.8	-	(66.7)	(249.9)	1,440.3	1,123.7	161.3	1,526.4	19.9	1,546.3
Total comprehensive income	-	-	-	39.8	23.0	-	62.8	11.7	74.5	0.4	74.9
Transactions with shareholders	25.1	223.4	-	-	-	101.3	101.3	(161.3)	188.5	(1.6)	186.9
Allocation of 2008 net income	-	-	-	-	-	161.3	161.3	(161.3)	-	-	-
Dividend (€1.00 per share)	-	-	-	-	-	(62.8)	(62.8)	-	(62.8)	(0.7)	(63.5)
Capital increases	25.1	223.4	-	-	-	-	-	-	248.5	-	248.5
Share-based payments	-	-	-	-	-	2.8	2.8	-	2.8	-	2.8
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Equity as of June 30, 2009	150.7	339.2	-	(26.9)	(226.9)	1,541.6	1,287.8	11.7	1,789.4	18.7	1,808.1
Total comprehensive income	-	-	-	13.8	5.6	-	19.4	29.6	49.0	0.4	49.4
Transactions with shareholders	0.1	0.2	-	-	-	(1.8)	(1.8)	-	(1.5)	(0.2)	(1.7)
Dividend	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Capital increases	0.1	0.2	-	-	-	-	-	-	0.3	0.2	0.5
Share-based payments	-	-	-	-	-	3.6	3.6	-	3.6	-	3.6
Transactions with non-controlling interests	-	-	-	-	-	(5.4)	(5.4)	-	(5.4)	(0.3)	(5.7)
Equity as of December 31, 2009	150.8	339.4	-	(13.1)	(221.3)	1,539.8	1,305.4	41.3	1,836.9	18.9	1,855.8
Total comprehensive income	-	-	-	3.2	229.5	-	232.7	119.1	351.8	5.4	357.2
Transactions with shareholders	0.3	3.0	(5.1)	-	-	(30.7)	(35.8)	(41.3)	(73.8)	1.3	(72.5)
Allocation of 2009 net income	-	-	-	-	-	41.3	41.3	(41.3)	-	-	-
Dividend (€1.00 per share)	-	-	-	-	-	(75.5)	(75.5)	-	(75.5)	(0.5)	(76.0)
Capital increases	0.3	3.0	-	-	-	-	-	-	3.3	1.5	4.8
Transactions on treasury shares	-	-	(5.1)	-	-	-	(5.1)	-	(5.1)	-	(5.1)
Share-based payments	-	-	-	-	-	3.8	3.8	-	3.8	-	3.8
Transactions with non-controlling interests	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)	0.3	-
Equity as of June 30, 2010	151.1	342.4	(5.1)	(9.9)	8.2	1,509.1	1,502.3	119.1	2,114.9	25.6	2,140.5

Consolidated statement of cash flows

(€millions)	Notes	06.30.2010	06.30.2009	2009
Cash flow from operating activities		139.6	221.2	520.5
Cash flow generated by current operations	Appendix 1	228.4	285.0	657.3
Interests paid		(48.5)	(51.2)	(67.2)
Income taxes on current operating income and financial income (loss)		(34.9)	5.4	(26.1)
Dividends received from available-for-sale financial assets		0.1	0.3	0.4
Cash flow generated by other operating revenue and expenses	Appendix 2	(5.5)	(18.3)	(43.9)
Cash flow from investing activities		(50.5)	(66.7)	(115.5)
Acquisitions of intangible assets and property, plant and equipment		(56.4)	(79.0)	(138.4)
Acquisitions of investments in consolidated entities after deduction of cash acquired		0.3	(9.9)	(10.9)
Disposals of intangible assets and property, plant and equipment		3.1	7.8	18.8
Disposals of investments in consolidated entities after deduction of cash disposed of		0.8	14.3	14.2
Disposals of available-for-sale financial assets		-	(0.1)	0.1
Net change in financial assets		0.7	(0.2)	(1.2)
Paid-in interests		1.0	0.4	1.9
Cash flow from financing activities		(88.5)	(185.1)	(365.7)
Capital increases		4.8	248.5	249.0
Disposals (acquisitions) of treasury shares		(5.1)	-	-
Dividends paid to shareholders		(75.5)	-	(62.8)
Dividends paid to non-controlling interests		(0.5)	(0.7)	(0.8)
Loan issues		77.2	8.9	8.2
Loan repayments		(18.2)	(332.0)	(402.4)
Net change in other debts		(71.2)	(109.8)	(156.9)
Change in cash and cash equivalents		0.6	(30.6)	39.3

(€millions)	06.30.2010	06.30.2009	2009
Opening cash and cash equivalents	252.6	211.2	211.2
Change in cash and cash equivalents	0.6	(30.6)	39.3
Impact of changes due to changes in perimeter	(0.1)	(2.4)	(2.3)
Impact of changes due to exchange rate fluctuations	21.4	2.0	4.5
Impact of changes in accounting policies	(0.7)	-	(0.1)
Closing cash and cash equivalents	273.8	180.2	252.6
Cash and cash equivalents	279.1	183.7	264.6
Bank overdrafts	(5.3)	(3.5)	(12.1)

Appendix 1: cash flow generated by current operations

(€millions)	Notes	06.30.2010	06.30.2009	2009
Net income		121.4	11.4	41.3
Adjustments		204.9	182.6	367.2
Income taxes	11	51.2	7.1	37.1
Share in net income of associates		(1.1)	(0.9)	0.1
Dividends received from associates		2.0	3.7	3.8
Impairment losses on goodwill	8 & 14	-	-	7.0
Other operating revenue and expenses excluding impairment losses on goodwill		12.7	46.6	80.1
Net operating amortization and depreciation		106.9	89.9	180.4
Net operating impairment losses on assets		6.0	7.0	18.1
Net operating provisions		2.3	(0.8)	(24.9)
Dividends receivable from available-for-sale financial assets		(0.1)	(0.2)	(0.3)
Net interests of revenue and expenses		28.7	38.1	71.4
Non-recurring foreign exchange gain related to a financial restructuring ⁽¹⁾		(10.2)	-	-
Revaluation gains and losses		7.5	(0.8)	5.5
Income from current disposals of intangible assets and property, plant and equipment		(1.0)	(7.1)	(11.1)
Change in the working capital requirement		(97.9)	91.0	248.8
Inventories		(35.6)	129.4	171.0
Trade accounts receivable, advances and down payments received		(86.4)	41.2	144.2
Trade accounts payable, advances and down payments paid		44.9	(77.2)	(79.9)
Other receivables and debts		(20.8)	(2.4)	13.5
Cash flow generated by current operations		228.4	285.0	657.3

(1) See Note 12.

Appendix 2: cash flow generated by other operating revenue and expenses

(€millions)	Notes	06.30.2010	06.30.2009	2009
Other operating revenue and expenses		(12.7)	(46.6)	(87.1)
Adjustments		7.2	28.3	43.2
Impairment losses on goodwill	8 & 14	-	-	7.0
Other net operating amortization and depreciation	8	0.1	18.7	32.3
Other net operating provisions	8	(2.3)	16.1	6.1
Income from non-recurring disposals of intangible assets and property, plant and equipment	8	0.1	0.1	-
Income from disposals of consolidated investments and available-for-sale financial assets	8	(0.5)	(11.2)	(11.3)
Non-recurring foreign exchange gain related to a financial restructuring ⁽¹⁾		10.2	-	-
Income taxes paid on other operating revenue and expenses		(0.4)	4.6	9.1
Cash flow generated by other operating revenue and expenses		(5.5)	(18.3)	(43.9)

(1) See Note 12.

Reconciliation of the net financial debt

The net financial debt is the net position of Imerys towards financial institutions, i.e. the total of financing liabilities decreased by cash, cash equivalents and marketable securities. 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 21.4 - Borrower's liquidity risk*). The link between this indicator and the statement of financial position is presented in *Note 21.2*. The following notes present the change in the net financial debt in two steps:

- from current operating income to current free operating cash flow;
- from current free operating cash flow to the change in net financial debt.

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)	06.30.2010	06.30.2009	2009
Current operating income	207.3	110.0	248.9
Operating amortization, depreciation and impairment losses	107.3	90.5	181.4
Net change in operating provisions	3.8	0.9	(17.8)
Provisions for mining assets	(0.1)	(0.1)	0.2
Share in net income of associates	(1.1)	(0.9)	0.1
Dividends received from associates	2.0	3.7	3.8
Operating cash flow before taxes (current EBITDA)	319.2	204.1	416.6
Notional taxes on current operating income ⁽¹⁾	(60.2)	(31.5)	(69.5)
Current net operating cash flow	259.0	172.6	347.1
Paid capital expenditures ⁽²⁾	(56.5)	(79.0)	(138.4)
Intangible assets	(1.3)	(1.0)	(2.9)
Property, plant and equipment ⁽³⁾	(32.0)	(46.4)	(93.3)
Overburden mining assets	(17.4)	(9.5)	(22.5)
Debts on acquisitions	(5.8)	(22.1)	(19.7)
Carrying amount of current asset disposals	2.2	0.7	6.3
Change in the operational working capital requirement	(77.1)	93.4	235.3
Inventories	(35.6)	129.4	171.0
Trade accounts receivable, advances and down payments received	(86.4)	41.2	144.2
Trade accounts payable, advances and down payments paid	44.9	(77.2)	(79.9)
Current free operating cash flow	127.6	187.7	450.3

(1) Effective tax rate on current operating income 29.0% 28.7% 27.9%

(2) Recognized capital expenditures / asset depreciation ratio 47.3% 62.9% 65.5%

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 107.1 90.4 181.3

(3) Of which acquisition of assets under finance lease (0.1) - -

Change in net financial debt

(€millions)	06.30.2010	06.30.2009	2009
Current free operating cash flow	127.6	187.7	450.3
Financial income (loss)	(22.0)	(44.9)	(83.4)
Financial impairment losses and unwinding of the discount	4.0	4.7	9.7
Non-recurring foreign exchange gain related to a financial restructuring ⁽¹⁾	(10.2)	-	-
Income taxes on financial income (loss)	9.4	12.9	23.3
Change in income tax debt	6.5	30.5	26.7
Change in deferred taxes on current operating income	9.3	(6.4)	(6.6)
Change in other items of working capital	(20.8)	(2.7)	13.6
Change in fair value	3.2	0.8	8.3
Change in dividends receivable from available-for-sale financial assets	-	0.1	0.1
Current free cash flow	107.0	182.7	442.0
External growth	0.3	(10.0)	(11.0)
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	0.3	(10.0)	(11.0)
Disposals	0.8	14.4	15.9
Disposals of investments in consolidated entities after deduction of the net debt disposed of	0.8	14.5	14.5
Disposals of available-for-sale financial assets	-	(0.1)	0.1
Non-recurring disposals of property, plant and equipment and intangible assets	-	-	1.3
Cash flow from other operating revenue and expenses	(5.5)	(18.7)	(44.2)
Dividends paid to shareholders and non-controlling interests	(76.0)	(0.7)	(63.6)
Financing requirement	26.6	167.7	339.1
Transactions on equity	(0.3)	248.5	249.0
Net change in financial assets	-	(0.3)	0.1
Change in net financial debt	26.3	415.9	588.2

(1) See Note 12.

(€millions)	06.30.2010	06.30.2009	2009
Opening net financial debt	(964.3)	(1,566.1)	(1,566.1)
Change in net financial debt	26.3	415.9	588.2
Impact of changes due to exchange rate fluctuations	(50.0)	4.2	14.0
Impact of changes in fair value of interest rate hedges	(2.1)	1.4	3.4
Impact of changes in accounting policies and other	-	(3.6)	(3.8)
Closing net financial debt	(990.1)	(1,148.2)	(964.3)

Information by segments

The reported operating segments correspond to the four business groups of Imerys: Performance & Filtration Minerals (PFM); Pigments for Paper (PP); Materials & Monolithics (M&M) and Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). Each of these segments is 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. 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).

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 June 30, 2010

(€millions)	PFM	PP	M&M	CRAF	IS&H	Total
External revenue	293.8	353.6	451.2	522.7	1.7	1,623.0
Sales of goods	262.1	291.7	414.4	485.7	1.7	1,455.6
Rendering of services	31.7	61.9	36.8	37.0	-	167.4
Inter-segment revenue	6.6	2.7	0.2	13.9	(23.4)	0.0
Revenue	300.4	356.3	451.4	536.6	(21.7)	1,623.0
Current operating income	34.8	37.1	92.4	66.9	(23.9)	207.3
of which share in net income of associates	(0.1)	1.1	0.1	-	-	1.1
Operating income	26.5	33.8	92.9	66.6	(25.2)	194.6
of which amortization, depreciation and impairment losses	(21.3)	(34.4)	(17.8)	(32.6)	(1.2)	(107.3)
of which net operating provisions	(0.4)	(2.0)	(0.4)	(1.4)	(4.0)	(8.2)
Financial income (loss)	(0.6)	(3.6)	0.9	(0.5)	(18.2)	(22.0)
Interest revenue	0.1	0.1	0.3	0.5	0.2	1.2
Interest expenses	(0.2)	(0.2)	(0.6)	(0.8)	(28.0)	(29.8)
Income taxes	(7.2)	(6.0)	(32.1)	(15.0)	9.1	(51.2)
Net income	18.7	24.2	61.7	51.1	(34.3)	121.4

As of June 30, 2009

(€millions)	PFM	PP	M&M	CRAF	IS&H	Total
External revenue	247.0	308.9	443.4	374.7	0.0	1,374.0
Sales of goods	218.4	249.5	402.6	344.2	-	1,214.7
Rendering of services	28.6	59.4	40.8	30.5	-	159.3
Inter-segment revenue	(0.7)	0.6	-	8.5	(8.4)	0.0
Revenue	246.3	309.5	443.4	383.2	(8.4)	1,374.0
Current operating income	9.1	15.0	84.3	13.8	(12.2)	110.0
of which share in net income of associates	0.1	1.5	-	0.1	(0.8)	0.9
Operating income	0.6	0.2	91.7	(14.6)	(14.5)	63.4
of which amortization, depreciation and impairment losses	(19.0)	(25.7)	(18.2)	(26.6)	(1.0)	(90.5)
of which net operating provisions	(0.5)	(4.8)	(2.0)	0.3	(0.4)	(7.4)
Financial income (loss)	(3.1)	6.2	(1.7)	(8.0)	(38.3)	(44.9)
Interest revenue	0.1	0.1	0.1	0.4	0.2	0.9
Interest expenses	(0.2)	(0.4)	(0.6)	(1.2)	(36.5)	(38.9)
Income taxes	(0.3)	13.1	(30.8)	5.1	5.8	(7.1)
Net income	(2.8)	19.5	59.2	(17.5)	(47.0)	11.4

As of December 31, 2009

(€millions)	PFM	PP	M&M	CRAF	IS&H	Total
External revenue	499.3	630.0	875.4	774.6	(5.6)	2,773.7
Sales of goods	442.3	506.5	791.5	716.4	(5.6)	2,451.1
Rendering of services	57.0	123.5	83.9	58.2	-	322.6
Inter-segment revenue	1.4	1.9	0.2	19.9	(23.4)	0.0
Revenue	500.7	631.9	875.6	794.5	(29.0)	2,773.7
Current operating income	26.9	41.6	168.0	44.0	(31.6)	248.9
of which share in net income of associates	(0.1)	(0.1)	(0.2)	0.3	-	(0.1)
Operating income	13.8	26.6	159.1	(4.0)	(33.7)	161.8
of which amortization, depreciation and impairment losses	(38.6)	(55.0)	(33.9)	(51.8)	(2.1)	(181.4)
of which net operating provisions	(3.8)	(10.0)	(8.8)	(0.8)	1.5	(21.9)
Financial income (loss)	(4.4)	2.1	(3.7)	(10.8)	(66.6)	(83.4)
Interest revenue	0.2	0.7	0.2	0.8	0.4	2.3
Interest expenses	(0.4)	(0.7)	(1.4)	(2.1)	(69.0)	(73.6)
Income taxes	(5.7)	2.7	(55.2)	(2.6)	23.7	(37.1)
Net income	3.7	31.4	100.2	(17.4)	(76.6)	41.3

Consolidated statement of financial position

As of June 30, 2010

(€millions)	PFM	PP	M&M	CRAF	IS&H	Total
Capital employed - Assets	767.7	1,053.1	775.6	1,397.1	(12.3)	3,981.2
Goodwill ⁽¹⁾	154.9	171.1	200.0	450.9	0.7	977.6
Property, plant and equipment and intangible assets ⁽²⁾	418.8	565.7	321.7	433.2	5.4	1,744.8
Inventories	54.0	99.9	111.3	250.9	-	516.1
Trade receivables	110.6	91.8	105.8	202.1	(10.3)	500.0
Other receivables - current and non-current	21.3	94.8	30.0	54.1	(11.1)	189.1
Investments in associates	8.1	29.8	6.8	5.9	3.0	53.6
Unallocated assets						404.9
Total assets						4,386.1
Capital employed - Liabilities	92.9	105.3	180.7	211.5	(14.4)	576.0
Trade payables	58.1	68.5	100.5	119.3	(18.3)	328.1
Other debts - current and non-current	30.3	42.7	78.8	66.4	11.0	229.2
Income taxes payable	4.5	(5.9)	1.4	25.8	(7.1)	18.7
Provisions	69.4	57.1	67.2	80.9	28.3	302.9
Unallocated liabilities						1,366.7
Total current and non-current liabilities						2,245.6
Total capital employed	674.8	947.8	594.9	1,185.6	2.1	3,405.2

(1) Increases in goodwill - - - 2.8 - 2.8

(2) Acquisitions of property, plant and equipment and intangible assets 5.6 19.9 8.5 21.4 1.0 56.4

As of June 30, 2009

(€millions)	PFM	PP	M&M	CRAF	IS&H	Total
Capital employed - Assets	712.2	952.8	863.2	1,292.6	0.7	3,821.5
Goodwill ⁽¹⁾	145.7	150.5	189.7	420.5	0.7	907.1
Property, plant and equipment and intangible assets ⁽²⁾	398.3	534.5	337.6	431.3	9.9	1,711.6
Inventories	52.1	86.2	107.6	243.5	-	489.4
Trade receivables	86.9	76.1	191.2	141.4	(5.2)	490.4
Other receivables - current and non-current	19.5	72.8	30.0	50.0	(3.9)	168.4
Investments in associates	9.7	32.7	7.1	5.9	(0.8)	54.6
Unallocated assets						293.4
Total assets						4,114.9
Capital employed - Liabilities	78.2	65.6	171.4	163.6	6.8	485.6
Trade payables	46.6	55.7	90.8	86.7	(15.6)	264.2
Other debts - current and non-current	24.8	29.3	79.4	56.0	7.2	196.7
Income taxes payable	6.8	(19.4)	1.2	20.9	15.2	24.7
Provisions	70.6	56.6	66.4	79.1	51.0	323.7
Unallocated liabilities						1,497.5
Total current and non-current liabilities						2,306.8
Total capital employed	634.0	887.2	691.8	1,129.0	(6.1)	3,335.9

(1) Increases in goodwill 7.6 - - (1.4) - 6.2

(2) Acquisitions of property, plant and equipment and intangible assets 8.3 18.4 21.8 29.3 1.2 79.0

As of December 31, 2009

(€millions)	PFM	PP	M&M	CRAF	IS&H	Total
Capital employed - Assets	672.4	934.3	746.4	1,223.2	(24.4)	3,551.9
Goodwill ⁽¹⁾	141.2	153.5	190.3	411.8	0.7	897.5
Property, plant and equipment and intangible assets ⁽²⁾	376.3	514.2	331.7	413.0	9.9	1,645.1
Inventories	45.1	81.3	100.1	214.0	-	440.5
Trade receivables	79.5	77.2	76.0	138.9	(7.2)	364.4
Other receivables - current and non-current	23.3	77.7	41.7	39.5	(27.8)	154.4
Investments in associates	7.0	30.4	6.6	6.0	-	50.0
Unallocated assets						379.4
Total assets						3,931.3
Capital employed - Liabilities	65.4	87.7	159.7	165.9	(2.2)	476.5
Trade payables	40.9	52.9	91.6	91.2	(15.9)	260.7
Other debts - current and non-current	23.6	40.1	67.9	49.3	14.3	195.2
Income taxes payable	0.9	(5.3)	0.2	25.4	(0.6)	20.6
Provisions	52.8	54.0	66.8	76.9	29.7	280.2
Unallocated liabilities						1,318.8
Total current and non-current liabilities						2,075.5
Total capital employed	607.0	846.6	586.7	1,057.3	(22.2)	3,075.4

(1) Increases in goodwill 5.1 - - (0.8) - 4.3

(2) Acquisitions of property, plant and equipment and intangible assets 15.1 35.6 37.5 48.4 1.8 138.4

Revenue by geographical location

(€millions)	06.30.2010	06.30.2009	2009
France	352.9	362.7	683.0
Other European countries	587.9	476.6	994.7
North America	396.9	308.0	628.7
Asia - Oceania	202.7	159.2	327.2
Other countries	82.6	67.5	140.2
Revenue by geographical location of the businesses of the Group	1,623.0	1,374.0	2,773.7
France	279.8	298.8	561.2
Other European countries	591.9	489.3	1,014.5
North America	363.3	287.6	577.5
Asia-Oceania	257.4	189.0	398.7
Other countries	130.6	109.3	221.9
Revenue by geographical location of the customers	1,623.0	1,374.0	2,773.7

Assets by geographical location

As of June 30, 2010

(€millions)	Goodwill	Property, plant and equipment and intangible assets	Total
France	163.6	356.7	520.3
Other European countries	336.5	378.8	715.3
North America	141.8	527.5	669.3
Asia-Oceania	253.4	171.2	424.6
Other countries	82.3	310.6	392.9
Total	977.6	1,744.8	2,722.4

As of June 30, 2009

(€millions)	Goodwill	Property, plant and equipment and intangible assets	Total
France	169.4	382.4	551.8
Other European countries	328.0	409.4	737.4
North America	130.1	490.0	620.1
Asia-Oceania	216.5	145.9	362.4
Other countries	63.1	283.9	347.0
Total	907.1	1,711.6	2,618.7

As of December 31, 2009

(€millions)	Goodwill	Property, plant and equipment and intangible assets	Total
France	163.6	376.7	540.3
Other European countries	325.2	380.8	706.0
North America	120.8	463.5	584.3
Asia-Oceania	215.5	145.5	361.0
Other countries	72.4	278.6	351.0
Total	897.5	1,645.1	2,542.6

■ ACCOUNTING PRINCIPLES AND POLICIES

Note 1 Accounting principles

The June 30, 2010 1st half financial statements are intended to provide an update on the complete set of annual financial statements as of December 31, 2009 compliant with IFRSs adopted within the European Union (hereafter “the Referential”). They are established in a condensed form in compliance with IAS 34 (interim financial information) and do not include all disclosures for a complete set of financial statements as published for the annual closing. They shall thus be reviewed in relation with the Group annual financial statements published as of December 31, 2009. The adoption process within the European Union may create temporary time-lags at the closing date between the Referential and IFRSs. However, in absence of temporary time-lags as of June 30, 2010, there is no difference at that date between the Referential and IFRSs. The financial statements have been closed on July 29, 2010 by the Board of Directors of Imerys SA, the Parent Company of the Group.

Note 2 Changes in accounting policies

2.1 Mandatory changes

Imerys is not applying any text by anticipation in 2010. The Group had not applied any text by anticipation in 2009.

IFRS 3 Revised, Business Combinations. This revision applicable prospectively as of January 1, 2010 places control at the centre of the new treatment. Thus, any formerly held interest is remeasured at fair value against the other operating revenue and expenses when control is obtained. Goodwill is recognized at that date. The revised standard leaves the option, for each acquisition, to recognize goodwill as an asset corresponding to either the sole Group interest (former method), or to the Group and non-controlling interests (full goodwill). Transaction costs, formerly included in the acquisition cost are now recognized as other operating revenue and expenses. In accordance with this new method, €0.6 million recognized as assets as of December 31, 2009 with respect to future acquisitions projects are recognized as other operating revenue and expenses in 2010. Symmetrically to the date when control is obtained, the loss of control triggers the derecognition of assets and liabilities and the remeasurement at fair value of the residual interest against the other operating revenue and expenses. In the income statement, the presentation of the other operating revenue and expenses have been adapted to this revision (*Note 8*). The former line “Income on assets disposals” (€4.3 million in 2009 of which €11.3 million of income from disposal of consolidated businesses and - €7.0 million of impairment losses on goodwill) has been suppressed. The income from disposal of consolidated businesses and the new profit or loss impacts described previously are presented in the line “Gain or loss from obtaining or losing control” while the impairment losses on goodwill are now classified as “Other non-recurring items”.

Amendment to IAS 27, Consolidated and Separate Financial Statements. This amendment applicable prospectively as of January 1, 2010 draws the consequences of revised IFRS 3 on the consolidation rules. Thus, as control is at the centre of the new treatment, the changes in interest with no loss of control is recognized in equity without any modification of goodwill. This amendment has no impact on the recognition and measurement policy defined by the Executive Management on the treatment of purchase commitment of non-controlling interests of an entity controlled by the Group.

Amendment to IAS 39, Eligible Hedged Items. This amendment applicable retrospectively as of January 1, 2010 specifies the principles of hedge accounting in two situations: one-sided risk in a hedged item and inflation in a hedged financial item. This amendment has no impact on hedge accounting.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. This interpretation applicable prospectively as of January 1, 2010 mainly confirms that the currency risk eligible to hedge accounting appears between the functional currency (and not the presentation currency) of a holding entity and the functional currency of a foreign operation and that the instruments intended to hedge that risk may be held by one or several entities within the Group. This interpretation has no impact on the recognition of the hedges of the net investments in the foreign businesses (*Note 21.4 - Conversion of financial statements risk*).

Improvements to IFRSs (April 2009). This continuous project provides a series of necessary amendments to the existing texts.

Besides, the texts hereafter do not concern the transactions, events or conditions existing within the Group: Revised IFRS 1, First Time Adoption of IFRS; Amendment to IFRS 1: Additional Exemptions for First-Time Adopters; Amendment to IFRS 2, Group Cash-settled Share-based Payment Transactions; Amendment to IAS 32: Classification of Rights Issues; IFRIC 12, Service Concession Arrangements; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 17, Distributions of Non-cash Assets to Owners; and IFRIC 18, Transfers of Assets from Customers.

2.2 Voluntary changes

Imerys is not performing any voluntary change in accounting policy in the 1st half of 2010. In 2009, the Group had performed two voluntary changes in accounting policies impacting the presentation of financial statements: presentation in financial income (loss) of the financial components of the net expense of defined benefit plans and presentation in current operating income of the share in net income of associates.

Note 3 Texts effective after the closing date

On the basis of the last projected adoption agenda of IFRSs within the European Union published on July 26, 2010 by the EFRAG (European Financial Reporting Advisory Group), Imerys will apply the following texts after June 30, 2010.

3.1 Application in the 2nd half of 2010

No mandatory change in accounting method is identified in the 2nd half of 2010.

3.2 Application in 2011

IAS 24 Revised, Related Party Disclosures. This revision applicable as of January 1, 2011 mainly clarifies the information to be disclosed by issuers controlled by a State. This revision will have no impact on the disclosures in [Note 26](#).

Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement. This amendment applicable as of January 1, 2011 corrects an unintended consequence of the initial version of IFRIC 14. To measure the asset of an employee benefits plan, this interpretation proscribed in certain circumstances to consider the prepaid contributions that could be set as a reduction of future minimum contributions. Imerys is investigating the impact of this amendment with the assistance of its actuary, but is not anticipating any significant impact on the measurement of its employee benefits assets.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. This interpretation applicable as of January 1, 2011 clarifies the recognition and measurement of shares issued to extinguish a financial liability. This type of financing that consists in swapping a debt against a share in capital does not belong to the capital management principles of Imerys.

Improvements to IFRSs (May 2010). This continuous project provides a series of necessary amendments to the existing texts.

Besides, the text hereafter does not concern the transactions, events or conditions existing within the Group: Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.

3.3 New texts: application in 2013

IFRS 9 (Phase 1), Financial Instruments: Classification and Measurement. As of June 30, 2010, the adoption process of this amendment is in progress within the European Union and the EFRAG has not communicated any indicative adoption date as of July 29, 2010, the date at which the financial statements are closed by the Board of Directors. On its side the IASB, issuer of the text, requires mandatory application as of January 1, 2013. Imerys shall thus apply this amendment at this date at the latest, on condition of its prior adoption within the European Union. On this same condition, the Group could decide to apply it by anticipation before January 1, 2013. Under its current version as published on November 12, 2009, this text represents the first step of a reform intended to simplify IAS 39. This first amendment reduces the number of categories of financial instruments by focusing on the two measurement bases that are fair value and amortized cost. This amendment shall modify the classification of information disclosed in [Notes 9, 10, 19.1 and 21.1](#) without impacting the recognition and measurement rules of financial instruments. These rules shall however be modified by two subsequent non published amendments: impairment losses of financial assets measured at amortized cost (Phase 2) and hedge accounting (Phase 3).

■ NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 4 Revenue

(€millions)	06.30.2010	06.30.2009	2009
Sales of goods	1,455.6	1,214.7	2,451.1
Rendering of services	167.4	159.3	322.6
Total	1,623.0	1,374.0	2,773.7

Revenue amounts to €1,623.0 million in the 1st half of 2010 (€1,374.0 million in the 1st half of 2009 and €2,773.7 million in 2009), i.e. an increase of + 18.1% (- 22.5% in the 1st half of 2009 and - 19.6% in 2009), including a positive effect of + €34.9 million due to foreign currency changes (+ €37.6 million in the 1st half of 2009 and + €17.4 million in 2009) and a negative structure impact of - €6.0 million (- €4.4 million in the 1st half of 2009 and - €5.7 million in 2009). At comparable structure and foreign currency rates, it increases by + 16.0% (- 24.9% in the 1st half of 2009 and - 19.9% in 2009).

Note 5 Raw materials and consumables used

(€millions)	06.30.2010	06.30.2009	2009
Raw materials	(274.0)	(146.9)	(348.0)
Energy	(168.2)	(140.8)	(280.2)
Chemicals	(33.9)	(25.5)	(53.1)
Other raw materials	(82.3)	(55.8)	(106.7)
Merchandises	(51.9)	(35.2)	(73.2)
Change in inventories	35.6	(129.5)	(170.7)
Property, plant and equipment produced by the entity	3.2	3.2	5.8
Total	(571.5)	(530.5)	(1,026.1)

Note 6 External expenses

(€millions)	06.30.2010	06.30.2009	2009
Freight	(184.0)	(143.4)	(298.2)
Operating leases	(21.6)	(24.2)	(41.8)
Subcontracting	(44.9)	(43.2)	(94.3)
Maintenance and repair	(40.8)	(28.1)	(61.7)
Fees	(28.2)	(19.8)	(44.8)
Other external expenses	(76.8)	(63.9)	(134.1)
Total	(396.3)	(322.6)	(674.9)

Note 7 Staff expenses

(€millions)	06.30.2010	06.30.2009	2009
Salaries	(230.5)	(221.8)	(432.7)
Social contributions	(50.2)	(46.7)	(94.8)
Net change in defined benefit plans	4.3	6.4	39.7
Contributions to defined benefit plans	(13.0)	(13.6)	(55.9)
Contributions to defined contribution plans	(9.0)	(8.2)	(16.6)
Other employee benefits	(4.6)	(3.1)	(8.3)
Profit-sharing	(9.7)	(9.0)	(18.5)
Total	(312.7)	(296.0)	(587.1)

Note 8 Other operating revenue and expenses

(€millions)	06.30.2010	06.30.2009	2009
Gain or loss from obtaining or losing control	(1.1)	11.2	11.3
Transaction costs	(1.4)	-	-
Changes in estimate of the contingent remuneration of the seller	(0.2)	-	-
Income from disposal of consolidated businesses	0.5	11.2	11.3
Other non-recurring items	(11.6)	(57.8)	(98.4)
Impairment losses on goodwill	-	-	(7.0)
Impairment losses on restructuring	(0.1)	(18.7)	(32.3)
Income on non-recurring asset disposals	(0.1)	(0.1)	-
Restructuring expenses paid	(13.7)	(22.9)	(53.0)
Change in provisions	2.3	(16.1)	(6.1)
Other operating revenue and expenses - gross	(12.7)	(46.6)	(87.1)
Revenue	17.1	25.3	50.4
Expenses	(29.8)	(71.9)	(137.5)
Non-recurring foreign exchange gain related to a financial restructuring ⁽¹⁾	10.2	-	-
Income taxes	(0.4)	11.6	9.1
Other operating revenue and expenses - net, Group share	(2.9)	(35.0)	(78.0)

(1) See Note 12.

Other operating revenue and expenses of 2010

The "Other operating revenue and expenses - net, Group share" in the 1st half of 2010 amount to - €2.9 million after income taxes, of which + €1.8 million with no cash impact and - €4.7 million in cash. The statement of cash flows splits the latter in - €5.5 million of "Cash flow generated by other operating revenue and expenses" (operating activities) and + €0.8 million of "Disposals of investments in consolidated entities after deduction of cash disposed of" (investing activities). The "Other operating revenue and expenses - net, Group share" comprise in particular in cash the reclassification in profit or loss of a cumulated foreign exchange gain of + €10.2 million, realized as a consequence of a restructuring of the financing of businesses in US Dollar. The "Other operating revenue and expenses - gross" amount to - €12.7 million, of which - €7.4 million recognized in the Performance & Filtration Minerals business group, correspond to a complement of environmental provision. The corresponding addition is presented in "Change in provisions", net of reversals of previously recognized provisions matching the - €13.7 million paid in the 1st half of 2010 with respect to restructuring expenses.

Other operating revenue and expenses of 2009

The "Other operating revenue and expenses - net, Group share" in 2009 amounted to - €78.0 million after income taxes, of which - €34.1 million with no cash impact and - €43.9 million in cash. The "Other operating revenue and expenses - gross" amounted to - €87.1 million: - €13.1 million in the Performance & Filtration Minerals business group, - €15.0 million in the Pigments for Paper business group (of which - €9.2 million related to the main restructurings), - €8.9 million in the Materials & Monolithics business group (including in particular for + €11.7 million the disposal result of Planchers Fabre, an operation of the activity Clay Roof Tiles & Bricks sold in May 2009 and - €11.3 million related to the main restructurings in the activity Monolithic Refractories), - €48.0 million in the Minerals for Ceramics, Refractories, Abrasives & Foundry business group (of which related to restructurings - €16.3 million in the activity Fused Minerals and - €18.2 million in the activity Minerals for Ceramics) and - €2.1 million in the holdings.

Note 9 Financial instruments

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 related to one of the following categories: “Available-for-sale financial assets” (investments in non consolidated entities), “Financial assets and liabilities at fair value through profit or loss” (marketable securities and derivatives not eligible to hedge accounting), “Loans and receivables” (trade receivables, tax receivables other than income taxes, cash and cash equivalents), or “Financial liabilities at amortized cost (bonds, bank loans, trade payables, tax debts other than income taxes, bank overdrafts).

Hedge derivatives are disclosed in a separate column since the exceptional character of hedge accounting excludes any relation to one of the above categories. *Notes 9, 10, 19.1 and 21.1* present disclosures on financial instruments in accordance with these categories. The classification logic of financial instrument assets (*Note 19.1*) and liabilities (*Note 21.1*) transversally applies to their changes in profit or loss (*Notes 9 and 10*). 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: consolidated investments (IAS 27), investments measured in accordance with the equity method (IAS 28), defined employee benefits plan assets (IAS 19), short term employee benefits assets and liabilities (IAS 19), share-based payments (IFRS 2), finance lease liabilities (IAS 17).
- Non financial assets and liabilities: goodwill (IFRS 3), 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 benefits 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 revenue” and “Other financial expenses” are further analyzed in *Note 10*.

As of June 30, 2010

(€millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total	
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39		
Operating income										
Revenue	-	-	-	1,621.3	-	-	1.7	-	-	1,623.0
Raw materials and consumables used	-	-	-	-	(609.8)	-	0.4	37.9	-	(571.5)
External expenses	-	-	-	-	(396.3)	-	-	-	-	(396.3)
Taxes and duties	-	-	-	-	(21.7)	-	-	-	-	(21.7)
Other operational revenue and expenses	-	-	-	10.7	(19.0)	-	0.1	0.9	-	(7.3)
Gain or loss from obtaining or losing control	-	-	-	-	-	-	-	(1.1)	-	(1.1)
Financial income (loss)										
Income from securities	-	1.2	-	-	-	-	-	-	-	1.2
Gross financial debt expense	-	-	(0.6)	-	(28.5)	(1.3)	-	-	-	(30.4)
Other financial revenue	0.1	-	(2.0)	2.5	46.8	11.4	-	23.4	-	82.2
Other financial expenses	-	-	(1.4)	(0.3)	(34.4)	(11.4)	(0.4)	(27.1)	-	(75.0)
Equity										
Recognition in equity	-	-	-	-	-	-	0.3	-	-	0.3
Reclassification in profit or loss	-	-	-	-	-	-	(1.6)	-	-	(1.6)
Total financial instruments	0.1	1.2	(4.0)	1,634.2	(1,062.9)	(1.3)	0.5	-	-	-
of which impairment losses in profit or loss	-	-	-	(9.1)	-	-	-	-	-	-
of which reversals of impairment losses in profit or loss	-	-	-	1.8	-	-	-	-	-	-

As of June 30, 2009

(€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	-	-	-	1,374.0	-	-	-	-	1,374.0
Raw materials and consumables used	-	-	-	-	(409.5)	-	0.5	(121.5)	(530.5)
External expenses	-	-	-	-	(322.6)	-	-	-	(322.6)
Taxes and duties	-	-	-	-	(24.1)	-	-	-	(24.1)
Other operational revenue and expenses	-	-	(0.1)	8.5	(22.2)	-	3.8	8.8	(1.2)
Gain or loss from obtaining or losing control	(1.0)	-	-	-	-	-	-	12.2	11.2
Financial income (loss)									
Income from securities	-	0.9	-	-	-	-	-	-	0.9
Gross financial debt expense	-	-	-	-	(34.0)	(1.3)	(1.0)	-	(36.3)
Other financial revenue	0.3	-	0.4	1.2	24.7	10.8	1.3	19.4	58.1
Other financial expenses	-	-	(0.6)	(0.1)	(31.5)	(10.0)	(1.2)	(24.2)	(67.6)
Equity									
Recognition in equity	-	-	-	-	-	-	39.4	-	39.4
Reclassification in profit or loss	-	-	-	-	-	-	0.6	-	0.6
Total financial instruments	(0.7)	0.9	(0.3)	1,383.6	(819.2)	(0.5)	43.4	-	-
of which impairment losses in profit or loss	-	-	-	(11.2)	-	-	-	-	-
of which reversals of impairment losses in profit or loss	0.1	-	-	3.4	-	-	-	-	-

As of December 31, 2009

(€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	-	-	-	2,779.3	-	-	(5.6)	-	2,773.7
Raw materials and consumables used	-	-	-	-	(870.9)	-	(1.5)	(153.7)	(1,026.1)
External expenses	-	-	-	-	(674.9)	-	-	-	(674.9)
Taxes and duties	-	-	-	-	(42.6)	-	-	-	(42.6)
Other operational revenue and expenses	-	-	-	14.7	(34.8)	-	1.7	5.8	(12.6)
Gain or loss from obtaining or losing control	(1.1)	-	-	-	-	-	-	12.4	11.3
Financial income (loss)									
Income from securities	-	2.2	-	-	-	-	-	-	2.2
Gross financial debt expense	-	-	(1.1)	-	(62.4)	(4.2)	(3.6)	-	(71.3)
Other financial revenue	0.5	-	1.2	2.2	74.1	0.7	3.6	38.8	121.1
Other financial expenses	-	-	-	(0.1)	(85.5)	0.2	(1.5)	(48.5)	(135.4)
Equity									
Recognition in equity	-	-	-	-	-	-	41.0	-	41.0
Reclassification in profit or loss	-	-	-	-	-	-	13.5	-	13.5
Total financial instruments	(0.6)	2.2	0.1	2,796.1	(1,697.0)	(3.3)	47.6	-	-
of which impairment losses in profit or loss	-	-	-	(19.9)	-	-	-	-	-
of which reversals of impairment losses in profit or loss	0.2	-	-	5.5	-	-	-	-	-

Note 10 Financial income (loss)

The tables hereafter disclose the financial income (loss) by categories of financial instruments. A description of the categories of financial instrument is provided in [Note 9](#).

As of June 30, 2010

(€millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	
Net financial debt expense	0.0	1.2	(0.6)	0.0	(28.5)	(1.3)	0.0	0.0	(29.2)
Income from securities	-	1.2	-	-	-	-	-	-	1.2
Gross financial debt expense	-	-	(0.6)	-	(28.5)	(1.3)	-	-	(30.4)
Other financial revenue and expenses	0.1	0.0	(3.4)	2.2	12.4	0.0	(0.4)	(3.7)	7.2
Dividends	0.1	-	-	-	-	-	-	-	0.1
Net exchange rate differences	-	-	-	-	13.4	-	(0.3)	(0.8)	12.3
Expense and revenue on derivative instruments	-	-	(3.4)	-	-	-	(0.1)	-	(3.5)
Expected return on assets of defined benefit plans	-	-	-	-	-	-	-	23.4	23.4
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(24.7)	(24.7)
Unwinding of other provisions	-	-	-	-	-	-	-	(1.6)	(1.6)
Other financial revenue and expenses	-	-	-	2.2	(1.0)	-	-	-	1.2
Financial income (loss)	0.1	1.2	(4.0)	2.2	(16.1)	(1.3)	(0.4)	(3.7)	(22.0)
Revenue	0.1	1.2	(2.1)	2.5	46.9	11.4	-	23.4	83.4
Expenses	-	-	(1.9)	(0.3)	(63.0)	(12.7)	(0.4)	(27.1)	(105.4)

As of June 30, 2009

(€millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	
Net financial debt expense	0.0	0.9	0.0	0.0	(34.0)	(1.3)	(1.0)	0.0	(35.4)
Income from securities	-	0.9	-	-	-	-	-	-	0.9
Gross financial debt expense	-	-	-	-	(34.0)	(1.3)	(1.0)	-	(36.3)
Other financial revenue and expenses	0.3	0.0	(0.2)	1.2	(6.9)	0.8	0.1	(4.8)	(9.5)
Dividends	0.2	-	-	-	-	-	-	-	0.2
Net exchange rate differences	-	-	-	-	(4.1)	-	-	0.2	(3.9)
Expense and revenue on derivative instruments	-	-	(0.2)	-	-	0.8	(2.0)	-	(1.4)
Expected return on assets of defined benefit plans	-	-	-	-	-	-	-	19.2	19.2
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(22.6)	(22.6)
Unwinding of other provisions	-	-	-	-	-	-	-	(1.6)	(1.6)
Other financial revenue and expenses	0.1	-	-	1.2	(2.8)	-	2.1	-	0.6
Financial income (loss)	0.3	0.9	(0.2)	1.2	(40.9)	(0.5)	(0.9)	(4.8)	(44.9)
Revenue	0.3	0.9	0.4	1.2	24.6	10.8	1.3	19.5	59.0
Expenses	-	-	(0.6)	-	(65.5)	(11.3)	(2.2)	(24.3)	(103.9)

As of December 31, 2009

(€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		
Net financial debt expense	0.0	2.2	(1.1)	0.0	(62.4)	(4.2)	(3.6)	0.0	(69.1)
Income from securities	-	2.2	-	-	-	-	-	-	2.2
Gross financial debt expense	-	-	(1.1)	-	(62.4)	(4.2)	(3.6)	-	(71.3)
Other financial revenue and expenses	0.5	0.0	1.2	2.1	(11.4)	0.9	2.1	(9.7)	(14.3)
Dividends	0.3	-	-	-	-	-	-	-	0.3
Net exchange rate differences	-	-	-	-	(6.0)	-	-	0.2	(5.8)
Expense and revenue on derivative instruments	-	-	1.2	-	-	0.9	(2.0)	-	0.1
Expected return on assets of defined benefit plans	-	-	-	-	-	-	-	38.5	38.5
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(45.3)	(45.3)
Unwinding of other provisions	-	-	-	-	-	-	-	(3.1)	(3.1)
Other financial revenue and expenses	0.2	-	-	2.1	(5.4)	-	4.1	-	1.0
Financial income (loss)	0.5	2.2	0.1	2.1	(73.8)	(3.3)	(1.5)	(9.7)	(83.4)
Revenue	0.5	2.2	1.2	2.2	72.1	2.7	3.6	38.8	123.3
Expenses	-	-	(1.1)	(0.1)	(145.9)	(6.0)	(5.1)	(48.5)	(206.7)

Note 11 Income taxes

Income taxes recognized in net income

(€millions)	06.30.2010	06.30.2009	2009
Payable and deferred income taxes			
Income taxes payable	(41.9)	(20.2)	(42.2)
Income taxes payable for the period	(39.9)	(20.0)	(38.7)
Income taxes payable - Prior period adjustments	(2.0)	(0.2)	(3.5)
Deferred taxes	(9.3)	13.1	5.1
Deferred taxes due to changes in temporary differences	(9.3)	13.0	5.1
Deferred taxes due to changes in income tax rates	-	0.1	-
Total	(51.2)	(7.1)	(37.1)
Income taxes by level of income			
Income taxes on current operating income	(50.8)	(18.7)	(46.2)
Current operating income taxes payable	(41.5)	(25.1)	(51.3)
Current operating deferred taxes	(9.3)	6.4	5.1
Income taxes on other operating revenue and expenses	(0.4)	11.6	9.1
Income taxes payable on other operating revenue and expenses	(0.4)	4.9	9.1
Deferred taxes on other operating revenue and expenses	-	6.7	-
Total	(51.2)	(7.1)	(37.1)

Income taxes recognized in equity

(€millions)	06.30.2010	06.30.2009	2009
Cash flow hedges	4.5	(0.2)	(0.9)
Recognition in equity	4.5	-	0.6
Reclassification in profit or loss	-	(0.2)	(1.5)
Translation reserve	1.7	(4.2)	(3.7)
Recognition in equity	(1.8)	(4.2)	(3.7)
Reclassification in profit or loss	3.5	-	-
Total	6.2	(4.4)	(4.6)

Income taxes paid

The amount of income taxes paid in the 1st half of 2010 amounts to €35.3 million (€10.0 million received in the 1st half of 2009 and €17.0 million paid in 2009).

Tax reconciliation excluding non-recurring items

	06.30.2010	06.30.2009	2009
Legal tax rate in France (including surtax and contribution)	34.4%	34.4%	34.4%
Impact of national rate differences	(6.0)%	(2.0)%	(2.6)%
Impact of permanent differences and tax incentives	0.3%	(8.1)%	(5.3)%
Impact of unrecognized tax losses utilized	(1.6)%	(2.4)%	(2.0)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	0.8%	5.2%	1.9%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	1.1%	1.6%	1.5%
Effective tax rate on current operating and financial income (loss) ⁽¹⁾	29.0%	28.7%	27.9%

(1) 29.0% = €50.8 million (income taxes on current operating income) / [€207.3 million (current operating income) - €22.0 million (financial income (loss) - €10.2 million (non-recurring foreign exchange gain related to a financial restructuring - see Note 12)].

Tax reconciliation including non-recurring items

	06.30.2010	06.30.2009	2009
Legal tax rate in France (including surtax and contribution)	34.4%	34.4%	34.4%
Impact of national rate differences	(5.8)%	(0.7)%	1.1%
Impact of permanent differences and tax incentives	0.3%	(29.4)%	(5.7)%
Impact of unrecognized tax losses utilized	(1.7)%	(8.7)%	(4.3)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	0.9%	14.7%	3.6%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments) ⁽¹⁾	1.6%	27.9%	18.2%
Effective tax rate on operating and financial income (loss)	29.7%	38.2%	47.3%

(1) In 2009, the values of the reconciling items expressed in percentages were greater than those of 2010 as a result of the decrease in the bases. The row "Other" included for 17.0% the impact of the losses created over the period and unrecognized due to their uncertain recovery.

Note 12 Net income, Group share

(€millions)	06.30.2010	06.30.2009	2009
Current operating income	207.3	110.0	248.9
Financial income (loss)	(22.0)	(44.9)	(83.4)
Non-recurring foreign exchange gain related to a financial restructuring	(10.2)	-	-
Income taxes on current operating income	(50.8)	(18.7)	(46.2)
Non-controlling interests	(2.3)	0.3	-
Net income from current operations, Group share	122.0	46.7	119.3
Other operating revenue and expenses - net	(12.7)	(46.6)	(87.1)
Non-recurring foreign exchange gain related to a financial restructuring	10.2	-	-
Income taxes	(0.4)	11.6	9.1
Net income, Group share	119.1	11.7	41.3

Effective tax rate on current operating income 29.0% 28.7% 27.9%

A foreign exchange gain of +€10.2 million realized in the 1st half of 2010 as a consequence of a restructuring of financings of businesses in US Dollar (Note 8) presents a non-recurring and significant character. The format of the financial income (loss) does not allow to present separately such a transaction: this foreign exchange gain is thus included in the line "Other financial revenue" of the income statement. In the indicator "Net income from current operations, Group share" that measures the recurring performance of the Group, this foreign exchange gain is reclassified in "Other net operating revenue and expenses, Group share", so as to stress its non-recurring and significant character. The financial income (loss) included in the "Net income from current operations, Group share" thus amounts to -€32.2 million.

Note 13 Earnings per share

No significant transaction has changed the number of ordinary shares and potential ordinary shares between the end of the period and the authorization of issue of the financial statements by the Board of Directors.

(€millions)	06.30.2010	06.30.2009	2009
Numerator			
Net income from current operations attributable to ordinary equity holders used for the calculation of the diluted earnings per share	122.2	46.9	119.5
Net income from current operations, Group share	122.0	46.7	119.3
Impact of financial income (loss) on share options	0.2	0.2	0.2
Net income attributable to ordinary equity holders used for the calculation of the diluted earnings per share	119.3	11.9	41.5
Net income, Group share	119.1	11.7	41.3
Impact of financial income (loss) on share options	0.2	0.2	0.2
Denominator			
Weighted average number of shares used for the calculation of the basic earnings per share ⁽¹⁾	75,449,904	68,688,790	72,054,523
Impact of share option conversion	296,435	172,276	93,661
Weighted average number of shares used for the calculation of the diluted earnings per share	75,746,339	68,861,066	72,148,184
Basic earnings per share, Group share (in €)			
Net basic earnings per share from current operations	1.62	0.68	1.66
Net basic earnings per share	1.58	0.17	0.57
Diluted earnings per share, Group share (in €)			
Diluted net earnings per share from current operations	1.61	0.68	1.66
Diluted net earnings per share	1.58	0.17	0.57

(1) Adjusted further to the capital increase of June 2, 2009.

■ NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 14 Goodwill

(€millions)	06.30.2010	06.30.2009	2009
Opening carrying amount	897.5	899.4	899.4
Gross amount	902.4	951.3	951.3
Impairment losses	(4.9)	(51.9)	(51.9)
Incoming entities	2.8	6.2	4.3
Adjustments and reclassifications	-	(6.3)	(5.0)
Impairment losses ⁽¹⁾	-	-	(7.0)
Exchange rate differences	77.3	7.8	5.8
Closing carrying amount	977.6	907.1	897.5
Gross amount	982.5	971.5	902.4
Impairment losses	(4.9)	(64.4)	(4.9)

(1) Impairment losses on goodwill are disclosed in Note 17.

Note 15 Intangible assets

(€millions)	Software	Trademarks, patents and licenses	Mining and use rights	Other	Total
Carrying amount as of January 1, 2009	11.5	5.2	13.8	14.5	45.0
Gross amount	50.4	12.9	14.2	27.2	104.7
Amortization and impairment losses	(38.9)	(7.7)	(0.4)	(12.7)	(59.7)
Incoming entities	-	-	4.3	(0.5)	3.8
Acquisitions	1.1	0.4	0.3	1.1	2.9
Net increases in amortization	(5.5)	(0.4)	(0.1)	(0.9)	(6.9)
Impairment losses	-	(2.0)	-	(0.3)	(2.3)
Reclassification and other	1.4	(0.8)	0.1	1.1	1.8
Exchange rate differences	(0.3)	-	(0.1)	(0.1)	(0.5)
Carrying amount as of January 1, 2010	8.2	2.4	18.3	14.9	43.8
Gross amount	52.2	11.8	18.8	28.8	111.6
Amortization and impairment losses	(44.0)	(9.4)	(0.5)	(13.9)	(67.8)
Incoming entities	-	-	(3.5)	0.4	(3.1)
Acquisitions	0.3	0.4	-	0.6	1.3
Disposals	-	-	-	(0.1)	(0.1)
Net increases in amortization	(2.6)	(0.2)	(0.1)	(1.0)	(3.9)
Impairment losses	-	-	-	(0.1)	(0.1)
Reclassification and other	0.2	0.1	-	0.1	0.4
Exchange rate differences	0.6	0.3	1.8	2.3	5.0
Carrying amount as of June 30, 2010	6.7	3.0	16.5	17.1	43.3
Gross amount	56.9	12.7	17.2	32.7	119.5
Amortization and impairment losses	(50.2)	(9.7)	(0.7)	(15.6)	(76.2)

Note 16 Property, plant and equipment

(€millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction		Total
				Other		
Carrying amount as of January 1, 2009	395.6	281.8	864.8	130.1	37.3	1,709.6
Gross amount	546.5	465.7	2,591.7	130.2	167.3	3,901.4
Depreciation and impairment losses	(150.9)	(183.9)	(1,726.9)	(0.1)	(130.0)	(2,191.8)
Incoming entities	(3.7)	(2.6)	(1.4)	-	0.8	(6.9)
Acquisitions	22.6	3.7	37.4	39.1	4.1	106.9
Disposals	0.2	(5.6)	(9.4)	0.1	(0.1)	(14.8)
Net increases in depreciation	(24.4)	(13.1)	(119.8)	(0.5)	(10.2)	(168.0)
Impairment losses	(8.3)	(0.3)	(20.3)	(0.5)	(0.9)	(30.3)
Reversals of impairment losses	-	-	7.4	-	-	7.4
Reclassification and other	1.0	9.0	99.9	(115.8)	0.3	(5.6)
Exchange rate differences	(5.8)	(8.2)	15.1	1.9	-	3.0
Carrying amount as of January 1, 2010	377.2	264.7	873.7	54.4	31.3	1,601.3
Gross amount	544.9	456.2	2,670.5	55.5	167.8	3,894.9
Depreciation and impairment losses	(167.7)	(191.5)	(1,796.8)	(1.1)	(136.5)	(2,293.6)
Incoming entities	-	-	0.3	-	-	0.3
Acquisitions	10.8	1.2	7.9	20.7	2.0	42.6
Disposals	-	1.1	(2.9)	(0.1)	(0.2)	(2.1)
Net increases in depreciation	(14.9)	(7.4)	(67.4)	-	(5.0)	(94.7)
Impairment losses	-	(0.5)	0.1	-	-	(0.4)
Reversals of impairment losses	-	(0.9)	1.2	-	-	0.3
Reclassification and other	0.5	2.1	22.2	(31.5)	1.7	(5.0)
Exchange rate differences	40.9	26.6	84.4	5.1	2.2	159.2
Carrying amount as of June 30, 2010	414.5	286.9	919.5	48.6	32.0	1,701.5
Gross amount	602.4	499.1	2,922.1	49.6	179.9	4,253.1
Depreciation and impairment losses	(187.9)	(212.2)	(2,002.6)	(1.0)	(147.9)	(2,551.6)

Note 17 Impairment losses

The impairment test on the CGUs performed systematically on the annual closing is only renewed on the half-year closing where an impairment loss indicator is identified. Since no impairment loss indicator is identified, the impairment test on the CGUs is not renewed as of June 30, 2010. As of December 31, 2009, this test had required the recognition of an impairment loss of goodwill of €7.0 million, of which €2.4 million in the CGU Vermiculite of the business group Performance & Filtration Minerals and €4.6 million in the CGU Minerals for Ceramics of the business group Minerals for Ceramics, Refractories, Abrasives & Foundry.

In addition, the identification of impairment loss indicators on an individual asset may also require the performance of the test at the level of this individual asset. As of June 30, 2010, an impairment loss of €0.4 million is recognized at the level of individual assets. Furthermore, the reversals of impairment losses recognized in the 1st half of 2010 amount to €0.3 million. The impairment losses net of reversals thus result in an amount of -€0.1 million in "Other operating revenue and expenses" (Note 8). As of December 31, 2009, these tests had required the recognition of impairment losses for an amount of €32.7 million, of which €6.6 million on the business group Performance & Filtration Minerals, €7.0 million on the business group Pigments for Paper, €3.9 million on the business group Materials & Monolithics and €15.2 million on the business group Minerals for Ceramics, Refractories, Abrasives & Foundry.

Note 18 Inventories

(€millions)	06.30.2010			06.30.2009			2009		
	Gross amount	Write down	Carrying amount	Gross amount	Write down	Carrying amount	Gross amount	Write down	Carrying amount
Raw materials	205.2	(11.2)	194.0	187.7	(9.2)	178.5	177.2	(10.7)	166.5
Work in progress	51.6	(0.3)	51.3	58.1	(0.1)	58.0	50.0	(0.3)	49.7
Finished goods	246.0	(9.3)	236.7	224.1	(7.8)	216.3	201.8	(9.9)	191.9
Merchandises	35.7	(1.6)	34.1	37.2	(0.6)	36.6	34.3	(1.9)	32.4
Total	538.5	(22.4)	516.1	507.1	(17.7)	489.4	463.3	(22.8)	440.5

Note 19 Financial assets

19.1 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 9](#). These carrying amounts are representative of fair value.

As of June 30, 2010

(€millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge		Fair value	Cash flow		
Non-current assets								
Available-for-sale financial assets	7.0	-	-	-	-	-	-	7.0
Other financial assets	-	-	-	6.7	-	-	18.9	25.6
Other receivables	-	-	-	45.9	-	-	3.6	49.5
Derivative financial assets	-	-	-	-	29.0	-	-	29.0
Current assets								
Trade receivables	-	-	-	500.0	-	-	-	500.0
Other receivables	-	-	-	88.6	-	-	51.0	139.6
Derivative financial assets	-	-	-	-	-	5.0	-	5.0
Marketable securities and other financial assets	-	6.9	-	-	-	-	-	6.9
Cash and cash equivalents	-	-	-	279.1	-	-	-	279.1
Total financial assets	7.0	6.9	0.0	920.3	29.0	5.0	-	-

As of June 30, 2009

(€millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge		Fair value	Cash flow		
Non-current assets								
Available-for-sale financial assets	7.0	-	-	-	-	-	-	7.0
Other financial assets	-	-	-	6.7	-	-	8.4	15.1
Other receivables	-	-	-	42.8	-	-	0.3	43.1
Derivative financial assets	-	-	0.1	-	17.7	0.5	-	18.3
Current assets								
Trade receivables	-	-	-	490.4	-	-	-	490.4
Other receivables	-	-	-	79.7	-	-	45.6	125.3
Derivative financial assets	-	-	(0.5)	-	1.8	3.2	-	4.5
Marketable securities and other financial assets	-	4.4	-	-	-	-	-	4.4
Cash and cash equivalents	-	-	-	183.7	-	-	-	183.7
Total financial assets	7.0	4.4	(0.4)	803.3	19.5	3.7	-	-

As of December 31, 2009

(€millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge		Fair value	Cash flow		
Non-current assets								
Available-for-sale financial assets	7.5	-	-	-	-	-	-	7.5
Other financial assets	-	-	-	6.4	-	-	16.8	23.2
Other receivables	-	-	-	43.5	-	-	0.2	43.7
Derivative financial assets	-	-	-	-	17.6	-	-	17.6
Current assets								
Trade receivables	-	-	-	364.4	-	-	-	364.4
Other receivables	-	-	-	69.2	-	-	41.5	110.7
Derivative financial assets	-	-	2.1	-	-	2.9	-	5.0
Marketable securities and other financial assets	-	5.6	-	-	-	-	-	5.6
Cash and cash equivalents	-	-	-	264.6	-	-	-	264.6
Total financial assets	7.5	5.6	2.1	748.1	17.6	2.9	-	-

Note 20 Other provisions

(€millions)	06.30.2010	06.30.2009	2009
Other non-current provisions	183.2	163.0	157.7
Other current provisions	17.1	26.0	18.6
Total	200.3	189.0	176.3

The other provisions can be broken down as follows:

(€millions)	Management risks	Environment, dismantling and restoration	Legal and social litigation	Total
Balance as of January 1, 2009	37.4	91.3	45.8	174.5
Changes in the scope of consolidation	(0.1)	1.5	(2.8)	(1.4)
Increases	22.1	5.1	24.5	51.7
Utilizations	(16.8)	(4.7)	(18.1)	(39.6)
Non-utilized decreases	(2.5)	(2.2)	(0.2)	(4.9)
Unwinding expense	-	2.9	0.2	3.1
Reclassification and other	(1.2)	(0.1)	(5.4)	(6.7)
Exchange rate differences	(0.3)	(1.1)	1.0	(0.4)
Balance as of January 1, 2010	38.6	92.7	45.0	176.3
Increases	1.9	11.5	9.9	23.3
Utilizations	(1.7)	(3.0)	(9.8)	(14.5)
Non-utilized decreases	-	(0.9)	(0.4)	(1.3)
Unwinding expense	-	1.5	0.1	1.6
Reclassification and other	-	(0.4)	(0.1)	(0.5)
Exchange rate differences	1.6	9.4	4.4	15.4
Balance as of June 30, 2010	40.4	110.8	49.1	200.3

Note 21 Financial liabilities

21.1 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 9](#). 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 (fair value of level 1). For unlisted bonds, fair value including accrued interests results from a model using observable data, i.e. a revaluation of discounted future contractual flows (fair value of level 2).

As of June 30, 2010

(€millions)	Financial liabilities at amortized cost	Fair value through profit or loss	Hedge derivatives		Non IAS 39	Total
		Non hedge derivatives	Fair value	Cash flow		
Non-current liabilities						
Loans and financial debts	1,008.2	(7.5)	29.0	-	3.6	1,033.3
Other debts	7.5	-	-	-	2.7	10.2
Derivative financial liabilities	-	4.0	-	16.0	-	20.0
Current liabilities						
Trade payables	328.1	-	-	-	-	328.1
Other debts	111.2	-	-	-	107.8	219.0
Derivative financial liabilities	-	-	-	2.3	-	2.3
Loans and financial debts	246.1	-	-	(0.6)	0.6	246.1
Bank overdrafts	5.3	-	-	-	-	5.3
Total financial liabilities	1,706.4	(3.5)	29.0	17.7	-	-

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €62.5 million.

Nominal amount in millions	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	65.0	83.7	18.7
USD 140.0	8/6/2013	Unlisted	4.88%	4.98%	116.3	128.4	12.1
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	25.0	29.5	4.5
EUR 300.0	4/25/2014	Listed	5.13%	5.42%	302.8	322.9	20.1
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	505.1	512.2	7.1
Total as of June 30, 2010 (€millions)					1,014.2	1,076.7	62.5

As of June 30, 2009

(€millions)	Financial liabilities at amortized cost	Fair value through profit or loss	Hedge derivatives		Non IAS 39	Total
		Non hedge derivatives	Fair value	Cash flow		
Non-current liabilities						
Loans and financial debts	1,029.6	(8.6)	17.9	-	3.9	1,042.8
Other debts	7.9	-	-	-	2.1	10.0
Derivative financial liabilities	-	3.6	10.6	5.5	-	19.7
Current liabilities						
Trade payables	264.2	-	-	-	-	264.2
Other debts	159.8	-	-	-	89.7	249.5
Derivative financial liabilities	-	-	2.3	9.2	-	11.5
Loans and financial debts	290.2	-	-	(1.7)	0.8	289.3
Bank overdrafts	3.5	-	-	-	-	3.5
Total financial liabilities	1,755.2	(5.0)	30.8	13.0	-	-

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €63.4 million.

Nominal amount in millions	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	52.2	66.5	14.3
USD 140.0	8/6/2013	Unlisted	4.88%	4.98%	101.0	109.6	8.6
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	21.7	24.3	2.6
EUR 300.0	4/25/2014	Listed	5.13%	5.42%	302.8	289.7	(13.1)
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	505.1	429.3	(75.8)
Total as of June 30, 2009 (€millions)					982.8	919.4	(63.4)

As of December 31, 2009

(€millions)	Financial liabilities at amortized cost	Fair value through profit or loss		Hedge derivatives		Non IAS 39	Total
		Non hedge derivatives	Fair value	Cash flow			
Non-current liabilities							
Loans and financial debts	1,024.7	(8.1)	17.6	-	3.5		1,037.7
Other debts	7.7	-	-	-	1.8		9.5
Derivative financial liabilities	-	4.2	-	12.3	-		16.5
Current liabilities							
Trade payables	260.7	-	-	-	-		260.7
Other debts	80.0	-	-	-	105.7		185.7
Derivative financial liabilities	-	-	-	2.9	-		2.9
Loans and financial debts	187.6	-	-	(2.2)	0.6		186.0
Bank overdrafts	12.1	-	-	-	-		12.1
Total financial liabilities	1,572.8	(3.9)	17.6	13.0	-		-

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €10.3 million.

Nominal amount in millions	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	53.1	65.6	12.5
USD 140.0	8/6/2013	Unlisted	4.88%	4.98%	99.1	107.5	8.4
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	21.3	23.6	2.3
EUR 300.0	4/25/2014	Listed	5.13%	5.42%	310.6	319.6	9.0
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	517.7	495.8	(21.9)
Total as of December 31, 2009 (€millions)					1,001.8	1,012.1	10.3

21.2 Financial debt

The net financial debt is used in the management of the financial resources of Imerys. This indicator is used in particular in the calculation of financial ratios that the Group has to comply with under financing agreements entered into with financial markets (*Note 21.4 - Borrower's liquidity risk*). The link between this indicator and the consolidated statement of financial position is presented in the following table:

(€millions)	Notes	06.30.2010	06.30.2009	2009
Non-derivative financial liabilities				
Loans and financial debts - non-current		1,033.3	1,042.8	1,037.7
Loans and financial debts - current		246.1	289.3	186.0
Bank overdrafts		5.3	3.5	12.1
Non-derivative financial assets				
Marketable securities and other financial assets		(6.9)	(4.4)	(5.6)
Cash and cash equivalents		(279.1)	(183.7)	(264.6)
Hedge derivatives				
Financing hedge instruments - liabilities	21.3	20.7	21.7	18.8
Financing hedge instruments - assets	21.3	(29.3)	(21.0)	(20.1)
Net financial debt		990.1	1,148.2	964.3

21.3 Derivative instruments

The following table presents the derivative instruments recognized in the assets and liabilities in accordance with the hedged risks: foreign exchange, interest rate and energy price risks. The fair value including accrued interests of derivative instruments results from a model using observable data, i.e. prices at the closing date provided by third parties active on financial markets (fair value of level 2).

(€millions)	06.30.2010			06.30.2009			2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Foreign exchange risk	0.5	1.8	(1.3)	2.7	4.4	(1.7)	2.9	2.3	0.6
Forward derivative instruments	-	1.8	(1.8)	2.7	4.2	(1.5)	0.4	2.3	(1.9)
Optional derivative instruments	0.5	-	0.5	-	0.2	(0.2)	2.5	-	2.5
Interest rate risk	29.0	20.0	9.0	18.3	19.7	(1.4)	17.6	16.5	1.1
Forward derivative instruments	29.0	16.0	13.0	18.2	17.3	0.9	17.6	12.3	5.3
Optional derivative instruments	-	4.0	(4.0)	0.1	2.4	(2.3)	-	4.2	(4.2)
Energy price risk	4.5	0.5	4.0	1.8	7.1	(5.3)	2.1	0.6	1.5
Forward derivative instruments	-	-	-	0.2	-	0.2	-	-	-
Optional derivative instruments	4.5	0.5	4.0	1.6	7.1	(5.5)	2.1	0.6	1.5
Total	34.0	22.3	11.7	22.8	31.2	(8.4)	22.6	19.4	3.2
Non-current	29.0	20.0	9.0	18.3	19.7	(1.4)	17.6	16.5	1.1
Current	5.0	2.3	2.7	4.5	11.5	(7.0)	5.0	2.9	2.1
Operational hedge instruments	4.7	1.6	3.1	1.8	9.5	(7.7)	2.5	0.6	1.9
Financing hedge instruments	29.3	20.7	8.6	21.0	21.7	(0.7)	20.1	18.8	1.3

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 Great Britain 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 revenue and expenses is presented in [Note 9](#). These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in [Note 21.4](#).

(€millions)	Foreign exchange risk	Interest rate risk	Energy price risk	Total
Balance as of January 1, 2009	(25.2)	(19.8)	(22.6)	(67.6)
Recognition in equity	20.4	0.8	18.2	39.4
Reclassification in profit or loss	0.3	1.0	(0.7)	0.6
Balance as of June 30, 2009	(4.5)	(18.0)	(5.1)	(27.6)
Recognition in equity	(5.7)	(0.5)	7.8	1.6
Reclassification in profit or loss	9.5	4.6	(1.2)	12.9
Balance as of December 31, 2009	(0.7)	(13.9)	1.5	(13.1)
Recognition in equity	(1.8)	(2.1)	4.2	0.3
Reclassification in profit or loss	0.2	-	(1.8)	(1.6)
Balance as of June 30, 2010	(2.3)	(16.0)	3.9	(14.4)
of which reclassification to profit or loss expected within 12 months	(2.3)	(16.0)	3.9	(14.4)

21.4 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)	06.30.2010	06.30.2009	2009
Opening balance	(0.7)	(25.2)	(25.2)
Recognition in equity	(1.8)	20.4	14.7
Reclassification in profit or loss	0.2	0.3	9.8
Closing balance	(2.3)	(4.5)	(0.7)
of which reclassification to profit or loss expected within 12 months	(2.3)	(4.5)	(0.7)

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 Treasury Department and approved every year by the Financial Department and the Board of Directors. As part of this process, the 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 2010, the Group fixed the interest rate for part of its future financial debt (2010-2014) on various terms.

As of June 30, 2010, Imerys 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)	06.30.2010	06.30.2009	2009
Opening balance	(13.9)	(19.8)	(19.8)
Recognition in equity	(2.1)	0.8	0.3
Reclassification in profit or loss	-	1.0	5.6
Closing balance	(16.0)	(18.0)	(13.9)
of which reclassification to profit or loss expected within 12 months	(16.0)	(18.0)	(13.9)

Furthermore, Imerys holds as of December 31, 2010 interest rate swaps intended to hedge the exposure to changes in fair value of the different loans. These instruments qualify as fair value hedges. They hedge the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the Group. The hedged loans and the derivative instruments present the same characteristics.

Currency	Notional amount (in millions)	Fixed rate received	Floating rate paid
Japanese Yen	7,000	2.39%	Libor Yen 6 months
Euro	100	4.32%	Euribor 3 months
Euro	100	4.33%	Euribor 3 months
US Dollar	140	4.88%	Libor USD 3 months

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of June 30, 2010.

(€millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Debt at fixed rate	607.9	27.2	0.6	0.0	635.7
Debt at fixed rate on issue	807.9	141.3	64.9	-	1,014.1
Swap fixed rate into floating rate	(200.0)	(114.1)	(64.3)	-	(378.4)
Debt at floating rate	89.4	320.9	47.2	(103.1)	354.4
Debt at floating rate on issue	107.0	116.2	16.9	16.6	256.7
Net cash and marketable securities	(92.7)	(54.8)	(4.6)	(128.6)	(280.7)
Swap fixed rate into floating rate	200.0	114.1	64.3	-	378.4
Exchange rate swap	(124.9)	145.4	(29.4)	8.9	0.0
Net financial debt as of June 30, 2010	697.3	348.1	47.8	(103.1)	990.1

The table hereafter provides a breakdown of interest rate hedging transactions for the period 2010 by foreign currency.

(€millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Exposure at floating rate before hedging	89.4	320.9	47.2	(103.1)	354.4
Fixed rate hedges	(150.0)	(260.8)	-	-	(410.8)
Swap at average rate of	4.04%	3.92%	-	-	-
Capped rate hedges	-	-	-	-	-
Cap at average rate of	-	-	-	-	-
Exposure at floating rate after hedging	(60.6)	60.1	47.2	(103.1)	(56.4)

The table hereafter provides a breakdown of interest rate hedging transactions in 2010 and after by maturity dates.

(€millions)	2010	2011-2015	2016 and later
Total exposure before hedging	354.4	354.4	354.4
Fixed rate hedges	(410.8)	(410.8)	-
Swap at average rate of	3.96%	3.96%	-
Capped rate hedges	-	-	-
Cap at average rate of	-	-	-
Total exposure after hedging	(56.4)	(56.4)	(354.4)

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 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 designated at site level as well as at activity levels.

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)	06.30.2010	06.30.2009	2009
Opening balance	1.5	(22.6)	(22.6)
Recognition in equity	4.2	18.2	26.0
Reclassification in profit or loss	(1.8)	(0.7)	(1.9)
Closing balance	3.9	(5.1)	1.5
of which reclassification to profit or loss expected within 12 months	3.9	(5.1)	1.5

The following table summarizes the positions taken as of June 30, 2010 to hedge the energy price risk.

	Net notional amounts (in MWh)	Maturities
Underlying position	4,889,381	< 12 months
Management transactions	1,953,864	< 12 months

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 June 30, 2010 presented hereafter enables to assess the exposure of the Group to this risk. In this table, the bilateral facilities are posted between 2010 and 2012 in accordance with the maturity of the facilities and not with that of the utilizations. The foreign exchange swaps included in the financing hedge instruments are posted from 2016 under the assumption that they will be renewed regularly.

(€millions)	2010		2011 - 2015		2016 and later		Total
	Capital	Interests	Capital	Interests	Capital	Interests	
Non-derivative financial liabilities	96.1	9.1	571.7	220.9	591.8	93.2	1,582.8
Eurobond / EMTN	-	-	300.0	186.8	503.0	50.0	1,039.8
Private placements	-	9.1	114.1	34.1	88.8	43.2	289.3
Commercial paper issues	50.0	-	-	-	-	-	50.0
July 2013 syndicated credit	-	-	-	-	-	-	0.0
Bilateral facilities	-	-	157.6	-	-	-	157.6
Facilities due within one year	46.1	-	-	-	-	-	46.1
Hedge derivatives	(8.6)	-	-	-	-	-	(8.6)
Financing hedge instruments - liabilities	20.7	-	-	-	-	-	20.7
Financing hedge instruments - assets	(29.3)	-	-	-	-	-	(29.3)
Future cash outflows							
with respect to gross financial debt	87.5	9.1	571.7	220.9	591.8	93.2	1,574.2
Non-derivative financial liabilities	5.3	-	-	-	-	-	5.3
Bank overdrafts	5.3	-	-	-	-	-	5.3
Non-derivative financial assets	(286.0)	-	-	-	-	-	(286.0)
Marketable securities and other financial assets	(6.9)	-	-	-	-	-	(6.9)
Cash and cash equivalents	(279.1)	-	-	-	-	-	(279.1)
Future cash outflows							
with respect to net financial debt	(193.2)	9.1	571.7	220.9	591.8	93.2	1,293.5
of which items recognized as of June 30, 2010 (net financial debt)	(184.6)	3.3	571.7	7.9	591.8	-	990.1
Non-derivative financial liabilities	547.1	-	10.2	-	-	-	557.3
Trade payables	328.1	-	-	-	-	-	328.1
Other debts	219.0	-	10.2	-	-	-	229.2
Hedge derivatives	(3.1)	-	-	-	-	-	(3.1)
Operational hedge instruments - liabilities	1.6	-	-	-	-	-	1.6
Operational hedge instruments - assets	(4.7)	-	-	-	-	-	(4.7)
Future cash outflows	350.8	9.1	581.9	220.9	591.8	93.2	1,847.7

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)	2010	2011 - 2015	2016 and later	Total
Debt at fixed rate	-	105.1	530.6	635.7
Debt at fixed rate on issue	-	419.2	594.9	1,014.1
Swap fixed rate into floating rate	-	(314.1)	(64.3)	(378.4)
Debt at floating rate	(234.6)	521.7	67.3	354.4
Debt at floating rate on issue	46.1	207.6	3.0	256.7
Net cash and marketable securities	(280.7)	-	-	(280.7)
Swap fixed rate into floating rate	-	314.1	64.3	378.4
Net financial debt	(234.6)	626.8	597.9	990.1

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, part of the bond issues under private placements and the syndicated credit 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 financing contracts concerned, be inferior to 1.50 or 1.60 at each half-year or annual closing of consolidated financial statements. As of June 30, 2010, the ratio amounts to 0.46 (0.64 as of June 30, 2009 and 0.52 as of December 31, 2009);
 - the ratio consolidated net financial debt/consolidated EBITDA of the last 12 months shall, in accordance with the financing contracts concerned, be inferior to 3.75 or 3.80 at each half-year or annual closing of consolidated financial statements. As of June 30, 2010, the ratio amounts to 1.86 (2.52 as of June 30, 2009 and 2.32 as of December 31, 2009).
- Absence of any lien in favor of lenders.

The failure to comply with the above obligations on one of the financing contracts concerned could lead to the cancellation of its available amount and, upon demand of the creditor(s) concerned, 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 June 30, 2010, Imerys has a long-term rating of Baa3 by Moody's (Baa3 as of June 30, 2009 and Baa3 as of December 31, 2009).

As of July 24, 2009, Imerys has updated its new Euro Medium Term Note program (EMTN) with the Commission de Surveillance du Secteur Financier (Luxemburg). The program amounts to €1.0 billion and enables the issue of notes considered as ordinary bonds of a maturity of 1 month to 30 years. As of June 30, 2010, outstanding securities total €64.4 million (€454.3 million as of June 30, 2009 and €102.6 million as of December 31, 2009). Imerys also has a French commercial paper program limited to €800.0 million (€800.0 million as of June 30, 2009 and €800.0 million as of December 31, 2009) rated P-3 by Moody's (P-3 as of June 30, 2009 and P-3 as of December 31, 2009). As of June 30, 2010, outstanding securities total €50.0 million (€105.0 million as of June 30, 2009 and €50.0 million as of December 31, 2009). Imerys has access to €1,287.0 million of bank facilities (€1,322.4 million as of June 30, 2009 and €1,321.7 million as of December 31, 2009), 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 or the syndicated credit may be used over very short drawing periods (from 1 to 12 months) while remaining available over longer maturities (5 years). Over the past years, Imerys has sought to maintain the amount of its financial resources at approximately €2.0 billion (€2,292.9 million as of June 30, 2010, €2,347.3 million as of June 30, 2009 and €2,345.3 million as of December 31, 2009) and to lengthen their maturity. 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.

(€millions)	06.30.2010	06.30.2009	2009
Financial resources by maturity (€millions)			
Maturity less than one year	50.0	85.4	134.7
Maturity from one to five years	1,651.1	1,686.1	1,634.2
Maturity beyond five years	591.8	575.8	576.4
Total	2,292.9	2,347.3	2,345.3
Financial resources by nature (€millions)			
Bond resources	1,005.9	1,024.9	1,023.6
Eurobond / EMTN	803.0	853.0	853.0
Private placements	202.9	171.9	170.6
Bank resources	1,287.0	1,322.4	1,321.7
Syndicated credit	750.0	750.0	750.0
Miscellaneous bilateral facilities	537.0	572.4	571.7
Total	2,292.9	2,347.3	2,345.3
Average maturity of financial resources (in years)			
Bond resources	6.6	7.1	6.6
Bank resources	2.4	3.4	2.9
Total	4.3	5.0	4.5

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, 2010, available financial resources, after repayment of uncommitted resources, total €1,022.0 million (€1,014.5 million as of June 30, 2009 and €1,122.9 million as of December 31, 2009), which gives the Group substantial room to maneuver and a guarantee of financial stability.

(€millions)	06.30.2010			06.30.2009			2009		
	Resources	Utilization	Available	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	1,005.9	1,005.9	-	1,024.9	1,024.9	-	1,023.6	1,023.6	-
Commercial papers	-	50.0	(50.0)	-	105.0	(105.0)	-	50.0	(50.0)
Committed bank facilities	1,287.0	157.6	1,129.4	1,322.4	147.1	1,175.3	1,321.7	91.6	1,230.1
Bank facilities and accrued interests	-	10.6	(10.6)	-	10.3	(10.3)	-	32.5	(32.5)
Other debts and facilities	-	46.7	(46.7)	-	45.5	(45.5)	-	24.7	(24.7)
Total	2,292.9	1,270.8	1,022.1	2,347.3	1,332.8	1,014.5	2,345.3	1,222.4	1,122.9

Conversion of financial statements risk

Description of the risk. The conversion of financial statements risk is a form of foreign exchange rate risk whereby the value in Euro of the financial statements of a foreign business 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 businesses 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 June 30, 2010, the main loans and exchange rate swaps hedging net investments in foreign entities are the following: USD449.8 million, JPY1,000.0 million and CHF35.0 million (USD558.1 million, JPY1,000.0 million and CHF35.0 million as of June 30, 2009 and USD441.0 million, JPY1,000.0 million and CHF35.0 million as of December 31, 2009). The table below describes the financial debt before and after the impact of these foreign currencies swaps.

(€millions)	06.30.2010			06.30.2009			2009		
	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap
Euro	914.9	(124.9)	790.0	960.7	(153.3)	807.4	919.7	(65.2)	854.5
US Dollar	257.5	145.4	402.9	281.6	80.8	362.4	222.8	32.1	254.9
Japanese Yen	81.8	(29.4)	52.4	66.5	(25.4)	41.1	67.6	(27.7)	39.9
Other foreign currencies	16.6	8.9	25.5	24.0	97.9	121.9	12.3	60.8	73.1
Total	1,270.8	0.0	1,270.8	1,332.8	0.0	1,332.8	1,222.4	0.0	1,222.4

As of June 30, 2010, the portion of the financial debt in each foreign currency, after swap, is as follows:

(€millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Gross financial debt	790.0	402.9	52.4	25.5	1,270.8
Net cash and marketable securities	(92.7)	(54.8)	(4.6)	(128.6)	(280.7)
Net financial debt as of June 30, 2010	697.3	348.1	47.8	(103.1)	990.1

Note 22 Income taxes

(€millions)	2009	Profit or loss	Translation, scope and reclassification	06.30.2010
Deferred tax assets	55.9	(25.4)	21.8	52.3
Deferred tax liabilities	(63.6)	16.1	(12.2)	(59.7)
Net deferred tax position	(7.7)	(9.3)	9.6	(7.4)

OTHER INFORMATION

Note 23 Seasonality

Interim operations are globally not subject to seasonality or cyclicity.

Note 24 Changes in the scope of consolidation

Performance & Filtration Minerals (PFM). The Performance & Filtration Minerals did not perform any significant acquisition since the 2nd half of 2008 where the business group had strengthened its range of minerals with the acquisition of Kings Mountain Minerals in the United States and Suzorite Mining in Canada, companies specialized in the extraction and transformation of mica.

Pigments for Paper (PP). No significant change occurred in the scope of consolidation of the Pigments for Paper since the business group built a production unit of ground calcium carbonate (GCC) in Niigata (Japan) within a partnership (60.0% Imerys) with the paper producer Hokuetsu in the 2nd half of 2007.

Materials & Monolithics (M&M). The scope of consolidation of the Materials & Monolithics business group has not registered any significant change since the disposal in the 1st half of 2009 of Planchers Fabre, an operation of the Clay Roof Tiles & Bricks France activity specialized in concrete beams. The last inflow in the scope of consolidation of the business group dates back to the 1st half of 2008, where the business group had acquired Svenska Silikaverken A.B, a Swedish producer of monolithic refractory products.

Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). The Minerals for Ceramics, Refractories, Abrasives & Foundry did not perform any significant integration since that of Astron China, a major producer of zircon-based products, acquired in the 1st half of 2008.

Note 25 Currency rates

(€)	Foreign currencies	06.30.2010		06.30.2009		2009	
		Closing	Average	Closing	Average	Closing	Average
South Africa	ZAR	9.3808	9.9964	10.8853	12.2490	10.6660	11.6730
Argentina	ARS	4.8247	5.1413	5.3564	4.8482	5.4695	5.2108
Australia	AUD	1.4403	1.4851	1.7359	1.8785	1.6008	1.7728
Brazil	BRL	2.2106	2.3856	2.7573	2.9145	2.5084	2.7640
Canada	CAD	1.2890	1.3727	1.6275	1.6056	1.5128	1.5851
China	CNY	8.3215	9.0651	9.6545	9.1055	9.8350	9.5260
United States	USD	1.2271	1.3281	1.4134	1.3326	1.4406	1.3945
Great Britain	GBP	0.8175	0.8702	0.8521	0.8940	0.8881	0.8911
Hungary	HUF (100)	2.8600	2.7156	2.7155	2.9007	2.7042	2.8040
India	INR	56.9484	60.7697	67.2993	65.8043	66.7217	67.4620
Japan	JPY (100)	1.0879	1.2144	1.3551	1.2732	1.3316	1.3035
Malaysia	MYR	3.9730	4.3922	4.9681	4.7792	4.9326	4.9073
Mexico	MXN	15.7363	16.8168	18.5537	18.4588	18.9223	18.8045
New Zealand	NZD	1.7761	1.8841	2.1656	2.3533	1.9803	2.2121
Russia	RUB	38.2820	39.9060	43.8810	44.0985	43.1540	44.1362
Sweden	SEK	9.5259	9.7898	10.8125	10.8617	10.2520	10.6199
Switzerland	CHF	1.3283	1.4362	1.5265	1.5058	1.4836	1.5101
Taiwan	TWD	39.3916	42.3406	46.0931	44.7349	45.8649	46.0366
Ukraine	UAH	9.6924	10.5884	10.9083	10.6378	11.5389	11.2490

Note 26 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 and an indirect investment in the Belgian group GBL; in this respect, Pargesa is a related party. The GBL group is a related party as it exercises a direct significant influence on 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, 2010 are the 16 members of the Board of Directors (13 members as of June 30, 2009 and 13 members as of December 31, 2009) and the 9 members of the Executive Committee (9 members as of June 30, 2009 and 9 members as of December 31, 2009), of which the Chief Executive Officer who is also member of the Board of Directors (*see chapter 5, note 29 of the 2009 Reference Document*).

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 the 1st half of 2010 amounts to €11.5 million (€10.6 million as of June 30, 2009 and €53.7 million in 2009), of which mainly €7.2 million to Imerys UK Pension Fund Trustees Ltd., Great Britain (€6.7 million as of June 30, 2009 and €16.5 million in 2009) and €2.4 million to Sun Trust Bank, United States (€2.3 million as of June 30, 2009 and €26.2 million in 2009).

FCPE Imerys Actions

The FCPE Imerys Actions is managed by BNP Paribas Asset Management SAS. Its management is controlled by a Supervisory Board of 14 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 the 1st half of 2010 (in the 1st half of 2009 and 2009) for the FCPE Imerys Actions are insignificant.

Note 27 Events after the end of the period

The half-year consolidated financial statements as of June 30, 2010 were closed by the Board of Directors at its meeting on July 29, 2010. On July 26, 2010, Imerys has finalized an agreement with the Brazilian group Vale for the acquisition of its investment of 86.2% in the capital of the Brazilian company Para Pigmentos SA (PPSA), as well as mineral rights located in the State of Para for a total price of about USD70.0 million.

4 | Statutory auditors' report

ERNST & YOUNG et Autres

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A simplified limited liability company with open stock

The Auditors
A member of the Versailles
regional institute of auditors

Deloitte & Associés

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92524 Neuilly-sur-Seine Cedex
A *société anonyme* with a €1,723,040 share capital

The Auditors
A member of the Versailles
regional institute of auditors

Statutory auditors' report on the first half-year financial information

Period from January 1 to June 30, 2010

This is a free translation into English of the statutory auditors' review 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 auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors by your Annual General Meeting and pursuant to Article L.451-1-2 III of French Monetary and Financial Code (Code Monétaire et Financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Imerys, for the period January 1 to June 30, 2010;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion of these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional practice standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional practice standards applicable in France. Consequently, the level of assurance we obtained about whether the condensed half-year consolidated financial statements taken as a whole are free of material misstatements is moderate, and lower than that obtained in an audit.

Based on our review, no material misstatement has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared in accordance with IAS 34 of the IFRSs, as adopted by the European Union with respect to interim financial reporting.

Without calling the above conclusion into question, we hereby draw your attention to Note 2 – Changes in accounting methods to the condensed half-year consolidated financial statements related to the changes in accounting methods of the period.

2. Specific verification

We have also verified the information given in the half-year management report commenting the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine, July 30, 2010
The Statutory Auditors

ERNST & YOUNG et Autres
François CARREGA

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Arnaud de PLANTA



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