2010 **Registration Document**

MINERALS
INNOVATION
SPECIALTIES
MATERIALS
PERFORMANCE
ACCOUNTABILITY

IMERYS
TRANSFORM TO PERFORM

SUMMARY

IMERYS
TRANSFORM TO PERFORM

2010 REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

IMERYS

French Limited Liability Company (Société Anonyme)
with a Board of Directors
with a share capital of €150,948,310

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original document was filed with the AMF (French Securities Regulator) on March 31, 2011, in accordance with article 212-13 of the general regulations of the AMF. As such, it may be used to support a financial transaction if accompanied by a prospectus duly approved by the AMF. This document was drawn up by the issuer and is binding on its signatories. It includes all information comprising the Annual Financial Report.

This document is a free translation into English of the French Registration Document for convenience purposes only. In case of discrepancies between both versions, the French one shall prevail.

PRESENTATION OF THE GROUP

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1.1 MAIN KEY FIGURES

(€ millions)	2010	2009	2008 [(1)]	2007 [(1)]	2006 [(1)]
Consolidated results					
Sales	3,346.7	2,773.7	3,449.2	3,401.9	3,288.1
Current operating income	419.0	248.9	414.6	482.9	461.0
Net income from current operations, Group's share	240.3	119.3	267.1	316.7	308.3
Net income, Group's share	240.8	41.3	161.3	284.2	187.4
Average weighted number of outstanding shares during the year *(thousands)*	75,406	72,054	67,486 [(6)]	68,055 [(6)]	68,210 [(6)]
Net income from current operations per share *(euros)*	3.19	1.66	3.96 [(6)]	4.65 [(6)]	4.52 [(6)]
Dividend per share *(euros)*	1.20[(5)]	1.00	0.93 [(6)]	1.77 [(6)]	1.68 [(6)]
Consolidated balance sheet					
Shareholders' equity	2,196.4	1,855.8	1,546.3	1,663.6	1,646.4
Gross financial debt	1,226.2	1,222.4	1,781.6	1,419.1	1,226.7
Cash	353.4	258.1	215.5	76.1	140.6
Net financial debt	872.8	964.3	1,566.1	1,343.0	1,086.1
Financing					
EBITDA	621.0	416.6	573.4	649.6	645.6
Capital expenditure [(2)]	151.2	132.1	237.3	343.4	209.5
Acquisitions [(3)]	68.9	11.0	155.8	232.8	33.0
Financial resources	2,231.7	2,345.3	2,353.6	2,328.9	2,208.4
Average maturity of financial resources as of December 31 *(years)*	3.8	4.5	5.5	6.4	4.5
Net financial debt/EBITDA	1.4	2.3	2.7	2.1	1.7
Net financial debt/shareholders' equity *(%)*	39.7%	52.0%	101.3%	80.7%	66.0%
ROCE [(4)]	13.0%	7.6%	12.2%	15.0%	14.4%
Market capitalization as of December 31	**3,765**	**3,166**	**2,041**	**3,550**	**4,269**
Employees as of December 31	**15,090**	**14,592**	**17,016**	**17,552**	**15,776**

(1) Results for financial year 2006 to 2008 were restated following two changes of presentation applied as of January 1, 2009, details of which are given in note 2 to the consolidated financial statements.

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

(3) Paid acquisitions excluding divestments.

(4) Return on capital employed, i.e. current operating income divided by average invested capital. Average invested capital for a given financial year corresponds to the average between the capital invested at the beginning of the year and the capital invested at the end of the year. Capital invested at the end of the year is presented in the consolidated balance sheets by operating section in Chapter 5 of the present Registration Document.

(5) Dividend proposed at Annual General Meeting on April 28, 2011.

(6) Average weighted number of outstanding shares, Net income from current operations per share and dividend per share were restated for financial years 2006 to 2008 further to the rights issue of June 2, 2009.

1.2 THE GROUP'S HISTORY, STRATEGY AND GENERAL STRUCTURE

1.2.1 HISTORY

Established in 1880, the Group has its origins in mining and metallurgy. Its core business was then the extraction and processing of non-ferrous metals.

In 1974, federated under the name Imetal, the Group acquired the French company Huguenot Fenal, an event which marked its entry into the clay roof tiles market. The following year, it purchased Copperweld Corporation (United States), a company specialized in steel production and metals processing. The first significant investment in refractories and ceramics was made in 1985, with the acquisition of Damrec (France).

The Group then structured its business around three sectors: Building Materials, Industrial Minerals and Metals Processing. This reorganization was carried out in line with the Group's prior withdrawal from non-ferrous metallurgy.

From 1990 onwards, the Group put a strong development emphasis on industrial minerals [(1)]. It acquired significant positions in white pigments: kaolin (Dry Branch Kaolin Company, United States), then calcium carbonate (Georgia Marble, United States). The Group also expanded into Minerals for Refractories (C-E Minerals, United States) then their conversion (Plibrico, Luxembourg), clays (Ceratera, France) and ceramic bodies (KPCL, France). Finally, it entered the graphite (Stratmin Graphite, Canada, then Timcal, Switzerland) and technical ceramics markets.

In 1999, with the acquisition of English China Clays plc (ECC, United Kingdom), one of the world's foremost specialists in industrial minerals, the Group became a global leader [(2)] in white pigments. By increasing its stake in Imerys Rio Capim Caulim S.A. (Brazil) from 49.7% to almost 100%, the Group optimized its great potential in kaolin. In parallel, the Group continued to extend its industrial base in Minerals for Refractories (Transtech and Napco in the United States; Rhino Minerals in South Africa).

Through the acquisition of ECC and the correlating divestment of Copperweld (United States) and ECC's specialty chemicals business (Calgon, United States), the Group focused on Industrial Minerals Processing exclusively. To reflect that development, Imetal changed its name to **Imerys**.

The Group completed the refocusing process by withdrawing from activities that no longer corresponded to its core business, including dimension stones (Georgia, United States) and trading. The specialty chemicals distribution business (CDM AB, Sweden) was divested in 2004, followed in 2005 by refractory minerals trading (American Minerals, Inc, United States) and roofing products distribution (Larivière, France).

Since 2000, the Group has developed by leveraging its unique know-how. From a varied portfolio of rare resources, Imerys turns industrial minerals into specialties with high added value for its customers. Organized into business groups that correspond to the sectors it serves, the Group constantly broadens its product range, extends its geographic network in high-growth zones and enters new markets.

- New **Minerals for Ceramics** were added to the portfolio, particularly halloysite (New Zealand China Clays, New Zealand - 2000) and fine ceramic clays and feldspar (K-T, United States and Mexico – 2001); kaolins, feldspar, micas and quartz (Denain-Anzin Minéraux, Europe - 2005). The Group increased its Asian market presence for applications that mainly serve the sanitaryware industry (MRD-ECC and MRD, Thailand – 2002). In 2007, it developed its reserves of feldspar, an essential component in ceramics manufacturing alongside clays and kaolins, in India (Jumbo Mining), the United States (The Feldspar Corporation) and Turkey.
- The **Minerals for Refractories** activity expanded its offering for the refractory and sanitaryware markets and enhanced its geographic presence with the acquisition of AGS (2006 – France) and Vatutinsky (2007 – Ukraine), both companies specializing in calcined clays. The purchase of a 65% stake in Yilong (2007 – China) gave Imerys access to an excellent quality andalusite reserve in order to serve the local refractories market. In 2010, the commissioning of a new plant increased andalusite production capacity in China, and the Oilfield Minerals division, created to serve the Oil and Gas markets, joined Minerals for Refractories business group.
- The **Minerals for Abrasives** activity was created in 2000 with the takeover of the world's leading producer of corundum (fused alumina and bauxite), Treibacher Schleifmittel (Austria), of which the remaining shares were acquired in July 2002. A succession of corundum acquisitions were made in the Czech Republic (2001), Germany (2001), Brazil (2002) and China, where a 3rd joint venture was created in 2007 with ZAF. Imerys added zircon, a mineral for the refractory, technical ceramics and automotive markets to its portfolio, becoming the world leader with the successive acquisitions of UCM Group PLC (United Kingdom, 2007), the European leader in fused zircon, and Astron China, the leading Chinese zircon product manufacturer (2008). The Minerals for Abrasives division was then renamed **Fused Minerals**.
- **Minerals for Filtration** joined the Group in 2005 with the acquisition of the world leader in the sector, World Minerals (United States). This acquisition contributed new minerals (diatomite and perlite) and a global presence, while following a model that is consistent with Imerys' business and skills. Perlite capacities were bolstered in South America (Perfiltra, Argentina – 2007).

(1) Industrial minerals: non-metallic and non-combustible rocks or minerals, mined and transformed for industrial purposes.

(2) Throughout the Registration Document, information on market positions corresponds to evaluations made by Imerys on the basis of its market knowledge, or is derived from trade publications such as Roskill and Industrial Minerals, or from reports drawn up by Kline & Company, Inc.

- **Performance Minerals** developed with the extension of calcium carbonate capacities in Central and South America (Quimbarra, chiefly Brazil – 2000), Asia (Honaik, mainly in Malaysia – 2000) and France (AGS-BMP's carbonates activities – 2000). The Group strengthened its positions in Southern Europe (Gran Bianco Carrara, Italy and Blancs Minéraux de Tunisie, Tunisia – 2005) and Turkey (Mikro Mineral, wholly-owned since 2008). In 2008, the acquisitions of Kings Mountain Minerals, Inc. (North Carolina, United States) and Suzorite Mining, Inc. (Quebec, Canada) added high quality mica to the minerals portfolio.
- In **Pigments for Paper**, development focused on ground and precipitated calcium carbonates, which now account for more than half the Group's sales to the paper industry. Nine new production units have been built since 2004, mainly in the Asia-Pacific zone (India, China, Indonesia and Japan). To support the development of activities in Asia, extensive reserves of high quality white marble have been acquired in Malaysia, China and Vietnam in recent years. In Brazil, the business group strengthened and secured its kaolin supply with the acquisition of Pará Pigmentos S.A. in July 2010.
- The Group's **Building Materials** activity was strengthened in clay bricks in France with the acquisition of Marcel Rivereau (2004). Clay roof tiles and bricks activities in Spain and Portugal were divested in 2007. In late 2008, Imerys TC created Captelia™, a joint venture [(1)] with EDF ENR (Énergies Renouvelables Réparties – distributed renewable energies), with the vocation of developing and manufacturing integrated photovoltaic roof tiles to spread energy generation on traditional roofing. In 2009, Planchers Fabre, an activity specializing in concrete joists, was sold to the French leader in the sector.
- In **Refractory Solutions**, the acquisition of Lafarge Refractories (2005) made Imerys the European leader in the sector and gave it a foothold in Asia. The merger of these activities with Plibrico led to the creation of a new entity, Calderys. ACE, the Indian leader in monolithic refractories, joined the Group in 2007, giving Calderys a new dimension in this fast-growing country. Calderys developed in South Africa (B&B – 2007) and Scandinavia (Svenska Silika Verken AB – Sweden – 2008). These operations established Imerys as a world leader in monolithic refractories. In refractory Kiln Furniture, Imerys is also building front-rank positions in Asia (Siam Refractory Industry Co, Ltd, Thailand – 2002) and Europe (Burton Apta, Hungary – 2004).

1.2.2 STRATEGY

Imerys' strategy is based on strict management of its activities, reinvesting cash flows into the Group's development and sharing value creation with its shareholders.

A ROBUST GROWTH MODEL

Since 1998, Imerys has carried out structural reorganizations of its portfolio and successfully tripled the revenues of its core business to become the world leader in adding value to industrial minerals. After coping with an unprecedented economic crisis from mid-2008, the Group made cash flow generation its priority and substantially reduced its fixed costs and overheads. Thanks to its reactivity, Imerys restored an operating margin of 12.5% and resumed internal and external growth investments in 2010.

Imerys' growth model is based on three development avenues:

- **Acquiring new minerals** to enhance its product portfolio, bolster its presence on existing markets and serve new markets, mainly through external growth.

  The Group has implemented a particularly active acquisitions policy since 2004, with more than 40 external growth operations completed, of which 21 in emerging countries (Asia, South America, former CIS) for a total amount of almost €1 billion.

  For example, Imerys entered the beverage filtration market by adding diatomite and perlite to its minerals portfolio with the acquisition in 2005 of World Minerals, the world leader in Filtration Minerals. The following year, the Group began extending the use of perlite to the construction sector by adding it to paint as a matting agent.
- **Penetrating new markets** through new applications, based on the existing range or on new minerals.

  Research & Development efforts enable new products to be developed in all business groups every year.
- **Developing internationally**, in order to support its customers and take advantage of growth in mature countries, as well as the dynamism of emerging markets.

  This development takes place through internal and external growth. Whereas the share of emerging countries in the Group's sales was insignificant in 2000, Imerys' growth in those geographic areas has been rapid over the past 10 years, as 26% of turnover was achieved in emerging markets in 2010.

(1) Held 50/50 by the two partners.

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A DYNAMIC CAPITAL EXPENDITURE POLICY

In addition to the capital expenditure needed to keep its production assets in perfect working order, the Group improves the industrial efficiency of its processes, increases capacities to meet demand, develops outlets in new countries and launches innovative products.

From 2000 to 2008, Imerys allocated significant resources to the implementation of projects intended to ensure industrial facilities meet world-class technological standards, improve their efficiency (kaolin for paper, minerals for filtration, clay roof tiles) and selectively develop capacity. Over this period, Imerys invested 80% - 130% of its depreciation expense every year.

Benefiting from high-performance industrial assets, the Group was able to reduce its capital expenditure sharply to optimize its cash flow in 2009. Booked capital expenditure totaled €118.7 million (i.e. 65% of depreciation expense), compared with €238.2 million in 2008 and €367.0 million in 2007. The capital expenditure needed to keep production assets in perfect working order represents approximately 50% - 60% of annual depreciation expense. At €169.1 million, booked capital expenditure is low in 2010 and remains below pre-crisis levels.

A SOUND FINANCIAL STRUCTURE

The same strict profitability criteria, applied to capital expenditure and acquisitions, enable Imerys to target value-creating projects. The selectiveness of new projects was increased: beyond the minimum profitability criterion required for an acquisition (forecast internal rate of return > 15% after tax and before financing), the assessment also includes its impact on the Group's financing and the speed of return on investment.

In the context of the economic crisis, since mid-2008, cash flow generation and working capital optimization have been the priority, which allowed organic debt reduction in addition to the €251 million rights issue carried out in the first half of 2009 with the support of existing shareholders. Net financial debt totaled €872.8 million as of December 31, 2010, despite the acquisition of PPSA for a total amount of US$70 million, i.e. a net debt/shareholders' equity ratio of 39.7% (€964.3 million and 52.0% respectively a year earlier).

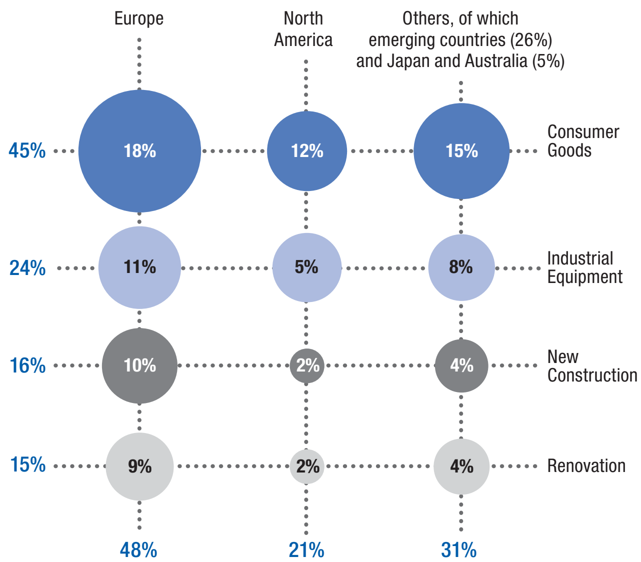
As of December 31, 2010, Imerys' financial resources totaled more than €2.2 billion (of which more than €1 billion in available financial resources). No significant repayment is due before late 2012. As of December 31, 2010, Imerys' long-term Moody's rating is Baa3, positive outlook. Imerys has a healthy financial structure and all the flexibility needed to take advantage of the upturn in growth when it occurs.

The Board of Directors will submit to the Shareholders' General Meeting on April 28, 2011 a dividend of €1.2 per share. Payout would take place from May 11, 2011 for a total amount of approximately €90.6 million, which represents 37.7% of the Group's share of net current income.

1.2.3 GLOBAL PRESENCE

MARKETS SERVED

In 2010, the Group estimates that its sales, by destination, serve the following markets and geographic zones:



GEOGRAPHIC BASES

Imerys is present in the following 47 countries:

- **North America:** Canada, United States;
- **South America:** Argentina, Brazil, Chile, Mexico, Peru, Venezuela;
- **Europe:** Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Russia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom;
- **Africa:** South Africa, Tunisia, Zimbabwe;
- **Middle East:** Turkey, United Arab Emirates;
- **Asia & Oceania:** Australia, China, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand, Vietnam.

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

Geographic zone	Number of sites
Europe	119
North America	66
Asia-Pacific / Africa	60

1.2.4 THE GROUP'S GENERAL STRUCTURE

The Group is organized into operating activities that are centered on clearly identified markets, according to Imerys' decentralized management principle. Beyond legal structures, this favors a market and business-focused rationale. The customer-oriented approach fosters the implementation of consistent policies within each activity.

The Group is organized into four business groups, as described below:

Business group	Activities
Minerals for Ceramics, Refractories, Abrasives & Foundry €1.105 million, i.e. 32% of 2010 consolidated sales	Minerals for Ceramics
	Minerals for Refractories and Oilfields
	Fused Minerals
	Graphite & Carbon
Performance & Filtration Minerals €595 million, i.e. 17% of 2010 consolidated sales	Performance Minerals North America
	Filtration Minerals North America
	Performance & Filtration Minerals Europe
	Performance & Filtration Minerals Asia-Pacific
	Performance & Filtration Minerals South America
	Vermiculite
Pigments for Paper €767 million, i.e. 23% of 2010 consolidated sales	Pigments for Paper North America
	Pigments for Paper South America
	Pigments for Paper Asia-Pacific
	Pigments for Paper Europe
Materials & Monolithics €923 million, i.e. 28% of 2010 consolidated sales	Building Materials
	Refractory Solutions

Details of the activities of each business group are given *in sections 1.4 to 1.7 of the present chapter*.

This market-driven organization is consistent with the sector-based information given in the Group's consolidated financial statements *in chapter 5 of the present Registration Document*.

Chaired by the Chief Executive Officer of Imerys, and comprised of the Group's main line and support managers, the Executive Committee implements the Group's strategy as defined by Imerys' Board of Directors. In particular, the Executive Committee determines major policies, sets the Group's performance improvement goals, decides on the action plans to be set up by line activities and monitors their implementation.

The role of the business groups and activities leaders is to act in line with the Group's strategic orientations. These are centered on a multi-year plan that includes internal and external growth objectives.

(For more details on the missions, composition and workings of the Executive Committee, see chapter 3, paragraph 3.2.4. of the present Registration Document).

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1.3 MINERAL RESERVES AND RESOURCES

In order to supply its processing plants with a broad range of raw materials to meet its customers' requirements, Imerys operates mines and quarries in various countries around the world. The Group actively pursues the replacement and growth in its mineral reserve and resource base and continually works to strengthen its technical expertise in geology, mine planning and mining expertise and sharing of "best practices". In 2010, extraction campaigns scaled up after low activity in 2009 and geoscientists focused on the development of new deposits, mainly in rapid growth regions (Turkey, Greece, China, Malaysia). In Brazil, Imerys extended its kaolin reserves and resources through the acquisition of Pará Pigmentos S.A. (PPSA).

Since the implementation of Mineral Reserves and Resources Reporting in 2002 and the first external audit conducted in 2004 (fair value measurement of minerals reserves and resources as part of the first time adoption of IFRS standards), the procedures in force have been regularly updated and a new online reporting system was implemented in 2009 to streamline and improve the reporting process. In line with Imerys internal policy, mineral reserves and resources are audited on a regular basis, by internal and external auditors. The second multi-annual cycle of geological audits, begun in 2008, shows continuous improvement in mineral reserve management processes and reporting. The mineral reserves and resources published in this Registration Document are prepared and verified in accordance with the relevant mining and processing practiced in each reporting entity.

IMERYS' PORTFOLIO OF MINERALS

The geological origins, specific properties, final applications and ore body locations of each mineral mined or processed by Imerys are presented below.

Minerals mined by Imerys

Ball clays

Ball clays are very fine-grained sedimentary clays with high plasticity properties used in ceramic applications.

After extraction, the clay materials are selected, processed and blended to provide the desired performances. These materials include good rheological stability for casting applications such as sanitaryware, high plasticity and strength for tableware, or firing properties for tile applications. Ball clays also have applications in the rubber industry and in refractory sectors.

Imerys' main ball clay deposits are found in France at numerous locations (Charentes, Indre, Allier and Provins basins), in United Kingdom (Devon and Dorset), the United States (Kentucky, Mississippi and Tennessee) and Thailand (Lampang Province).

Carbonates

Ground calcium carbonate (GCC) is produced from **chalk, limestone or marble**. GCC is obtained by grinding calcium carbonate materials mined from quarries, with further processing applied to develop certain properties that improve the physical characteristics of finished products. GCC is renowned for its whiteness and alkaline properties.

GCC is used mainly as a filler or coating pigment in the paper industry. It also has applications in performance mineral applications, such as paints and coatings, plastics, sealants, air purification and the environment.

The Group's extensive calcium carbonate reserves are located in Brazil, China, France, Greece, Italy, Malaysia, Mexico, North America, Tunisia, Turkey, United Kingdom and Vietnam.

Red clays

Red clays are composed of assemblages of clay minerals and oxides of sedimentary origin which develop a red color when fired. They are used to make building materials (roof tiles and bricks) and meet specific requirements in terms of particle size distribution, plasticity and extrusion properties before firing, as well as good performance during drying and firing.

Extensive reserves of clay with sought-after properties are located close to the Building Materials activity's various production units in France.

Feldspar

Feldspar is a group of naturally occurring alumino-silicates containing different levels of potassium, sodium, calcium and/or lithium. These minerals are known for their fluxing properties and application in ceramic bodies and in the glass industry. Feldspars of different mineralogical and chemical compositions impart specific properties to a wide range of final products. In powder form, feldspar serves as applications in hardening plastics. Feldspar is also used in paints, coatings and rubber.

The Group has feldspar operations in France (Burgundy, Allier, Pyrénées-Orientales), Germany (Sarre, Bavaria), India (Hyderabad, Andrah Pradesh), Portugal, Spain (Caceres – Estremadura, Salamanca and Valencia regions), in Turkey and the United States (North Carolina).

Kaolin

Kaolin is predominantly composed of kaolinite, a white hydrated alumino-silicate. This clay mineral is derived from the geologic alteration of granite or similar rock types. Also known as china clay, it is mined in open cast mines or quarries.

Specific processes impart targeted properties for a variety of end uses. These include paper (where whiteness and opacity, as well as gloss, smoothness and printability are sought after properties); performance minerals (in paint, rubber, plastics and sealants); ceramics, ranging from superwhite tableware, the ever-increasing technical demands of the sanitaryware and floor tile industries to fiberglass. For a number of applications, kaolin is calcined and then further processed. Calcination transforms kaolin at high temperature (700-1,200°C) into a whiter and inert mineral (metakaolin) for end applications in performance minerals, refractories and ceramics.

Mines are located in various regions around the world and Imerys is the only producer that is active in all three major high quality kaolin producing areas for paper. Each location offers its own unique and specific characteristics: United Kingdom (Cornwall) for filler kaolins; United States (Georgia) for paper and board coating applications and opacifying effects; and Brazil (the Amazon Basin) for coating applications due to its fine, steep particle size distribution. In July 2010, the acquisition of Pará Pigmentos S.A. (PPSA) marked a significant move to ensure the sustainable long term supply of high quality kaolin. The PPSA reserves are complementary and together with the existing reserves at RCC provide the full range of products required for the key segments supplied by Pigments for Paper business group.

For Performance Minerals and Ceramics, Imerys mines outstanding kaolin reserves located in Australia (Victoria), France (Brittany and Allier), New Zealand (Matauri Bay), Thailand (Ranong Province), Ukraine (Donetsk), United Kingdom (Cornwall) and in the United States (South Carolina and Georgia).

Minerals for Filtration

Diatomite is a special sedimentary silica mineral resulting from the accumulation of skeletal remains of microscopic freshwater or marine plants called diatoms. Imerys' diatomaceous earth mines are located in Chile, China, France, Mexico, Peru, Spain, and the United States (California, Washington, Nevada).

Perlite, a volcanic rock, contains between 2% and 5% of natural combined water. When heated, the water converts instantaneously to steam and the perlite ore explodes like popcorn, expanding up to 20 times its original volume and creating a multi-cellular material with large surface area and corresponding low density. Perlite mines are located in Argentina, Chile and in the United States (New Mexico, Arizona, Utah).

Diatomite and Perlite are two naturally occurring raw materials which have exceptional qualities: low density, high surface area and high porosity. The unique properties of these Imerys products are sought after in many applications, particularly as filtration aids, as additives in Performance Minerals applications and paint.

Minerals for Refractories

Minerals for refractories offer properties such as high resistance to degradation in extreme temperatures and harsh operating conditions, as well as resistance to mechanical failure and corrosion.

Imerys supplies from its own mines a wide range of high-quality acid refractory products with high alumina content:

Andalusite is a natural occurring alumina-silicate mineral containing up to 60% alumina that converts into mullite when heated to 1,350°C. Imerys mines very high-quality andalusite deposits located in China, France and South Africa.

Refractory clay occurs as a hard and often carbon-rich fine kaolin that produces upon calcination, a high-density refractory material commonly called "chamotte" which has specialized refractory and ceramic applications. Imerys refractory clay deposits are located in France, South Africa, Ukraine and the United States (Georgia).

Bauxite and **bauxitic kaolin** are minerals found in sedimentary deposits. Imerys products have the unique characteristic of being low in iron content. They are used in a wide range of refractory products. Group deposits are located in the United States (Alabama, Georgia).

Other minerals

Bentonite is an alumino-silicate sedimentary clay with high rheological and absorbent properties. After processing, bentonite finds applications in foundry sands, oil well drilling, ore pelletizing as well as in cement, sealants, adhesives, ceramic bodies and cosmetics. The Group's bentonite deposit is located in South Africa.

Graphite is one of the crystalline forms of carbon, with a micaceous aspect. Natural graphite is produced by Imerys from the Lac-des-Iles mine in Canada – the largest graphite mine in North America. Customers are supplied worldwide in the mobile energy, engineering materials, additives for polymers, lubricants, refractories and metallurgy sectors.

"Grès de Thiviers" is a natural colored sandstone used as body stain for ceramics. This mineral pigment is mined by the Group in the French region of Dordogne. In recent years, a wide range of colors has been developed to broaden the market for the red pigment "Grès de Thiviers". These include ranges of pinks and browns, as well as grays available with or without a metallic effect.

Halloysite is a high-quality, very white clay mineral, especially sought after by the fine porcelain industry worldwide for its translucent effect. The Group operates deposits in New Zealand.

Mica (Muscovite and Phlogopite mica): the term "mica" covers a group of alumino-silicate minerals with a platy structure, each with its own physical and chemical characteristics. It is distinguished from other minerals by qualities such as insulation and elasticity. Mica imparts thermal stability, resistance to heat, moisture and light transmission in coatings, while offering decorative effects. It also increases durability characteristics of plastic composites used in automotive applications. Imerys produces mica from its mica mine in North America (United States and Canada) and as a by-product of kaolin and feldspar mining in France (Brittany and Morvan) and in the United States (North Carolina).

Quartz is the most common mineral on earth and available in almost all mineral environments as an essential component of many rock types. Imerys mines high-purity quartz (> 99.8% silica) in two forms: block (quartz veins) and gravels; both offer similar properties: strength, refractoriness, wear resistance required in tile making and ornaments. Silicon and ferro silicon, for which quartz is the basic raw material, are used in special steel alloys. Quartz is also the basic raw material for silicone and silane based chemicals. Imerys produces quartz from pure quartz deposits in France (Lot, Dordogne) and Sweden, or as a by-product of kaolin or feldspar mining. Quartz is also available in a range of colors to supply a variety of markets.

Slates is extracted by Imerys from an underground mine in France (Angers). This operation is highly specialized in the extraction and processing of natural high quality slate, which is prized for roofing of prestigious buildings.

Vermiculite is a hydrated micaceous mineral, which expands considerably when heated. Applications are essentially in the horticulture and heat insulation. Vermiculite is produced from Group's mines mainly in Australia (Alice Springs) and Zimbabwe (Shawa).

Derived mineral products

Precipitated calcium carbonate (PCC)

PCC is produced chemically from natural limestone, which is burnt to form lime and then re-precipitated by adding carbon dioxide. This controlled process delivers a pigment with well-defined shape and size parameters and excellent optical properties. PCC is mainly used in the paper industry (filling and coating applications) as well as in performance minerals applications such as paint, coatings and plastics. Imerys produces PCC-based filler and coating pigments in its plants in Argentina, Brazil, China, India, Indonesia, and the United States and in Sweden.

Synthetic corundum and fused alumina

Externally sourced **bauxite** and **alumina** are transformed by fusion in electric arc furnaces into various synthetic corundum products for the production of powders for abrasive applications. Plants are located in China, Europe, North and South America.

Silicon carbide

Silicon carbide, is a by-product of graphite production with high wear resistance and refractory properties. Imerys' production facilities are in Brazil and Switzerland.

Synthetic graphite

Imerys produces a range of high-quality **synthetic graphite** through a complex process of heat treatment of petroleum coke at very high temperatures. The plant is located in Switzerland.

Carbon black

Carbon black, an ultra-fine carbon powder, is produced from selected, very high-quality, externally sourced carbon raw materials. The plant is located in Belgium.

Zirconia

Zircon occurs as one of the minerals found in heavy mineral sand sedimentary deposits derived from the alteration of granite or alkaline rocks. Zircon's main characteristics are its opacifying properties in ceramics, a very high fusion temperature (above 1,800°C) and hardness.

After transformation in electric arc furnaces, grinding and classification, zircon-based products are sold as various grades of zircon flour and zirconium silicate, used in high-temperature industries such as casting, refractories, and ceramics. Fused and chemical zirconias are specialty products with applications in the ceramics, refractories, electronics, paper, leather and paint industries, as well as in chemical catalysts, vehicle exhausts, catalytic converters, heat-resistant and abrasive coatings and advanced ceramics. Zircon sand is purchased externally and processed in China, Germany and the United States.

Electrical grade magnesia

Electrical grade magnesia is produced from externally purchased dead burned magnesite and has high electrical resistance properties, depending on the temperature of calcination, and poor heat conductivity, making it suitable for insulation material in the manufacture of domestic and industrial sheathed heating elements. Plants are located in the United Kingdom and in the United States.

MINERAL REPORTING PRINCIPLES APPLIED BY IMERYS

Imerys mining organization and regulatory framework

Imerys' team of geologists ensures long-term access to quality deposits by conducting the necessary exploration work on deposits owned by Imerys or secured under long-term leases in order to establish a long-term vision at each operation.

Imerys' reporting on mineral reserves and resources is conducted by "Competent Persons" who are duly appointed and responsible for reporting in compliance with the PERC [(1)] Code.

(1) PERC: Pan-European Reserves and Resources Reporting Committee.

Applicable since January 1, 2009 by companies based in mainland Europe, the United Kingdom and Ireland, PERC replaces the 2001 Reporting Code [1]. This body factors in the recent improvements made to Australian, South African, American and Canadian mining codes and forms the new international benchmark. In particular, reporting rules have been reviewed and adapted to the specificities of the industrial minerals business, establishing a reference framework for this sector.

Similar codes, including JORC (Australia), Samrec (South Africa), SME Industry Guide 7 (United States), the Canadian Institute of Mining's definitions as required under N143-101 and the Certification Code (Chile, Peru and the Philippines), all in compliance with CRIRSCO's [2] International Reporting Template, form best practices and have been adopted as reporting standards by the mining industry in the Western world.

A central register of Competent Persons is kept at Group level. A written declaration from each Competent Person at Imerys authorizing the compilation of the estimates reported for public reporting is kept in the register.

Audit

In order to ensure Group-wide consistency in reporting and compliance with Reporting Code requirements, internal and external audits are conducted on a 3-year cycle. Audits are carried out by an experienced Group geologist having no subordination connection to the audited sites and are designed to ensure compliance with the PERC Code and to provide best practices for continuous improvement in the management and operation of the Groups' mineral deposits. Lastly, the Audit Committee examines the results of Imerys' reporting on mineral reserves and resources.

Definitions

Minerals, when discovered, become a Mineral Resource. Resources can be inferred, indicated or measured, depending on the knowledge level of the deposit. When all conditions are met for that Resource to be economically extracted, it becomes a Mineral Reserve (Probable and then Proven Mineral Reserve, according to the level of confidence).

Mineral Resource

A **Mineral Resource** is a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, grade, continuity and other geological characteristics are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are subdivided in order of increasing geological confidence into Inferred, Indicated and Measured.

An **Inferred Mineral Resource** is the part of a Mineral Resource for which quantity and grade can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified to confirm geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which is limited or of uncertain quality and reliability.

An **Indicated Mineral Resource** is the part of a Mineral Resource for which tonnage; densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A **Measured Mineral Resource** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineral Reserve

The **Mineral Reserve** is the economically exploitable part of an ore deposit previously defined as a Measured or Indicated Resource under realistically assumed present and forecast economic, market, legal, environmental, social and government factors. These assessments demonstrate at the time of reporting that exploitation is justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves.

A **Probable Mineral Reserve** is the economically mineable part of an Indicated and in some circumstances a Measured Mineral Resource, whereas a Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource.

Proven Mineral Reserves represent the highest confidence level of the estimates.

Risks and uncertainties

Mineral reserves and resources are estimates of the size and quality of ore deposits based on currently available technical, economic, market and other parameters. Due to unforeseen changes in these parameters and the uncertainty inherently associated with resource evaluation, no assurance can be given that the estimates of mineral

(1) 2001 Reporting Code: Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves.
(2) CRIRSCO: Committee for Mineral Reserves International Reporting Standards.

reserves and resources shown in the table below will be recovered as anticipated by the Group.

With continued geological exploration and evaluation, mineral reserves and resources may change significantly, either positively or negatively.

To date, there are no known environmental, authorization, legal, ownership, political or other relevant issues that could materially adversely affect the estimates in these tables.

Please refer to *chapter 4, paragraph 4.1.1 of the Registration Document*.

■ MINERAL RESERVES (ESTIMATES AS OF 12/31/2010 VS. 12/31/2009)

In line with the special conditions relating to the "Reporting of industrial minerals, stone and aggregates" in the PERC Code, categories of minerals, in which mineral types have been grouped together to protect commercially sensitive information, have been created for the purpose of Imerys' public reporting of its reserves and resources.

Due to aggregation, it is not possible to give the lifespan of each mine. However, based on the geological work done and modifying factors applied, the Group foresees that its mineral reserves and resources will be adequate to sustain long-term operation of its activities at the current annual rate, using existing technology and under present and forecast market conditions.

Reserves are quoted in addition to resources as on December 31, 2010 and are stated on the basis of thousands of metric tons of dry sellable product. Estimates for 2009 are shown for the sake of comparison.

Ongoing exploration work, geological assessments and mining activities, as well as changes in ownership of certain mineral rights due to acquisitions or sales, are reflected in the movements of the estimates reported for 2010 against those reported for 2009.

MINERAL RESERVES ESTIMATES (AS OF 12/31/2010 VS. 12/31/2009)

Product	Region	Proven	Probable	Total	Proven	Probable	Total
		2010 (kt)			2009 (kt)		
Ball Clays	Asia/Pacific	1,076	-	1,076	1,133	-	1,133
	Europe incl. Africa	14,122	4,095	18,217	14,680	4,428	19,108
	North America	7,913	1,508	9,421	5,977	343	6,320
	Total	**23,111**	**5,603**	**28,714**	**21,790**	**4,771**	**26,561**
Carbonates (Calcite, Marble, Chalk, Limestone, Dolomite & Dimension Stone)	Asia/Pacific	2,250	33,063	35,313	2,608	14,839	17,447
	Europe incl. Africa	6,816	14,702	21,518	9,333	13,926	23,259
	North America	153,469	45,649	199,118	181,202	45,119	226,321
	South America	5,431	-	5,431	5,663	-	5,663
	Total	**167,966**	**93,414**	**261,380**	**198,806**	**73,884**	**272,690**
Clays (Brick & Roof tile raw materials)	Europe	64,947	27,126	92,073	66,664	23,834	90,498
	Total	**64,947**	**27,126**	**92,073**	**66,664**	**23,834**	**90,498**
Feldspar, Feldspathic sand & Pegmatite	Asia/Pacific	189	112	301	259	120	379
	Europe	16,762	9,876	26,638	25,844	15,984	41,828
	North America	1,728	-	1,728	1,895	-	1,895
	Total	**18,679**	**9,988**	**28,667**	**27,998**	**16,104**	**44,102**
Kaolin	Asia/Pacific	391	3,309	3,700	465	3,400	3,865
	Europe	8,271	14,490	22,761	9,057	14,846	23,903
	North America	29,578	9,013	38,591	29,896	9,401	39,297
	South America	38,799	2,534	41,333	29,890	-	29,890
	Total	**77,039**	**29,346**	**106,385**	**69,308**	**27,647**	**96,955**
Minerals for Filtration (Perlite & Diatomite)	Asia/Pacific	-	119	119	7	129	136
	Europe	352	209	561	500	276	776
	North America	30,503	8,451	38,954	30,768	8,753	39,521
	South America	496	1,064	1,560	308	1,018	1,326
	Total	**31,351**	**9,843**	**41,194**	**31,583**	**10,176**	**41,759**
Minerals for Refractories (Andalusite, Quartzite, Bauxite, Bauxitic kaolin, Ref clays & kaolin)	Asia/Pacific	-	378	378	-	378	378
	Europe incl. Africa	3,993	2,992	6,985	4,516	2,641	7,157
	North America	5,152	-	5,152	5,464	-	5,464
	South America	-	-	-	-	-	-
	Total	**9,145**	**3,370**	**12,515**	**9,980**	**3,019**	**12,999**
Other minerals (Bentonite, Grès de Thiviers, Vermiculite, Quartz, Slate, Graphite)	**Total**	**2,819**	**924**	**3,743**	**3,077**	**931**	**4,008**

In addition to the normal activities of exploration, transfer from resources and re-assessments, significant changes were the result of major transfers from resources at operations in USA (Ball clay), China & Malaysia (Carbonates) and France (Clays); re-assessments at operations in France (Clays), Greece (Carbonates) and Australia (Vermiculite); an acquisition in Brazil (Kaolin); sale of operations in USA (Carbonates) and Germany & Spain (Feldspar). All estimates are quoted in dry metric tons final product equivalent. Clays are quoted in dry processable metric tons.

MINERAL RESOURCES ESTIMATES (AS OF 12/31/2010 VS. 12/31/2009)

Product	Region	Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
		2010 (kt)				2009 (kt)			
Ball Clays	Asia/Pacific	175	-	-	175	183	-	-	183
	Europe incl. Africa	5,709	2,123	2,585	10,417	5,205	1,944	2,502	9,651
	North America	6,093	15,173	11,738	33,004	6,561	18,983	9,668	35,212
	Total	**11,977**	**17,296**	**14,323**	**43,596**	**11,949**	**20,927**	**12,170**	**45,046**
Carbonates (Calcite, Marble, Chalk, Limestone, Dolomite & Dimension Stone)	Asia/Pacific	746	15,194	10,506	26,446	-	13,894	28,956	42,850
	Europe incl. Africa	2,226	9,954	78,338	90,518	-	5,254	68,738	73,992
	North America	56,925	116,057	91,857	264,839	56,925	102,551	128,544	288,020
	South America	11,085	10,900	22,983	44,968	11,085	10,900	22,983	44,968
	Total	**70,982**	**152,105**	**203,684**	**426,771**	**68,010**	**132,599**	**249,221**	**449,830**
Clays (Brick & Roof tile raw materials)	Europe	23,745	18,534	-	42,279	22,095	21,112	-	43,207
	Total	**23,745**	**18,534**	**-**	**42,279**	**22,095**	**21,112**	**-**	**43,207**
Feldspar, Feldspathic sand & Pegmatite	Asia/Pacific	-	515	-	515	-	565	20	585
	Europe	6,377	23,720	27,318	57,415	5,826	22,482	37,460	65,768
	North America	3,409	14,134	106	17,649	3,382	14,280	106	17,768
	Total	**9,786**	**38,369**	**27,424**	**75,579**	**9,208**	**37,327**	**37,586**	**84,121**
Kaolin	Asia/Pacific	30	5,459	2,960	8,449	-	5,241	3,178	8,419
	Europe	3,439	6,039	38,041	47,519	3,308	6,039	43,041	52,388
	North America	17,286	22,712	33,163	73,161	16,781	18,837	34,648	70,266
	South America	27,210	55,955	143,803	226,968	2,472	-	7,008	9,480
	Total	**47,965**	**90,165**	**217,967**	**356,097**	**22,561**	**30,117**	**87,875**	**140,553**
Minerals for Filtration (Perlite & Diatomite)	Asia/Pacific	90	-	-	90	90	-	-	90
	Europe	208	3,628	270,535	274,371	322	3,736	324,157	328,215
	North America	19,881	31,364	28,626	79,871	20,607	32,594	30,001	83,202
	South America	-	812	74,402	75,214	-	30	74,402	74,432
	Total	**20,179**	**35,804**	**373,563**	**429,546**	**21,019**	**36,360**	**428,560**	**485,939**
Minerals for Refractories (Andalusite, Quartzite, Bauxite, Bauxitic kaolin, Ref clays & kaolin)	Asia/Pacific	-	980	2,072	3,052	-	980	2,072	3,052
	Europe incl. Africa	2,508	1,831	4,570	8,909	2,335	2,056	4,670	9,061
	North America	12,189	246	137	12,572	12,454	246	137	12,837
	South America	-	1,539	-	1,539	-	1,539	-	1,539
	Total	**14,697**	**4,596**	**6,779**	**26,072**	**14,789**	**4,821**	**6,879**	**26,489**
Other minerals (Bentonite, Grès de Thiviers, Vermiculite, Quartz, Slate, Graphite)	**Total**	**1,713**	**6,677**	**4,372**	**12,762**	**1,473**	**6,487**	**4,464**	**12,424**

In addition to the normal activities of exploration, transfer to reserves and re-assessments, significant changes were the result of major transfers to reserves at operations in USA (Ball clay), China & Malaysia (Carbonates) and France (Clays); re-assessments at operations in USA (Kaolin & Diatomite); acquisitions in Greece (Carbonates), France (Clays) and Brazil (Kaolin); non reneweable leases of operations in USA (Carbonates) and Turkey (Perlite); sale of operations in USA (Carbonates), Germany & Spain (Feldspar) and France (Kaolin). All estimates are quoted in dry metric tons final product equivalent. Clays are quoted in dry processable metric tons.

1.4 MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

In 2010, the business group is organized around the 4 following activities:

- Minerals for Ceramics;
- Minerals for Refractories and Oilfields;
- Fused Minerals;
- Graphite & Carbon.

The business group has a wide range of extensive and high quality mineral reserves. With expertise in all the processing techniques required, it offers a great variety of products that meet the specific requirements of the industries it serves, especially in terms of chemical composition, mechanical properties, thermal and chemical resistance. Relevant collaboration and resource-sharing take place across these activities on a case-by-case basis.

After having completed acquisitions since 2007, enlarging its activities in ceramics and foundry (feldspar, zircon) as well as geographic footprint, especially in emerging countries (China, Turkey, India), the business group has been strongly affected, from the 4th quarter of 2008 by the deteriorated economic environment. This was amplified by a related de-stocking across its value chain. Reacting quickly, all the business group's activities reduced and rationalized their output in order to cut their inventories and adapt to the low level of demand through short-time working, plant mothballing or shut-downs.

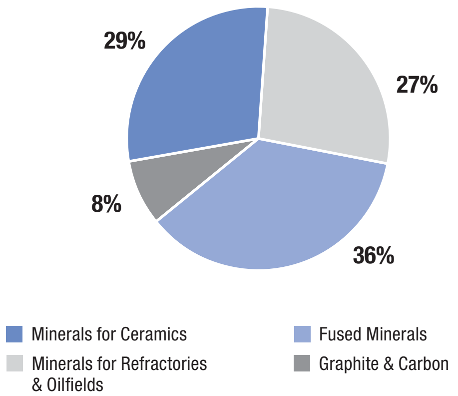
Since the end of 2009, the Business Group has benefited from improved economic conditions world-wide and from the rebuilding of inventories at its direct customers and downstream. The rebound of industrial equipment activity across all areas in Asia (mainly China), the US and Europe (part of it being export-driven) sustained the Business Group's growth over 2010. This being said, 2010 sales volumes for the Business Group, although growing sharply compared to 2009 remain below what they were in 2008.

The four activities of the Business Group can now rely on its innovation centers such as the Center for Abrasives and Refractories Research and Development (C.A.R.R.D, Austria), the Graphite & Carbon R&D center in Bodio (Switzerland) and the new Ceramics Center inaugurated in Limoges (France) in 2009.

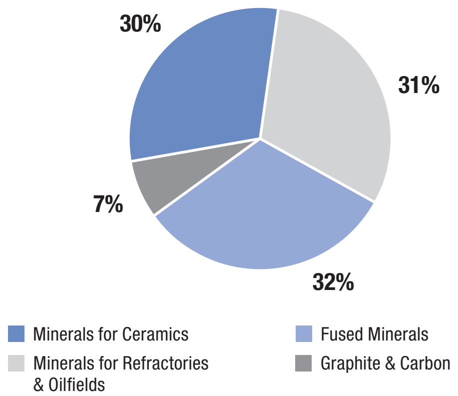
Minerals for Ceramics, Refractories, Abrasives & Foundry sales for the year ending December 31, 2010 totaled €1,105.0 million, which represents 32% of Imerys consolidated sales.

The business group has 104 industrial sites in 24 countries.

2010 sales: €1,105 million



5,664 employees as of December 31, 2010



(€ millions)	2010	2009	2008 (1)	2007 (1)
Sales	1,105.0	794.5	1,159.9	1,051.2
Current operating income	134.6	44.0	127.8	146.9
Margin	12.2%	5.5%	11%	14%
Booked capital expenditure	63.0	46.0	70.4	78.2

(1) The financial component of net expenses for defined benefit plans for employees, are now recorded under financial income/expense from January 1st, 2009. 2007 and 2008 financial data have been restated to take into account those organizational and presentation changes.

For more information, *refer to chapter 2, paragraph 2.1.3 of the Registration Document*.

1.4.1 BUSINESS GROUP OVERVIEW

Activity	Products	Main applications	Markets	Market Positions [1]
MINERALS FOR CERAMICS	Chamottes Clays Derived colours Feldspar "Grès de Thiviers" Ground silica Halloysite Kaolin Natural colours Pegmatite Prepared bodies & glazes Quartz	Ceramics Electro-porcelain Glazes & engobes Sandstone Raw materials for bodies Raw materials for frits, glazes & engobes Stains for tiles & porcelain	Sanitaryware Tableware Floor & wall tiles Electro-metallurgy Flat glass & container	**World #1** in raw materials & ceramic bodies for sanitaryware **European #1** in raw materials and ceramic bodies for porcelain **European #2** in raw materials for floor tiles
MINERALS FOR REFRACTORIES & OILFIELDS	Alumina Andalusite Ball clays Bauxite Bentonite Chamottes Metakaolins Silica	Refractories Foundry	Steel Aluminium Electronics Construction Cement Glass	**World #1** in alumino silicate minerals for refractories
	Oilfield Minerals (Bentonite, Calcium carbonate, Diatomite, Graphite, Metakaolins, Mica, Perlite)	Oilfield services applications	Oilfield drilling fluids Oilfield cementing	
FUSED MINERALS	Fused mullites Fused spinels Fused aluminum oxides Fused magnesium oxides Fused zirconia Silicon carbide Zirconia chemicals Zircon flour Zircon opacifier	Surface treatment Sand blasting Refractories Advanced ceramics Heating elements & friction Ceramics Foundry	Automotive Machinery Aerospace Construction Steel Domestic appliances Industrial applications	**World #1** in minerals for abrasives **World #1** in fused zirconia
GRAPHITE & CARBON	Carbon black Cokes Dispersions Natural graphite Silicon carbide Synthetic graphite	Powders Blends Aqueous dispersions Additives	Mobile energy Engineering materials Carbon additives for polymers Metallurgy Hot metal forming	**World #1** in high performance graphite powders

(1) Imerys estimates.

1.4.2 MINERALS FOR CERAMICS

Through an extensive and diversified portfolio of raw materials, ceramic bodies and glazes, the Minerals for Ceramics activity provides customers with tailor-made mineral solutions. In a highly technical field, developing partnerships with customers is essential to provide minerals and solutions to the tableware, sanitaryware, floor and wall tiles, glass, fiberglass, electro-porcelain and electrometallurgy markets.

After the inauguration of Imerys Ceramics Centre in 2009, the Group's research center in ceramics in Limoges (France), the Minerals for Ceramics activity focus has been directed on finding new mineral solutions either for existing applications or for developing new ones. For more information on R&D and innovation, please refer to *chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

Minerals for Ceramics have access to many high-quality raw material reserves from its operations all over the world, in order to address and satisfy the ever-changing needs of its markets. A number of these raw materials have exceptional properties such as outstanding whiteness, high mechanical strength and excellent rheology. Their transformation processes are adapted to the requirements of specific applications.

Raw materials, ceramic bodies & glazes

The main raw materials enhanced and marketed by the Minerals for Ceramics activity are ball clays, kaolin, feldspar and quartz. For a detailed presentation of these minerals, please refer to *chapter 1, section 1.3 of the Registration Document*.

The activity also produces ready-to-use ceramic bodies, glazes and engobes in spray-dried granulate and slurry [(1)] form. Product formulations are prepared with a combination of different raw materials according to the specific needs of the customer.

Applications

Minerals for Ceramics offers premium-quality raw materials and ceramic bodies that are marketed worldwide, primarily in Europe, the Middle East, North Africa, Asia and North America.

Applications include:

Floor and wall tiles

The business offers a large range of raw materials for tile bodies, frits [(2)], glazes and engobes.

Manufacturing **floor** or **wall tile bodies** requires primarily ball clays, feldspars, sands, feldspathic sands and white kaolins. Imerys Ceramics supplies all these products to the main tile manufacturers around the world, with blending plants strategically located in Castellón (Spain), Modena, Ravenna (Italy).

In **glazed tile** applications, tiles are decorated by adding glazes and engobes to the surface of the body. Most of the raw materials required - ground silica and ground fluxes [(3)], kaolins and ball clays - are produced by Imerys. The product offering now includes potassium feldspar for frits. Through its Fused Minerals activity, Imerys also offers worldwide innovative solutions to color makers supplying the tiles industry. Imerys Astron China sells fused zirconia and zircon flour and opacifier to ceramics frits and glazes producers in China. Combining the raw materials sourcing power of Minerals for Ceramics with the market know-how of Fused Minerals creates opportunities for tile manufacturers.

Natural pigments are used to stain floor and wall tiles. Imerys Ceramics offers the widest range of pure or blended natural colours for use in body stains, with the naturally red color "Grès de Thiviers" for the "cotto style" and other minerals for earthy shades adapted to the trend for natural and modern tones. Imerys Ceramics is also developing colouring solutions to rival synthetic products.

Sanitaryware

The business offers a complete package of mineral products which is the largest available to the global sanitaryware market. The ball clay portfolio includes the English clays renowned for their unique properties, thanks to active organics, as well as local products from three continents. The chamotte range includes standard, refined and high dilatometry options, while the kaolin portfolio covers the broadest range of casting properties for sanitaryware. For prepared bodies, three plants were dedicated including fine fireclay specialists based in the Civita Castellana region of Italy. Finally, the feldspar portfolio consists of products from three continents.

Sanitaryware applications include vitreous china and fine fireclay, produced by conventional or pressure casting techniques. Ongoing investment into product development is key to maintaining Imerys leadership in the market for both raw materials and full prepared bodies, with breakthrough innovations for the fine fireclay segment.

Tableware

For tableware applications, the activity offers a comprehensive range of raw materials, ceramic bodies and glazes suitable for all types of high-quality white ware including porcelain, bone china, vitreous china, stoneware and earthenware. The raw materials are well-known for their consistency, mechanical strength and plasticity. In addition, the low levels of iron oxide and titania promote exceptional whiteness and translucency, which are crucial properties in this market. The ceramic bodies are suitable for forming techniques ranging from isostatic pressing and jiggering to pressure casting and conventional casting. The tableware business has been working on a customer-centred approach with many of the body and glazes being bespoke developments to meet customers' exact requirements.

The product range also includes bodies and raw materials for electrical porcelain.

Other markets

In addition to serving the traditional ceramics market, the Minerals for Ceramics activity also capitalizes on its key minerals and technical expertise to address a number of adjacent markets.

(1) Slurry: a mixture of water ceramic powder and various additives (e.g., dispersant) used in the processing of ceramics.
(2) Frits: a ceramic composition that has been fused, quenched to form a glass, and granulated. The heat welds the grains together, making the piece cohesive.
(3) Fluxes: Feldspar family product.

Fiberglass: Imerys Ceramics produces air-floated and water-washed kaolins specifically developed for the fiberglass market. These products have high levels of alumina and low levels of iron and alkali, ensuring that fiberglass products are resistant to chemical and physical attacks.

Electrometallurgy: Imerys mines high-purity quartz (> 99.8% silica), the basic raw material for silicon, an essential component of aluminum-based alloys, silicone and silane chemistry. Quartz pebbles are also processed for the production of ferroalloys and ferro-silicon, used in special steel alloys.

Flat and container glass: The properties of Imerys' feldspars make it possible to melt quartz at a lower temperature and to control the viscosity of glass during manufacturing. The feldspar's alumina content gives the finished products firmness, flexibility, cohesion and chemical resistance.

Electroporcelain: Imerys Ceramics offers a comprehensive range of consistent high performance raw materials and bodies for electrical porcelain applications. The Imerys Hymod product range of strong, plastic clays are especially valuable in the production of high voltage electro porcelain insulators as they offer a high modulus of rupture, high plasticity and stability.

Processing solutions: In addition, Imerys Ceramics also offers a variety of tailored grinding and milling solutions to process hard and soft industrial minerals at its European production sites (France and Spain).

MARKETS

Market trends

Thanks to its unique products, the Minerals for Ceramics activity serves global customers and local producers in each region, mostly Europe and North America. Industrial presence in Asia is still limited due to the current state of fragmentation of mineral resources and customers.

Ceramics markets (especially sanitaryware and tiles) are mostly construction-related (new-build and renovation) and prominent in the United States and Europe. The strategic positions of the Minerals for Ceramics business relies on growing production areas, such as Middle East, North Africa and Southeast Asia.

After being seriously impacted by an extended slow-down from the end of 2006 in the United States and later on in 2008 for European countries, markets deteriorated again in 2009. The Minerals for Ceramics activity started to recover in 2010, and took advantage of some limited restocking in mature economies. Going forward, overall growth in Ceramics markets should be more likely dependant on emerging economies. Efforts to diversify Minerals for Ceramics beyond the traditional ceramics markets are ongoing, especially in fiberglass.

Main competitors

Sibelco group (Belgium); Kaolin AD (Bulgaria); Lasselsberger and Sedlecky Kaolin (Czech Republic); Soka (France); AKW, Stephan Schmidt (Germany); Gruppo Minerali Maffei (Italy); Mota (Portugal); Burella and Ecesa (Spain); Goonvean (United Kingdom); Unimin and Chemical Lime (United States) and various local feldspar (Turkey) or clay (Ukraine) producers.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Minerals for Ceramics has 61 industrial facilities located as follows:

	Europe	Americas	Asia-Pacific
Kaolin	6	2	3
Clays	10	2	1
Ceramic bodies	10	1	
"Grès de Thiviers" sandstone	1		
Feldspar & feldspathic sands	7	3	2
Mica	2	2	
Quartz	4		
Milling & blending plants	5		

Quality

The activity is firmly committed to quality improvement: 33 industrial sites out of 61 are certified ISO 9001.

Sales organization

The Minerals for Ceramics activity has strategic commercial bases worldwide and its products are marketed either by its own sales teams or by its networks of independent agents or distributors, and started to benefit from Imerys Astron China local distribution network in China in 2010.

1.4.3 MINERALS FOR REFRACTORIES AND OILFIELDS

Resulting from a series of acquisitions, the Minerals for Refractories and Oilfied Services activity was built over the past 20 years. It is comprised of all the activities in the production and conversion of raw materials for acid and basic refractories, in which the Group has a front-rank global position.

In 2010, the activity improved the industrial efficiency of its operations, particularly chamottes in the USA and andalousite in South Africa. Meanwhile, the andalusite business enforced its competitive position in China with the commissioning of a new plant increasing its already existing production capacities.

The Minerals for Refractories activity integrated in 2010 Imerys activities in the Oilfield Services industry in 2010, becoming Minerals for Refractories and Oilfield Services. This activity was created in 2009 to coordinate Imerys minerals offering for the oil & gas industry.

To strengthen its positions, the activity pursues an active innovation policy through the Center for Abrasives and Refractories Research and Development (C.A.R.R.D) located in Villach (Austria) which has been involved in developing new products with improved functionalities. For more information, please refer to *chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

The products made by Minerals for Refractories result from the transformation of silico-aluminous minerals. They are used by the refractory industry for their mechanical strength, chemical resistance and thermal properties.

Raw materials and derived mineral products

Raw materials for acid refractories contain alumina and silica. The Minerals for Refractories & Oilfields activity has several very high quality silico-aluminous deposits around the world:

- **andalusite** in Glomel (France), South Africa and Xinjiang (China);
- **kaolins** from Cornwall (United Kingdom), Georgia and Alabama (United States);
- **clays and metakaolins** in Clérac (France);
- **chamottes** in Clérac (France) and Vatutinsky (Ukraine).

After processing, the activity offers the widest range of quality refractory products, some of which are manufactured by other Imerys activities: mullite from Georgia (United States), chamottes (France, Ukraine), calcined kaolin (Molochite™), andalusite, clays (France), fused silica, fused alumina, fused zirconia, spherical silica, tabular alumina, bauxite and silicon carbide.

For a detailed presentation of these minerals, please refer to *chapter 1, section 1.3 of the Registration Document*.

Applications

Refractory materials are materials that, as such or calcined, resist extreme temperatures (> 1,500°C) under harsh physical and chemical conditions.

The main applications for refractory and oilfields minerals are:

- refractories for the steel, glass, cement and aluminium industries;
- kiln furniture for the ceramics industry;
- investment casting;
- electronic components;
- oilfield services.

Minerals for Refractories and Oilfields activity can draw full benefit from its specific strengths in providing products with increasingly stringent technical requirements. Imerys can bring its technical and formulation expertise into play for the very high-precision products with flawless quality required in segments, such as minerals for electronic component manufacturing and investment casting (e.g. fused or spherical silica).

Each entity in the Minerals for Refractories and Oilfields activity specializes in the production and marketing of specific minerals, with global coordination:

- **C-E Minerals**, Inc. (United States) is the world leader in the production and supply of industrial refractory minerals, including Mulcoa®, a mullite with high alumina content; white fused alumina; Teco-Sil® fused silica; Teco-Sphere® spherical silica; Alpha Star®, a high density refractory bauxite; brown fused alumina, silicon carbide and tabular alumina for refractory products; electronic components and investment casting.

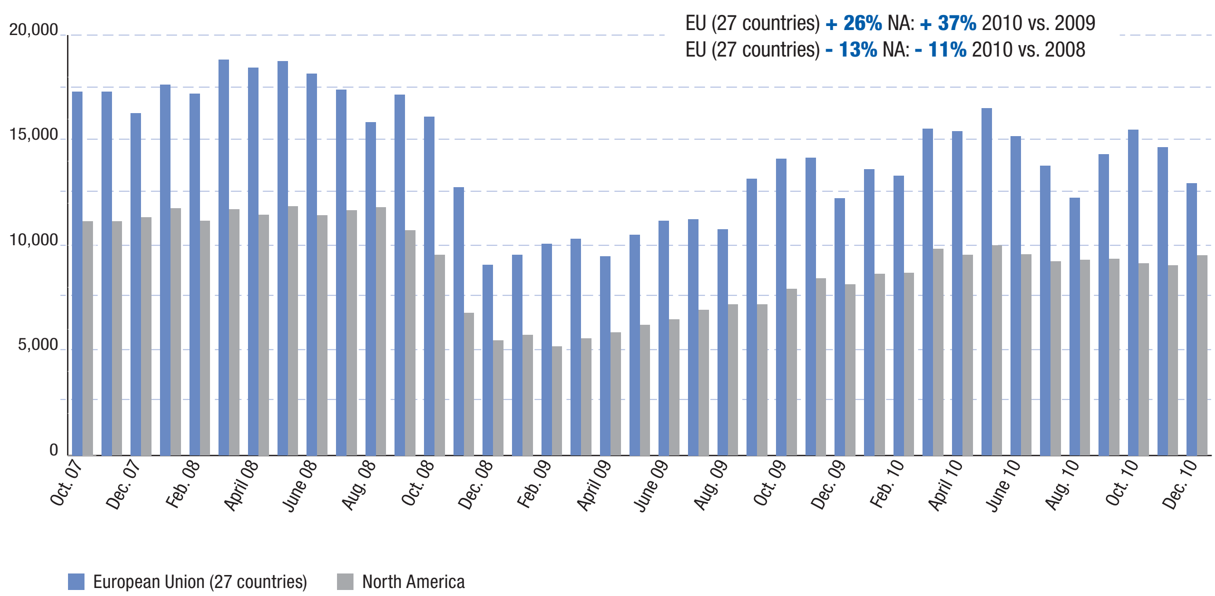
- **Chamottes** Europe is the business unit consolidating the following activities:
  - **AGS** (France), the European leader in calcined clay production. The wealth and variety of Charentes basin clays (France), together with conversion processes, result in a wide product range (clays, pulverized clays, calcined clays, metakaolins and chamottes) sold to many sectors of business, including refractories, sanitaryware, floor tiles, glue, rubber, fertilizer and concrete;
  - **Vatutinsky** (Ukraine) is the specialist in low and medium alumina content chamottes (calcined clays) for refractory sectors, serving mainly Eastern European markets (including Ukraine and Russia);
  - Molochite™, produced by **Imerys Minerals Ltd** (United Kingdom), is a unique abrasion-resistant alumino-silicate refractory aggregate obtained by calcining specially selected kaolins. Molochite™ is used predominantly in kiln furniture, investment casting and special refractory products.
- **Damrec** (France), with mineral deposits in France, South Africa and China, is not only the world's largest producer of andalusite, a silico-aluminous mineral used primarily in steelmaking, but also in the aluminum, glass and cement industries. Damrec offers a complete line of products under the brands Durandal™, Kerphalite™, Kersand™, Krugerite™, Purusite™ and Randalusite™.
- **Ecca Holdings (Pty) Ltd** and **Cape Bentonite (Pty) Ltd** are South African producers of chamottes, ceramic clays and bentonite. Bentonite is used primarily in the casting, pelletizing, drilling mud and environmental fields. Ceramic clays are sold to the local South African market, chiefly for floor tiles.
- the **Oilfield Minerals** business unit: taking advantage of the wide range of properties provided by the portfolio of Imerys' minerals (including bentonite, calcium carbonates, mica, metakaolins, graphite, diatomite, perlite), the Oilfield Minerals business unit coordinates sales into this market and explores the potential for leveraging the Group's existing assets and technical know-how to grow new business.

MARKETS

Market trends

Until September 2008, the high level of steel demand sustained the activity of the Minerals for Refractories and Oilfields, but suddenly dropped significantly in the 4th quarter and continued along 2009 with the economic downturn. Steel production (the underlying business indicator for the activity) in Western Europe and North America decreased respectively by - 30% and - 34% [(1)]. In 2010, refractory markets benefited from the improvement of steel production in mature economies all over the year (+ 26% in Western Europe and + 37% in North America) and from some inventories build-up downstream across the customers' chain. Projects related to other segments such as aluminium, glass and cement industries remained limited in 2010.

Steel production in Europe and in North America [(1)]
(in thousands of metric tons)



(1) Source: IISI: International Iron & Steel Institute.

Main competitors

Various local producers in China, Central Europe, South America and South Africa.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Minerals for Refractories and Oilfields activity has 20 industrial facilities as follows:

	Europe	Americas	Asia-Pacific & Africa
Fused silica		1	
Bauxite sizing		1	1
Andalusite	1		7
Bentonite			2
Refractory clays & Chamottes	3		1
Mullite		1	
Fused white alumina		1	
Molochite™	1		

Quality

14 plants are certified ISO 9001.

Sales organization

The Minerals for Refractories and Oilfields various entities are supported by common sales and distribution networks in order to serve its markets worldwide.

Europe Commerce Refractory (Luxembourg) is the agent for the Group's minerals on European refractories markets. European foundry markets are served through a specific internal sales structure, Imerys Foundry Minerals Europe (IFME). In the United States, products are sold directly through C-E Minerals.

In Japan, Imerys Refractory Minerals Japan KK is now acting as the sole sales channel to Japanese refractory producers for C-E Minerals, Damrec and Molochite™.

The commercial organizations of acquired companies in China and Ukraine are being used as a base for common sales networks serving refractory producers in those countries, including Imerys Astron China local distribution network for China, since 2010. In India, an internal dedicated sales structure, Imerys Refractory Minerals India (IRMI), is in place.

These networks generally also market the products of other Imerys activities that are sold in the refractories industry (e.g. fused alumina and fused zirconia).

1.4.4 FUSED MINERALS

The Fused Minerals activity results from the acquisitions of Treibacher Schleifmittel in 2000, UCM in 2007 and Astron China in 2008. The activity now operates from industrial facilities in China and in the United States, in addition to a strong presence in Europe, and has a wide range of products (fused aluminium oxide, fused magnesia, fused zirconia) sold to end-markets such as abrasives, refractories, heating equipment and ceramics.

In 2010, Imerys Astron China became the business group's distribution network in China for Imerys minerals sold into ceramics, refractories and foundry markets, relying on its different offices covering the main industrial areas of the country, with a view to extend the Business Group presence in this fast growing part of the world.

The unique know-how and Research & Development capabilities, within the C.A.R.R.D., allow for the development of new mineral solutions and innovations. For more information, please refer to *chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

Raw materials and derived mineral products

Raw materials transformed by the activity are bauxite, alumina, magnesia and zircon sand, purchased outside the Group. After complex processing operations, they are transformed into various grades of high-performance materials.

Fused aluminum oxide

Through the Treibacher Schleifmittel group of companies, this activity converts calcined bauxite and alumina into high-performance materials (fused aluminum oxide grains) that offer superior hardness, mechanical strength, thermal stability and chemical resistance. These products, also known as corundum, are obtained by fusing alumina or bauxite in an electric arc furnace. During fusion, the physical and chemical characteristics of the aluminum oxide are transformed, resulting in higher density and different crystal structure and size.

Fused zirconia and zircon related products

The activity, structured around UCM and Imerys Astron China, converts zircon sand in an electric arc furnace into various grades of fused zirconia. After cooling, crushing and screening, the product takes the form of accurately sized grains or fine powders ranging from several millimeters down to less than one micron. Imerys Astron China also transforms zircon sand into zirconia chemicals through a complex chemical process. Zircon sand is also milled and processed into flour and opacifiers for the Chinese ceramics industry.

Fused magnesia

With UCM, the Fused Magnesia business converts magnesia into high purity fused magnesium oxide with characteristics that ensure low electrical leakage, good thermal performance and good physical properties for filling heating elements. During fusion, the physical characteristics of magnesia are transformed, resulting in higher density and an optimum crystal structure.

For a detailed presentation of these minerals, please refer to *chapter 1, section 1.3 of the Registration Document*.

Applications

Fused aluminum oxide

Because of its wear resistance and thermal properties, fused aluminum oxide is widely used as an abrasive and in the refractory industry. The materials are differentiated by their chemical composition and particle size distribution. A distinction is made between macro-grains and micro-grains (bigger or smaller than 70 microns, respectively).

Markets for fused aluminum oxide products cover the following applications: bonded abrasives such as grinding and cutting wheels, segments, honing stones, etc.; coated abrasives, such as sand paper, fiber discs and grinding belts; sand-blasting; monolithic and shaped refractory products, and various other applications, such as laminates, ceramics, lapping and surface treatment.

Fused zirconia and zircon related products

Fused zirconia is used as a high-value raw material in the refractories, friction, advanced ceramics and other industries:

- **Refractories:** the principal refractory application for fused zirconia is in the continuous casting process for steelmaking. Zirconia is used for the critical areas of the tubes and valves used to control the flow of liquid steel into the mold at temperatures in excess of 1,600°C.
- **Friction and automotive brake pads:** micron-sized zirconia is used as an additive to brake pads where it helps to modify friction characteristics and reduce brake pad and rotor wear.
- **Advanced ceramics:** sophisticated grades of fused zirconia in very fine sizes, typically with an average particle size of less than one micron, have applications in a range of advanced ceramics e.g. oxygen sensors for engine management systems and for Solid Oxide Fuel Cells.
- **Ceramics:** zircon sand milled below 45 microns is used as flour or as opacifier in the ceramics industry, as coat in the investment casting industry, or as a raw material in refractory applications.
- **Other industries:** zirconia chemicals, particularly zirconium basic carbonate, are used as raw materials in different applications, such as antiperspirants, paint driers, coatings and catalysts.

Fused magnesia

Because of its electrical and thermal properties, electrical grade fused magnesium oxide is widely used in the production of both domestic and industrial heating elements e.g. in domestic appliances such as cookers, dishwashers, washing machines, etc.; heating in industrial applications such as galley products, railway heating, industrial boilers; in automotive applications such as diesel engine glow plugs and friction products and in refractory applications for induction furnace linings.

■ MARKETS

Market trends

Overall, markets for Fused Minerals were dynamic worldwide until the summer of 2008, driven by high steel production, and, especially in China, by the preparation of the Olympic Games. All markets and applications had suffered from a sudden drop in demand since the 4th quarter of 2008, in particular due to the low level of steel and automotive/machinery production, as well as reduced construction activities. After a significant destocking period, markets started to gradually recover towards the end of 2009. China was the first market to start growing after the recession, in particular thanks to the government stimulus package. Imerys Astron China, being focused on the domestic market, benefited the most from this situation.

All three businesses (alumina, zirconia, magnesia) experienced similarly in 2010 a strong volumes recovery driven by the worldwide economic growth. After 2009 which was heavily impacted by a large de-stocking along the distribution channels, the Fused Minerals activity benefited in 2010 from the rebuilding of inventories of customers along with some market share gains.

Main competitors

- Fused aluminum oxide: Rio Tinto Alcan (France); Motim (Hungary); Zaporozhye Abrasives (Ukraine); Washington Mills (United States); Almatis (Europe, United States) and various Chinese producers.
- Fused zirconia and zirconia related products: AFM (Australia); Asia Zirconium (China); Tosoh (Japan); Foskor (South Africa); Saint Gobain (United States, France, China); MEL (United Kingdom and United States) and various Chinese producers.
- Fused magnesia: Tateho (Japan); Penoles (Mexico) and various Chinese producers.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Fused Minerals has 16 industrial facilities located as follows:

	Europe	Americas	Asia-Pacific
Fused Aluminum Oxide	5	2	2
Fused Zirconia	1	1	3
Fused Magnesia	1	1	

One of the fused zirconia industrial location previously mothballed has been restarted in China in 2010, whereas a Chinese plant of fused aluminium was shut-down in 2010.

Quality

7 industrial sites are certified ISO 9001, as well as the Center for Abrasives and Refractories Research and Development (C.A.R.R.D.). The C.A.R.R.D is a high-technology certified center in Austria.

Sales organization

Minerals of the activity are marketed through the activity's own network of distribution units (including direct sales, as well as agents and distributors) located and focused on each of its main markets.

1.4.5 GRAPHITE & CARBON

Through the large geographic presence of Timcal (North America, Europe, Asia), Imerys' Graphite & Carbon activity is a world leader in technical applications for high-performance graphite and carbon black, providing its global markets with a full range of carbon-based solutions and related services.

In fast moving and high-tech markets, Timcal's Research & Development effort is key to provide customers with new innovative solutions. More details are given in *chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

Timcal's main product families are:

- synthetic graphite, produced in Switzerland through a complex process of baking petroleum coke at very high temperatures;
- conductive carbon black, sold as powder or granules;
- natural graphite flakes, produced in Lac-des-Îles (Canada), the largest graphite mine in North America; processed natural graphite; graphite dispersions, sold in various forms such as additives, powders, blends or aqueous dispersions;
- silicon carbide.

For a detailed presentation of these minerals and derived mineral products, please refer to *chapter 1, section 1.3 of the Registration Document*.

Applications

The Graphite & Carbon activities are strictly market-driven, ensuring high-quality products and services for their customers in every application field.

- **Mobile energy:** this sector covers alkaline batteries, Zn-C batteries, Lithium-ion rechargeable batteries (for mobile electronic devices), fuel cells (systems for converting chemical energy into electricity through a continuous fuel supply), super-capacitors and can coatings. In the fiercely contested portable energy market, Timcal is the world leader due to the variety of its products, which range from graphite and carbon black powders to conductor coatings for battery cans. The use of an electrode containing graphite or carbon black makes lithium-ion batteries safer and more efficient. Fuel cells are still requiring new graphites, carbon blacks and technically advanced graphite dispersions.
- **Engineering materials:** thanks to unique combinations of synthetic and natural graphite, tailor-made solutions are provided by cutting-edge graphite processing facilities that deliver the required physical and chemical characteristics and a high standard of service. In the automotive industry, outlets are friction pads, clutch facings, seals, iron powder metallurgy, carbon brushes and foils. Other applications include sintered ceramics, hard metals, pencil leads, powders for lubricants, catalysts and synthetic diamonds.

- **Additives for polymers:** with the highly conductive carbon black and synthetic graphite product families, Timcal addresses the niche market of conductive polymers with applications in conductive coatings, plastics & resins, PTFE (Polytetrafluorethylene) elastomers, rubber, cables and flame retardants.
- **Hot metal forming:** in a sector that is heavily dependent on the oil drilling business, Timcal's leadership is based on its extensive knowledge of graphite dispersions for hot metal forming, descaling agents, casting and related application systems.
- **Refractories and metallurgy:** a significant outlet for natural graphite, with bricks, monolithics, carbon raisers and hot metal topping.

MARKETS

Market trends

Markets were negatively affected by the global economic slowdown that has prevailed since the end of 2008. In the first half of 2009, substantial demand decline was intensified by continued inventory reduction. General demand levels recovered moderately in the second half of 2009, especially in Asia-Pacific and in Mobile Energy segment.

During 2010, all the markets addressed by the Graphite & Carbon activity gradually recovered to the demand level experienced in 2007 and 2008, thanks to an improved business environment in automotive, consumer electronics and steel manufacturing end markets and to some restocking. From a regional perspective, the growth in the emerging regions of Asia-Pacific remained considerably higher than other developed areas of the world.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Graphite & Carbon activity has 7 industrial facilities located as follows:

Europe	North America	Asia-Pacific
2	2	3

Quality

6 industrial sites are certified ISO 9001.

Sales organization

Timcal is well represented around the globe by its own experienced sales and technical teams, which are organized by geographic region. In areas where Timcal does not have its own representation, selected agents are in regular customer contact. This global representation provides customers with constant support, ensuring that adequate product solutions can be found quickly to meet their requirements.

1.5 PERFORMANCE & FILTRATION MINERALS

The Performance & Filtration Minerals business group comprises of two main families of minerals, which are presented in the sections hereafter:

- Performance Minerals;
- Minerals for Filtration.

The global Performance & Filtration Minerals business group provides customers with tailor-made solutions in highly technical fields where chemical composition, morphology, mechanical properties, thermal and chemical resistance, as well as food and pharmaceutical grade processing are key requirements. Based on the transformation of a large range of extensive, high quality mineral reserves (kaolins, carbonates, feldspar, mica, ball clays, diatomite, perlite and vermiculite), as well as expertise in all the techniques needed for processing, it offers a wide variety of products. The development of strong relationships with customers is essential for value-added niches.

Thanks to the often complementary properties of minerals from both activities, the business group is well poised to serve its common customers. Collaboration and resource-sharing take place across these activities on a case-by-case basis, leveraging synergies to deliver unique product offerings to the following final markets:

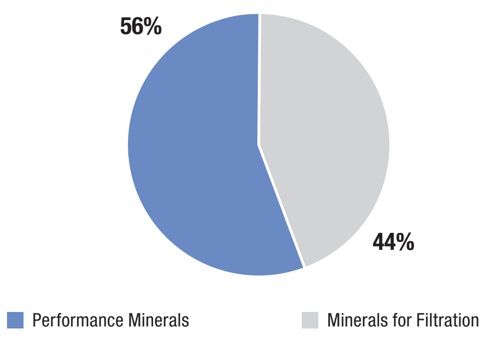
- **Construction:** home or commercial buildings use materials such as decorative or insulating paints, fencing, electrical cables made of plastics, rubber carpet backings, adhesives, sealants whereas infrastructure construction need road paintings, etc;
- **Consumer goods:** food & beverage, cosmetics, pharmaceutical & nutraceuticals, personal care products such as toothpaste, soap etc;
- **Industrial products:** high technical plastics, painting for large equipment or pieces etc.

The business group has been strongly affected by the downturn of its underlying markets, accelerated, in 2009, by the decrease of inventories in value chains downstream. In 2010, markets recovered at various speeds, with a subsequent rebuilding of inventories.

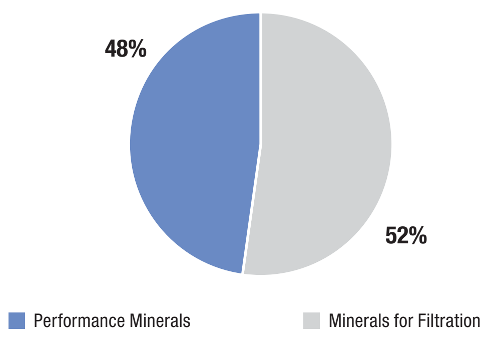
Performance & Filtration Minerals' sales for the year ending December 31, 2010 totaled €594.7 million, which represents 17% of Imerys' consolidated sales.

The business group has 54 industrial sites in 17 countries.

2010 sales: €595 million



2,769 employees as of December 31, 2010



(€ millions)	2010	2009	2008 (1)	2007 (1)
Sales	594.7	500.7	571.5	569.9
Current operating income	64.8	26.9	46.1	48.5
Margin	10.9%	5.4%	8.1%	8.5%
Booked capital expenditure	26.8	10.7	48.9	60.5

(1) In 2009, certain activities in Asia and South America were transferred from Pigments for Paper to Performance & Filtration Minerals. Additionally, the financial components of net expenses for defined benefit plans for employees are now recorded under financial income/expense from January 1st, 2009. 2007 and 2008 financial data have been restated to take into account those organizational and presentation changes.

1.5.1 BUSINESS GROUP OVERVIEW

Activity	Products	Main applications	Markets	Market Positions [1]
PERFORMANCE MINERALS	Ball clays Dolomite Feldspar GCC Kaolin Mica PCC	**Functional additives for:** Sealants Adhesives Paints Coatings & Construction materials Plastics & Films Catalyst substrates Rubber	Agriculture Food Construction Automotive Pharmacy & Personal care	**World #1** in minerals for breathable polymer films **World #1** in mica **World #1** in mica for engineered plastics and high performance coatings
MINERALS FOR FILTRATION	Diatomite Expanded perlite & Perlite ore Structured alumino-silicate Vermiculite	**Filter aids for:** Beer, Fruit juice Edible oils Food Chemistry Pharmaceuticals Sweeteners Water, Wine	Food & Beverages Pharmaceuticals & Chemicals	**World #1** in diatomite-based products
		Functional additives for: Agriculture Polymers Rubber, Polishes Paint, Composites Cosmetics, Catalysts Insulation, Cryogenic insulation and Soundproofing Roofing Refractories Brake linings Paper Polymer films	Agriculture Food & Beverages Pharmaceutical & Chemicals Construction Automotive	**World #1** in diatomite-based products and perlite-based products for filtration

(1) Imerys estimates.

1.5.2 PERFORMANCE MINERALS

Thanks to a broad portfolio of raw materials providing a comprehensive range of properties, Performance Minerals addresses niche markets in which additional performance is key. In-depth formulating know-how and Research & Development capabilities allow for the development of new mineral solutions bringing value to customers and reduce environmental footprint of their own products. For more information on R&D and innovation, please refer to *chapter 1, section 1.8 of the Registration Document*.

Over the past years, the Performance Minerals activity developed its range of high-quality raw materials and expanded its geographic presence all around the world.

■ PRODUCTS

Raw materials

Raw materials have differentiated chemical composition, particle size distribution, shape and exceptional properties such as outstanding whiteness, high mechanical strength and excellent rheology. Based on in-depth knowledge of these industrial minerals' properties, production processes are adapted to the requirements of specific applications in order to satisfy the ever-changing needs of their customers.

Performance Minerals activity makes its products from kaolin, ground calcium carbonate (GCC), precipitated calcium carbonate (PCC), mica, feldspar and ball clays.

For a detailed presentation of these minerals and products, please refer to *chapter 1, section 1.3 of the Registration Document*.

Applications

Performance Minerals are processed and marketed worldwide. They are added to intermediary or finished products to deliver higher functionality and processability, and to reduce total raw material costs.

Applications include:

- **Paints & coatings:** an extensive range of kaolins, calcium carbonates, mica and feldspar, are used as extenders to improve paint quality and opacity;
- **Plastics, films and polymer packaging:** the development of more and more sophisticated applications means that increasingly demanding requirements are placed on functional fillers and the specific properties they impart. Imerys has an excellent range of high-quality mineral extenders at its disposal including calcium carbonates, kaolins and micas;
- **Rubber:** kaolins, ball clays, calcium carbonates and feldspars are used in many rubber applications. Imerys' range of white pigments delivers good processability, chemical resistance and barrier properties, together with good whiteness and strength dependent on their particle size. Ball clays offer the same properties but with a darker color;
- **Sealants & adhesives:** kaolins impart good barrier effects and rheology control to adhesives and sealants. The low surface hydroxyl content of kaolins leads to low moisture pick-up, resulting in excellent performance in moisture-sensitive sealant applications. Kaolins are effective as structure-building elements. Finely ground calcium carbonates are also used in a wide range of sealants and adhesive applications to improve rheological properties and reduce the water or volatile content of the compound. Some products are made hydrophobic with stearate coating to reduce moisture pick-up, make handling easier and improve dispersion;
- **Other niche products:** a wide range of minerals that enhance the properties of products are used everyday in construction, landscaping, drilling mud and personal care products. These include: white marble aggregates used in coatings for swimming pools and limestone products for lawn care; calcium carbonates used in water treatment systems, air purification, the energy sector and personal care products such as toothpaste and soap.

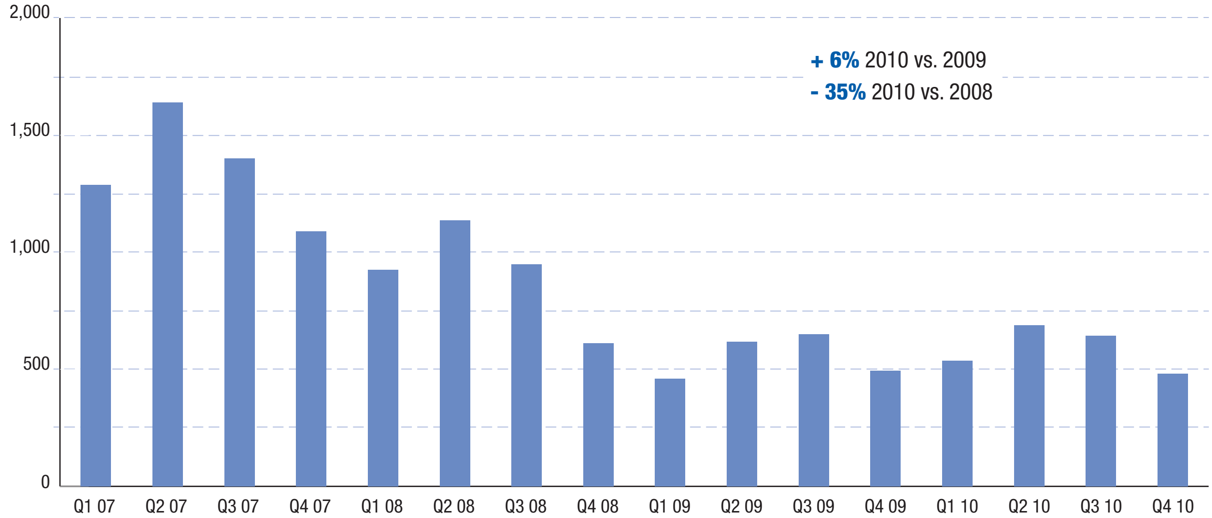
MARKETS

Market trends

Performance Mineral market led by construction, industry and to a lesser extent, by general consumption experienced the following trends by geographic zone:

- **Europe:** The Performance Minerals business in Europe is substantially linked to activity in the construction markets. The whole sector entered into a slump in the 2nd half of 2008, which continued throughout 2009. Construction is improving slightly in Europe, but remained at a low level in 2010. However, other non-construction related segments in polymers, automotive, other industrial applications and agriculture saw a rebound.
- **North America:** Since the end of 2006 (see graph below), a significant downturn affected new residential construction with a negative impact on a number of key markets (joint compound, roofing and PVC [(1)] siding, paints and coatings). Activity remained poor throughout 2010 at historically low level, while export-oriented industrial uses rebounded.

Quarterly single-family housing starts in the United States, annual trend
(in thousands of units)



Source: Census

(1) PVC: Polyvinyl Chloride.

- **South America:** Activity in Brazil (mostly paints and construction related) continued to be strong in 2010.
- **Asia Pacific:** Strong positions in polymers and specialty rubber applications have provided growth in Asia.

Main competitors

Sibelco group (Belgium); AKW and Dorfner (Germany); Reverte (Spain); Omya (Switzerland); Goonvean (United Kingdom); Burgess, BASF, Franklin Industrial Minerals, KaMin, Specialty Minerals (United States).

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Performance Minerals activity has 28 industrial facilities:

	Europe	Americas	Asia-Pacific & Africa
Kaolin	2	1	1
GCC	6	8	4
PCC		4	
Mica		2	

Quality

The Performance Minerals activity is firmly committed to quality improvement with 22 plants certified ISO 9001.

Sales organization

Sales organization was adapted to the new geographic organization in order to provide customers with the highest level of services. Performance Minerals products are marketed either by the activity's own sales teams or by networks of independent agents or distributors.

1.5.3 MINERALS FOR FILTRATION

The Minerals for Filtration activity, created with the acquisition of the World Minerals group (United States) in July 2005, is the world's leading supplier of diatomite and expanded perlite-based products for filtration. The activity reinforced its strength with a presence in South America, through the acquisition of Perfiltra (Argentina), in 2007, the number one expanded perlite supplier in this high growth region.

The Imerys Vermiculite activity is a significant supplier of vermiculite ore. Its main deposits are located in Zimbabwe and Australia.

The Minerals for Filtration activity is very involved in R&D and innovation which is detailed in *chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

Raw materials

The main raw materials produced by the Minerals for Filtration activity are diatomite, perlite and vermiculite. It also supplies other products such as calcium silicate-based and magnesium silicate-based products for specialty applications.

Diatomite and perlite, two natural raw materials, have exceptional properties: low density, chemical inertness, high contact surface and high porosity. Minerals for Filtration's products are sought after in many applications, particularly as filtration aids and functional fillers. Vermiculite's properties are a good fit with Minerals for Filtration products in some construction, agricultural and insulation and fire retardant applications.

For a detailed presentation of these minerals, please refer to *chapter 1, section 1.3 of the Registration Document*.

Applications

- **Food & Beverage filtration:** diatomite and expanded perlite have ideal shape, structure and density to be used as filtration aids in beer, sweeteners, water, wine, green tea and edible oils. Calcium silicate-based and magnesium silicate-based products have valuable properties for converting liquid, semi-solid or sticky ingredients into dry, flee-flowing powders used to make sweeteners and flavorings due to their high surface area and absorption capabilities.
- **Pharmaceutical & Chemical fillers:** diatomite is used for its filtration capabilities and as a functional filler in cosmetics, pharmaceuticals and chemicals. Diatomite is a key component of the blood fractionation process worldwide. Perlite is used as filler in dentistry. Diatomite and expanded perlite are both used as filtration aids in bio diesel.

- **Building materials:** perlite and expanded perlite products contain unique properties that make them suitable for heat and cryogenic insulation, soundproofing, building materials, coatings (e.g. for swimming pools) and roofing. Vermiculite is sold to the insulation, soundproofing, fire protection and construction industries for its light weight, heat resistance, high absorption and low density.
- **Other niche products:** diatomite is used in the paint, plastic film, agriculture, polish and rubber sectors. Perlite and expanded perlite are suitable for horticulture and lightweight refractories. Calcium silicate-based and magnesium silicate-based products are used to make rubber and pesticides.

MARKETS

Market

Minerals for Filtration are sold worldwide to a wide range of global and local customers. Activity varied depending upon the segments:

- Filter aid as well as personal care products followed the general consumption trends. They were affected from the end of 2008 to the beginning of 2009 reflecting inventory throughout the distribution chain. Levels rebounded in the 2nd half of 2009, as the demand for filtration of food and beverage products remained stable overall. In 2010, demand remained strong in emerging countries and globally stable in Europe and North America.
- On the construction side, activity stabilized at a low level in Europe and North America.

Main competitors

CECA (France); S&B Minerals (Greece); Showa (Japan); Palabora (South Africa); Eagle Picher Minerals, Grefco (United States).

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Minerals for Filtration activity has 26 industrial facilities as follows:

	Europe	Americas	Asia-Pacific & Africa
Diatomite	2	5	2
Perlite	4	10	
Vermiculite			3

Quality

The global quality organization focuses on improving product quality and consistency at each plant around the world. 19 facilities are certified ISO 9001.

Sales organization

Sales organization was adapted to the new geographic organization in order to provide customers with the highest level of services. Minerals for Filtration products are sold through technical service offices in its main markets and supported by an international network of agents or distributors. Global and regional marketing professionals provide further technical and strategic support for the sales organization.

1

1.6 PIGMENTS FOR PAPER

The Pigments for Paper business group supplies the paper industry with kaolin and calcium carbonate - the two main processed minerals for the paper industry. The business group has extensive, high-quality mineral reserves of these two essential minerals for papermaking, and has significant expertise in mineral processing techniques. Its structure is designed to serve the needs of the changing global paper and packaging markets. Pigments for Paper serves more than 380 paper mills worldwide: 20% of these are in North America, 41% in Europe and 39% in the rest of the world, mainly Asia-Pacific, the region driving growth in the paper industry. To provide the most suitable product offering for local needs in paper & board manufacturing, the business group is organized into 4 geographic regions.

After the optimization of the Pigments for Paper activities in 2007 and 2008 (centered around specialization of Cornwall (Great Britain) facilities for filler kaolin and of Brazilian operations to coating kaolins [(1)]), the business group has adapted its industrial layout in order to face the economic downturn. In 2009, production units were idled in Europe, North America and Brazil to meet the lower demand. In Asia, where the Group still benefited from continued growth, two new calcium carbonates plants in India (Amritsar and Bhadrachalam) have been commissioned.

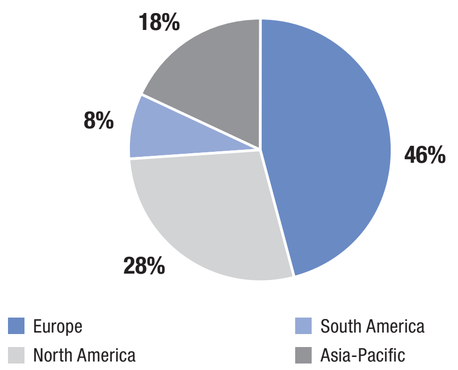
In 2010, the Pigments for Paper industrial platform adapted to the economic conditions in mature countries. In Asia, one new joint venture operation was commissioned in Yueyang (Hunan province, China) to supply PCC. In Brazil, the business group acquired Pará Pigmentos S.A. (PPSA), as well as kaolin mining rights in Pará State. This acquisition is a significant move in the business group strategy to remain one of the leading suppliers of kaolin to the worldwide paper industry.

Following a growing trend within the customer base towards the production of specialty products, the business focuses increasingly on renewable fiber-based packaging. To reflect this trend, the Pigments for Paper business group changes its name, in 2011, to Paper & Packaging. Technical & development resources are being directed to support this effort.

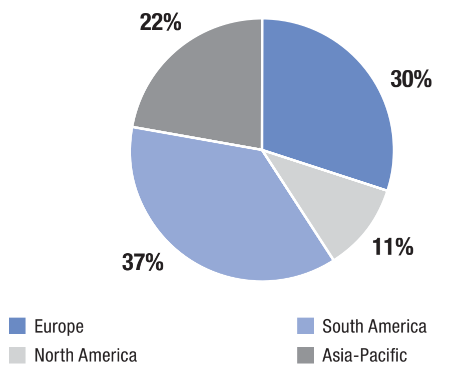
For the year ending December 31, 2010 Pigments for Paper sales totaled €767.1 million, which represents 23% of Imerys' consolidated sales.

The Business Group has 47 industrial sites in 19 countries.

2010 sales: €767 million



2,364 employees as of December 31, 2010



(€ millions)	**2010**	**2009**	**2008** [(2)]	**2007** [(2)]
Sales	767.1	631.9	719.2	793.5
Current operating income	76.0	41.6	60.2	84.4
Margin	9.9 %	6.6 %	8.4 %	10.6 %
Booked capital expenditure	60.6	32.5	62.3	174.1 [(1)]

(1) €100 million of capital expenditure required for optimization of the industrial layout in 2007 and 2008 (transfer of coating kaolin production from Cornwall to Brazil, upgrade of Cornwall facilities dedicated to filler kaolin to improve energy efficiency, building of a new logistics platform in Antwerp to distribute Brazilian kaolin to Europe).

(2) In 2009, certain activities in Asia and South America were transferred from Pigments for Paper to Performance & Filtration Minerals. Additionally, the financial components of net expenses for defined benefit plans for employees are now recorded under financial income/expense from January 1st, 2009. 2007 and 2008 financial data have been restated to take into account those organizational and presentation changes.

BUSINESS GROUP OVERVIEW

Activity	Products	Applications	Markets	Market positions (1)
PIGMENTS FOR PAPER	Kaolin	Fillers & Coatings	**Graphic papers** – Printing & Writing Coated woodfree Coated mechanical Uncoated woodfree Uncoated mechanical – Newsprint	**World #1** in kaolin for paper
	GCC PCC	Fillers & Coatings	**Board & Packaging** – Coated packaging Coated bleached board Coated unbleached kraft Coated recycled board – Uncoated packaging Container board Liner board Corrugated medium	**World #2** in GCC for paper **World #3** in PCC for paper

(1) Imerys estimates.

PRODUCTS

The Pigments for Paper business group offers the world's broadest range of pigments for the paper and packaging industries with hydrous and calcined kaolin, ground calcium carbonate (GCC) and precipitated calcium carbonate (PCC), used for both filling and coating applications. These products are differentiated by their chemical composition, particle size distribution, shape, whiteness and viscosity. Imerys' minerals offer all the properties required by the customer: not only whiteness, gloss, opacity and printability, but also high mechanical strength and excellent rheology, which help to optimize its customers manufacturing processes.

This unique know-how, combined with the great diversity of its products, allows the business group to deliver a multi-pigment response to the customer's formulation needs, by means of the most effective use of pigments.

Raw materials

- **Kaolin:** the world's largest producer of kaolin for paper, Imerys is the only group to be active in all three regions containing high quality kaolin resources for paper applications. Each location offers specific, unique geological characteristics to meet the needs of global papermakers. Imerys' kaolin mines and plants are ideally located near specialized ports with optimized logistical facilities in Brazil (Pará State), enhanced by the integration of PPSA activities, in August 2010, the United States (Savannah, Georgia) and the United Kingdom (Fowey, Cornwall).
- **GCC** (Ground Calcium Carbonate): Imerys is the second-largest producer of GCC for paper, with processing plants located in the world's major paper manufacturing regions close to customers' mills to ensure high quality service and logistical flexibility.
- **PCC** (Precipitated Calcium Carbonate): the world's third-largest producer of PCC, Imerys makes PCC from natural limestone and provides PCC-based filler and coating pigments.

For a detailed presentation of these minerals, please refer to *chapter 1, section 1.3 of the Registration Document*.

Processes

Imerys processes all of its raw minerals to obtain the properties required by customers:

- In kaolin processing, chemical and physical purification, refining, separation and bleaching are used to yield the desired product properties. Calcination transforms kaolin at high temperature, resulting in a more inert mineral that imparts different qualities to end applications such as whiteness and opacity as well as gloss, smoothness and printability.
- GCC is especially renowned for its high whiteness and good rheology, and after processing, improves the physical characteristics of finished paper and packaging products.
- PCC, produced artificially from natural limestone, delivers a pigment with well-defined shape and size and excellent optical properties.

Applications

After processing, kaolin, GCC and PCC are used in the paper & packaging industries as filling and coating pigments:

- **Fillers** are added to the paper fiber at the beginning of the papermaking process, just prior to the formation of the paper web. Mineral fillers are designed to impart texture, opacity, whiteness and printability. Filler pigments have an increasingly important role in the success of uncoated woodfree, newsprint and supercalendered papers, as expectations in terms of print performance are constantly rising. The high cost of cellulose fiber further highlights the need for filler kaolin, for both its technical benefits and as a cost-saving measure. Facilities in the United Kingdom (Cornwall) provide filler kaolins that are especially suited to European supercalendered paper production, whereas GCC and PCC fillers are needed for the production of printing paper grades for applications requiring high whiteness;

- **Coating products** are used in sophisticated formulations containing different pigments and chemical components to achieve high levels of brightness, gloss and print performance. They are applied to the paper surface in a thin, even film to produce opaque, white, smooth and glossy paper. Brazilian Capim™ (Amazon Delta) kaolins deliver outstanding whiteness and opacity, due to their particle size distribution; they also give excellent printability and runnability for lightweight coated (LWC) papers. United States (Georgia) kaolins are predominantly used for coating applications requiring high gloss and printability in the global paper market. Additionally, Imerys provides customised blends of kaolin and carbonate to provide tailor-made solutions for board and packaging producers.

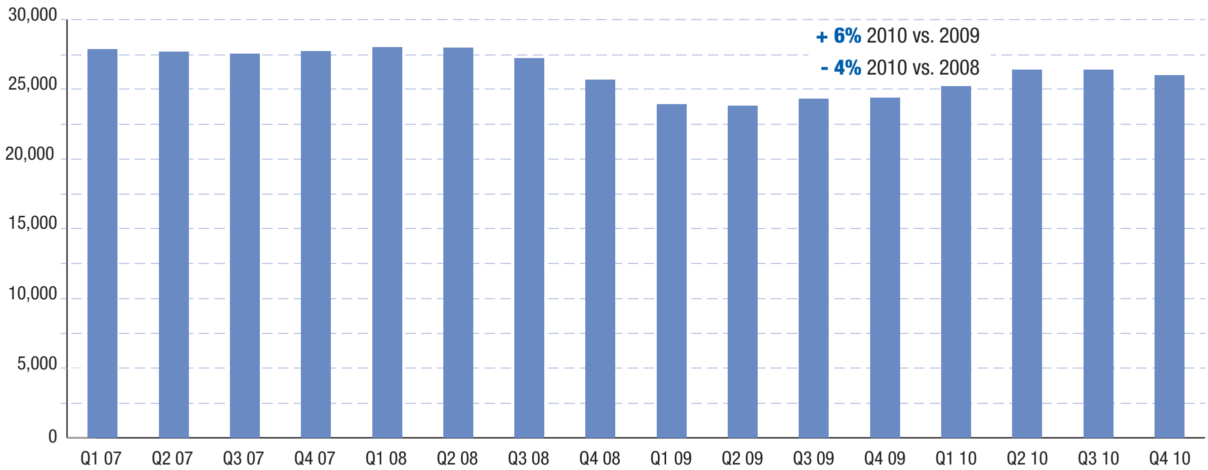
The business group's formulating know-how and Research & Development capabilities allow for the development of new mineral solutions bringing value to customers. For more information on Research & Development and innovation in Pigments for Paper activities, please refer to *chapter 1, section 1.8 of the Registration Document*.

MARKETS (1)

The business group serves the global paper & packaging markets comprised of worldwide producers (mainly European and North American), major Asian paper makers and local independent producers. Asia-Pacific continues to grow its overall share of global printing and writing paper output.

Following the global economic downturn in 2009, where markets suffered a - 9% decrease in production, demand recovered and global production of printing and writing paper grew by an estimated + 6% in 2010. The improvement in demand and production in the European and North American markets, favored by the depreciation of the euro against the US dollar and the geographical mix of activities, failed to recapture the levels of 2007/08. However, both regions continued to restructure with selected mill closures. Printing and writing paper markets in Asian emerging countries and South America remained buoyant during the downturn and continued to grow in 2010.

Global printing & writing paper production (1)
(in thousands of tons)



Main competitors

- Kaolin: Cadam (Brazil), AKW (Germany); BASF, KaMin and Thiele (United States);
- GCC: Omya (Switzerland) and various local competitors;
- PCC: Minerals Technologies (United States); Omya (Switzerland).

(1) Source: RISI (Resources Information System, Inc) and Imerys estimates.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The business group totals 47 industrial facilities as follows:

	Europe	Americas	Asia-Pacific
Kaolin	1	5	1
GCC	8	2	14
PCC	1	8	3
Slurry make-down	4		

Quality

The business group is involved in quality certification with 29 plants ISO 9001 certified.

Sales organization

Pigments for Paper products are marketed through the business group's own sales force specializing in paper and packaging applications.

1.7 MATERIALS & MONOLITHICS

The Materials & Monolithics business group is organized around the following two activities:

- Building Materials;
- Refractory Solutions, comprised of Calderys and the Kiln Furniture activity.

Both these activities have strong market positions that they continue to develop through an active innovation policy and selective capital expenditure.

With high-quality deposits and an efficient production process, the Building Materials activity is France's largest producer of clay roof tiles, bricks and chimney blocks and of high-quality natural slate. Imerys also contributes to the development of renewable energies through photovoltaic roof tiles.

After focusing its efforts on improving the productivity of its industrial assets and refocusing its network on the French market (divestments of operations in Spain and Portugal mid-2007), the Building Materials activity was affected by the slowdown of the Construction market which began in early 2008. In 2009, industrial capacities for roof tiles and bricks were gradually adjusted to demand, which was still low in 2010.

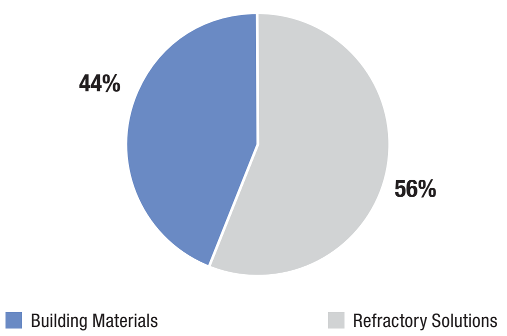
Calderys, the world leader in alumino-silicate monolithic refractories, provides services and products to the "Liquid metal" (steelmaking, foundry, aluminum) and "Thermal" industries (cement, power generation, petrochemicals and incineration). The Kiln Furniture activity's products mainly serve kiln furniture markets for ceramics and clay roof tiles.

Calderys consolidated its world leadership with acquisitions in 2007 and in 2008 (ACE Refractories in India, B&B Refractories in South Africa and Svenska Silika Verken AB in Sweden) and was affected by the difficult economic context in 2009. In 2010, business improved in most countries where the Group operates, thanks to a significant upturn in steel production, which did not, however, regain pre-crisis levels.

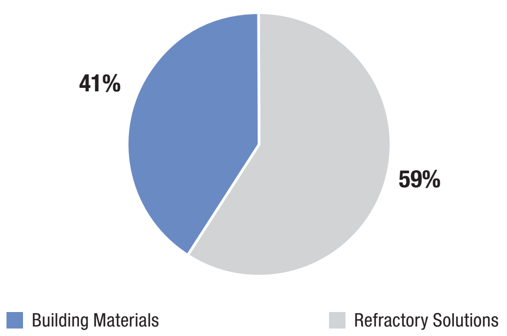
The Materials & Monolithics business group's sales for 2010 totaled €922.6 million, contributing 28% of the Group's consolidated sales.

The business group has 40 industrial sites in 16 countries.

2010 sales: €923 million



4,028 employees as of December 31, 2010



(€ millions)	**2010**	**2009**	**2008 (1)**	**2007 (1)**
Sales	922.6	875.6	1,041.4	1,025.7
Current operating income	187,5	168.0	228.3	237.9
Margin	20.3%	19.2%	21.9%	23.2%
Booked capital expenditure	14.0	27.3	52.0	53.2

(1) The financial components of net expenses for defined benefit plans for employees, are now recorded under financial income/expense from January 1st, 2009. 2007 and 2008 financial data have been restated to take into account those organizational and presentation changes.

For more information, *see chapter 2, section 1.3 of the present Registration Document.*

1.7.1 BUSINESS GROUP OVERVIEW

Activities		Products/Applications	Markets	Market Positions [1]
BUILDING MATERIALS	**CLAY ROOF TILES & BRICKS**	**Roof tiles and accessories**	Roofing renovation & New housing	**French #1** for clay roof tiles, bricks and chimney blocks
		Structure materials Structure bricks (walls and partitions) Chimney blocks	New housing	
	SLATE	**Natural slates**	Historical monuments Public tertiary	**French #1** for natural slates
REFRACTORY SOLUTIONS	**MONOLITHIC REFRACTORIES (CALDERYS)**	**Monolithic refractories** Cast/vibrated castables Gunning materials Ramming mix Dry mix Taphole clays **Prefabricated shapes**	Iron & steel Foundry Aluminum Cement Incineration Power generation Petrochemicals Furnace construction & Repairs	**World #1** in alumino-silicate monolithic refractories
	KILN FURNITURE	Kiln furniture & components	Roof tiles Fine ceramics Floor tiles Thermal applications Kiln construction	**World #1** in kiln furniture for roof tiles

(1) Imerys estimates.

1.7.2 BUILDING MATERIALS

The Building Materials activity provides the French construction sector with clay materials (roof tiles and bricks, through a single legal structure, Imerys TC) and slates (Ardoisières d'Angers). These products are mainly intended for the building and renovation of single-family housing. The activity's customers and partners are mainly French building material traders.

Since 2008, Imerys TC has taken part in the development and manufacture of efficient and innovative integrated photovoltaic roof tiles through the creation of Captelia™. This joint venture [1] with EDF ENR (Energies Renouvelables Réparties, distributed renewable energies), which aims to make electricity generation widespread on conventional roofs, continued to grow rapidly in 2010.

■ PRODUCTS

Raw materials

The Building Materials activity holds clay reserves in France, near its clay product processing plants. To ensure durable operations, the activity strives to develop its reserves, particularly through land purchases and exchanges, and plans future site restoration and remediation. In 2010, a new authorization was obtained near the Wardrecques site (Pas-de-Calais, France) for the renewal of Blaringhem quarry.

Ardoisières d'Angers operates underground slate quarries in Trélazé (Maine et Loire, France). The slate's exceptional purity is guaranteed as it is mined at depths of 450 meters. The slate is impermeable, resists harsh weather, particularly frost, and is stable and flexible, which makes it easy to use. Slates are especially suited to steeply sloping roofs.

For more information about clay and slate reserves, *see section 1.3 of the present chapter 1 of the Registration Document*.

(1) Held 50/50 by the two partners.

Applications

Clay Roof Tiles & Bricks

The Clay Roof Tiles & Bricks activity is specialized in the design, production and sale of clay building materials for roofing (tiles and accessories) and structure (bricks and chimney blocks).

The benefits of clay products were recently confirmed by the findings of the Grenelle de l'Environnement [(1)] on housing: healthy, robust and durable construction with the heat inertia and airtightness qualities for low consumption buildings (B.B.C. – Bâtiments Basses Consommation). For the same size, clay bricks provide three times more heat insulation than concrete blocks.

In 2010, the Building Materials activity continued its innovation effort to improve the value added for customers and offer integrated construction solutions that improve buildings' environmental qualities. For more information on innovations, *see section 1.8 of the present chapter 1 of the Registration Document*.

Roof tiles and accessories

The umbrella brand Imerys Terre Cuite™ covers the entire product range, comprised of flat tiles, Roman tiles and large and small interlocking tiles. 62 models of clay roof tiles in 69 colors that meet local traditions and specificities are now marketed under the brand. Seven regional labels with high customer awareness distinguish between tile models: Gélis™, Huguenot™, Jacob™, Phalempin™, Poudenx™, Sans™ and Ste Foy™. Imerys Terre Cuite™ has also developed roofing accessories that help to free the roofer from finishing work as they can be fitted without mortar or sealant. With thermal and photovoltaic tiles, Imerys Terre Cuite™ has a comprehensive, integrated roof offering that is healthy, visually appealing and energy-efficient.

Structure bricks

Imerys Terre Cuite™ clay bricks (standard bricks and technical products, i.e. Monomur and Optibric™) are used to build exterior walls and interior linings and partitions (terracotta bricks, Carrobric™ system, Intuitys™ system). Their load-bearing or insulating function differentiates them from facing bricks, which serve an essentially decorative purpose.

Additionally, Imerys Terre Cuite™ develops, produces and markets clay chimney blocks (Ceramys™) for individual heating systems.

Slate

Angers Trélazé® natural slate enjoys almost 90% unassisted awareness with roofing professionals, through the company's long history and its presence on the finest buildings in France's architectural heritage. Historical monuments are an outstanding showcase for the Company and their prestige reflects on all marketed ranges. Furthermore, Ardoisières d'Angers continues to develop its product offerings for landscapers (paving, flaked slate, curbing).

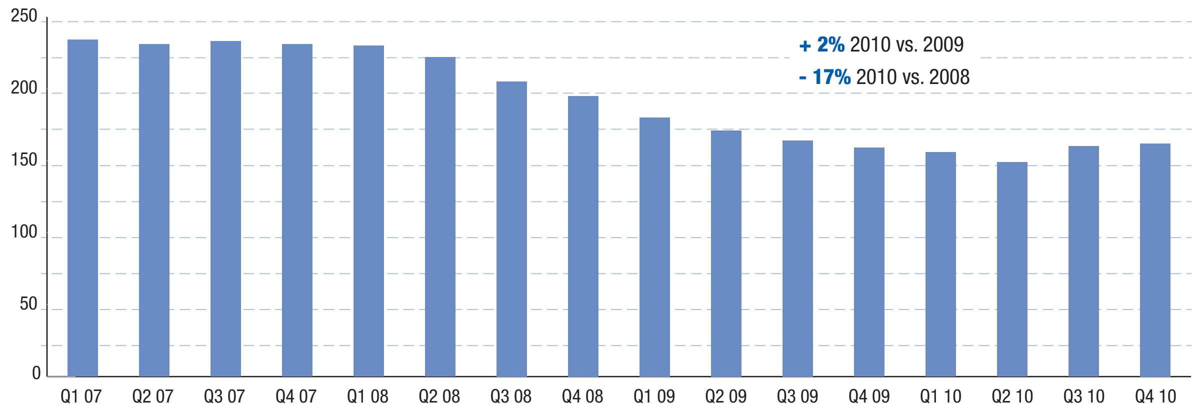
Ardoisières d'Angers has developed its sourcing internationally and broadened its product range to address all market types. Natural slates from Spain, Brazil and China are supplied from its new storage platform in Saint-Nazaire (Loire-Atlantique, France).

■ MARKETS

Market trends

The Building Materials activity is predominantly linked to the development of the single-family housing construction and renovation market in France.

Quarterly single-family housing starts in France, annual trend *(in thousands of units)*



Sources: French Ministery of Ecology, Sustainable Development, Transports & Housing, as at end December 2010, Imerys estimates.

(1) Grenelle de l'Environnement: French national meeting on October 24 and 25, 2007 attended by French government organizations and representatives of civil society to create the conditions needed for a shift towards more environment-friendly, energy-saving practices.

Clay roof tiles & bricks

After years of steady growth, the housing sector slumped heavily from mid-2008. Single-family housing starts fell 15% in 2008 and 20% in 2009. Permits for single-family housing have been recovering slowly since late 2009. This positive trend limits the downturn in housing starts, which were affected by adverse weather conditions and fell 3% in 2010. Renovation, which generates more than half the Roofing activity's sales, showed an equivalent decrease at - 2%. In total, the clay roof tiles and bricks market was - 2% to - 3% down.

The Clay roof tiles & bricks activity outperformed the market, due in part to the significant increase in promotion. Since the recent launch of products meeting the specific needs of collective housing, clay bricks have been gradually entering these new segments.

The gradual growth in construction permit applications makes a positive trend likely in the clay roof tiles and bricks market in the second half of 2011.

Clay bricks now have an over 30% market share. Technical clay bricks are growing steadily because of their ease of fitting and intrinsic qualities, which meet the low consumption buildings (B.B.C. – Bâtiments Basses Consommation) requirements of the Grenelle de l'Environnement, particularly thermal regulation R.T. 2012.

Slates

The market has been in a slump since 2009. Uprange segments (public buildings, historical monuments) continue to opt for high quality French slate, particularly for renovation work.

Main competitors

- Clay roof tiles & bricks: Wienerberger (Austria); Bouyer-Leroux, Monier and Terreal (France);
- Slate: La Canadienne (Canada) and Cupa Pizarras, Samaca (Spain).

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Given the essentially local nature of its markets, the Building Materials activity's industrial and commercial network ensures that it has optimum coverage of the French market. The Building Materials activity has 20 manufacturing locations as follows:

Clay roof tiles & bricks	Roof tiles: 12	Structure bricks: 5	Chimney blocks: 2
Slate	1		

In 2010, industrial assets were adjusted in line with the decrease in the French single-family housing market with some production lines temporarily idled.

Quality

The Quality process has been a core concern of the Building Materials activity for several years.

As of November 2004, all Clay Roof Tiles & Bricks are certified ISO 9001 and all manufactured products comply with the relevant standard (NF) for their category. Certification concerns the product's main characteristics, particularly geometrical, size, physical (compression resistance), thermal and hygrometric (dilation when damp) aspects. Imerys TC was the first manufacturer to certify a range of tiles under the "NF Montagne" (NF Mountain) standard, which is more stringent than NF for frost resistance.

Angers-Trélazé® natural slate was the first slate to be awarded the NF-Ardoises label by AFNOR in March 2005. Angers-Trélazé® brand products, therefore, meet the most stringent French standard.

Sales organization

Clay roof tiles & bricks

The Clay Roof Tiles & Bricks activity is structured into sales regions for every product range – roof tiles, bricks and chimney blocks – for optimum responsiveness.

Every customer has a single sales contact in charge of all processes from order through to delivery. In parallel, Imerys TC offers a set of related services for its customers and end users and implements a relevant communication strategy through Encyclopedias (Roof Tile Encyclopedia, Brick Encyclopedia) and specific websites: www.imerys-structure.com (structure), www.imerys-toiture.com (roofing), as well as a website for solar products, www.imerys-solaire.com, a general public website www.mamaison-terre-cuite.com and a roofing portal www.e-toiture.com.

Trade networks are moderated to promote all product ranges ("Négoce Expert Terre Cuite" label with almost 500 partner traders investing in narrow-join brick laying; "Le Club Poseurs" comprising 400 brick specialists; and Réseau Imerys Solaire, a network launched in 2009 to increase prescription of photovoltaic solutions, which now has around a hundred members).

To develop roofing and bricklaying, professions that specialize in clay products, Imerys TC gives out essential training in nine dedicated centers. Almost 1,600 building professionals are trained every year in tile fitting techniques, the use of narrow-join bricks and the installation of photovoltaic roofing systems thanks to Quali PV Bat qualification programs.

Furthermore, Imerys TC supports many good citizenship initiatives through partnerships with Architectes de l'Urgence (emergency architects) and the Sylvain Augier Foundation, which campaigns to save natural beauty spots.

Slate

The sales organization of Ardoisières d'Angers is made up of six geographic sectors.

In 2010, Ardoisières d'Angers continued its efforts to win the loyalty of roofing firms within "Club de la Bleue," which has more than 250 partners. Simpler product offering and pricing, as well as an overhaul of the website www.ardoise-angers.com (also accessible via the portal www.e-toiture.com), improve access to information.

1.7.3 REFRACTORY SOLUTIONS

Refractory Solutions consists of two activities: Calderys and Kiln Furniture.

Calderys

Calderys manufactures and sells monolithic refractories i.e. products used for building or repairing refractory linings and which withstand high temperatures and severe operating conditions. The division's technical expertise enables it to offer complete refractory solutions (products, engineering and supervision of product installation).

In 2009, production had to adapt to the downturn in the economic environment, with slowed output on all sites and regrouping of German production into Neuwied plant and closing the Hangelar site. India was a noticeable exception, with a good activity. In 2010, Calderys reinitiated industrial maintenance and modernization projects that had been put on hold in 2009.

Kiln furniture

The Kiln Furniture activity develops, designs, produces and globally markets firing supports (shaped parts designed to protect the end product during manufacturing) and components for industrial kilns (refractory protections for kiln car walls and structures) for ceramics industries.

PRODUCTS

Raw materials

Calderys

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

The value added by monolithics, such as their capacity to adapt to any furnace shape and even complex ones, their usefulness for many applications and their relative ease of use and ease of installation, are driving slow but steady market share gain at the expense of shaped refractories (bricks) in all industries.

Calderys innovation efforts are focused on improving the performance, easing the usage and reducing the environmental impacts of its products. With activity picking up in 2010, customers requested refractory solutions that would increase the availability of their equipment. After a successful launch in 2009, Calderys broadened the range of "Quick Drying" [(1)] products in 2010.

For more information on R&D and innovation, *please refer to chapter 1, section 1.8 of the Registration Document*.

Kiln furniture

Kiln furniture is comprised of refractory materials (cordierite, mullite, silicon carbide) with the following characteristics:

- resistance to mechanical and thermal shocks, in order to protect the end product (roof tiles, ceramic parts) from any distortions or contact reactions and extend the furniture's lifespan;
- light weight, to optimize available firing capacity and reduce energy consumption during the firing process.

Applications

Calderys

Calderys' monolithic refractories are found in every industry where high temperatures are necessary, such as iron & steel, ferrous and non-ferrous foundries (including aluminum), power plants, incinerators, cement and petrochemicals.

Products deliver technical solutions to industrial customers and meet their precise requirements. In addition to the monolithic refractories produced by Calderys, solutions may include ready shapes, insulating products, anchor systems and accessories. Calderys also offers services such as design, engineering and supervision of product installation as well as training on request for installers and customers.

Kiln furniture

The very broad product range covers the specificities required by industrial customers in terms of shape and use conditions, i.e. temperature, firing cycles, loading and handling systems. The design unit has a CAD system that simulates the furniture's thermal and mechanical performance, behavior and mechanical shock and

(1) These products can significantly reduce downtime by reducing heating-up time during installation by 50% or more.

vibration resistance. This crucial state in the development process enables the activity to meet the most demanding customers' needs:

- for the roof tile industry: "H" and "U" type firing supports are manufactured. These are placed on kiln cars to support roof tiles during the long period in conventional tunnel or intermittent kilns. The activity also produces and markets extremely flexible and very lightweight superstructures and construction parts for firing tray systems. Aptalite™, a new range of lightweight cordierite furniture, helps to reduce customers' energy consumption. This innovative furniture was first installed in 2009 on a roof tile kiln, and new original-fit contracts were signed in 2010;
- for fine ceramics markets: pressed, cast or extruded, individual or stackable furniture are intended for tableware and sanitaryware firing; floor tile firing requires cast or pressed furniture.

MARKETS

Market trends

Calderys

Calderys monolithic refractories products are sold all around the world, mainly in Europe, the Middle East, Africa, and Asia.

The Monolithic Refractories market benefited from good market conditions until the last few weeks of 2008 when demand fell as a result of customers' production stoppages, particularly in the iron & steel sector. 2009 was hit by the heavy slump in crude steel production, which decreased by 30% on average in the markets served by the activity. The foundry segment recorded similar trends. High temperature industries (cement, incineration, petrochemicals) resisted better, mainly in the first half, because of the recurrent maintenance and commissioning of furnace construction projects launched in 2008.

The positive economic development of the global economy led to a better business environment for Calderys in 2010. In the Iron & Steel industry, crude steel production increased by 26% on average in the European Union while growing between 7% to 11% in India, China, and the CIS. The foundry segment experienced a similar positive trend. The Thermal segment (cement, incineration, petrochemicals, etc.) activity remains affected by the still limited number of projects linked to the construction of new plants.

Kiln furniture

The environment for the Kiln Furniture activity, which mainly concerns European, Asian, Middle Eastern and North African roof tiles and fine ceramics production markets, has been highly competitive in recent years.

- In Europe, the slowdown of the construction market, which began in the 2nd half of 2008 and intensified in 2009, led to a significant decrease in the renewal of kiln furniture for roof tiles and a decrease in the sanitaryware industry.
- In emerging countries (Eastern Europe, Asia), manufacturers suffered from the fall in exports to mature economies and the non-recurring decrease in local demand in 2009 (partly due to competition from Chinese imports in Southeast Asia).

In 2010, the construction market improved slightly in Southern and Eastern Europe, leading to a moderate upturn in demand for kiln furniture in those zones. Business remains slack in Western Europe with very low renewal rates and inventories. However, a few new facility or overhaul projects appeared. Southeast Asia recorded a sharp upturn in the tableware business, leading to high sales volumes of kiln furniture, whether to renew existing facilities or fit out new capacities.

Main competitors

- **Calderys:** RHI (Austria), Vesuvius (Belgium), Tata Refractories (India);
- **Kiln furniture:** Burton GmbH & Co. KG (Germany), Beijing Trend (China), Saint-Gobain (France), HK-Ceram LTD (Hungary).

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Refractory Solutions activity has 20 industrial sites in 16 countries as follows:

	Europe	Americas	Asia-Pacific & Africa
Calderys	10	1	6
Kiln furniture	2		1

In a market environment marked by overcapacity for kiln furniture, the Cuntis (Spain) site was closed.

To adapt to lower demand, German production of monolithic refractories was grouped together on a single site.

Quality

Calderys works to deliver the same manufactured quality everywhere in the world. To do so, Calderys uses a benchmarking system and a scientific database that enables it to select local raw materials that are compliant with the required quality level. 13 Calderys facilities and all Kiln Furniture units are certified ISO 9001.

Sales organization

In order to guarantee a market-oriented approach and offer its customers complete refractory solutions, the activity has sales offices or subsidiaries in all its major markets, i.e. more than 30 countries.

The Kiln Furniture activity's products are marketed by an organization structured in four geographic zones and strengthened by an international network of agents and distributors.

1.8 INNOVATION

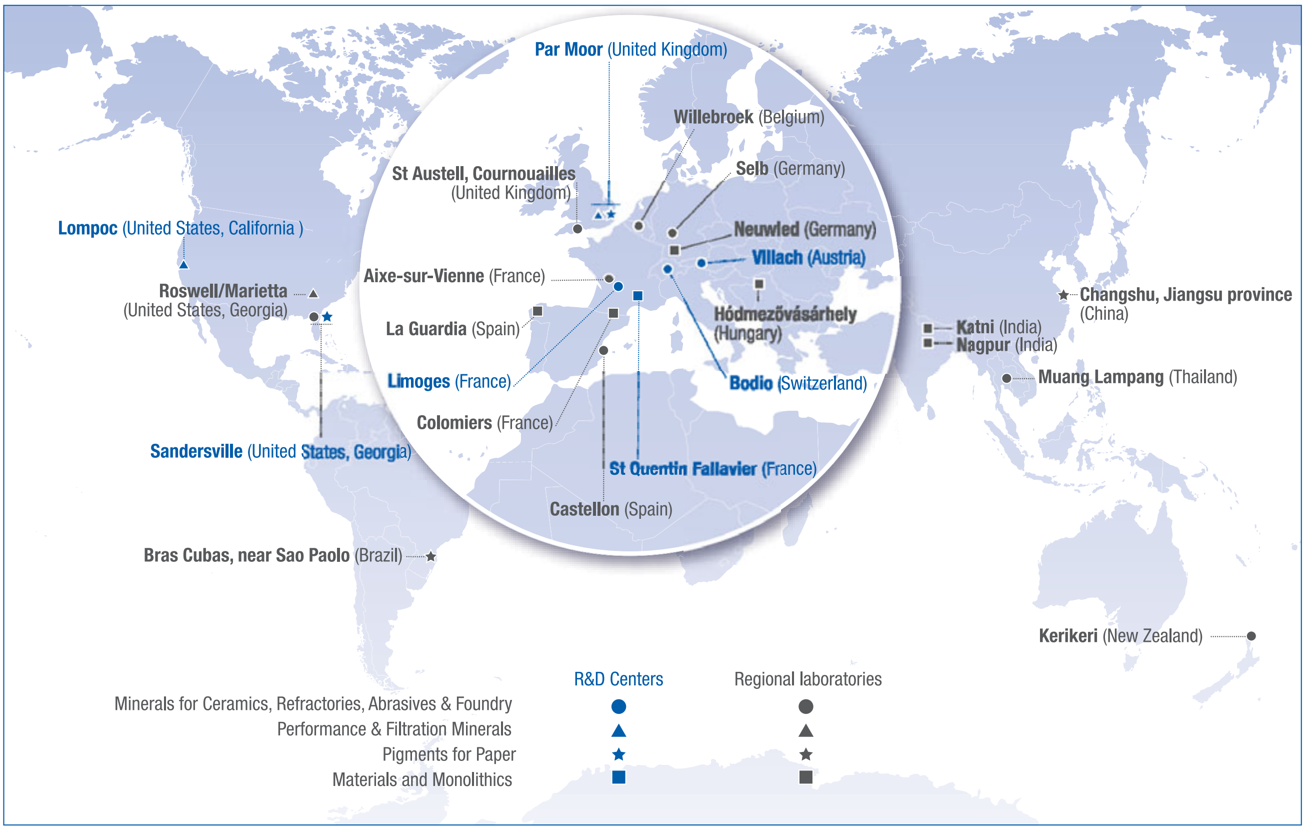
1.8.1 RESEARCH, TECHNOLOGY & INNOVATION

As an essential partner in its customers' performance, Imerys provides them with technical solutions that improve their manufacturing processes, reduce their costs and raise the quality of their products. This transformation calls into play complex know-how and industrial processes that are often exclusive and constantly optimized.

A GLOBAL STRUCTURE

Innovation at Imerys is a decentralized process. Each of the Group's activities is tasked with generating new products and processes in its business. The Innovation Department coordinates these initiatives, disseminates best practices and gives rise to projects that combine skills from different backgrounds.

Every year, the Group's sustained innovation effort accounts for approximately 1% of its sales. Its work is based on a team of 270 scientists and technicians in 24 research centers (7 main centers and 17 regional support labs).



Seven main centers have state-of-the-art analysis and conversion facilities:

- Villach (Austria), a laboratory focusing on refractories and abrasives, also very active in technical ceramics;
- Lompoc (California, USA), the benchmark laboratory for performance and filtration minerals;
- Sandersville (Georgia, USA), more specifically focused on the development of processes and new kaolins for paper;
- St-Quentin-Fallavier (France), where new monolithic refractories are designed;
- Limoges (France), where the Group has taken advantage of the creation of a European ceramics cluster to set up a research center specialized in minerals for ceramics;
- Par Moor (UK), for kaolins and carbonates for paper and for performance minerals;
- Bodio (Switzerland) for graphite and carbon.

In addition, seventeen regional laboratories develop customer-specific solutions.

IMPLEMENTING BEST PRACTICES

Cooperation between laboratories grows every year. Transversal projects are implemented to solve a technical problem encountered by a given operation when other activities' know-how can make a contribution. Top Management, the Innovation Department or a marketing department can also initiate these lateral projects, which can last from a few months to a few years. For example, after 24 months of tests, the Oil Minerals activity was launched in 2009, drawing on the Group's broad range of raw materials to offer products at different stages in the oil production process.

A "knowledge & skills" database gives all of the Group's scientific and technical personnel access to the research reports produced over the last 20 years or so. Additionally, an annual meeting enables all laboratory directors to share information on their profession, the latest developments, technological progress and best practices.

To ensure that Imerys' Research, Development & Innovation resources are effective, the following principles are applied:

- Research & Development projects are regularly reviewed to decide on their technical orientation and required resources. R&D teams are building more and more connections with universities in the form of thesis work support or by contracting out analysis facilities or even whole sections of research projects;
- A key aspect of innovation in the Group is the close involvement of marketing departments in the various project stages in support of scientific and technical teams:
  - At the initial stage, marketing teams help to find attractive markets where Imerys products could be used. They also take part in the appraisal of the benefits of a new idea for the market and their input is used to direct ongoing research;
  - Finally, their support is essential when products are launched. This stage receives increasing attention when a research project is completed and gives rise to sales material and technical documentation, sales force training and relevant market segmentation in order to broaden the array of customers likely to adopt the proposed innovation;
- Innovation in the Group is also supported by the constant dialogue between Marketing/R&D and Industry teams, as the industrialization of new products plays an essential role in the success of the Group's research programs. For that purpose, Imerys' extensive pilot facilities enable it to develop prototype products rapidly for trials with customers which are recognized for their ability to integrate innovations into their processes. The facilities are also used to try out laboratory processes on a larger scale under conditions close to industrial reality. This stage enables the Group to finalize processes before building specialized production lines.

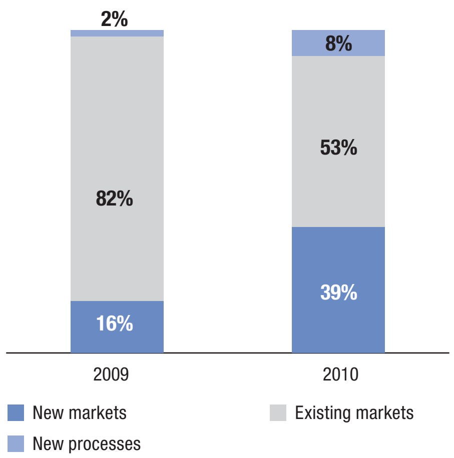
Moreover, the Innovation Department spots new business opportunities for the Group. Since the Department was created, several dozen potential avenues have been identified in this way.

RESEARCH SPENDING AND PROJECT PORTFOLIO

In 2010, as over the past five years, annual spending on research has averaged 1% of the Group's sales.

Since 2008, innovation efforts have been enhanced by the work of the Group Innovation team, which now accounts for approximately 18% of the research budget.

An analysis of the Group's portfolio of research projects showed that more than half of the amounts invested in Research & Development correspond to identified research projects (new products, new markets) that are monitored as such, and to technical assistance and responses to immediate needs voiced by customers. Furthermore, a growing proportion of research budgets is given over to applying the Group's processes and know-how to new markets (39% in 2010 vs. 16% for the previous year). The development of new processes accounts for approximately 8% of the Group's research spend.



EXAMPLES OF NEW PRODUCTS IN 2010

Thanks to its unique portfolio of minerals, its in-depth knowledge of their properties and its industrial expertise, Imerys develops solutions that meet its customers' expectations in terms of production process efficiency, as well as finished product cost and functionality.

In developing innovative solutions, the Group also strives to reduce the environmental impact of its products throughout their lifecycle. Innovation goals are factored into the Group's Sustainable Development plan. They include developing and marketing several products with an environmental benefit every year and measuring the carbon footprint of a growing number of products from the design stage onwards.

A great number of new products were marketed by the Group's activities in their respective markets in 2010. The examples given below offer an environmental benefit, are easier to use by customers or based on cutting-edge technology.

Environment-friendly products

In Pigments for Paper, extensive technical work is being done to replace paper fiber with inexpensive pigments in a range of paper and packaging grades. The packaging market is likely to grow more than printing and writing paper in the next few years and new pigment grades have been developed to meet the needs of this promising sector. LinerMAX™ is a chemically modified kaolin that can be used as a filler (3-5% of total weight) to produce linerboard with no loss of strength. In addition to the direct cost reduction, replacing fiber with LinerMAX™ leads to substantial energy savings. Minerals retain less water than fiber, so the drying process is quicker and less energy-intensive. This packaging category has used relatively little mineral filler to date, making it a segment with great potential. Also in the packaging market, Opacicote™ is a blend of Brazilian kaolin and chalk, designed to meet the needs of recycled paper-based packaging. The blend offers good value for opacity improvement and can replace more expensive additives such as titanium dioxide and calcined kaolin.

In Performance Minerals, FiberLink™ 101S has enhanced the range of calcium carbonate materials used to make nonwoven fibers for the production of disposable wipes for cosmetics, personal care and household products. FiberLink™ 101S enables manufacturers to reduce substantially the amount of resin needed to produce nonwoven fiber, as well as providing additional or enhanced functionality to the nonwoven finished good. This new product improves both costs and the environmental impact of the finished product: adding 20% FiberLink™ by weight to nonwoven fiber results in a 10- 20% reduction in the raw material's total carbon footprint.

In wall bricks made of clay, Imerys TC continues to expand its range to form a comprehensive offering that complies with new and future standards in terms of energy efficiency, environmental protection and seismic requirements. Following Optibric™ PV 4G in 2009, Optibric™ PV S25 further improves thermal performance for added insulation walls. The 25 cm-thick brick improves the thermal performance of insulation-added walls and meets the demands of future European seismic standards (eurocodes 8). It also meets 2012 thermal regulations and Low-Consumption Building norms. With thermal resistance of 1.61 m^2 K/W, equivalent to 5 cm additional insulation, Optibric™ PV S25 fits in with steel covers and does not affect thermal bridges in intermediate flooring.

In Minerals for Ceramics, the Ceramic Centre's work is particularly focused on the development of lighter, stronger products that save raw materials and energy, and of new, more environment-friendly mineral conversion processes. In 2010, this led to two patent applications, one in lightweight, innovative ceramic products and one in processing techniques.

Easier to use products

In Monolithic Refractories, the successful launch of Quick Dry No Cement Castables (QDNCC) for the steel, foundry and aluminum industries was borne out in 2010 by significant sales volumes. Building on that success, Calderys launched new quick-dry refractory concretes that resist alkalines for cement makers. Calderys also continued to develop its paint gunning application technology for incineration and other industries. This innovative process is used to spray in 20-30 mm layers of product (CALDE™ GUN LF 52 AG33) that strengthens existing linings to help prevent unplanned production stoppages.

In Filtration, significant resources continue to be invested to launch Celite Cynergy™, a new filter aid for the beer market that combines, in a single product, the stabilizing and filtration properties needed to deliver the qualities demanded by the consumer: a clear, sparkling beer with flavor intact. It allows brewers to replace some expensive stabilizing agents, particularly silica gel-based products that impair mechanical filtration performance, and still achieve acceptable product taste and shelf-life profiles. By significantly reducing filter cake volume (by 15-35%, depending on the gel type previously used), the new product substantially extends equipment use time between two filtration cycles, thereby increasing the filtration capacity of existing facilities.

High-tech products

In Fused Minerals, on the strength of the market success of Alodur™ Rod 92, the new benchmark for stainless steel ingot slab molds on furnace exit, the sintered abrasives range was widened. The grains' microcrystalline structure improves the lifespan and performance of molds. The launch of Alodur™ Rod 98, with alumina content over

98%, meets the needs of demanding applications such as machining low-carbon steels.

In Graphite & Carbon, C-NERGY™ Super C45 is a new, very high-purity carbon black-based additive. It is used for its conductivity in the production of electrodes for new generation Lithium-Ion batteries designed for cordless tools, the automotive industry and energy storage. The new product has the lowest specific surface of any conductive black on today's market. This property makes electrode production significantly easier and improves the lifespan and safety of Lithium-Ion batteries.

PROCESSES

The Group continues to take an inventory of its industrial processes and has set up a dedicated team, Imerys Minerals Processing Group (IMP). Under the inventory, every plant is described according to the same structure, regardless of country, mineral and process. Approximately 30% of the Group's plants have been mapped in this way. The IMP group also aims to list equipment suppliers and identify in-house experts. Moreover, the team has an advisory role and helps line engineers optimize how their equipment runs. Process performance indicators (e.g. overall equipment efficiency) have been adapted to the Group's businesses and are being gradually rolled out onto production sites. In 2010, the team's technical expertise resulted in substantial cost savings on targeted projects, including the use of cheaper raw materials or a significant increase in the tonnage of products mined from our quarries and sold by the ton, thanks to the development of relevant processes. In 2011, activities will continue with a particular emphasis on the automation of some of the Group's industrial units and on energy savings.

1.8.2 INTELLECTUAL PROPERTY

Imerys' innovation efforts are essential to its performance. Therefore, optimizing its legal protection is fully integrated into each activity's product development process.

The Legal Department's in-house experts actively campaign to raise employee awareness of the need to keep the developments and information resulting from research and technical assistance teams strictly confidential. The Group's intellectual property policy consists of continually enhancing and extending the protection of its essential assets. The more relevant and economically suitable means of protection with respect to the technology in question are selected to draw maximum competitive advantage from innovations (patent filing, publication, secrecy, etc.).

Imerys has a broad portfolio of trademarks and current and pending patents. Imerys holds more than 3,200 registered or pending trademarks, more than 850 granted and pending patents and more than 200 industrial and utility models.

To ensure effective protection of its company name, the Group has filed the trademark "Imerys" in more than 90 countries.

The Group continues to assess and optimize the cost/benefit ratio of its intellectual property rights portfolio. It regularly rationalizes its portfolio of patents, industrial designs or models and trademarks in order to ensure that value-generating technologies, designs and trademarks are efficiently protected. Imerys also intends to defend its intellectual property rights actively to maintain the competitive advantages they give. The Group strives to protect industrial property in all areas and on all continents whenever relevant.

To the best of Imerys' knowledge, no patent, license, trademark, design or model presents a risk likely to weigh on the group's overall activity and profitability. Similarly, Imerys is not aware of any dispute with respect to intellectual property or any adverse claims that could have a significant negative effect on its activities or financial position.

1.9 SUSTAINABLE DEVELOPMENT

1.9.1 IMERYS' SUSTAINABLE DEVELOPMENT APPROACH

STRATEGY AND APPLICATION

The Group's international scope gives it special responsibilities with respect to its employees, the communities where it operates, its shareholders and the environment. Consequently, several important commitments to its stakeholders have been identified:

- **Environment:** to manage activities with respect for the environment, which particularly entails using mineral reserves responsibly;
- **Health & Safety:** to promote employees' health and safety in the workplace;
- **Human Resources:** to enable employees to develop professionally and to provide satisfactory social benefits;
- **Community Relations:** to take into account the expectations of the communities where the Group operates;
- **Innovation:** to develop high-quality, environment-friendly products and technologies;
- **Governance:** to constantly apply and improve the Group's corporate governance policies.

Meeting these expectations is now a crucial condition for the continuation of Imerys' industrial and mining activities. Environmental and social performance is a key component of the Group's results.

Imerys' Sustainable Development strategy is defined by the Sustainable Development Steering Committee, which meets quarterly and includes three members of Imerys' Executive Committee. The strategy is drawn up by a Working Group comprised of Environment, Health & Safety, Sustainable Development and Human Resources professionals. Representing the different operating units and geographic zones where the Group operates, the Working Group drafts the Group's medium-term Sustainable Development goals. The Environment, Health & Safety (EHS) Vice-President coordinates the implementation of those goals. The Board of Directors is increasingly attentive to Sustainable Development risks and issues. The Audit Committee is tasked with the annual review of structures, policies, objectives and results in this respect.

For 2010, 87% of Sustainable Development goals were achieved. The 2011 goals should make further progress possible in all of the areas where the Group operates. The tables below give an overview of those achievements and objectives.

	2010 objectives	2010 performance
Governance	Define 3-year communication strategy on policies and procedures to be known by all employees.	Achieved
	Expand training on Code of Conduct to main managers included in the Group's Management Database.	Achieved
	Include non-compliance issues with the Code of Ethics and Business Conduct brought to the attention of management in SD reported data.	Achieved
Human Rights	Integrate human rights compliance check into internal audits and provide a yearly report on these issues.	Achieved
	Follow-up compliance audits at sites located in countries identified as sensitive in terms of human rights [(1)].	Achieved
	Launch self-appraisal of suppliers up to 15% of spend and conduct child labor compliance audits of 2 relevant suppliers.	Achieved
Environment	Increase number of sites with an Environmental Management System.	Achieved
	Complete biodiversity sensitivity analysis in the USA and Brazil.	Achieved
	Initiate a user group of large quantity water users and share best practices.	Achieved

(1) FTSE 4 Good A&B lists.

	2010 objectives	2010 performance
Energy	Estimate mining sub-contractors' energy consumption.	Achieved
	Continue energy efficiency plan.	Partially achieved
	Estimate offices' energy consumption.	Achieved
Innovation	Introduce at least 2 products or processes that offer an environmental benefit.	Achieved
	Estimate the carbon footprint of some new products.	Achieved
Safety	2.7 LTA Rate (1).	Achieved
	10% increase in operations with a formal behavior-based safety system (SafeStart, Dupont, etc.).	Achieved
Human Resources	Define and start implementing a method to make sure each division develops a training program.	Achieved
	Based on the 2008 audit, analyze benefit schemes in a number of countries (India, Turkey, Ukraine, etc.) to identify improvement areas.	Achieved
	Define a global diversity program.	Achieved
	Produce accurate and relevant information on the number of employees covered by a collective bargaining agreement.	Not achieved
Communities	Develop stakeholders' relations mapping at critical operations and create action plans for the Group's largest industrial sites.	Partially achieved
	Conduct at least 2 community relations events in each division.	Achieved
	Define corporate priorities for community relations action plan.	Achieved

(1) Frequency rate: (number of lost-time accidents x 1,000,000) / number of worked hours.

	2011 objectives
Governance	Implement the 3-year communication strategy on policies and procedures. Train all new managers on Code of Ethics and Business Conduct as part of induction. Continue to promote diversity and SD awareness among the board of Directors.
Human Rights	Compliance audit at 4 Imerys sites in countries identified as sensitive in terms of human rights.
Purchasing	Launch a self-appraisal of suppliers on a scope representing 20% of Group spend.
Environment	Increase scope of Environmental Management Systems 10%. Complete biodiversity sensitivity analysis in Asia-Pacific. Start collecting Group mining subcontractors' data and estimate the energy consumption of transport activities. Continue the Group's energy efficiency plan.
Innovation	Introduce at least 5 products or processes with an environmental benefit. Estimate the carbon footprint of at least 3 new products.
Safety	20% decrease in LTA Rate for employees and subcontractors. 100% of Group sites audited every month by management on the "Six Critical Protocols".
Human Resources	Implement Annual Training Plans in at least 5 Group Divisions according to the principles defined in 2010. Ensure adequate records are maintained in this respect. Continue to analyze and implement suitable benefit programs (life insurance / AD&D / Health & Medical benefits) in 5 countries (Tunisia, Hungary, India, Turkey, Vietnam). Involve the European Works Council in at least one SD initiative. Begin implementing the Group Diversity Program through the recruitment program.
Communities	Provide operations with the appropriate tools to build their stakeholder mapping and action plans. Carry out at least 3 community relations operations in each Division.

As the action plan defined in late 2008 for the 2009-2011 period is coming to an end, a new internal consultation process will begin by mid 2011 to define the Group's ambitions for the next three years. The Sustainable Development Charter and the Environment, Health & Safety Charter, which define the Group's commitments, will be reexamined as part of that process.

Through ongoing dialogue, the Group remains attentive to the observations of ranking agencies that appraise the risk of loss of profitability in relation to Sustainable Development criteria. In particular, it draws on their remarks to adjust its action plans. Imerys meets socially responsible investors regularly and makes substantial communication efforts on the Group's website, as well as through the overview given in its Sustainable Development Report, published every two years.

REPORTING INDICATORS AND SCOPE (1)

Since 2005, the Group's Sustainable Development reporting has covered all of the activities over which it exerts operating control. Every published indicator was selected to further a key action area, as well as its relevance to the Group's activities. The indicators are defined internally in consultation with the competent managers and are consistent with the GRI (2) guidelines and the Greenhouse Gas Protocol for reporting energy and CO_2 emissions (the methodology adopted for the definition of each indicator is given on the website www.imerys.com / Sustainable Development section).

The processes used to accumulate the data were verified by the Group's Statutory Auditors (Ernst & Young Audit and Deloitte & Associés) for 2007 data, and by the Group's Internal Control Department for 2008, 2009 and 2010 data. To ensure that its environmental and social reporting complies with the new regulatory obligations arising from "Grenelle II Environment" law from the end of 2011, Imerys decided to have a pre-audit carried out alongside its 2010 internal controls by Deloitte & Associés, with the aim of identifying any potential variances between its current processes and the demands of Grenelle II.

Imerys publishes its Sustainable Development Report every two years. The 2009 edition can be found on the Group's website (www.imerys.com) in the Sustainable Development section. This section provides additional, regularly updated information on the Group's Sustainable Development strategy, actions plans and achievements. It was overhauled in spring 2010 to give easier access to more complete information.

ETHICS & HUMAN RIGHTS

Since 2007, Imerys has had a Code of Conduct that sets out the ethical and business conduct principles that the Group expects all of its employees to observe. The document is available in ten languages and can be consulted by all Imerys employees on Imerys' website and intranet. Actions to raise the awareness of the Code continued in 2010, including specific online training for the main managers identified in the Group's management database. Since this interactive training has been implemented, 1,900 employees (including the Group's top 350 managers) worldwide have been trained on compliance with the Code. All newly recruited managers will receive the training as part of their induction program from 2011.

In addition, in late 2010, the Group set up a simplified reporting process that enables Group division managers to report any breaches of the Code particularly in terms of fraud, corruption or a violation of human rights for that year.

The growth of Imerys' activities in developing countries can change the risk level in terms of Environment, Health & Safety and human rights issues. To ensure that recently-acquired companies in these countries are rapidly aligned with the standards applied in these essential areas, orientation seminars are organized systematically within the first year following an acquisition. These seminars are also used to identify areas that need improvement and define any action plans required.

Since 2009, the focus has been on the issue of child labor. Operations managers from every Imerys site in areas where vigilance is recommended by FTSE4Good received training on child labor regulations. In parallel, these sites' largest suppliers were asked to certify that they complied with the International Labor Organization convention on child labor. Finally, teams of internal auditors now check that the protocol is followed when conducting audit assignments in those countries. In 2010, 19 Imerys sites were audited in this way, with no cases of non-compliance detected.

More generally, the Group intends to involve its suppliers in its Sustainable Development process, particularly through its internal qualification system. The system was set up in 2008 and is designed to keep supply risks to a minimum and to qualify suppliers. Supplier self-appraisal was carried out in 2010 on a scope representing 15% of the Group's purchases. Six test audits, including a child labor section, were conducted in India and China to check the approach. No cases of non-compliance were observed. In 2011, the scope of the supplier qualification system will be extended to cover 20% of spend.

(1) The 2007, 2008 and 2009 data regarding the environment, health & safety presented in this section are different from those published in the 2009 Annual Report. The main sources of difference are allowance for changes in Group structure, and the correction of some reporting errors.

(2) The global report initiative (GRI) is intended to encourage an environment in which "reporting on economic, environmental, and social performance by all organizations becomes as routine and comparable as financial reporting.

ENVIRONMENTAL MANAGEMENT SYSTEMS

The Group aims for all activities to have an Environmental Management System (EMS) that enables them to address environmental risks and issues. The Group has therefore made EMS the subject of a specific environmental protocol (E8) that is an integral part of the EHS audit program. If any of the 8 pillars of an effective EMS [(1)] are identified as lacking during an EHS audit, this becomes an audit finding requiring site management to take corrective action. In early 2010, a global self-appraisal procedure was initiated centered on the eight pillars. The self-appraisal is presented to management at each quarterly review. EMS are further supported by personnel awareness and training actions. Practical tools are available to sites via the EHS intranet and specific training modules (environmental aspects & impacts, auditing) were delivered throughout the year through webinars. Finally, a training seminar focusing on auditing Environmental Management Systems brought together the Group's EHS network in each of its main geographic zones (Asia, Europe, North America and Latin America). More generally, ISO 14001 or EMAS certification is encouraged and considered an outstanding achievement at Imerys, but is not demanded.

The table below sets out the number of Imerys sites with an Environmental Management System (EMS). In 2010, 160 sites had an EMS, a 50% increase from 2009. This effort will be kept up in 2011.

(number of sites)	2010	2009	2008	2007
ISO 14001 or EMAS certified [(*)]	70	59	61	54
Sites with the 8 pillars of an effective EMS	90	48	42	37
Total	**160**	**107**	**103**	**91**

(*) EMAS: Eco Management and Audit Scheme (European standard).

WATER CONSUMPTION

Imerys pumps underground water to keep its quarries in good condition and uses water to transform its minerals. The water is then stored in retention basins for reuse or released into streams and rivers after treatment and purification. In some cases water is delivered in products such as slurries.

Imerys tracks its water consumption (excluding underground water pumped to keep quarries in good condition) and improves the accuracy of collected data every year.

The table below presents trends in water consumption for the past four years:

(millions of liters)	2010	2009	2008	2007
Total water consumption of which:	**53,303**	**49,693**	**63,237**	**76,991**
Water obtained from water suppliers	14.4%	12.5%	13.9%	11.9%
Water drawn from groundwater	43.0%	57.9%	47.3%	51.8%
Water drawn from surface water	27.1%	22.4%	22.5%	23.4%
Water obtained from other surfaces	15.6%	7.2%	16.3%	12.9%

After an inventory was drawn up in 2009 of the Group plants that consume most water, a webinar was organized to foster the sharing of best practices.

In addition, the Group began in mid-2010 to gather data on the amounts of water recycled by its sites. These data will be communicated when the collection process has become general practice.

(1) Eight pillars of an effective EMS: existence of a policy; identification of aspects & impacts; identification of legal requirements; setting goals and targets; appointment of specific representative; training given out; emergency procedures, and audit.

WASTE

The Group's activities produce relatively small quantities of industrial waste, as transformation processes are mainly mechanical (e.g. grinding) and physical (e.g. density separation) The Group's processes separate minerals with value for customers from minerals with no market value. The latter are usually stored on or nearby the Group's sites. As a result of technological progress or new market opportunities, these minerals may be used in the future. In many cases, these minerals are used as fill material for the restoration of sites at the end of their operational lives. Consequently, they are not recorded as waste.

Imerys collects data on waste generation and recycling. The table below sets out the trends for the past four years:

(metric tons)	2010	2009	2008	2007
Total waste (*), of which:	**312,294**	**282,879**	**377,778**	**339,845**
Hazardous industrial waste	0.7%	0.4%	0.4%	0.6%
Recycled hazardous industrial waste	0.3%	0.1%	0.1%	1.0%
Non-hazardous industrial waste	37.7%	33.7%	35.8%	44.0%
Recycled non-hazardous industrial waste	61.3%	65.8%	63.7%	54.3%

(*) 2007, 2008 and 2009 data were restated to exclude tonnages of unused minerals that were previously recorded incorrectly as waste by one site.

ENERGY CONSUMPTION AND AIR EMISSIONS

The use of fuel in product transformation operations (heating, drying, firing, melting, sintering and calcining) is the primary source of greenhouse gas emissions in the Group (50% of the total). Indirect emissions relating to the generation of the electricity used in production form the second largest source (40% of total). Finally, some of the transformation processes themselves cause CO_2 emissions themselves (10% of total), particularly through the decarbonation of raw materials.

21 Imerys industrial sites take part in the greenhouse gas quota trading scheme set up in the European Union. For the third year of Phase 2 of the trading system (2008-2012), emissions from those industrial sites, although higher than in 2009, remained below their assigned quotas.

After improving energy efficiency for the 2006-2008 period by 6.3%, the Group recorded a deterioration in its performance in 2009 (- 2.6%).

The energy productivity appraisal procedure was overhauled in late 2010 to improve its accuracy. The figures published for 2010 were calculated under the new procedure, which takes produced tons into account and is more accurate than the sales and inventory data previously used [(1)]. The upturn in activity in 2010, without reaching 2008 levels, enabled the Group to improve energy efficiency by 2.3% compared with 2009.

In parallel, specific CO_2 emissions from fossil fuels decreased 2.5% compared with 2009, reflecting a slight improvement in the energy mix. The relative share of biomass was stable at 4% of total energy consumption.

The Group's new energy intranet, set up in late 2009, fostered the sharing of information and best practices across the Group. Furthermore, to develop knowledge of the impacts of the Group's activities in terms of greenhouse gas emissions and begin examining scope 3 of the GHG Protocol, an initial estimate of energy consumption by offices and by mining contractors was made in late 2010. This will be taken further in 2011 with an assessment of consumption relating to the transport of goods. Finally, to improve monitoring of the Group's progress on energy and carbon efficiency, it was decided to track data on energy and CO_2 on a monthly basis, rather than quarterly, as of January 1, 2011.

Energy consumption

Total energy consumption(*) by the Group over four years

(thousands of Gj)	2010	2009	2008	2007
Total	**36,563**	**28,265**	**40,511**	**43,223**

(*) Net of resold electricity.

(1) See detailed methodology on www.imerys.com/Sustainable Development.

Breakdown by energy source

(%)	**2010**
Electricity	33%
Natural gas	38%
Other fossil fuels	25%
Biomass	4%
Total	**100%**

CO_2 Emissions

Total CO_2 emissions related to energy consumption, including biomass and production processes [1]

(thousands of metric tons)	**2010**	**2009**	**2008**	**2007**
Total *(actual data)*	**3,020**	**2,368**	**3,406**	**3,594**
Total *(data at constant Group structure)*	**3,087**	**2,486**	**3,533**	**3,765**

Breakdown by emission source *(actual data)*

(%)	**2010**
Energy[*]	89%
Process	7%
Biomass	4%
Total	**100%**

(*) Excluding biomass.

SO_x AND NO_x EMISSIONS

The combustion stages of the conversion processes generate emissions of oxides of sulfur (SO_x) and nitrogen (NO_x). Imerys publishes below an estimate of its SO_x and NO_x emissions, applying specific conversion factors to each source of consumed fuel. Manufacturing process-related SO_x emissions are not yet factored into the Group's reporting.

(metric tons)	**2010**	**2009**	**2008**	**2007**
Sulfur dioxide (SO_x)	3,933	3,214	4,703	4,977
Oxides of nitrogen (NO_x)	6,136	4,942	6,678	7,192

(1) With respect to energy consumption and CO_2 emission reporting:
- *Only the Group's production sites come under the perimeter. Commercial activities, sales offices and administrative offices, to which most of the selected indicators would not be relevant, were excluded from the scope of application. This exclusion has a minor impact on energy consumption and CO_2 emissions.*
- *On a few sites, Imerys subcontracts some activities, chiefly transportation and mining. When data on fuel are available, particularly when Imerys buys that fuel, this has been taken into account. On the other hand, in the event that fuel is bought by contractors, the corresponding data have not been taken into account as they could not be recorded with the required accuracy. Only data concerning companies over which Imerys has operating control have been taken into account.*
- *GHG Protocol methodology was applied to 2007, 2008 and 2009 emissions for the sake of comparison with the 2010 perimeter. For the United States, electricity emission factors are those of the e-grid.*

SITE RESTORATION

Mining only entails temporary occupation of ground. To manage the environmental consequences of mining, every Group entity draws up a restoration plan. The plan describes the remediation methods applied during the site's operation and at the time of its closure.

This is the context for the ambitious Eco-Community project that Imerys Minerals Ltd is carrying out in Cornwall (United Kingdom). The plan is to create an eco-community on the 700 ha of Imerys-owned industrial land that is no longer required for operational purposes.

The Eco-town status of the project was granted by the British Government in July 2009, being one of only four projects selected. In May 2010, Imerys entered into a partnership with Orascom, an international property development group, covering the rehabilitation of the land, the preparation of planning applications, and the construction of the Eco-Community. The joint venture, in which the Orascom group holds 75%, has been newly named Eco-Bos, after the Cornish Word "Bos", meaning "Home". The first pilot project will be implemented on the site of the former kaolin quarry at Baal, near St Austell (Cornwall, UK).

The project will take place in successive stages over more than 10 years. It provides that once planning permission is granted on each site, Eco-Bos Development Limited will purchase the corresponding land and assume rehabilitation costs.

Imerys strives to reduce negative impact on biodiversity by keeping affected surfaces to a minimum, continuously restoring them whenever possible and taking offset measures. The biodiversity sensitivity study conducted in 2009 on all European sites was extended to Brazil and the United States in 2010. In total, approximately 18% of the Group's sites located in these regions are close to zones that are considered of interest in terms of biodiversity. In 2011, the assessment will be extended to Asia-Pacific. In addition, Imerys takes an active part in the work done by mining industry trade federations to share best practices on biodiversity management and define common indicators.

1.9.2 SAFETY

Mining and mineral processing require a strong safety culture in order to prevent accidents. Since 2005, a series of strategic safety initiatives has been implemented to support the efforts made by Imerys' units and provide them with the tools and training needed to improve workplace safety continuously and sustainably. The Group's approach is structured around the following orientations: clearly defined audit protocols and regular audits, a global training plan, a safety program based on a behavior-based model, an accident analysis program, a fatality prevention plan and events designed to bolster safety culture at key facilities.

In 2010, Imerys reported three work-related fatalities: an employee, a temporary worker and the employee of a subcontractor. Three employees also lost their lives in a car accident while returning from a training session.

These work-related fatalities made it necessary to reexamine Imerys' safety programs, especially with respect to preventing serious accidents. The "Serious Six Protocols" that address the highest risks of serious injury or fatality in mining will be revitalized by an energetic action plan that will be implemented throughout 2011:

- Online training on the Serious Six Protocols has been set up and must be followed by all of the Group's operations managers by the end of the first quarter of 2011;
- As from the second quarter of 2011, operations managers on every site must conduct a monthly self-audit of the Serious Six Protocols. The results of this work will be presented to Executive Management quarterly as part of its business review.

The reduction of workplace accidents and serious accidents in the Group also involves the analysis of accident causes and focus on everyday behavior:

- "Safety Alerts" are issued whenever a serious accident occurs. They set out the causes, corrective actions and the lessons learned. Visual materials (videos re-enactments and posters) have now been added to make understanding and analysis easier. These items have been circulated throughout the Group and published on the EHS intranet;
- The Group fosters a safety culture based on safe behavior through behavior-based safety programs. In 2010, approximately one hundred sites had launched these programs (a 10% increase from 2009). To accelerate progress, an in-house program for behavior-based safety has been created by the Group and EHS managers have been trained. In 2011, the goal is to raise the number of sites with a behavior-based safety program by a further 10%.

In total, since the Group's safety programs were launched, its lost-time accident rate has been cut by 82%. The table below sets out the frequency and severity rates for accidents in the group over the past three years.

	2010	2009	2008	2007
Lost-time accident rate (*)				
Imerys employees	2.16	2.86	4.68	5.67
Other employees (**)	3.36	3.96	4.22	8.10
Severity rate (***)				
Imerys employees	0.10	0.20	0.20	0.18
Other employees (**)	0.07	0.04	0.11	0.14

(*) Frequency rate: (number of lost-time accidents x 1,000,000)/number of work hours.

(**) Non-Imerys employees such as contractors or agency workers, who may be retained by the company to perform work or provide services.

(***) Severity rate: (number of lost days x 1,000) /number of work hours.

One highlight of 2010 was a further improvement in the lost-time accident rate, which worked out at 2.16 as of December 31, 2010. A new protocol designed to improve management of Group contractors' safety was also defined, and monthly safety performance is now monitored using a combined employee/contractor indicator. Furthermore, it was decided to step up workplace accident monitoring through monthly reporting of information on non lost-time accidents. These data will be consolidated for the entire Group as from January 1, 2011.

HEALTH

Imerys implements measures to improve the working environment for its employees. The Group's industrial hygiene program continues, with an emphasis on checking compliance with applicable local regulations. Many Group employees are exposed to mineral dust and chemicals. Consequently, the Group has set up a protocol to identify, assess, and control or eliminate potential sources of exposure to dangerous substances in the work environment. More specifically, as new regulatory requirements on the control of chemical risks in the workplace came into force in France, the Group signed master service agreements with certified consulting organizations. The agreements are intended to help Imerys subsidiaries to fulfill the conditions for carrying out technical controls and to centralize exposure data. Following the examination of those data, targeted prevention policies will be defined. Furthermore, under this program, the results of specific measurements for crystalline silica alveolar particles will enhance the European database on employment/exposure created on the initiative of the European Industrial Minerals Association (IMA-Europe), in which other European companies in the Group participate.

All of the Group's European sites taking part in the European agreement on "workers' health protection through the good handling and use of crystalline silica" reported their application and improvement status with respect to the second reporting process organized by the NEPSI (1) group in 2010, the findings of which were published in June. This great mobilization in a harsh economic context reflects the importance that the Group attaches to this issue.

The prevention of exposure to noise and vibrations is also one of the Group's priorities on workplace health. Actions to raise occupational health awareness continued in 2010 with the creation and addition of a specific module in the EHS Universities program. Messages were widely circulated internally, particularly in autumn 2010 with the organization of a webinar on workplace health, in which almost 100 line and EHS managers took part.

REACh

The Group has carefully analyzed the impacts of the European Community regulation on chemicals, REACh (2). Under REACh, "Minerals which occur in nature" are exempt from registration, which significantly reduces the impact of this new regulation on Imerys. However, a small number of the Group's products remain subject to registration, and the procedures needed to comply with the regulations have been undertaken. Furthermore, the Group carefully monitors and is preparing for the implementation of the Globally Harmonized System (GHS), which is intended to harmonize international hazard classification and notification systems.

(1) European Network on Silica.

(2) Registration, Evaluation, Authorisation and Restriction of Chemicals.

1.9.3 REGULATORY COMPLIANCE, AUDITING

In every country where it operates, Imerys is subject to various environmental, health and safety regulations. To strive for compliance and the correct application of the Group's protocols, its operations are audited regularly.

The auditing team is comprised of EHS specialists who are chosen from operating activities and are regularly trained and managed by the central EHS team. It was bolstered in 2010 and now numbers around 20 people, up from 13 in 2009. Peer review of audit work, consensus meetings and action plan monitoring ensure that the annual program is consistent and of high quality.

The EHS audit plan is defined according to a risk matrix factoring in criteria such as unit size, existence of solid material storage structures, occurrence of environmental incidents or lost-time accident rate. After the reduction of the audit program in 2009, partly due in part to the economic climate, the usual pace resumed in 2010 with 36 assignments carried out during the year, compared with 31 in 2009.

In 2010, auditing work was stepped up in two main areas:

- Environmental Management System (EMS), with specific training to support the rollout of Imerys' EMS program (see above);
- Monitoring the stability of solid mineral storage facilities (dams, impounds, etc.), including the formalization of an audit checklist for this subject.

Finally, Imerys closely monitors the cases brought against it on environmental and safety grounds and the amount of fines it has had to pay.

The table below gives an overview for the past four years:

	Number of prosecutions				Fines in euros			
	2010	2009	2008	2007 (*)	2010	2009	2008	2007 (*)
Total	10	32	15	16	28,872	21,248	45,496	64,483

(*) Does not include Brazilian government action in response to June 2007 release of kaolin from Imerys Rio Capim Caulim.

1.9.4 COMMUNITY RELATIONS

Taking into consideration the expectations of communities around the Group's industrial and mining sites is a crucial factor for the long-term sustainability of Imerys' activities. Worldwide, Imerys seeks to increase the positive effects of its activities and reduce any negative aspects.

The communities in which the Group operates are extremely diverse. Consequently, the Group's decentralized management method is appropriate for dealing with community relations. This flexibility enables every operation to adapt to the values, local constraints and possibilities of the host community. Under a "Community Relations" protocol, Imerys formally delegates responsibility for community relations to the most senior employee with responsibility for day-to-day oversight of each facility. Under the community relations protocol, he or she is required to draw up a stakeholder mapping and create a plan for continuous improvement of stakeholder relations.

In that context, many projects are developed every year by the Group's units in a wide range of areas. The main orientations are as follows:

- **Engage with neighboring communities:** Imerys engages in open days, school visits, regular meetings with local authorities and encourages operation/community liaison structures to foster knowledge of the Group's activities and the issues entailed. Almost 70 initiatives were organized for this purpose by the Group's operations in 2010;
- **Contribute to local economic development:** Imerys is active in many emerging countries, where the creation of a local economic fabric form part of the plans for mine closures;
- **Educate and train:** Imerys aim is to raise standards of education in the communities where it operates, particularly in basic life skills and digital know-how;
- **Take part in relief actions:** whether for flooding in China, hurricanes in the United States or an earthquake in Argentina, Imerys units rally round neighboring communities struck by natural disasters. Contributions are also made to international causes with the Group's support.

This vitality is reflected every year in the quality and number of projects relating to community relations entered for the Sustainable Development in-house challenge (47% of the 66 entries in 2010).

1.9.5 HUMAN RESOURCES

The Human Resources (HR) department's mission is to enable the Group to have the people needed for its development, and to ensure that its organization grows in an effective, coordinated manner.

Keeping this in mind, it develops and implements general principles and processes in step with the Group's decentralized management philosophy and in compliance with the relevant national legislation. To improve its processes, work began at the end of 2010 on updating the HR policies and procedures for the Group.

Human Resources professionals are responsible in their business for the entire function, reporting to the business' line manager. To ensure processes are consistent and common principles are applied, they also report on a functional basis to the Group Human Resources Department. In addition, the function is coordinated in the major geographic zones, in which the Group operates.

HUMAN RESOURCES PRINCIPLES & MAIN AREAS OF ACTION

The Group has defined its Human Resources policies centered on the following principles:

- Meet its employees' expectations, particularly as regards working conditions and safety, benefits and personal development;
- Provide managers with management principles that comply with the Group's spirit and ethics, especially in terms of diversity, behavior, standards, discourse and respect for other people;
- Foster the harmonious integration of its activities through active involvement with local communities.

The Group is committed to complying with legislation in force in the countries where it operates, particularly in terms of health and safety, non-discrimination, privacy, child labor, compensation and working hours.

The processes behind those principles apply to a number of key areas including the following:

- **Recruitment:** attract the most suitable candidates, both to support organic growth and to deploy new activities. Hiring resumed cautiously in 2010. The Group brought in some targeted new recruits and continued its initiative to take on more interns from leading schools and universities;
- **Mobility:** fill vacancies with existing skills within the Group. For that purpose, Imerys has set up common tools and processes for all activities and functions, including annual performance reviews (PAD) and succession plans for its principal managers (OPR). This internal mobility goal is a priority for Human Resources teams and specialized committees meet regularly on the issue. Manager vacancies in the Group are also published on the Imerys intranet;
- **Training:** enable every employee to develop his or her talents and foster the sharing of best practices. In parallel to the initiatives taken by operating activities, the Human Resources Department proposes specific Imerys training programs in areas judged essential for the Group (e.g. finance, geology, marketing, project management, sales). It also carries out more targeted actions for senior managers and to reinforce professional expertise in fields such as marketing;
- **Compensation and benefits:** roll out coordinated, competitive systems that take into account both the results of the business for whom employees work and their individual performance. In that respect, annual salary reviews are closely coordinated by the Human Resources Department. While local competitiveness is favored, some of the systems set up are designed as the basis for a consistent, uniform approach to performance within the Group, especially for executives and senior managers (bonus system with identical choice and weighting of financial criteria across all activities). Furthermore, the Group ensures that competitive benefits and insurance programs are implemented in the zones where it operates;
- **Industrial relations:** the Group aims to build constructive relations with its employees and their representatives in accordance with local regulations.

  The Imerys European Works Council (EWC) was created in 2001. Its perimeter covers employees in 20 countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxemburg, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, and United Kingdom. Its employee delegation of 15 members holds an annual plenary session. The EWC's five officers meet at least twice a year. A new agreement on the EWC's mode of operating was ratified by its representatives in April 2010.

  The need to improve the efficiency and productivity of the Group's activities may lead to internal restructuring plans and job cuts. In such situations, the Group's policy is for operations to give priority to finding in-house placement solutions for the employees concerned and to set up retraining programs and support measures in order to provide the help needed to look for a job or achieve a personal project.
- **Internal communications:** The aim is to provide all employees with information that can help them understand the Group's environment and activities:
  - induction sessions are regularly organized for managers,
  - appointment or organizational announcements up to a certain level in the chain of command are made by the Internal Communications department through the Group intranet,

- The company newspaper "Imerys News" is mainly designed to develop a feeling of belonging, share experiences and provide information. Special issues may be produced in line with major events such as the Sustainable Development Challenge,
- The Group also publishes brochures on specific topics such as the "Code of Business Conduct and Ethics", "Crisis Management & Communication" or "Advice for Frequent Travelers";

- **Human Resources Reporting:** monthly reporting covering the entire scope of the Group includes highly detailed indicators (translated into five languages) concerning workforce by country, contract type and activity, professional training, disability, age and seniority.

A Group organizational chart is regularly published. It shows the main reporting and functional relations within Imerys and includes approximately 700 positions with the names of their incumbents. The chart is deliberately restricted to in-house circulation.

In 2008, the Human Resources Department set up a management database in accordance with current regulations on the exchange and protection of personal data. At the end of 2010, it includes more than 1,500 executives and senior managers. This tool gives fast access to employees' career paths and the components of their compensation and clearly boosts internal mobility. In the first weeks of 2011, it will also be tested on a limited scope of activities as a salary review tool.

HUMAN RESOURCES KEY PERFORMANCE INDICATORS

Employee headcount

	12/31/2010	12/31/2009
Total Group as of 12/31	15,090	14,592
Average annual headcount	15,093	15,368

- As of December 31, 2010, the Group has 15,090 employees, including 664 on fixed-term contracts, i.e. 4.4% of the total headcount. As on December 31, 2009, the headcount was 14,592, of which 512 fixed-term contracts (i.e. 3.5%).
- To estimate the Group's total workforce, agency workers and on-site "trade" contractors should be added (3,100 people as of December 31, 2010). The countries that use this external workforce the most are India (890), Brazil (540), the United States (498), France (320), South Africa (235) and Vietnam (105). In addition, there were 109 interns as of December 31, 2010 (88 as of December 31, 2009). Imerys' total headcount (including agency workers, on-site contractors and interns) therefore works out at 18,299 as of December 31, 2010, compared with 17,067 as of December 31, 2009.

In 2010, the headcount grew steadily during the first eight months (15,483 employees as of August 31) before leveling out towards the end of the year, mainly because of seasonal cycles. There organization plans undertaken in 2009, in some cases, finished having an effect in mid-2010 (IKF in Spain, Imerys TC in France).

The Group's average headcount for 2010 was 15,093 employees, compared with 15,368 in 2009 (of which 800 and 649 on fixed-term contracts, respectively).

Employees by business group

	12/31/2010	12/31/2009
Minerals for Ceramics, Refractories, Abrasives & Foundry	5,664	5,330
Performance & Filtration Minerals	2,769	2,865
Pigments for Paper	2,364	2,108
Materials & Monolithics	4,028	4,048
Holding company	265	241
Total	**15,090**	**14,592**

The distribution of employees by business group was relatively stable from 2009 to 2010, with Minerals for Ceramics, Refractories, Abrasives & Foundry, still the business group that employs the most people (37.5% of the Group's headcount).

Employees by geographic zone

	12/31/2010	12/31/2009
Western Europe	6,064	6,207
of which France	2,974	3,078
of which United Kingdom	1,246	1,215
Central Europe	1,229	1,119
North America (inc. Mexico)	2,431	2,387
of which United States	2,048	2,014
South America	1,484	1,237
of which Brazil	1,042	806
Asia-Pacific	3,137	2,934
of which China	1,764	1,592
of which India	641	636
Africa	745	708
Total	**15,090**	**14,592**

The geographic distribution of employees was also stable from 2009 to 2010, with 48% of employees located in Europe (40% in Western Europe), 21% in Asia-Pacific, 16% in North America and 10% in South America.

The decrease recorded in Western Europe mainly concerns the plans initiated in 2009 (France & Spain). The other geographic zones all posted a slight increase in headcount, as did China. The significant rise in Brazil mainly stems from the acquisition of PPSA in August 2010.

Employees by function

	12/31/2010		12/31/2009	
Operations – Production – Manufacturing	10,466	69.4%	10,198	69.9%
Logistics - Purchasing	710	4.7%	654	4.5%
Research & Development – Geology	513	3.4%	458	3.1%
Sales & Marketing	1,183	7.8%	1,152	7.9%
Support & Administration	2,218	14.7%	2,130	14.6%
Total	**15,090**	**100.0%**	**14,592**	**100.0%**

The distribution of employees by function in the Group is unchanged.

Turnover

Turnover as indicated below is analyzed as the number of voluntary departures in the year, compared with the previous year (as of 01/01/2010), for open-ended contracts only.

In 2010, the rate was 5.4% for the Group as a whole (4.6% in 2009). Because of the impact of the economic crisis on jobs, the rate was low in 2009 for all regions and all business groups. In 2010, it remained relatively low except in Asia-Pacific where it was close to 10%, reflecting the upturn in business in the region, particularly in China where a significant number of resignations were recorded (173 out of the 534 resignations in 2010).

For all causes of departure, excluding the end of fixed-term contracts, 1,429 people left the Group in 2010 (of which 37% resignations and 29% economic redundancies), compared with 3,235 in 2009 (of which 62% economic redundancies and 13% resignations).

Recruitment and internal mobility

Recruitment efforts in 2010 concerned 2,701 people (1,581 in 2009), of whom 1,267 were recruited on open-ended contracts and 1,434 on fixed-term contracts. The countries that recruited the most people on open-ended contracts were China (279) and the United States (218). In addition, Sweden and South Africa tended to recruit employees on fixed-term contracts (318 and 225, respectively). The business groups that made the biggest contributions to recruitment are Minerals for Ceramics, Refractories, Abrasives & Foundry with 1,264 people hired (of which 574 on open-ended contracts) and Materials & Monolithics with 866 (243 open-ended contracts).

At the same time, more than 250 internal moves filled vacancies in the Group, of which 150 in Western Europe and around 60 in line and support management positions.

Diversity

Percentage of women by geographic zone

	12/31/2010		12/31/2009	
	All employees	Salaried employees	All employees	Salaried employees
Western Europe	15.4%	29.0%	15.5%	29.5%
Central Europe	19.4%	35.8%	19.3%	36.0%
North America	13.7%	33.4%	14.2%	33.8%
South America	11.3%	31.8%	11.0%	31.4%
Asia-Pacific	16.4%	28.2%	15.4%	26.5%
Africa	11.3%	13.3%	8.3%	10.3%
Total	**15.0%**	**29.9%**	**14.8%**	**29.8%**

The proportion of women in the Group's total workforce increased slightly from 2009, particularly in Africa and Asia-Pacific. In addition, the proportion of women senior managers (members of support or operations management teams) rose to 11.3% in 2010, compared with 9.2% in 2009. The nature of the Group's industrial activities means that this proportion remains marginal in the "workers" category.

Number of disabled employees

According to the definition used in the Group [(1)], Imerys employs 196 people who have declared themselves as disabled with their Human Resources department (209 in 2009).

Age and seniority

While 61% of the Group's employees are in the "over 40" age group, there is wide geographic disparity. In regions where the Group is developing or only established bases recently (South America, Asia-Pacific and Africa), Imerys mostly employs people aged 30-40 (33%-37% of employees). The disparity is best shown in the following example: 65% of employees are under 40 in South America, compared with only 27% in North America.

Overall distribution of seniority is balanced (30% of employees have 4-10 years' seniority, 27% more than 20 years). Nevertheless, there are again significant differences by geography. In South America, 46% of employees have less than three years' service. Seniority is also low in Asia-Pacific and in Africa, where almost 70% of employees have less than 10 years' service. On the other hand, in North America and Europe, more than one-third of the workforce has more than 20 years' service and 60% more than 10 years.

Industrial relations

In 2010, 9,432 working hours were lost due to strikes, of which 6,113 in France and 2,430 in the United States (4,872 in 2009, 5,019 in 2008 and 12,065 in 2007).

In 2010, 151 agreements were signed with the various employee representative bodies or unions in Group companies (147 in 2009).

Training

More than 215,000 training hours (corresponding to a precise program and content) were given out in 2010, compared with 197,000 in 2009. Awareness training on health & safety procedures and measures accounts for 51% of all training hours, technical expertise development training 40% and managerial training 9%.

More than 9,400 employees were trained at least once in 2010, i.e. 62% of the Group's annual average workforce. This rate shows the importance attached to training incumbent teams.

Employee shareholding

The Group did not carry out a new employee shareholding plan in 2010.

As of December 31, 2010, the number of employee shareholders was 2,727, i.e. 18% of the Group's workforce, in 26 countries. In 2009, there were 2,924 employee shareholders, i.e. 20% of the workforce.

(1) Application of national legislation or, as the case may be, reference to the International Labour Organization definition.

REPORTS
ON THE FISCAL YEAR 2010

2

2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

2.1.1 FINANCIAL YEAR 2010

In 2010, Imerys' markets evolved favorably but remain significantly below pre-crisis volumes (approx. - 15%). However, part of the growth results from the Group's customers' inventory rebuilding, especially activities serving industrial equipment markets. The euro weakened in relation to the dollar for part of 2010. The Group benefited from this, not only through the translation of dollar sales into euros but also through the improved competitiveness of its customers (industrial equipment manufacturers and paper makers, etc.).

Steel production increased significantly, thanks to the dynamism of emerging zones. Trends were positive in the United States and, to a lesser extent, Europe.

Global production of printing and writing paper rose + 6% in 2010 compared with the previous year.

Demand remains stable overall in fast-moving consumer goods (beverages, edible oils, personal care products, etc.).

Construction picked up only slightly in Europe, although positive advance indicators (housing sales, building permits) are being published in France. In the United States, the sector has remained at a very low level for the past 18 months.

Every geographic zone benefited from the upturn in business. Sales growth in North America (+ 26%) reflects the firmness of the US dollar against the euro in particular. In emerging countries, sales represent 26% of Group revenues. They grew sharply in China, Brazil and India, with recent industrial investments a major driving force.

Operating indicators reflect that upturn with current operating income and margin returning to 2008 levels. Imerys has resumed its external growth policy, as seen the acquisition of the Brazilian company Pará Pigmentos S.A. in July 2010.

Showing its confidence in the Group's prospects, at the Shareholders' General Meeting on April 28, 2011, the Board of Directors will propose a + 20% increase in dividends to €1.20 per share. The dividend would be paid out from May 11, 2011 for a total amount of approximately €90.6 million, which represents 37.7% of the Group's share of net income from current operations.

(€ millions)	**2010**	**2009**	**% current change**
Consolidated Results			
Sales	3 346.7	2 773.7	+ 20.7%
Current operating income [(1)]	419.0	248.9	+ 68.4%
Operating margin	12.5%	9.0%	+ 3.5 points
Net current income, Group's share [(2)]	240.3	119.3	+ 101.6%
Net income, Group's share	240.8	41.3	n.s.
Financing			
Current free operating cash flow [(3)]	303.1	450.3	- 32.7%
Booked capital expenditure	169.1	118.7	+ 42.5%
Shareholders' equity	2 196.4	1 855.8	+ 18,4%
Net financial debt	872.8	964.3	- 9.5%
Data per share [(4)]			
Weighted average number of outstanding shares	75,405,857	72,054,523	+ 4.65%
Net income from current operations, Group's share [(2)]	€3.19	€1.66	+ 92.6%
Proposed dividend	€1.20 [(5)]	€1.00	+ 20.0%

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

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

(3) Current free operating cash flow: EBITDA deducted from notional tax, changes in working capital requirement and paid capital expenditure.

(4) The weighted average number of outstanding shares was adjusted following the capital increase of June 2, 2009.

(5) Dividend proposed at the Shareholders' General Meeting on April 28, 2010.

2.1.2 DETAILED COMMENTARY ON THE GROUP'S RESULTS

SALES

Sales for financial 2010 totaled €3,346.7 million, up + 20.7% from 2009. This increase factors in:

- a Group structure effect of + €23.9 million, chiefly resulting from the acquisition of the Brazilian company Pará Pigmentos S.A (PPSA), consolidated from August 1, 2010, and the divestment of Planchers Fabre (France, May 2009);
- a foreign exchange effect of + €134.0 million, which intensified in the 2nd half due to the euro's depreciation against other currencies on average, in 2010 compared with 2009.

At comparable Group structure and exchange rates, the increase in sales (+ 15.0% vs. 2009) reflects the overall upturn in sales volumes (+ 13.1%) in all four business groups. The upturn was sharper for those that had been most affected by the crisis and inventory reductions in 2009. The price/mix component rose + 1.9% over the year.

The sharp rise in 4th quarter sales (+ 19.5%) should not be extrapolated into early 2011 as it includes a significant currency translation effect (+ 5.9%).

At comparable Group structure and exchange rates, 4th quarter sales are slightly lower than in the second and third quarters, reflecting the end of restocking as well as adverse weather for Building Materials activities in particular.

CURRENT OPERATING INCOME

Beyond the limited effects of Group structure and foreign exchange (- €3.0 million and + €0.2 million, respectively) at comparable Group structure and exchange rates, **current operating income** increased by + €172.9 million compared with 2009. It takes into account the substantial contribution of sales volumes (+ €161.4 million). The product price/mix effect was favorable (+ €27.0 million) and the Group recorded an overall decrease in variable costs (- €22.3 million), particularly energy bills. Fixed production costs and general expenses remained under control (+ €74.3 million). More than half the savings achieved in 2009 (€157.8 million) were carried over into 2010, in line with the upturn in volumes (labor costs, maintenance).

In the 4th quarter of 2010, the operating margin (11.6%) was impacted by adverse weather conditions in France, the United Kingdom and the United States, which disrupted operating conditions and weighed on the activity mix (drop in construction-related segments in particular).

At 12.5%, the Group's operating margin gained 3.5 points in 2010 compared with 2009.

NET INCOME FROM CURRENT OPERATIONS

Up + 101.6% to €240.3 million, **net income from current operations** reflects:

- The sharp rise in current operating income;
- The improvement in current financial income to - €74.7 million (- €83.4 million in 2009) that includes, in particular:
  - interest expense of - €57.3 million (vs. - €69.1 million in 2009), reflecting the decrease in average debt from the same period the previous year,
  - a foreign exchange loss of - €4.4 million (- €5.8 million in 2009),
  - unwinding of long-term provisions (- €3.4 million) and net financial expense with respect to pensions (- €2.8 million),
  - other financial income/expense (- €6.8 million), including a - €6.4 million charge on financial instruments;
- A tax charge of - €99.5 million (- €46.2 million in 2009), i.e. an effective tax rate of 28.9%, compared with 27.9% in 2009.

NET INCOME

The + €199.5 million increase in **net income**, **Group share** to €240.8 million takes into account **other income and expense**, **net of tax** (+ €0.5 million), including in particular the following items, net of tax:

- Badwill on the acquisition of PPSA, net of acquisition costs (expenses, restructuring) for a total of €40.2 million;
- Non-recurring financial income resulting from the recording in the 1st half of 2010 of a non-recurring foreign exchange gain of + €6.7 million, following the restructuring of the financing of the Group's US subsidiaries (i.e. + €10.2 million before tax);
- Provisions for restructuring and asset depreciation for a total amount of - €30.7 million (corresponding in particular to the closure of the Imerys Kiln Furniture site in Spain; in China, withdrawal from vermiculite activities and depreciation of mining rights);
- Depreciation expense for site remediation for - €14.2 million: the review of the environmental situations of the Group's industrial sites, carried out in 2010, led to the booking of additional long-term provisions.

CASH FLOW

(€ millions)	2010	2009
EBITDA	**621.0**	**416.6**
Change in operating working capital	(45.7)	235.3
Paid capital expenditure	(154.9)	(138.4)
Free current operating cash flow (*)	**303.1**	**450.3**
Paid financial expense (net of tax)	(46.6)	(50.4)
Other working capital items	17.7	42.1
Current free cash flow	**274.2**	**442.0**
(*) including subsidies, value of divested assets and miscellaneous	*3.7*	*6.3*

Operating working capital requirement rose + €45.7 million, in line with the increase in sales (+ 20.7%). Working capital, therefore, represents 21.8% of 4th quarter sales on an annual basis. Excluding the effect of receivables factoring for €71 million [(1)], as of December 31, 2010 that ratio works out at 23.8% (vs. 24.9% as of December 31, 2009).

Booked capital expenditure totaled €169.1 million, compared with €118.7 million in 2009. This represents 79% of depreciation expense (vs. 65% in 2009) and was mainly intended for industrial facility maintenance and industrial tools and overburden operations.

FINANCIAL STRUCTURE

(€ millions)	December 31, 2010	June 30, 2010	December 31, 2009
Paid dividends	(76.3)	(76.0)	(63.6)
Net debt	872.8	990.1	964.3
Shareholders' equity	2,196.4	2,140.5	1,855.8
EBITDA	621.0	319.2	416.6
Net debt / shareholders' equity	39.7%	46.3%	52.0%
Net debt / EBITDA	1.4x	1.9x	2.3x

Consolidated net financial debt, at €872.8 million, was reduced by approximately €92 million in 2010. This change takes into account the following items:

- High current free cash flow at €274.2 million;
- Payment, on May 11, 2010, of €75.5 million in dividends, plus €0.8 million paid to minority shareholders in subsidiaries;
- The acquisition of Pará Pigmentos S.A. (PPSA) [(2)] and mining rights in Pará state (Brazil), for a total amount of €54.1 million.

As of December 31, 2010, Imerys' total financial resources are almost €2.2 billion, with no significant repayments due until late 2012. The average maturity of financial resources is 3.8 years.

(1) Factoring contract signed on July 23, 2009 under which transferred receivables are deconsolidated, with the risks and benefits related to receivables transferred to the factor bank. €83 million in receivables were factored as of December 31, 2009.

(2) Acquisition of 100% of the shares of the company in 2010.

2.1.3 COMMENTARY BY BUSINESS GROUP

MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

(32% of the Group's consolidated sales)

(€ millions)	2010	2009	Current change	Comparable change (1)
Sales	1 105.0	794.5	+ 39.1%	+ 35.2%
Current operating income (2)	134.6	44.0	+ 206.4%	+ 213.3%
Operating margin	12.2%	5.5%		
Booked capital expenditure	63.0	46.0	+ 37.0%	

(1) At comparable Group structure and exchange rates.
(2) Operating income before other operating income and expenses.

2

Markets

Minerals for Refractories and Abrasives (steel, automotive, industrial equipment) and Graphite (mobile energy, etc.) markets were heavily affected by the global economic crisis in 2009. In 2010, they benefited from the clear upturn in end demand and an inventory rebuilding effect that lasted until the end of the 3rd quarter.

The upturn in demand was more moderate on Minerals for Ceramics markets, with construction in developed countries growing only slightly.

Industrial highlights

To meet the increase in global demand for high quality refractory minerals, development capital expenditure resumed in andalusite (refractory mineral for steel, aluminum, cement and glass production). The business group opened a new conversion unit close to its reserve in China. Production capacities were extended in South Africa.

Minerals for Ceramics business is developing in new segments (electro-porcelain, glass fiber) and extending into emerging economies.

Performance

Sales, at €1,105.0 million for financial 2010, rose + 39.1% from financial 2009 (which was down - 31.5% from 2008). An analysis of the variance shows:

- A Group structure effect for - €0.9 million,
- Substantial exchange rate impact at + €31.9 million.

Driven by the sharp rise in volumes, sales also increased due to higher relative growth in value-added products.

With a threefold increase from 2009, **current operating income**, at €134.6 million, includes a + €0.1 million Group structure effect and a - €3.2 million foreign exchange impact.

At comparable Group structure and exchange rates, the rise in sales volumes had a very positive effect despite an increase in fixed production costs. The product price/mix evolved favorably and variable costs were down slightly from the previous year.

PERFORMANCE & FILTRATION MINERALS

(17% of the Group's consolidated sales)

(€ millions)	2010	2009	Current change	Comparable change (1)
Sales	594.7	500.7	+ 18.8%	+ 11.7%
Current operating income (2)	64.8	26.9	+ 141.1%	+ 117.3%
Operating margin	10.9%	5.4%		
Booked capital expenditure	26.8	10.7	+ 150.5%	

(1) At comparable Group structure and exchange rates.
(2) Operating income before other operating income and expenses.

Markets

In 2010, most of the business group's end markets reported an improvement in demand and some inventory rebuilding by customers and distributors until the 3rd quarter. Growth was higher in fast-moving consumer goods (beverages, edible oils, personal care products, etc.) and specialty products for industry (plastics, rubber, filtration, catalyst, etc.). However, while the construction sector grew slowly in Europe, no improvement could be seen in the United States.

Industrial highlights

The industrial optimization plan for the Minerals for Filtration activity in the United States, particularly the renovation of the Lompoc (California), diatomite plant, enabled the business group to serve demand effectively in 2010. Mining operations returned to normal.

Performance

Sales totaled €594.7 million for 2010 (+ 18.8%). This increase includes a foreign exchange impact of + €35.5 million and a Group structure effect of - €0.3 million. At comparable structure and exchange rates, the rise in sales reflects the significant upturn in volumes, partly resulting from inventory rebuilding.

At €64.8 million, **current operating income** rose + €37.9 million. It factors in a favorable foreign exchange effect of + €6.4 million. At comparable structure and exchange rates, the increase was + €31.5 million. The sharp upturn in volumes came with a correlated increase in fixed production costs and general expenses. Income also reflects the decrease in variable costs and the firm price/mix component.

PIGMENTS FOR PAPER

(23% of the Group's consolidated sales)

(€ millions)	2010	2009	Current change	Comparable change [(1)]
Sales	631.9	719.2	- 12.1%	- 14.0%
Current operating income [(2)]	41.6	60.2	- 30.9%	- 34.2%
Operating margin	6.6%	8.4%		
Booked capital expenditure	32.5	63.5	- 48.8%	

(1) At comparable Group structure and exchange rates.

(2) Operating income before other operating income and expenses.

Markets

Global production of printing and writing paper, which had slumped heavily in 2009, gradually recovered in 2010 (+ 6.1%) with printers and distributors rebuilding their paper inventories.

Demand was robust in emerging countries (+ 5.7%) and picked up strongly in mature countries (+ 6.5%). Moreover, European papermakers benefited from better competitiveness thanks to the euro's depreciation against the American dollar. The European paper sector carries on consolidating.

Industrial highlights

The business group continued its strategic development in 2010. The Yueyang precipitated calcium carbonate (PCC) plant (Hunan province, China), commissioned in the 2nd quarter under a joint venture, is now fully operational.

In the 2nd half of the year, the business group also acquired the Brazilian company Pará Pigmentos S.A. (PPSA) and mining rights in Pará state. This enabled Imerys to increase its reserves of kaolin for paper and packaging and enhance its industrial and logistical assets (pipeline and port terminal). Integration has been progressing according to the acquisition plan since August 1.

Performance

Sales, at €767.1 million in 2010, rose + 21.4%, particularly taking into account:

- a highly favorable foreign exchange effect of + €42.0 million;
- a + €31.4 million structure effect (acquisition of PPSA, Brazil, consolidated from August 1, 2010).

At comparable structure and exchange rates, sales growth mainly reflects the substantial rise in volumes, resulting from:

- the dollar's depreciation against the euro, which benefited European paper producers;
- the success of new products intended for the packaging segment (extra-flat kaolins in the Barrisurf™ and E-Type™ ranges);
- the opening of new production capacities in India and China.

Current operating income totaled €76.0 million in 2010 (+ €34.4 million), including a - €5.3 million foreign exchange impact and a - €2.2 million structure effect. At comparable structure and exchange rates, the business group's operating performance benefited from higher sales volumes and from productivity efforts. Trends in the price/mix component and variable costs were also healthy.

MATERIALS & MONOLITHICS

(28% of the Group's consolidated sales)

(€ millions)	2010	2009	Current change	Comparable change [(1)]
Sales	922.6	875.6	+ 5.4%	+ 3.1%
Current operating income [(2)]	187.5	168.0	+ 11.6%	+ 10.7%
Operating margin	20.3%	19.2%		
Booked capital expenditure	14.0	27.3	- 48.7%	

(1) At comparable Group structure and exchange rates.

(2) Operating income before other operating income and expenses.

Markets

In France, the improvement in building permits observed for several quarters was not reflected in new housing starts until late 2010 with a + 1.7% rise [(1)] for the year.

Renovation was heavily hit by unfavorable weather in January, February and December and fell slightly over the year.

In that context, the clay products market recorded a - 2% [(2)] decrease in roofing components from the previous year. In the structure segment, however, growth was strong (+ 11% [(2)]) thanks to the ongoing substitution of clay for concrete.

Monolithic Refractories markets benefited from the upturn in steelmaking and, more generally, industrial activity, which remained firm throughout the year. The cement, incineration and petrochemicals segments, which held out better in 2009, grew slightly. New furnace construction projects remain few.

Industrial highlights

In 2010, capital expenditure was limited to maintenance, industrial assets having been upgraded in recent years. Furthermore, the Cuntis (Spain), Kiln Furniture plant was closed.

Performance

Up + 5.4% from 2009, the business group's 2010 **sales** (€922.6 million) takes into account:

- structure effect of - €6.4 million (divestment of Planchers Fabre, France, May 2009);
- foreign exchange impact of + €26.4 million.

At comparable structure and exchange rates, firm business in Monolithic Refractories offsets lower sales volumes in Building Materials.

Current operating income was €187.5 million (+ €19.5 million from 2009). It includes a - €0.8 million structure effect and a + €2.3 million foreign exchange impact. At comparable structure and exchange rates, strict cost management offsets the lower relative contribution of Building Materials.

2.1.4 2011 OUTLOOK

As of February 15, 2011, the Group's economic environment can currently be analyzed as follows:

- the construction market in France should improve gradually if, as can be expected, building permits reflect housing starts, from the second half of the year;
- the US situation is more uncertain: single-family housing construction is likely to remain very low even if industrial activity trends appear healthier overall, as steel output suggests;
- European markets other than construction could evolve favorably if the euro remains competitive in relation to the dollar;
- emerging countries are likely to continue growing;
- cost inflation and currency volatility risks exist.

In that context, unless a major macro-economic event occurs, Imerys should continue its growth, helped by the development efforts made in recent years. That growth will nevertheless be assessed in relation to 2010, which benefited from inventory rebuilding, a significant, non-recurring event. Moreover, the Group has the financial resources to seize the value-creating opportunities that arise.

(1) Source: New single-family housing starts – French Ministry of Ecology, Sustainable Development, Transports and Housing.

(2) Source: FFTB (French roof tiles & bricks federation) – provisional data.

2.1.5 THE COMPANY'S BUSINESS AND RESULTS IN 2010

The Company made a net profit of €83.6 million in 2010, a + €11.7 million increase compared to the previous period.

An operating loss of - €43.2 million was recorded, a - €10.7 million change compared to the previous year. This trend is due to an increase in operating expenses of + €9.6 million to €72.0 million. This increase can mainly be explained by the constitution of a provision for risks for an amount of €4.1 million corresponding to the future transfer of treasury shares of the Company as part of free shares plans. At the same time, operating revenue decreases by + €1.1 million and reaches €28.7 million.

A financial income of €101.3 million was posted in 2010, compared with a financial income of €73.6 million in 2009. Indeed, the Company collected €103.4 million in dividends in 2010, the latter reached €102.6 million in 2009. The Company also recorded a net exchange rate gain of + €10.8 million in 2010, against a net gain of + €69.2 million recognized in 2009; at the same time net provisions for foreign exchange risks were increased in 2009 by - €42.1 million and are decreased in 2010 by + €41.6 million. The foreign exchange impacts net of provisions thus increase from + €27.1 million in 2009 to + €52.4 million in 2010 and mainly explains the increase in the financial income. Finally, the net financial expenses increased by - €0.6 million.

Pursuant to the risk management procedure in force in the Group, the Company uses forward or optional financial instruments to hedge the risks inherent in fluctuations in exchange and interest rates and in energy prices.

The current income amounts to €58.0 million in 2010, against €41.1 million in 2009.

The exceptional income reached + €0.1 million in 2009. For the financial year 2010, it amounts to + €2.8 million.

With respect to 2010, Imerys SA recorded a tax revenue of + €22.8 million, as a result of the tax consolidation of the Group of French companies headed by Imerys SA.

The financial debts of Imerys SA increase by €61.8 million in 2010.

The increase in investments of + €165.8 million corresponds to the capitalization of two loans granted by the Company to its subsidiary Imerys USA, Inc. for a total amount of €150.3 million and to the share capital increase of its French subsidiary Mircal Chili for €15.5 million as well as to the setting up of two new French companies, without activity to date, with a fully paid-up share capital of €15,000 each (Parnasse 30 and Parnasse 31). During the financial year 2010, the Company sold its entire interest in IGM for Fibre Glass (formerly Parnasse 29) to one of its French subsidiaries. The capitalization of both loans in the United States largely explains the decrease of loans related to investments and other subsidiaries for a net amount of €181.9 million in 2010.

The Board of Directors will propose the payment of a dividend of €1.20 per share at the Shareholders' General Meeting of April 28, 2011, highlighting the Group's confidence in its future prospects. This dividend should be paid out from May 11, 2011 for a total of approximately €90.6 million, i.e. 37.7% of the Group's share of consolidated net current income (for information related to allocation of earnings, *see note 34 of the statutory financial statements*).

As of December 31, 2010, the Company's financial debt was made up of the following items:

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Financial debts	2,047,056	1,053,121	404,775	589,860
Other debts	25,567	25,567	-	-
Deferred revenue	-	-	-	-
Unrealized exchange rate gains	27,806	27,806	-	-
Total	**2,101,129**	**1,106,494**	**404,775**	**589,860**

INVENTORY OF SUBSIDIARIES AND EQUITY INTERESTS AND MARKETABLE SECURITIES

Information concerning subsidiaries and equity interests as of December 31, 2010 can be found in *Note 35 of the statutory financial statements*.

Information concerning marketable securities as of December 31, 2010 can be found in *Note 18 of the statutory financial statements*.

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

Information concerning the share capital as of December 31, 2010 is available in *Notes 19 and 29 of the statutory financial statements*, as well as in *chapter 6, paragraph 6.3.1 of the Registration Document*.

As of December 31, 2010, the Company's share capital was made up as follows:

	Number of shares	% of interest	% of voting rights (1)
Pargesa Netherlands BV	19,348,412	25.64%	32.56%
Belgian Securities BV (2)	23,201,353	30.74%	37.76%
M&G Investment Management Ltd (3)	4,890,722	6.48%	4.35%
Vanguard Precious Metal and Mining Funds (4)	3,900,000	5.17%	3.47%
Group employees	210,215	0.28%	0.36%
Owned by the Group	136,373	0.18%	-
Public	23,787,080	31.51%	21.50%
Total as of December 31, 2010	**75,474,155**	**100.00%**	**100.00%**

(1) Total net voting rights: 112,234,846.

(2) A 100% subsidiary of Groupe Bruxelles Lambert.

(3) M&G Investment Management Limited is a company belonging to the Prudential Plc group (Great Britain).

(4) Vanguard Precious Metal and Mining Funds is a company belonging to The Vanguard Group, Inc. (United States).

On April 29, 2010, the Board of Directors decided to create 42,984 new shares and thus to increase the Company's share capital by a nominal amount of €85,968 by incorporation of reserves, with a view to serving an equivalent number of free shares definitely acquired on that date.

On December 16, 2010, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2009 and April 29, 2010, cancelled 171,627 self-held shares directly acquired on the market by the Company and totally allocated to the cancellation objective. This cancellation of shares led to a capital decrease of the Company by a nominal amount of €343,254.

On January 10, 2011, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2010, noted that, on December 31, 2010, the share capital had been increased by a nominal amount of €426,604 as a result of the exercise in 2010 of 213,302 treasury shares giving the right to the same number of Imerys shares.

In addition as of December 31, 2010, the Company holds 136,373 treasury shares at the average unit price of €43.54.

The amount of dividends paid during the past three financial years was as follows:

	2010 For the 2009 period	2009 For the 2008 period	2008 For the 2007 period
Gross dividend per share	€1.00	€1.00	€1.90
Net dividend per share	€1.00	€1.00	€1.90
Total net distribution	**€75.5 million**	**€62.8 million**	**€118.9 million**

For further information on Imerys' policy with regard to distribution of dividends, *see chapter 6, section 6.6 of the Registration Document*.

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

Type of indicators *(in euros)*	**2010**	**2009**	**2008**	**2007**	**2006**
I - Capital and other shares at the end of the period					
Share capital	150,948,310	150,778,992	125,573,180	126,253,712	126,669,240
Number of ordinary shares at the end of the period	75,474,155	75,389,496	62,786,590	63,126,856	63,334,620
Nominal per share	€2	€2	€2	€2	€2
Number of preferred shares (without voting rights)	-	-	-	-	-
Maximum number of potential ordinary shares by exercise of options	4,170,563	3,953,269	3,448,082	3,103,391	2,989,870
II - Transactions and income for the period					
Pre-tax sales	18,874,414	19,196,891	23,164,643	23,535,868	25,059,348
Income before income taxes, legal profit-sharing and amortization, depreciation and provisions	19,302,242	83,085,219	43,655,864	37,035,044	92,329,448
Income taxes	22,793,593	30,755,302	56,232,494	27,399,525	22,162,068
Legal employee profit-sharing payable for the period	-	-	-	-	-
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	83,645,325	71,934,964	87,063,223	50,239,678	113,398,743
Distributed income (excluding withholding tax)	75,505,458	62,787,810	118,974,880	114,185,084	104,823,279
III - Earnings per share (1)					
Income after income taxes, legal profit-sharing and before amortization, depreciation and provisions	0.56	1.51	1.59	1.02	1.81
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	1.11	0.95	1.39	0.80	1.79
Net dividend per share	1.20 (2)	1.00	1.00	1.90	1.80
IV - Employees					
Average number of employees for the period	124.25	125.58	130.33	105.33	98.83
Payroll for the period	13,459,710	11,839,442	11,619,474	10,525,905	8,564,526
Amount paid as social contribution for the period	12,339,268	7,335,249	5,782,541	5,926,112	5,030,033
of which profit-sharing	918,072	356,971	900,000	1,128,996	1,010,532

(1) Based on the number of shares at the end of each period.
(2) Proposed for the approval of the Shareholders' General Meeting of April 28, 2011.

OTHER INFORMATION

In 2010, no change in accounting methods occurred.

2010 POST CLOSING EVENTS AND BUSINESS FORECASTS FOR 2011

In 2011, the Company will pursue its activity of holding and, more particularly, of providing services to its subsidiaries and will continue to manage financial risks for the entire Group.

SUPPLIER PAYMENT TERMS ACCORDING TO THE "LOI DE MODERNISATION DE L'ECONOMIE" DATED AUGUST 4, 2008 ("LME LAW")

Pursuant to article L. 441-6-1 of the French Code of Commerce, the amount of trade payables by maturity is given below:

Payables as of December 31, 2010

(€ thousands)	Total	< 30 days	from 31 to 60 days	> 61 days
Group suppliers	3,112	3,065	22	25
Non Group suppliers	1,390	1,238	74	78
Trade payables	**4,502**	**4,303**	**96**	**103**

Payables as of December 31, 2009

(€ thousands)	Total	< 30 days	from 31 to 60 days	> 61 days
Group suppliers	2,447	2,159	42	246
Non Group suppliers	1,202	1,155	18	28
Trade payables	**3,649**	**3,314**	**61**	**274**

The present Management Report by the Board of Directors draws on detailed information from the following chapters of the present Registration Document, in particular:

- Sustainable Development, Environment, Human Resources data, Risks (Chapter 1 – Presentation of the Group).
- Innovation, Research & Technology (Chapter 1 – Presentation of the Group).
- Composition and functioning of the Board of Directors, list of offices and functions held by corporate officers and amount of compensation; benefits of corporate officers, stock options and free shares; corporate officers' transactions in Imerys securities (Chapter 3 – Corporate Governance).
- Risk factors (Chapter 4 – Risks and internal control).
- Main subsidiaries and affiliates (Chapter 5 – Financial statements).
- Changes in accounting methods (Chapter 5 – Financial statements).
- Use of financial instruments (Chapter 5 – Financial statements).
- Subsequent events (Chapter 5 – Financial statements).
- Information on share capital (including Group employees' interest in the capital of the Company and table summarizing existing financial authorizations and share buyback programs) and items likely to have an impact in the event of a public offer (Chapter 6 – Additional information).

2.2 AUDITORS' REPORTS

ERNST & YOUNG et Autres
41, rue Ybry
92576 Neuilly-sur-Seine Cedex

S.A.S. with variable capital
Statutory Auditor
Member of the Compagnie régionale de Versailles

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

S.A. with share capital of €1,723,040
Statutory Auditor
Member of the Compagnie régionale de Versailles

2.2.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended December 31, 2010

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2010 on:

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

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

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2010 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 2 to the consolidated financial statements relating to the changes in accounting policies.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Company Law (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Your company performs annual goodwill impairment tests and also assesses whether there is any indication of impairment in long-term assets, under the terms and conditions described in Notes 4.9, 4.13 and 19 to the consolidated financial statements. Our procedures consisted in analyzing the procedures performed to implement those impairment tests and assumptions used and in verifying that the notes 4.9, 4.13 and 19 provide appropriate disclosures.

- Your company has to confront litigation and a range of management, environmental, legal and social security risks. As stated in Note 24.2 to the consolidated financial statements, with support from its outside advisors, your Company is evaluating the amounts and probabilities of settlement of all of the litigation and risks identified. We have taken note of the various bases for the estimates and the documentation available. We assessed the reasonableness of these estimates.

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

III. SPECIFIC VERIFICATION

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

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

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres

François Carrega

Deloitte & Associés

Arnaud de Planta

2.2.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Fiscal year ended December 31, 2010

(This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification of information in the management report. This report should be read in conjunction with French law and professional auditing standards applicable in France).

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2010 on:

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

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

I. OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Imerys at December 31, 2010 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Company Law (code de commerce) relating to the justification of our assessments, we bring to your attention the following matter:

Investments in subsidiaries are valued by taking into account both percentage of shareholders' equity they represent and future profitability forecasts as stated in the accounting policies note to the financial statements concerning long-term investments. Our procedures consisted in assessing the data and the assumptions on which these estimates are based and reviewing the calculations performed by the Company. We assessed the reasonableness of such estimates.

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

III. SPECIFIC VERIFICATIONS AND INFORMATION

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

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

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Company Law (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we have the following observation to make regarding to the accuracy and fair presentation of this information:

As specified in the management report, this information was prepared in accordance with the AMF recommendation of December 22, 2008. It therefore does not include the remuneration and benefits granted by the companies controlling your Company to the relevant company officers with respect to other directorships, roles or engagements other than those performed in or on behalf of the Imerys group.

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

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

2.2.3 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

Fiscal year ended December 31, 2010

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

To the Shareholders,

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

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Company Law *(Code de commerce)*, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Company *(Code de commerce)* Law in respect of the performance of the agreements and commitments, already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These guidelines require that we agree the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized in 2010

Pursuant to Article L.225-40 of the French Company Law *(Code de commerce)*, the following agreements and commitments, which were previously authorized by your Board of Directors, have been brought to our attention application.

Regulated agreements and commitments entered into in favor of Mr. Gilles Michel, Deputy CEO and Director, as authorized by the Board of Directors at its November 3, 2010 meeting:

Group defined benefit retirement plan

The main characteristics of this plan are as follows:

- beneficiary category: all senior executives or corporate officers of Imerys SA, and members of the Executive Committee, having at least 10 years of seniority within the Imerys Group as of the settlement date of his retirement benefits, including having been a member of the Executive Committee during at least two years;
- life annuity:
  - total annual gross amount (after having taken into account pension benefits from mandatory and complementary retirement plans including the defined benefit plan described below) and 60% of the beneficiary's reference salary, which is limited to 22 times the amount of the Social Security Annual Ceiling ("22 PASS");
  - subject to a payment capped at a maximum of 25% of the 22 PASS;
  - optional reversion annuity paid to the surviving spouse(s), pro-rated to the duration of the marriage;
- reference salary to be used: average of the beneficiary's last two years of compensation (fixed and variable).

The total estimated amount of the commitment for Mr. Gilles Michel amounts to €93.9 thousand as of December 31, 2010.

Group defined contribution retirement plan

This plan, the management of which is entrusted to an insurance company, provides for a contribution equal to 8% of the compensation of the eligible beneficiaries, capped at 8 times the PASS, jointly funded by the beneficiary, for up to 3%, and by the Company, for up to 5%; the vested rights are, when necessary, allocated to the guaranteed retirement benefits provided for in the Group defined benefit retirement plan.

Your Company paid contributions to this plan amounting to €3,615.85 in 2010.

Unemployment insurance/Guaranteed unemployment benefits for senior executives and corporate officers of the Company ("GSC")

In his capacity as a corporate officer of the Company, Mr. Gilles Michel benefits from guaranteed unemployment benefits for senior executives and corporate officers, subscribed to by your Company.

Your Company paid contributions to this unemployment insurance plan amounting to €2,196.50 in 2010.

Severance pay

Severance pay will be paid should Mr. Gilles Michel be discharged from his duties as a corporate officer either at the Company's initiative or in the event of a forced departure related to a change in control or strategy, determined as follows:

- amount: calculated based on a maximum of 2 years of compensation (fixed + variable):
  - should his term of office be more than two years, severance pay will be equal to the amount of his fixed compensation for the last 24 months, to which will be added an amount equal to his variable compensation in respect of the last two fiscal years;
  - should his term of office be between one and two years, the compensation will be equal to twice the amount of his fixed compensation of last 12 months, to which will be added an amount equal to twice the amount of his annual variable compensation;
  - should his term of office be less than one year, the severance pay will be equal to two years of his annual fixed compensation, or €1,600,000, to which will be added an amount equal to 70% of this amount, equivalent to his current target bonus, or €1,120,000.
- Performance condition: assessed using the arithmetic average of the percentage of economic and financial objectives realized over the last three fiscal years, that are used to determine the variable compensation in respect of each of these fiscal years, as follows:
  - if the average percentage of targets achieved (calculated over the last 3 relevant fiscal years) is less than 40%, no severance pay would be paid;
  - if this percentage is between 40 and 80%, the compensation would be determined on a linear basis between the two thresholds corresponding to 50% and 100% of the maximum severance pay;
  - if this percentage exceeds 80%, the maximum severance pay would be paid.

  In the event of departure before reaching three complete years, the performance conditions would be assessed as follows:
  - in the event of departure before three complete years, the arithmetic average of the percentage of economic and financial objectives realized over the last two complete years, would be used;
  - in the event of departure before two complete years, the arithmetic average of the percentage of economic and financial objectives realized over the last complete year, would be used;
  - in the event of departure before one complete year: 70% of the objectives would be considered as having been met.

No severance pay would be in the event of a voluntary departure by Mr. Gilles Michel or should he have the possibility of triggering his retirement benefits in the short term.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved during previous years and having continuing effect in 2010

In addition, pursuant to Article R.225-30 of the French Company Law *(Code de commerce)*, we have been advised that the following agreements and commitments, authorized in previous years by the Shareholders' Meeting, have had continuing effect during the year.

Group defined benefit retirement plan

This defined benefit retirement plan was set up, in particular, for Mr. Gérard Buffière, CEO and Director, and Mr. Jérôme Pecresse, Deputy CEO. It provides for the payment of a life annuity as from the settlement date of their retirement benefits, under the conditions described above.

The total estimated amount of the commitment for Messrs. Gérard Buffière and Jérôme Pecresse totals €5,527.4 thousand as of December 31, 2010.

Defined contribution retirement plan

This additional defined contribution retirement plan was set up, in particular, for Mr. Jérôme Pecresse, Deputy CEO, as an employee of the Company. This plan, which capitalizes funds, provides for a contribution of 8% of the compensation of eligible employees under the conditions set out above.

Your Company paid contributions to this plan amounting to €13,848 in 2010.

Amendment to the employment agreement of Mr. Gérard Buffière, CEO and Director:

This amendment to the employment agreement of Mr. Gérard Buffière was approved to make it compliant with Law no. 2007-1223 of August 21, 2007, intended to promote work, employment and purchasing power (the so-called "TEPA Act") provides that Mr. Gérard Buffière will receive termination benefits, equal to two years gross salary, should he leave at the Company's initiative, subject to a performance criteria. The performance criteria used is the annual net current income of your Company for all years during the successive terms of office of Mr. Gérard Buffière since his appointment as Chairman of the Management Board, with two possible annual exceptions.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

CORPORATE GOVERNANCE

3

Since May 3, 2005, the Company has been organized as a French Limited Liability Company (*Société Anonyme*) with a Board of Directors. On the same time, it also opted to dissociate the duties of Chairman of the Board of Directors and of Chief Executive Officer. These positions are held respectively by Mr. Langlois-Meurinne and Mr. Buffière, both of whom expressed the wish not to seek the renewal of their term of office which will expire following the Shareholders' General Meeting of April 28, 2011. Consequently, the Board announced, upon the appointment of Mr. Gilles Michel as Director and Deputy Chief Executive Officer in November 2010, that it intended to merge the duties of Chairman of the Board and Chief Executive Officer and to appoint Mr. Gilles Michel to perform them.

The Board of Directors confirmed those intentions at its meeting of February 15, 2011 and stated that it also intended to appoint a Vice-Chairman as Lead Director, who would assist the Chairman in organizing the work of the Board and its Committees and in the Company's relations with its controlling shareholders, while making sure that best practices are applied in terms of Corporate Governance. The Board expressed its intention to assign these functions to Mr. Langlois-Meurinne, subject to the renewal of his Directorship at the next Shareholders' General Meeting.

This governance structure, adopted by the great majority of stock market-listed French companies with a Board of Directors, would simplify the Company's operational management in order to further improve its efficiency. Furthermore, it would provide for a harmonious transition of offices between the current incumbents and Mr. Gilles Michel, while taking into account the presence of controlling shareholders in the Company's capital and the application of best Corporate Governance practices.

The Company complies with the French regulations to which it is subject with respect to Corporate Governance.

The AFEP-MEDEF Corporate Governance Code, as amended by the new recommendations of April 19, 2010, is used by the Company as a reference in drawing up the report provided for in article L. 225-37 of the French Code of Commerce, pursuant to the law of July 3, 2008 transposing the European directive 2006/46/EC of June 14, 2006 (this code is available on the website *www.imerys.com*, in the "Our Group/Corporate Governance" section).

3.1 BOARD OF DIRECTORS

3.1.1 POWERS

Pursuant to legal and statutory provisions, the Board of Directors:

- appoints and, as the case may be, dismisses the Chairman and the Chief Executive Officer and, as the case may be, on the Chief Executive Officer's proposal, one or more Delegate Chief Executive Officers;
- constantly controls the management of the Company by the Chief Executive Officer.

For the purposes of that control and in accordance with article 16 of the by-laws:

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

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

- the strategic orientations of the Company and Group and any operations likely to significantly influence such orientations; it also periodically examines the long-term strategic plan (multiyear plan) drawn up or revised by the Chief Executive Officer;
- the following operations, for which the amount per operation is greater than the threshold of €75 million set by the Board of Directors:
  - any operations likely to modify the financial structure and scope of business of the Company and the Group, and any commercial or industrial agreements that bind the future of the Company or the Group,
  - the acquisition of an interest in, takeover or disposal - and any operation that may be considered, from an economic point of view, as the acquisition of an interest, takeover or disposal - of any fixed asset;
- as the case may be, the allocation of management tasks between the various Delegate Chief Executive Officers, as proposed by the Chief Executive Officer;

- the permanent delegation by the Chief Executive Officer of part of his or her powers in favor of a third party (i.e. not being a Director) with a view to carrying out one or more defined transactions;
- more generally, any commitment by the Company or the Group that may constitute a regulated agreement, in accordance with the law.

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

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

3.1.2 COMPOSITION

The Board of Directors is currently composed of sixteen members. Their term of office is three years and one third of members are renewed each year.

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

CHANGES IN 2010

The Company's shareholders, at their Ordinary and Extraordinary General Meeting of April 29, 2010, decided to:

- renew the terms of office as Directors of Mr. Jean Monville, Mr. Robert Peugeot and Mr. Amaury de Sèze for a further period of three years, i.e. until the end of the Shareholders' General Meeting called in 2013 to rule on the financial statements for financial 2012;
- appoint, for the same 3-year period, four new Directors: Ms. Fatine Layt, Messrs. Ian Gallienne and Pierre-Jean Sivignon as well as Mr. Olivier Pirotte in replacement of Mr. Thierry Rudder whose term of office expired and who did not seek its renewal.

In addition, the Board of Directors at its meeting of November 3, 2010 decided to appoint Mr. Gilles Michel as new Director of the Company in replacement of Mr. Gilbert Milan, who resigned, for the remaining duration of the term of the latter, i.e. until the end of the Shareholders' General Meeting called upon in 2012 to approve management and financial statements for financial 2011. In accordance with the law, the appointment of Mr. Gilles Michel as Director of the Company will be submitted for ratification at the very next Shareholders' General Meeting. Mr. Gilles Michel was also appointed by the Board, as from that date, as Deputy Chief Executive Officer of the Company until the Shareholders' General Meeting called upon in 2011 to approve management and financial statements for financial 2010.

COMPOSITION

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

Name	Age	Nationality	Position	Date of 1st appointment	Year of renewal of term of office (1)	Number of shares owned as on December 31, 2009	Independent member
Aimery LANGLOIS-MEURINNE	67	French	Chairman	09/22/1987	2011	80,000	No (2)
Gérard BUFFIÈRE	66	French	Director and Chief Executive Officer	05/03/2005	2011	78,886 (3)	No (4)
Gilles MICHEL	54	French	Director and Deputy Chief Executive Officer	11/03/2010	2012	100	No (5)
Aldo CARDOSO	55	French	Director	05/03/2005	2011	1,680	Yes
Jacques DRIJARD	68	French	Director	09/25/1996	2012	720	No (2) (6)
Ian GALLIENNE	40	French	Director	04/29/2010	2013	100	No (2)
Fatine LAYT	43	French	Director	04/29/2010	2013	100	Yes
Jocelyn LEFEBVRE	53	Franco-Canadian	Director	06/16/1994	2012	1,080	No (2)
Eric LE MOYNE de SÉRIGNY	64	French	Director	06/12/1996	2012	795	No
Maximilien de LIMBURG STIRUM	39	Franco-Belgian	Director	05/03/2005	2011	720	No (2)
Jean MONVILLE	66	French	Director	05/02/2007	2013	720	Yes
Robert PEUGEOT	60	French	Director	11/04/2002	2013	704	Yes
Olivier PIROTTE	44	Belgian	Director	04/29/2010	2013	600	No (2)
Amaury de SÈZE	65	French	Director	07/30/2008	2013	8,016	No (2)
Pierre-Jean SIVIGNON	54	French	Director	04/29/2010	2013	100	Yes
Jacques VEYRAT	48	French	Director	05/03/2005	2011	600	Yes
Total of members: 16						**174,921** (7)	**6**

(1) The exact date of the renewal will be the date of the General Meeting called to rule on the Company's financial statements for the previous year.
(2) Director representing a majority shareholder in the Company.
(3) Gérard Buffière also holds 56.287 units in FCPE Imerys Actions, created under employee shareholder plans (see chapter 6, paragraph 6.2.5 of the Registration Document); the assets of these funds are mainly invested in Imerys shares.
(4) Chief Executive Officer of the Company.
(5) Deputy Chief Executive Officer of the Company.
(6) Former executive of the Company.
(7) i.e. 0.23% of capital and 0.26% of voting rights as on December 31, 2010.

The minimum number of shares required to be a member of the Board of Directors is set at 100 by the by-laws. The Board's Internal Charter increased that number to 600 Imerys shares to be acquired by each Director within a year of his or her appointment. In that respect, the Company's controlling shareholder groups, which are represented on the Board of Directors by seven members, together hold 42,549,765 shares as of December 31, 2010 *(see chapter 6, paragraph 6.3.1 of the Registration Document)*.

Pursuant to statutory provisions, the terms of office of Chairman, Vice-Chairman and Member of the Board of Directors end ipso jure following the General Meeting that rules on the financial statements and management for the financial year during which the incumbent of either position reaches the age of 70.

Furthermore, as on the date of the present Registration Document, three members of the Board of Directors are not solely French nationals and six are considered "independent". This proportion of independent members in the composition of the Board of Directors (6 out of 16) is greater than the one-third recommended by the AFEP-MEDEF Corporate Governance Code for companies with controlling shareholders.

The definition of independence retained by the Board of Directors at its meeting of May 3, 2005 on the proposal of its Appointments & Compensation Committee and confirmed since then each year is "the lack of any relationship between a member of the Board of Directors and Imerys, its Group or its management that could affect the exercise of his or her freedom of judgment."

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, the Board stated in its Internal Charter that the independence criteria user [(1)] were neither exclusive of independent status if none of them was met, nor necessarily sufficient for that status to be granted. A member's independence must be appraised according to his or her particular personal situation or that of the Company, with respect to his or her shareholding or for any other reason.

CHANGES PLANNED IN 2011

After the examination and opinion given by the Appointments & Compensation Committee, the Board will put to the Shareholders at the General Meeting of April 28, 2011 to:

- renew the terms of office as Directors of Mr. Aimery Langlois-Meurinne, Mr. Gérard Buffière, Mr. Aldo Cardoso, Mr. Maximilien de Limburg Stirum and Mr. Jacques Veyrat for a further period of three years, i.e. until the end of the Shareholders' General Meeting called in 2014 to rule on the financial statements for financial 2013;
- appoint for the same 3-year period, Ms. Arielle Malard de Rothschild as new Director.

In accordance with the principles used by the Company with respect to the qualification of its Directors as independent, and after examination of their personal situation, the Appointments & Compensation Committee recognized that status to Ms. Arielle Malard de Rothschild and to Messrs. Aldo Cardoso and Jacques Veyrat but not to Messrs. Aimery Langlois-Meurinne and Maximilien de Limburg Stirum, as representatives of controlling shareholders, nor to Mr. Gérard Buffière, Chief Executive Officer.

Information on Directors whose terms of office's renewal will be put to the Shareholders' General Meeting appears in *paragraph 3.1.3 of the present chapter*; the information on Ms. Arielle Malard de Rothschild as new applicant appears in *chapter 7, paragraph 7.1 of the Registration Document*.

As mentioned at the beginning of the present chapter, and subject to the decision of the Board on April 28, 2011 to merge the duties of Chairman of the Board of Directors and of Chief Executive Officer, Mr. Gilles Michel would hold these duties; on the same time, Mr. Aimery Langlois-Meurinne, subject to the renewal of his term of office as Director, would be appointed Vice-Chairman as Lead Director.

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3.1.3 INFORMATION ON THE DIRECTORS [(2)]

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

Aimery LANGLOIS-MEURINNE

Chairman of the Board of Directors

Born on May 27, 1943
Work address: Pargesa Holding S.A. – 11, Grand-Rue – 1204 Geneva (Switzerland)

A doctor of law and graduate of Institut d'Etudes Politiques, Paris and Ecole Nationale d'Administration (Robespierre class), Paris, Aimery Langlois-Meurinne began his career in 1971 with Paribas where, for 11 years, he was successively Consultant Engineer, Industrial Delegate in Japan, Assistant Vice-President then Deputy Vice-President in charge of the Asia-Pacific department and, finally, Deputy Vice-President in charge of the international financial operations department. He then joined AG Becker Paribas in New York as Managing Director and member of the Executive Committee, then Merrill Lynch Capital Markets (New York), where he held the position of Managing Director. In 1987, he joined Parfinance as Chief Executive Officer before becoming its Vice-Chairman & Chief Executive Officer in 1990, when he was also appointed Director and until January 2010 Chief Executive Officer of Pargesa Holding S.A. (Switzerland).

List of activities and other responsibilities in 2010:

Main activity:
- Chairman of the Board of Directors: Imerys.

Other responsibilities:
- Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg); Pargesa Netherlands BV (Netherlands).
- Director: Audiris, IDI, PAI Partners, Société Française Percier Gestion “SFPG”, Société de la Tour Eiffel (France).

(1) For its application, the Board decided that their being in one or more of the following situations was likely to affect that freedom of judgment:
- an employee, corporate officer or Director (or similar) of a subsidiary of Imerys, of its controlling shareholders or major shareholders (i.e. with a share of over 10% of its capital) or having been one in the past five years;
- a corporate officer or Director (or similar) of a company in which Imerys, one of its employees or another corporate officer of Imerys (now or in the past five years) is a Director (or similar);
- a significant customer, supplier or banker of Imerys or its Group;
- a close relation of a corporate officer of Imerys;
- an auditor of Imerys in the past five years;
- a Director (or similar) of Imerys for more than 12 years.
(2) As notified individually to the Company by each of the Board of Directors members concerned, in function as of December 31, 2010.

List of activities and other responsibilities that expired during the last five years:

- Director-Chief Executive Officer: Pargesa Holding S.A. (Holding company - Switzerland).
- Director and Vice-Chairman of Investment Committee and Management Committee: Sagard Private Equity Partners (France).
- Director: Groupe Bruxelles Lambert S.A. (Belgium); Club Méditerranée, Eiffage, PAI Management (France); Pascal Investment Advisers SA (Suisse).

Gérard BUFFIÈRE

Director and Chief Executive Officer

Born on March 28, 1945
Work address: Imerys – 154, rue de l'Université – 75007 Paris (France)

A graduate of Ecole Polytechnique, Paris with a Master of Sciences from Stanford University (United States), Gérard Buffière began his career in 1969 in the French group Banexi. After holding various positions with the American group Otis Elevator, in 1979 he joined the international group Schlumberger, where he held various positions before becoming Chairman of the Electronic Transactions divisions in 1989. His career continued as Chief Executive Officer of the Industrial Equipment division of the French group Cegelec in 1996. He joined the Imerys group in March 1998 where he was appointed Vice-President Building Materials. In 1999, he became Vice-President Building Materials and Ceramics & Specialties. In 2000, he took charge of the Pigments & Additives business group, then the Pigments for Paper business group until 2003. Chief Executive Officer from January 1, 2003 to May 3, 2005, Gérard Buffière was appointed Director and confirmed as Chief Executive Officer of Imerys as from that date.

List of activities and other responsibilities in 2010:

MAIN ACTIVITY:
- Director and Chief Executive Officer: Imerys.

OTHER RESPONSIBILITIES:
- None.

List of activities and other responsibilities that expired during the last five years:

- None.

Aldo CARDOSO

Director

Born on March 7, 1956
Address: 45, boulevard de Beauséjour – 75016 Paris (France)

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

List of activities and other responsibilities in 2010:

RESPONSIBILITIES:
- Director: Mobistar (Belgium); Bureau Veritas, GDF Suez, Gecina, Imerys, Rhodia (France).
- Censor: Axa Investment Managers (France).

List of activities and other responsibilities that expired during the last five years:

- Director: Accor, Orange (France).

Jacques DRIJARD

Director

Born on March 29, 1943
Work address: PGB S.A.1, Rond-Point des Champs-Elysées – 75008 Paris (France)

A Civil Engineering graduate of Ecole Nationale Supérieure des Mines, Paris, Jacques Drijard began his career in 1966 at DBA Group Bendix Corp, before joining Le Nickel Penarroya Mokta group in 1970. He joined Imetal (later renamed Imerys) in 1974 and in 1988 became Chief Financial Officer and Member of the Executive Committee until 1996. Since January 2010, Jacques Drijard is Chief Executive Officer of Pargesa Holding S.A., he previously was the Deputy Chief Executive Officer since 1997.

List of activities and other responsibilities in 2010:

Main activity:
- Chief Executive Officer: Pargesa Holding S.A. (Holding company - Switzerland).

Other responsibilities:
- Chairman & Chief Executive Officer: PGB S.A. (France).
- Chairman of the Board of Directors: Société Française Percier Gestion "SFPG" (France).
- Delegate Director: Pargesa Compagnie S.A. (Switzerland).
- Director: Imerys (France); Pargesa Netherlands B.V. (Netherlands).

List of activities and other responsibilities that expired during the last five years:

- Deputy Chief Executive: Pargesa Holding S.A. (Suisse).

Ian GALLIENNE

Director

Born on January 23, 1971
Work address: Ergon Capital Partners - 24, Avenue Marnix - 1000 Bruxelles (Belgium)

A Management and Administration graduate with a specialization in Finance at E.S.D.E. Paris and holder of an MBA from INSEAD, Fontainebleau, Ian Gallienne began his career in Spain in 1992 as co-founder of a commercial company. From 1995 to 1997, he was a member of the management of a consulting firm specialized in the reorganization of ailing companies in France. From 1998 to 2005, he was Manager of the private equity fund, Rhône Capital LLC, in New York and London. Since 2005, he has been co-founder and Managing Director of the private equity funds Ergon Capital Partners, Ergon Capital Partners II and Ergon Capital Partners III (Belgium).

List of activities and other responsibilities in 2010:

Main activities:
- Managing Director: Ergon Capital Partners, Ergon Capital Partners II, Ergon Capital Partners III (Private equity funds - Belgium).
- Director: Ergon Capital SA (Belgium).
- Manager: Ergon Capital II Sàrl (Luxembourg).

Other responsibilities:
- Director: Groupe Bruxelles Lambert, Steel Partners NV (Belgium); Central Parc Villepinte SA, Elitech Group SAS, Fonds de Dotation du Palais, Imerys, PLU Holding SAS (France); Gruppo Banca Leonardo SpA, Seves SpA (Italia); Arno Glass SA (Luxembourg).
- Manager: Egerton Sàrl (Luxembourg).

List of activities and other responsibilities that expired during the last five years:

- Director: Ergon Capital SA, Fapakt SA, King Belgium, King Benelux Holding BV (Belgium); Farmabios SpA, Nicotra Gebhardt SpA, Stroili Oro SpA (Italia); King Nederland (Netherlands).

Fatine LAYT

Director

Born on July 10, 1967
Work address : Oddo & Cie – 12, boulevard de la Madeleine - 75009 Paris (France)

A graduate of Institut d'Etudes Politiques Paris and Société Française des Analystes Financiers (SFAF), Fatine Layt joined the Euris group on its creation in 1989; she held various positions there until 1992, when she was appointed Chief Executive Officer of EPA and director of Glénat and Actes Sud; she also managed two audiovisual companies created in partnership with Canal +. In 1993, she became Chief Financial Officer of the investment fund Oros then Chief Executive Officer of Sygma Presse in 1995. From 1996 to 1998, Fatine Layt was Chairman & CEO of the specialized press group CEPP and director of the trade press federation. In 2000, she created Intermezzo, a company specialized in the media sector before becoming a partner in Messier Partners, a merchant bank based in Paris and New York, in 2003. In 2007, she founded Partanéa, a merchant bank transferred in late 2008 to the Oddo et Cie group, of which she became an Executive Committee member; she is also managing partner and Chairman of Oddo Corporate Finance.

List of activities and other responsibilities in 2010:

Main activity:
- Managing partner and Chairman: Oddo Corporate Finance (Merchant bank - France).

Other responsibilities:
- Chief Executive Officer: A&A Associés SAS, Partanea SAS (France).
- Manager: Intermezzo (France).
- Director: Fondation Renault (France).
- Member of the Supervisory Board: Institut Aspen France (France).
- Member of the Executive Committee: Oddo & Cie (France).
- Chairman: Le Cercle des Partenaires des Bouffes du Nord (France).

List of activities and other responsibilities that expired during the last five years:

- Director: Messier Partners, Inc. (United States); Messier Partners SAS (France).

Jocelyn LEFEBVRE

Director

Born on December 22, 1957
Work address: Power Corporation du Canada - 751, Square Victoria - Montréal (Québec) - Canada H2Y 2J3

A business administration graduate of Hautes Etudes Commerciales (HEC) Montréal and a member of the Quebec order of chartered accountants, Jocelyn Lefebvre began his career in 1980 at Arthur Andersen & Co. in Montreal, Brussels and Paris. In 1986, he joined Société Générale de Financement du Québec and the Canadian industrial group M.I.L. Inc., where he was successively Assistant Chairman, Vice-Chairman for administration and special projects then for corporate affairs while holding the position of Chairman of one of its main subsidiaries (Vickers Inc.) until 1991. In 1992, Jocelyn Lefebvre joined the Power Corporation du Canada group, where he has held various positions in Europe.

List of activities and other responsibilities in 2010:

Main activity:
- Director: Power Corporation du Canada (Holding company – Canada).

Other responsibilities:
- Chief Executive Officer: Sagard S.A.S. (France).
- Member of the Managing Board: Parjointco N.V., Power Financial Europe B.V. (Netherlands).
- Director: Imerys (France).

List of activities and other responsibilities that expired during the last five years:

- Director: Suez-Tractebel S.A. (Belgium).

Eric LE MOYNE DE SÉRIGNY

Director

Born on April 7, 1946
Work address: Alternative Leaders France - 43, avenue Marceau - 75116 Paris (France)

With a postgraduate degree in law from the Paris law faculty, Eric Le Moyne de Sérigny began his career in 1968 at Banque Rothschild, where for 15 years he held various management positions before joining Chase Manhattan Bank as Director and Vice-President in 1984. In 1988, he joined Lloyds Bank S.A. where he was successively Chief Executive Officer then Chairman & Chief Executive Officer until 2002. Since 2003, Eric Le Moyne de Sérigny has been Chairman of the Managing Board of Alternative Leaders France S.A.

List of activities and other responsibilities in 2010:

Main activity:
- Chairman of the Managing Board: Alternative Leaders France S.A. (Portfolio management company – France).
- Senior Advisor: KBL Richelieu (Bank - France).
- Senior Partner: Athema (Financial investment services – France).

Other responsibilities:
- Director: Imerys (France).

List of activities and other responsibilities that expired during the last five years:

- Director: Istac S.A., Richelieu Finance (France).

Maximilien de LIMBURG STIRUM

Director

Born of April 29, 1971
Work address: Compagnie Nationale à Portefeuille - 12, rue de la Blanche Borne - 6280 Loverval (Belgium)

A graduate of Ecole de Commerce Solvay of the Université Libre de Bruxelles, Maximilien de Limburg Stirum began his career in 1995 with Compagnie Nationale à Portefeuille, where he has been Vice President Investments and Member of the Executive Management since 2003.

List of activities and other responsibilities in 2010:

Main activity:
- Vice President investments and Member of the Executive Management of Compagnie Nationale à Portefeuille (Holding company – Belgium).

Other responsibilities:
- Director-Chairman: Distriplus (Belgium).
- Director: Carpar, Corné Port Royal Chocolatier, Distripar, Fibelpar, Fidentia Real Estate Investments, Fingen, Finimpress, GB-INNO-BM, Goinvest, Groupe Jean Dupuis, Investor, SolvayAlumni, Trasys Group (Belgium); Entremont Alliance, Financière Flo, Groupe Flo, Imerys, Tikehau Capital Advisors, Unifem (France); Erbe Finance, Kermadec (Luxembourg); Pargesa Holding S.A. (Switzerland).
- Commissaris: Agesca Nederland (Netherlands).
- Permanent representative of Compagnie Immobilière de Roumont (Belgium) on the Board of Directors of: Belgian Icecream Group “BIG” Belgian Sky Shops, GIB Corporate Services, Starco Tielen (Belgium).

List of activities and other responsibilities that expired during the last five years:

- Director: Centre de Coordination de Charleroi, MESA (Molignée Energie), Quick Restaurants (Belgium); Lyparis (France); Swifin (Luxembourg).
- Permanent representative of Fibelpar (Belgium) on the Board of Directors of: Château Rieussec (France).

Gilles MICHEL

Director and Deputy Chief Executive Officer

Born on January 10, 1956
Work address: Imerys - 154, rue de l’Université - 75007 Paris (France)

A graduate of Ecole Polytechnique, Ecole Nationale de la Statistique et de la l’Administration Economique (ENSAE) and Institut d’Etudes Politiques (IEP) of Paris, Gilles Michel spent four years within the World Bank (Washington, D.C.) before joining the Saint-Gobain group in 1986 where during sixteen years he held various managerial positions, notably in the United States, before being appointed in 2000 General Manager of the Ceramics & Plastics business group and member of Saint-Gobain’s Management Committee. In 2001, he joined PSA Peugeot-Citroën group, as Manager of the Platforms, Techniques & Purchasing activity and member of Peugeot’s Executive Committee. In 2007, he was appointed General Manager of Citroën, and member of managing Board of Peugeot SA. On the 1st of December 2008, Gilles Michel held the position of Chief Executive Officer of the Strategic Investment Fund, whose activity involves taking equity stakes in companies expected to contribute to the growth and competitiveness of the French economy. Gilles Michel joined Imerys in September 2010. Since November 3, 2010, he has been Director and Deputy Chief Executive Officer; since January 2011, he also holds the operational responsibility of the Group.

List of activities and other responsibilities in 2010:

Main activity:
- Director and Deputy Chief Executive Officer: Imerys.

Other responsibilities:
- None.

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List of activities and other responsibilities that expired during the last five years:

- Chief Executive Officer: Fonds Stratégique d'Investissement (France).
- Chairman: Citer (France).
- Member of the Managing Board: Peugeot SA (France).
- Chairman of the Board of Directors: Citroën Belux (Belgium); Citroën Danemark A/S (Denmark); Citroën UK Ltd (Great Britain); Citroën Italia (Italia); Citroën (Switzerland) SA.
- Chairman of the Supervisory Board: Citroën Nederland BV (Netherlands).
- Vice-Chairman and member of the Supervisory Board: Citroën Deustchland AG (Germany).
- Managing Director: PCMA Holding BV (Netherlands).
- Director: Automoviles Citroën España, Autotransporte Turistico Español SA (Spain); France Telecom (France); Automoveis Citroën, Comercial Citroën SA (Portugal); Citroën Sverige AB (Sweden).
- Permanent representative of Automobiles Citroën: Director of Banque PSA Finance, Gefco (France); Chairman of the Board of Directors of Automoveis Citroën (Portugal).

Jean MONVILLE

Director

Born on November 7, 1944
Work address: SPIE SA - Parc Saint Christophe - 95863 Cergy-Pontoise Cedex (France)

A graduate of Ecole Polytechnique, Paris and holder of an Economic Science degree, Jean Monville began his career in 1969 at the Financial Department of Société Générale, in charge of the building and public works sector and concession projects. In 1974, he joined Isochem, a company specializing in chemistry and chemical engineering. In 1978, he joined the Spie Batignolles group as Vice President export finance. From 1984 to 1992, he was deputy CEO then CEO of Spie Capag, a subsidiary specializing in oil projects. In 1992, he became Vice President marketing of the Spie Batignolles group, before being appointed Director and CEO in 1995. From 1997 to end of 2009, Jean Monville was Chairman of the Spie Batignolles group, which became AMEC Spie then, in 2006, Spie SA.

List of activities and other responsibilities in 2010:

Main activity:

- Director and Honorary Chairman: Spie SA (Electric engineering group – France).

Other responsibilities:

- Chairman of the Board of Directors: Spie 4 (France).
- Manager: Spie Management (France).
- Permanent representative of Spie Management: Chairman of Euro Spie, Spie 12, Spie CDF, Spie OPS (France).
- Member of the Supervisory Board: La Financière Atalian (France).
- Director: Imerys, SBTP, Spie International (France).
- Chairman: MEDEF Committee "Déontologie internationale et principes directeurs".

List of activities and other responsibilities that expired during the last five years:

- Chairman of the Board of Directors: Financière Spie, Spie SA (France).
- Director: Spie International, Spie Rail (France).
- Vice-Chairman: Fédération Nationale des Travaux Publics (FNTP), Groupement des Industries de l'équipement électrique, du contrôle commande et des services associés (GIMELEC) (France).
- Chairman: MEDEF Committee "Internationalisation de l'Entreprise".

Robert PEUGEOT

Director

Born on April 25, 1950
Work address: PSA Peugeot Citroën - 75, avenue de la Grande Armée - 75116 Paris (France)

A graduate of Ecole Centrale de Paris engineering school and holder of an MBA from INSEAD, Fontainebleau (France), Robert Peugeot began his career in 1975 with Peugeot, where he held several positions both in France and abroad. In 1985 he joined Citroën becoming Vice President Quality and Organization from 1993 to 1998, when he was appointed Vice President Innovation & Quality of PSA Peugeot Citroën and Member of the Executive Committee, before being appointed in February 2007, Member of the Supervisory Board of Peugeot S.A. and Member of the Strategic Committee and the Audit Committee of PSA Peugeot Citroën group. Since 2002, he has been Chairman & Chief Executive Officer of FFP.

List of activities and other responsibilities in 2010:

Main activities:

- Chairman and Chief Executive Officer: F.F.P. (Société Foncière, Financière et de Participations – Real estate, financial and holding company - France).
- Member of the Supervisory Board: Peugeot S.A. (Automotive manufacturer - France); IDI Emerging Markets SA (Luxembourg).
- Member of the Strategic Committee and Audit Committee: PSA Peugeot Citroën group.

Other responsibilities:

- Chairman and Chief Executive Officer: Simante, SL (Spain).
- Member of the Supervisory Board: Hermès International (France).
- Director: Sofina SA (Belgium); Fomentos de Construcciones y Contratas, S.A. (Spain); E.P.F. (Établissements Peugeot Frères), Faurecia, Holding Reinier, Imerys, Sanef (France); DKSH Holding AG (Switzerland).
- Manager: CHP Gestion SCI, Rodom SCI (France).
- Permanent representative of F.F.P. on the Supervisory Board of Zodiac Aérospace (France).
- Statutory representative of F.F.P.: Chairman of Financière Guiraud S.A.S. (France).

List of activities and other responsibilities that expired during the last five years:

- Member of the Supervisory Board: Citroën Deutschland AG (Deutschland); Aviva France (France).
- Director: Alpine Holding (Austria); Citroën Danemark AS (Denmark); B-1998, SL, FCC Construccion, S.A. (Spain); Aviva Participations, GIE Recherches et Etudes PSA Renault, Immeubles et Participations de l'Est, L.F.P.F. (La Française de Participations Financières) (France); Citroën UK Ltd, Waste Recycling Group Limited (Great Britain).

Olivier PIROTTE

Director

Born on September 18, 1966
Work address: Groupe Bruxelles Lambert – 24, Avenue Marnix - 1000 Bruxelles (Belgium)

An engineering graduate of Ecole de Commerce Solvay of the Université Libre de Bruxelles, Olivier Pirotte began his career in 1989 at Arthur Andersen, where he held management positions for both the Business Consulting and Audit divisions. In 1995 he joined Groupe Bruxelles Lambert where, since 2000, he has been Manager of Equity Interests and Investments.

List of activities and other responsibilities in 2010:

Main activity:

- Manager of Equity Interests and Investments: Groupe Bruxelles Lambert (Holding company - Belgium).

Other responsibilities:

- Director and Member of the Strategic Committee and Audit Committee: Suez Environnement (France).
- Director and Chairman of Audit Committee: Electrabel S.A. (Belgium).
- Director: Brussels Securities S.A., GBL Treasury Center S.A., Ergon Capital Partners (Belgium); Belgian Securities BV (Netherlands).
- Manager: GBL Energy S.à.r.l., GBL Verwaltung S.à.r.l. (Luxembourg).
- Member of the Investments Committee: Sagard Equity Partners (France).

List of activities and other responsibilities that expired during the last five years:

- Director: RTL TVI S.A., SN Airholding (Belgium).

Amaury de SÈZE

Director

Born on May 7, 1946
Work address: PGB S.A. - 1, Rond-Point des Champs-Élysées - 75008 Paris (France)

A graduate of Centre de Perfectionnement dans l'Administration des Affaires and Stanford Graduate School of Business (USA), Amaury de Sèze began his career in 1968 at Bull General Electric. In 1978, he joined the Volvo group where he held various positions before becoming the Chairman & CEO of Volvo France in 1986, then Chairman of Volvo Europe and a member of the group's Executive Committee in 1990. In 1993, he joined the Paribas group as a member of the Managing Board of Compagnie Financière de Paribas and Banque Paribas in charge of holdings and industrial affairs. From 2002 to October 2007, he was Chairman of PAI Partners. In April 2008, he was appointed Vice-President of Power Corporation du Canada, in charge of European investments.

List of activities and other responsibilities in 2010:

Main activity:
- Vice-President of the Board of Directors: Power Corporation du Canada (Holding company - Canada).

Other responsibilities:
- Chairman of the Board of Directors: Carrefour S.A. (France).
- Chairman of the Supervisory Board: PAI Partners – since July 2010 (France).
- Member of the Supervisory Board: Publicis Groupe SA (France).
- Director: BW Group, Erbe SA, Groupe Bruxelles Lambert (Belgium); Groupe Industriel Marcel Dassault S.A.S., Imerys, Suez Environnement, Thales (France); Pargesa Holding SA (Switzerland).

List of activities and other responsibilities that expired during the last five years:

- Chairman: PAI Partners UK Ltd (Great Britain).
- Vice-Chairman of the Supervisory Board: Carrefour SA (France).
- Director: Gepeco SA (Belgium); Power Corporation du Canada (Canada); Eiffage, Novalis SAS, Novasaur SAS, Vivarte SA (France); PAI Europe IV UK General Partner Ltd (Great Britain); PAI Europe III General Partner N.C., PAI Europe IV General Partner N.C. (Guernesey); PAI Partners Srl, Saeco SpA (Italia).
- Member of the Supervisory Board: Gras Savoye SCA (France).

Pierre-Jean SIVIGNON

Director

Born on December 21, 1956
Address: Van Leyen Berghlaan, Résidence l'Etoile – 1082 GM Amsterdam (The Netherlands)

A graduate of the Ecole Supérieure des Sciences Economiques (ESSEC) Paris, Pierre-Jean Sivignon began his career in 1979 with the firm Peat Marwick Mitchell. In 1982, he joined the Schlumberger group, where he held various positions in the Financial Department of the Dowell Schlumberger Oilfield Services division (in Europe and Africa), then became General Manager of the Bank and Industry division (in Paris) and, finally, Group Treasurer in Paris and New York. From 2001 to 2005, he was Chief Financial Officer of Faurecia. Pierre-Jean Sivignon joined the Philips group on May 1, 2005, where he held the positions of Chief Financial Officer and member of the Executive Committee until March 31, 2011.

List of activities and other responsibilities in 2010:

Main activity:
- Chief Financial Officer and Member of the Executive Committee: Royal Philips Electronics (Electronic equipment manufacturer – Netherlands).

Other responsibilities:
- None.

List of activities and other responsibilities that expired during the last five years:

- None.

Jacques VEYRAT

Director

Born on November 4, 1962
Work address: Louis Dreyfus SAS - 7, rueKépler - 75116 Paris (France)

A graduate of Ecole Polytechnique and Ecole des Ponts et Chaussées, Paris engineering schools, Jacques Veyrat began his career at the French Treasury Department then held various positions on ministers' staffs. In 1995, he joined the Louis Dreyfus group, where he held several management positions, particularly with Louis Dreyfus Armateurs. From 1998 to 2005, Jacques Veyrat was Chairman & Chief Executive Officer of Neuf Telecom before becoming Chairman & Chief Executive Officer of the Neuf Cegetel group (resulting from the merger of Neuf Telecom and Cegetel) until April 2008 when he took over the management of Louis Dreyfus group.

List of activities and other responsibilities in 2010:

Main activity:
- Chief Executive Officer: Louis Dreyfus SAS (Processing, trading and merchandizing of agricultural and energy commodities – France).

Other responsibilities:
- Chief Executive Officer: Kurosawa BV (Netherlands).
- Director: Direct Energie, Neoen, HSBC France, Imerys (France).
- Member of the Supervisory Board: Eurazeo (France).

List of activities and other responsibilities that expired during the last five years:

- Chairman and Chief Executive Officer: Neuf Telecom (France).
- Managing Director: Louis Dreyfus SAS, Louis Dreyfus Technologies (France).
- Director: Irise, SHD, Tajan (France).
- Member of the Supervisory Board: Altalir Amboise, Amboise Investissement, Jet Multimédia (France).
- Permanent representative of Neuf Telecom: Chief Executive Officer of Wengo, Director of LD Collectivités (France).

Responsibilities held by directors, members of the executive management, in listed companies outside the Group

With the exception of the directorship held in 2010 by Mr. Gilles Michel at France Télécom, as representative of the French State, no other Director, member of the Executive Management of the Company, has held a directorship outside the Group in any stock market-listed company in France or abroad during that year.

Management expertise and experience of the members of the Board of Directors

The criteria used to select Directors include their management expertise and experience. The member Directors of the Audit Committee are also chosen for their financial competence. The Appointments and Compensation Committee pays particular attention, together with the Board of Directors, to assessing these criteria.

The activities and responsibilities of the Directors *(see paragraph 3.1.3 of the present chapter)* attest to their individual expertise and experience in different areas such as finance, industry or services, which contributes to the quality of Board's work and to its correctly balanced composition.

Family ties between the members of the Board of Directors

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

Potential conflicts of interest between the members of the Board of Directors

To the best of the Company's knowledge, no potential conflicts of interest exist between the duties of the Directors with respect to the Company and their private interests and/or other duties.

It is specified that some Directors of the Company also have executive responsibilities with the Company's controlling shareholders *(see paragraph 3.1.3 of the present chapter)*.

No Director has been selected pursuant to any arrangement or agreement entered into with the main shareholders, customers, suppliers or other parties.

Service contracts between the Company and its Directors

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

No sentence for fraud

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

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

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

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

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

3.1.4 FUNCTIONING

The Board of Directors meets as often as the interests of the Group require and at least three times a year. It is convened by its Chairman by any written means with at least five days' notice, unless the members of the Board unanimously decide otherwise.

2010	
Number of meetings	5
Average actual attendance rate of members	82%
2011	
Expected number of meetings	5

The provisional schedule of Board of Directors' meetings for the year to come is set, at the latest, in the last meeting of each year. The Chairman of the Board of Directors usually sets the agenda of each Board meeting after gathering the suggestions of the Chief Executive Officer and the opinion of the Secretary of the Board. He runs meetings, facilitates debates and reports on meetings in accordance with the law, the by-laws of the Company and the Corporate Governance principles and practices that the Board has itself adopted, as set out in the following paragraph.

Notices of meeting are sent to every Director with the draft minutes of the previous meeting, drawn up by the Secretary and approved by the Chairman of the Board, and all information and documents concerning the points on the agenda that are necessary for members' effective participation in debates. Such information and documents may also include, as the case may be, the Group's quarterly, semi-annual or annual (provisional or definitive) financial statements and the presentation of the various business groups' markets or any other specific items to be raised. Certain additional documents may also be handed to the Directors in meetings: for example, draft press releases on the Group's regular financial statements or information on trends in the price of the Company's shares.

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

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

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

3.1.5 IMPLEMENTATION OF BEST CORPORATE GOVERNANCE PRACTICES

Internal charter of the Board of Directors

In the context of compliance with best Corporate Governance practices, the Board has adopted an Internal Charter that contains all the principles for its members' conduct and the functioning of the Board and its specialized Committees. The Charter, of which the first version was adopted in 2002, is regularly updated in order to incorporate: legal and regulatory developments that apply to the Company; recommendations on Corporate Governance by AMF as well as trade and associations bodies that represent French stock market-listed companies (AFEP, MEDEF, ANSA, etc.); and, finally, the amendments made by the Board following the annual assessments of its own functioning carried out to comply with best practices.

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

The latest version of the Internal Charter of the Board of Directors is available on the Group's website *(www.imerys.com)*, in the section "Our Group/Corporate Governance."

Self-assessment by the Board of Directors

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

In order to comply with best practices, the Board of Directors assesses its functioning and that of its Committees formally on an annual basis. Accordingly, each of its members was given earlier this year an individual questionnaire on the role and performance of the Board and its Committees, their composition and functioning, the organization and holding of their meetings and, finally, the information provided to Directors. The conclusions of the assessment were presented and discussed at the Board of Directors' meeting on February 15, 2011.

Generally speaking, the workings of the Board and its Committees were judged quite satisfactory by their members. The Directors particularly appreciate the quality of the information provided at each of their meetings and the quality and efficiency of debates among the Board and its Committees. The Directors were satisfied to note that the main recommendations arising from the Board's self-assessment in February 2010, intended to improve its workings and performance and those of its Committees, had been applied. In particular, they welcomed the appointment of the first woman member of the Board, Mrs. Fatine Layt, and the proposal at the next Shareholders' General Meeting to appoint Mrs. Arielle Malard de Rothschild, which would raise the proportion of women on the Board to almost 12%. The Directors were also able to acknowledge the progress made by the Group in 2010 on Sustainable Development.

In order to improve its efficiency and that of its Committees further, the Board also judged it would be useful in the future to retain and implement the following suggestions made by its members at the time of that assessment:

- continue promoting the appointment of women as future Board members, with a view to comply with the provisions of the recent French law intended to ensure more balanced representation of women and men on the boards of directors of stock market-listed companies (20% proportion of women to be reached in 2014);
- appoint a Lead Director as Vice-Chairman of the Board in view of the future merger of the functions of Chairman and Chief Executive Officer. The Lead Director would assist the Chairman in organizing the work of the Board and its Committees and in the Company's relations with its controlling shareholder groups, while making sure that best practices are applied in terms of Corporate Governance. He would chair the Strategic Committee and the Appointments and Compensation Committee;
- appoint an ethics officer, the Group General Counsel and Secretary of the Board, who would be tasked in particular with providing, upon request from any concerned party, an opinion prior to any transactions under consideration by executives on the Company's securities;
- encourage, for interested Directors, periodical tours of Group's key sites in order to better grasp its activities.

Furthermore, the Board decided, given the higher number of Directors and the new governance structure under consideration, to review the attendance fee scale at its next meeting. It also recommended examining the relevance of extending the current duration of negative window periods *(see section 3.7 of the present chapter)* as well as the conditions, if any, for the Group's executives to use trading mandates for carrying out their transactions in the Company's securities.

Finally, the Board judged that the terms of its Charter, including in particular the recommendations resulting from the AFEP-MEDEF Corporate Governance Code, still complied with the best Corporate Governance practices of French stock market-listed companies. However, as some adjustments has become necessary as a result of the changes in governance structure under consideration and in order to have it reflect the decisions that the Board had just made, it was decided that an updated version would be drawn up and handed to every Director of the Company at the next Board meeting.

SPECIALIZED COMMITTEES

On May 3, 2005, the date on which the Company's management structure was changed to a Board of Directors, the Board confirmed the usefulness of the three specialized Committees previously formed by the Supervisory Board, which carry out their activities under the responsibility of the Board and for which the Board defines the missions, composition and compensation.

The members of the specialized Committees are chosen from among the members of the Board. The Chief Executive Officer and, as the case may be, any Delegate Chief Executive Officers, that are also Directors of the Company, may not be members of any of the Committees. The term of the duties of Committee members is the same as their term of office as Director.

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

Each Committee determines the internal rules that apply to the performance of its work.

The Committees' meetings give rise to minutes. These are provided to the members of the Committee concerned and, on request to the Chairman of the Committee, to the other members of the Board of Directors. The Chairman of the Committee concerned, or a member of the Committee appointed for that purpose, reports to the Board of Directors on the work of the Committee.

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

STRATEGIC COMMITTEE

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

Mission

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

"The mission of the Strategic Committee is, in particular, to examine and provide the Board of Directors with its opinions and recommendations in the following areas:

1. Strategy

- drafting and setting orientations for the Group's industrial, commercial and financial strategy;

- ensuring that the strategy implemented by the Executive Management complies with the orientations set by the Board of Directors.

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

- the Group budget drawn up by the Executive Management; and
- all the major Group projects that:
  - are likely to modify its financial structure or consolidation structure,
  - concern investment or divestiture transactions, or
  - relate to the conclusion or carrying out of commercial or industrial agreements that bind the future of the Group.

The above-mentioned projects are considered as "major" if their implementation by the Executive Management requires the prior approval of the Board of Directors *(see paragraph 3.1.1 of the present chapter)* or those, because they are greater than the €20 million threshold set by the Board, must be brought to the prior knowledge of the Committee.

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

2. Risks

- questions relating to the identification, measurement and monitoring by the Executive Management of the main possible risks for the Group in the following areas:
  - external environment: investor relations, the Group's market positions,
  - internal processes: management of financial resources, human resources potential, new product development, potential of mineral reserves and resources, dependence and continuity of key industrial or commercial activities, pricing policy,
  - management information: financial control and reporting, control of investment projects after completion."

Composition

The Strategic Committee is made up of the following nine members, which must include the Chairman of the Board of Directors, who is also Chairman of the Committee:

Name	Date of 1st appointment to the Committee	Independent member status
Aimery LANGLOIS-MEURINNE, Chairman	June 17, 1993	No
Jacques DRIJARD, Vice-Chairman	March 26, 1998	No
Aldo CARDOSO	May 2, 2007	Yes
Ian GALLIENNE	April 29, 2010	No
Jocelyn LEFEBVRE	March 27, 1996	No
Eric LE MOYNE de SÉRIGNY	July 26, 2004	No
Jean MONVILLE	February 12, 2009	Yes
Olivier PIROTTE *	April 29, 2010	No
Amaury de SÈZE	July 30, 2008	No
Number of Members: 9		**2**

* *Mr. Olivier Pirotte was appointed in succession of Mr. Thierry de Rudder.*

Functioning

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

2010	
Number of meetings	7
Average actual attendance rate of members	86%
2011	
Expected number of meetings	7

To carry out its mission, the Committee hears the Chief Executive Officer, the Delegate Chief Executive Officers, the Chief Financial Officer, the Strategy & Development Manager and, on the initiative of the Chief Executive Officer or at the Committee's request to the Chief Executive Officer, depending on the items on the agenda for the Committee meeting, the relevant corporate department or line managers. The Committee may also make visits or hear any of the Group's line managers, as it judges useful for the performance of its mission.

The Secretary of the Committee is the Group's Strategy & Development Manager, who drafts the minutes of its meetings.

Activity in 2010

Throughout the year, the Strategic Committee monitored the management and development actions carried out by the Executive Management, making sure they conformed to the Imerys strategy as set by the Board of Directors. The Committee welcomed the sustainable effects resulting from the savings efforts made by the Group in 2009 and the upturn of its markets in 2010.

As part of the periodical update of the Group's five-year plan and in order to examine in depth the prospects and available options, the Committee reviewed the strategic plan of each Group's division for the 2010-2014 period. The Committee also reviewed the main risks the Group is exposed to and which come more particularly within its competence (such as energy costs or exchange rates). On this occasion, the Strategic Committee was also informed of the initiatives implemented by the Human Resources Department with a view to strengthening the Group's capacity to generate its future management. The Committee then reported on the results of its analysis to the Board.

The Strategic Committee also reviewed periodically and approved the key steps and main aspects of the major external growth projects. This review focused in 2010 on:

- the acquisition of 86.2% of the Brazilian company, Pará Pigmentos SA (PPSA), specialized in the extraction and processing of kaolin for paper and packaging. This acquisition was finalized in July 2010; the Group's stake was increased to 100% at the end of December 2010;
- the "Clay Vision" project (reconversion of the Group's former industrial sites in Cornwall through a joint venture with the international group Orascom Holding AG, specialized in similar long-term real estate projects), which was also finalized during the 2010 financial.

Furthermore and as usual, the Strategic Committee thoroughly analyzed the Group's financial structure to make sure of its strength. The Committee was consulted on this occasion on the Company's general financing strategy, on the aspects of currency and interest rate hedging as well as on securing the diversified long-term financial resources.

Finally, the Strategic Committee reviewed, at its last session of the year, the Group's 2011 budget, supported by a detailed presentation of the budget of each of the Group's four business groups by their respective managers.

APPOINTMENTS AND COMPENSATION COMMITTEE

(created on November 3, 1987 with the name Special Options Committee)

Mission

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

"The Appointments and Compensation Committee's mission is to examine and provide the Board of Directors with its opinions and any recommendations in the following areas:

1. Appointments

- the selection of candidates for Director positions and appointment proposals of the Chairman of the Board of Directors, the Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers and Committee Chairmen. For that purpose, the Appointments and Compensation Committee must take all the following items into account: desirable balance of the Board's composition with regard to the make-up and evolution of the Company's shareholding, proportion of men and women on the Board, finding and appraising possible candidates, and the suitability of renewing terms of office;
- the presentation of a succession plan for Executive Corporate Officers in the event of unforeseeable vacancies;
- the independent status of each of its members according to the definition of "independence" adopted by the Board of Directors, and any changes (or explanation of criteria) to be made to that definition.

2. Compensation

- the amount and allotment of attendance fees (fixed and variable parts) for the Directors;
- the general compensation policy for the Group's executives;
- the individual compensation of the Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers and their ancillary income (such as pension and healthcare plans or fringe benefits), as well as on any other provisions relating to their status and/or employment contract;
- the general policy for granting stock options or free shares of the Company and fixing the beneficiaries of the options or free shares plans proposed by the Chief Executive Officer;
- the fixing of individual stock options or free shares allotments for the Executive Corporate Officers as well as the specific terms and restrictions applicable thereto (achievement of economic performance goals, limitation of numbers of rights allotted, holding and keeping rules of Imerys shares,…) in accordance with the recommendations resulting from the AFEP-MEDEF Corporate Governance Code;
- the Group's employee shareholder policy and the terms of its implementation as proposed by the Executive Management."

Composition

The Appointments and Compensation Committee is composed of the following three members, which must include the Chairman of the Board of Directors who is also Chairman of the Committee:

Name	Date of 1st appointment to the Committee	Independent member status
Aimery LANGLOIS-MEURINNE, Chairman	November 3, 1987	No
Robert PEUGEOT	May 3, 2005	Yes
Jacques VEYRAT	February 14, 2007	Yes
Number of Members: 3		**2**

The composition of the Committee comply with the proportion of 2/3 independent members recommended by the AFEP-MEDEF Corporate Governance Code.

Functioning

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

2010	
Number of meetings	4
Average actual attendance rate of members	100%
2011	
Expected number of meetings	2

To carry out its mission, the Committee hears the Chief Executive Officer and the Group Vice-President Human Resources; it also has recourse to independent experts.

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

Activity in 2010

The Appointments and Compensation Committee was first consulted in its first two meetings on the composition of the Board of Directors and its Committees, particularly with respect to the directors' terms of office that expire following the next Shareholders' General Meeting and proposed applications. On that occasion, the Committee examined the situation of each of the members of the Board in relation to the definition of "independence" adopted by the Board at its May 3, 2005 meeting. The Committee checked that the compositions of the Audit Committee and the Appointments and Compensation Committee complied with the 2/3 proportion of independent members in accordance with the AFEP-MEDEF Corporate Governance Code.

In 2010, the Committee prepared the succession plan of Gérard Buffière, Chief Executive Officer, which led it to recommend to the Board the appointment of Gilles Michel first as Deputy Chief Executive Officer and then as Chairman and Chief Executive Officer as from April 28, 2011.

The Appointments & Compensation Committee also assessed the 2009 performance of Gérard Buffière, Chief Executive Officer, and Jérôme Pecresse, Chief Operating Officer. In that respect, it reviewed the amount of the variable part of their individual compensation owed in relation to financial 2009 and payable in 2010, according to the goals, particularly financial ones, that they had been given. It also made recommendations on the setting of quantitative and qualitative goals for the Chief Executive Officer and Chief Operating Officer in order to determine the variable share of their compensation for 2010; the Committee also examined the compensation components of Gilles Michel who was appointed Deputy Chief Executive Officer on November 3, 2010 (for further details, *see paragraph 3.3.2 of the present chapter)*.

Furthermore, the Appointments and Compensation Committee examined and made recommendations on the individual retention program of the Executive Corporate Officers as well as on the general program applicable to the other key managers of the Group.

Finally, the Committee undertook an in-depth examination of the recommendations resulting from the AFEP-MEDEF Corporate Governance Code in terms of compensation for corporate officers, to which the Company declared its intention to refer on December 18, 2008. It thus observed that Imerys complied with the vast majority of those recommendations. Moreover, it gave its opinion to the Board as to the restrictive holding and keeping rules of Imerys shares by the Executive Corporate Officers with respect to the grants of stock options and performance shares.

AUDIT COMMITTEE

(created on March 27, 1996)

Mission

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

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

1. Financial Statements

- the Company and consolidated annual financial statements to be drawn up by the Board of Directors, together with a note from the Group's Chief Financial Officer, and the estimated and definitive half-yearly consolidated financial statements;
- the scope of consolidation;

- the relevance and consistency of accounting methods, by verifying, in particular, the reliability of internal information-gathering and information-control procedures, with the aim of ensuring that financial statements are fairly presented and that they give an accurate image of the financial situation of the Company and the Group;
- the method and estimates used for the impairment tests carried out by the Group;
- the Group's debt position, including structure and interest and currency rate hedging policy and its outcome;
- significant off-balance sheet disputes and commitments, and their impact on the Group's accounts;
- the production and dissemination process for accounting and financial information, ensuring that it complies with legal requirements, regulatory authorities' recommendations and internal procedures.

2. Financial information

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

3. External control

- the proposals to appoint or renew the Statutory Auditors. It examines and approves the contents of the requirements, the schedule and the organization for the invitation to bid, with a view to the appointment and, as the case may be, renewal of the Statutory Auditors, and checks that the invitation to bid proceeds correctly;
- the Statutory Auditors' work program and any additional assignments that they or other members of their network may be given, as well as the amount of the corresponding compensation;
- the supervision of the rules for the use of the Statutory Auditors for work other than auditing the financial statements and, more generally, compliance with the principles guaranteeing the independence of the Statutory Auditors;
- the conclusions of diligence work by Statutory Auditors as well as their recommendations and follow-up actions.

4. Audit & Internal control

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

5. Risks

- the identification, measurement and monitoring by the Executive Management of the possible major risks for the Group in the following areas:
  - external environment: legal or regulatory developments, crisis management or occurrence of disasters,
  - the internal processes: legal monitoring of major litigation and compliance with existing regulations (particularly Environment, Health & Safety and Sustainable Development), codes of conduct and ethics;
- the orientations and implementation by the Executive Management of the Group's general policy for Sustainable Development, internal control and risk prevention (organization, policies and procedures, systems, etc.) and insurance;
- the work programs and results of internal experts (auditors, lawyers,…) and any external experts that may be called upon to analyze, audit or measure the risks and the Group's performance in the above-mentioned areas;
- any other subject likely to have significant financial and accounting impact for the Company or the Group."

Composition

The Audit Committee is comprised of the following three members, non-executive directors, who are chosen for their financial competence as described in their respective biography above. Its Chairman must be an independent Director.

Name	Date of 1st appointment to the Committee	Independent member status
Aldo CARDOSO, Chairman	May 3, 2005	Yes
Jocelyn LEFEBVRE	March 27, 1996	No
Jean MONVILLE	May 2, 2007	Yes
Number of Members: 3		**2**

The composition of the Audit Committee comply with the proportion of 2/3 independent members recommended by the AFEP-MEDEF Corporate Governance Code.

Functioning

The Committee debates with the majority of its members present and meets as often as its Chairman sees fit and, to the extent possible, at least two days before the Board of Directors draws up the definitive annual and half-yearly consolidated financial statements. It may also meet at the request of two of its members or of the Chairman of the Board of Directors.

2010	
Number of meetings	5
Average actual attendance rate of members	93%
2011	
Expected number of meetings	5

To carry out its mission, the Committee hears the Statutory Auditors and the Chief Financial Officer of the Group and, on the latter's initiative or at the Committee's request to him according to the items on the agenda for the Committee's meeting, other individuals who take part in drawing up and controlling the financial statements and in risk prevention or management (Finance & Strategy Department, Internal Audit Department, Sustainable Development and Environment, Health & Safety Department, Legal Department and Internal Control Department).

The Committee has unrestricted access to all available information on the Group. It may also make visits and hear any of the Group's line managers or the relevant managers responsible for corporate or operating risks management. The Committee may also request that any internal or external audit be carried out on any subject that it judges within the scope of its mission. The Chairman of the Committee informs the Board of Directors of any such audit.

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

Activity in 2010

As in previous years, the Audit Committee conducted an in-depth review of the corporate and consolidated financial statements for 2009 and for first-half 2010. It also examined the main items ahead of the closure of the 2010 financial statements. As part of that work, it particularly looked into the various income statement items such as the composition of "Other income and expenses", the balance sheet and the statement of changes in financial position. On that occasion, it also made sure, after hearing the Statutory Auditors, of the relevance and consistency of the accounting methods used by the Group. The Committee expressed its satisfaction with the quality of the financial statements closing work and recommended that the Board approve the statements unreservedly.

As usual, the Committee monitored the activity plan of the internal audit and thus, each semester, reviewed the results of the achieved missions. The Committee made sure of the coordination of internal audit work with the tasks of the Statutory Auditors; finally the Committee examined the measures taken by the Group to answer to the observations resulting from the audit missions conducted over the last two years.

Furthermore, at each Committee's meeting, a detailed presentation is made by the concerned managers on the accounting rules and methods applied by the Group. On this occasion, the Committee checks their compliance with the regulations in force as well as the relevance of their application within the Company.

The Audit Committee also examined the Group's results in terms of Environment, Health & Safety and Sustainable Development, in particular the results of the specific program for measuring and improving of the Group's energy and "carbon" efficiency. The Committee welcomed the further reduction in CO_2 emissions in 2009, as well as the further improvement in lost-time accidents frequency rate. At the same time, the Committee examined the legal environment relevant to the Group: CO_2 emissions, quotas allocation, European REACH regulation as well as their implementation costs accounting methods.

Moreover, the Committee reviewed the main lawsuits or risks of lawsuits for the Group as well as the related provisions; it examined the Group's insurance policy and the main coverage programs taken out by the Group. Hence, the Committee observed the improvement in the management of the Group's loss history and the strengthening of loss prevention actions.

The Audit Committee also reviewed the Group's management policy in terms of currency risk.

In addition to the detailed review of these different risks, the Committee examined the mapping and the management of the major risks to which the Group is exposed, as well as the action plan to be implemented in 2010 in order to reduce their impact in case of occurrence and thus to better manage them. The Committee concluded that some of these actions had already been implemented during the 2010 financial and expressed satisfaction with the effectiveness of the Group's risks and internal control management mechanisms.

The Audit Committee also examined, from the point of view of their accounting treatment, the "Clay Vision" Project related to the real estate development project on sites that have become non-operational in Cornwall as well as the project for factoring some trade receivables, with the aim of giving the Group a new source of financing.

Early in the year, the Committee also reviewed, before its adoption by the Board of Directors, the draft report of the Chairman of the Board on internal control for financial 2009 and, for that purpose, heard the Statutory Auditors.

The examinations and reviews carried out by the Committee in 2010 enabled it to inform the Board of its observations and recommendations; they did not reveal any major cause for concern.

3.2 EXECUTIVE MANAGEMENT

3.2.1 POWERS

Pursuant to legal and statutory provisions, the Chief Executive Officer and the Delegate Chief Executive Officers are vested with the most extensive powers to act on behalf of the Company under any circumstances. They exercise their powers within the limits of the corporate purpose and subject to the powers expressly vested in the Shareholders' General Meeting and the Board of Directors; they represent the Company with respect to third parties.

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

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

3.2.2 COMPOSITION

As of December 31, 2010, the Executive Management of the Company was composed of Gérard Buffière, Chief Executive Officer, assisted by Gilles Michel (since November 3, 2010) as Deputy Chief Executive Officer and Jérôme Pecresse as Chief Operating Officer.

Name	Age	Nationality	Position	Date of 1st appointment	Year of renewal of term of office	Number of securities owned
Gérard BUFFIÈRE	66	French	Director and Chief Executive Officer	05/03/2005	2011	78,886 shares 56.287 units FCPE Imerys Actions*
Gilles MICHEL	54	French	Director and Deputy Chief Executive Officer	11/03/2010	2011	100 shares
Jérôme PECRESSE	44	French	Chief Operating Officer	02/13/2008	2011	816 shares 4.948 units FCPE Imerys Actions*

* *FCPE Imerys Actions, created under employee shareholder plans (see chapter 6, paragraph 6.2.5 of the Registration Document); the assets of these funds are mainly invested in Imerys shares.*

3.2.3 OTHER INFORMATION AND OFFICES OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT AS OF DECEMBER 31, 2010

The other information on Gérard Buffière and Gilles Michel as well as the offices they hold or have held in the past five years appear in *paragraph 3.1.3 of the present chapter*.

Jérôme Pecresse has not held any office outside of the Imerys group in the past five years.

A graduate of Ecole Polytechnique de Paris and Ponts & Chaussées engineering school, Jérôme Pecresse began his career by holding various responsibilities in London and Paris with the business bank Credit Suisse First Boston (a subsidiary of the Credit Suisse group) of which he managed the Mergers & Acquisitions activities for the French market. He joined the Imerys Group in September 1998 as Strategy and Development Manager and was appointed member of Imerys' Managing Board on July 25, 2002. On January 1, 2003, he took over the Group's Finance & Strategy Department until April 2006, when he became Vice-President, Minerals for Ceramics, Refractories, Abrasives & Foundry business group. On February 13, 2008, Jérôme Pecresse was appointed as Chief Operating Officer by the Board of Directors, on the proposal of the Chief Executive Officer.

3.2.4 EXECUTIVE COMMITTEE

In 2005, the Chief Executive Officer decided, with the support of the Board of Directors, to set up an Executive Committee comprised of the Group's main line and support managers to assist him in the general management of the Group.

MISSION

The Executive Committee, under the responsibility of the Executive Management, is mainly in charge of:

- implementing the Group's strategy and all the measures determined by the Board of Directors;
- monitoring the operating activities of each business group and ensuring, by defining any necessary corrective measures, that they comply with their budgets and carry out the action plans approved by the Executive Management;
- defining and monitoring the Group's performance improvement goals for the protection and safety of individuals in the workplace, and defining any corrective measures;
- defining Group-wide policies and actions (Sustainable Development, including Environment, Health & Safety; Human Resources; Internal Communication; Internal Control and Risk Management; Innovation and Research & Technology; Purchasing) and overseeing their rollout;
- fostering the sharing and dissemination of best practices in all areas between the business groups; and,
- more generally, giving opinions and recommendations on all projects, operations or measures that may be submitted to it by the Executive Management, particularly with a view to their subsequent presentation to the Board of Directors or its specialized Committees.

COMPOSITION

As of December 31, 2010, the Executive Committee is comprised, in addition to the Chief Executive Officer and the Deputy Chief Executive Officer, of the following 8 members:

Line managers	Support managers
Jérôme Pecresse, Chief Operating Officer (Minerals for Ceramics, Refractories, Abrasives & Foundry)	**Michel Delville** (Finance)
Christian Schenck, Executive Vice-President (Materials & Monolithics)	**Denis Musson** (Legal & Corporate Support)
Olivier Hautin (Pigments for Paper)	**Thierry Salmona** (Innovation, Research & Technology & Business Support)
Daniel Moncino (Perfomance & Filtration Minerals)	**Bernard Vilain** (Human Resources)

FUNCTIONING

The Executive Committee meets as often as the interests of the Group require or at the request of the Executive Management. It met 10 times in 2010.

3.3 COMPENSATION

3.3.1 BOARD OF DIRECTORS

AMOUNT

The maximum annual amount of attendance fees that may be allotted to the members of the Board of Directors, as determined by the Shareholders' General Meeting of May 3, 2005, is €800,000.

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

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce, the gross individual amount paid to each of the Board members in office in 2010 was as follows:

(euros)	2009	2010
A. LANGLOIS-MEURINNE, Chairman	214,000	208,500
G. BUFFIÈRE (1)	-	-
G. MICHEL (2)	-	-
A. CARDOSO	69,500	69,500
J. DRIJARD	42,500	43,000
I. GALLIENNE (3)	-	4,800
F. LAYT (3)	-	3,300
J. LEFEBVRE	39,000	44,000
E. Le MOYNE de SÉRIGNY	36,500	34,000
M. de LIMBURG STIRUM	26,000	25,000
G. MILAN (4)	31,000	24,000
J. MONVILLE	43,000	43,000
R. PEUGEOT	31,000	27,500
O. PIROTTE (3)	-	4,800
T. de RUDDER (5)	33,000	24,700
A. de SÈZE	33,900	32,500
PJ. SIVIGNON (3)	-	3,300
J. VEYRAT	31,000	26,500
Total	**630,400**	**618,400**

(1) Chief Executive Officer – does not receive attendance fees.
(2) Deputy Chief Executive Office as from November 3, 2010 – does not receive attendance fees.
(3) Director as from April 29, 2010.
(4) Director until November 3, 2010.
(5) Director until April 29, 2010.

It is specified that pursuant to the AMF Recommendation of December 22, 2008 and confirmed on December 10, 2009:

- these amounts represent the entirety of the compensation paid in 2010 by the Imerys group or by its controlling shareholders to each of the members of the Board of Directors with respect to the offices, responsibilities or other duties performed personally by those members within or on behalf of the Imerys group;
- details of the compensation paid to Gérard Buffière and Gilles Michel in their capacity as, respectively, Chief Executive Officer and Deputy Chief Executive Officer of Imerys are given below *(see paragraph 3.3.2 of this chapter)*.

In accordance with applicable tax regulations, the amounts paid to the non-French resident members of the Board of Directors give rise to withholding tax in France.

ALLOTMENT SCALE

The current allotment scale for attendance fees was determined by the Board of Directors at its meeting of February 14, 2007 on the proposal of the Appointments and Compensation Committee.

This new scale, applicable as from January 1, 2007, is as follows:

Gross amounts *(euros)*		
Board of Directors	Chairman	150,000 fixed per year
	All members	20,000 fixed per year – 1,000 per attended meeting
Strategic Committee	Chairman	25,000 fixed per year
	All members and other Directors	1,500 per attended meeting
Audit Committee	Chairman	25,000 fixed per year
	All members	2,000 per attended meeting
	Other Directors	1,500 per attended meeting
Appointments and Compensation Committee	Chairman	15,000 fixed per year
	All members and other Directors	1,500 per attended meeting

To encourage the participation of the Directors in the work of Committees of which they are not members, the Board decided to award them a fixed attendance fee of €1,500 for each Committee meeting in which they take part.

3.3.2 EXECUTIVE MANAGEMENT

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce and the recommendations resulting from the AFEP-MEDEF Corporate Governance Code, the information given hereafter concerns the compensation paid to Executive Corporate Officers only. For the Company, this concerns the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Operating Officer but not the Chairman of the Board of Directors, who does not receive any other compensation from the Company than the attendance fees mentioned in *section 3.1.1 of the present chapter* as he does not perform any executive duties.

TABLE SUMMARIZING THE COMPENSATION ITEMS

(euros)	2009	2010
Executive Corporate Officers' name and position		
Gérard Buffière, Chief Executive Officer		
Compensation due in respect of the financial year	1,388,661	632,556*
Valuation of the stock options awarded during the financial year	na	303,600
Valuation of the performance shares awarded during the financial year	2,972,550	389,000
Total	**4,361,211**	**1,325,156**
Gilles Michel, Deputy Chief Executive Officer		
Compensation due in respect of the financial year	na	212,866*
Valuation of the stock options awarded during the financial year	na	770,800
Valuation of the performance shares awarded during the financial year	na	1,649,760
Total	**na**	**2,633,426**
Jérôme Pecresse, Chief Operating Officer		
Compensation due in respect of the financial year	593,387	362,358*
Valuation of the stock options awarded during the financial year	na	151,800
Valuation of the performance shares awarded during the financial year	563,220	194,500
Total	**1,156,607**	**708,658**

(*) These amounts do not include the variable compensation owed with respect to financial year 2010 which will be paid in 2011 once determined by the Board of Directors at its next meeting of April 28, 2011.

CRITERIA

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

This compensation includes a fixed part and a variable part.

The calculation of the variable part is based on economic performance criteria and personal goals set down by the Board of Directors on the recommendation of the Appointments and Compensation Committee. The achievement of those goals is measured and acknowledged annually by the Board of Directors on the recommendation of the Appointments and Compensation Committee. The variable part of compensation owed with respect to a financial year is paid the following year, when all the items for its calculation are known, in particular after the closing of the Group's definitive financial statements for the financial year in question.

For Gérard Buffière, Chief Executive Officer, and Gilles Michel, Deputy Chief Executive Officer as from November 3, 2010, these performance criteria were related in 2010 to the achievement of a goal of net income from current operations and operating cash flow generated by the Group during the year. For Gérard Buffière, a multiplier of 0.8 to 1.5 may be applied to the resulting amount according to the achievement of other specific goals the confidential nature of which prevents their publication. A ceiling of 150% of the fixed amount of Gérard Buffière's compensation is set for the variable part of his compensation.

For Gilles Michel, the amount of his variable compensation, based solely on the achievement of the economic performance criteria mentioned above, will be calculated pro rata to his presence in the Group in 2010.

As previously stated, the Chief Executive Officer and the Deputy Chief Executive Officer do not receive any attendance fees with respect to their office as Director of the Company.

For Jérôme Pecresse, criteria for determining his variable compensation in his capacity as Chief Operating Officer in 2010 were related, on one hand, to the achievement of the Group's financial goals for the year, which were identical to those set for the Chief Executive Officer and, on the other hand, the achievement of specific financial goals (related to trends in cash flow and current operating income) for the Minerals for Ceramics, Refractories, Abrasives & Foundry business group that he manages, and, finally, the achievement of other specific goals the confidential nature of which prevents their publication. A ceiling of 70% of the fixed amount of Jérôme Pecresse's compensation is set for the variable part of his compensation.

AMOUNTS

Amounts paid in 2010 and 2009

The amounts and breakdown of compensation and benefits in kind owed (fixed and variable parts for the year in question) and paid (fixed part for the year in question and variable part for the previous year, paid during the year in question) by the Group to Executive Management with respect to financial years 2009 and 2010 are as follows:

(euros)	2009		2010	
Executive Corporate Officers' name and position	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Gérard Buffière, Chief Executive Officer				
Fixed part	630,000	630,000	630,000	630,000
Variable part	756,000	87,600	nc (3)	756,000
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits (1)	2,661	2,661	2,556	2,556
Employee profit sharing (2)	-	-	-	-
Total	**1,388,661**	**720,261**	**632,556** (3)	**1,388,556**
Gilles Michel, Deputy Chief Executive Officer				
Fixed part	na	na	212,121 (4)	212,121 (4)
Variable part	na	na	nc (3)	na
Exceptional compensation	na	na	-	-
Attendance fees	na	na	-	-
Benefits (1)	na	na	745	745
Employee profit sharing (2)	na	na	nc	na
Total	**na**	**na**	**212,866** (3)	**212,866**
Jérôme Pecresse, Chief Operating Officer				
Fixed part	360,000	360,000	360,000	360,000
Variable part	226,800	78,120	nc (3)	226,800
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits (1)	2,468	2,468	2,358	2,358
Employee profit sharing (2)	4,569	9,904	nc	4,569
Total	**593,387**	**450,492**	**362,358** (3)	**593,727**

(1) These benefits solely consist of the supply of a company car.
(2) Pursuant to the Employee Profit Sharing Agreement entered into by the Company.
(3) The amount of the variable compensation owed with respect to financial year 2010 which will be paid in 2011 is not determined yet; it is going to be determined by the Board of Directors at its next meeting of April 28, 2011.
(4) Amount calculated pro rata to the presence of Gilles Michel in the Group in 2010, on the basis of an annual fixed compensation of €800,000.

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

All the compensation and assimilated benefits granted to the Group's top managers (Executive Committee, including the Executive Corporate Officers) and recorded as expenses during the years in question are given in *note 29 to the consolidated financial statements*.

Moreover, the amount of the five highest compensations paid by the Company with respect to 2010 was certified by the Statutory Auditors.

Amounts to be paid in 2011

The Board of Directors will at its next meeting of April 28, 2011 appraise, on the recommendations of the Appointments and Compensation Committee, the achievement by the Executive Corporate Officers of the economic and personal goals that they were respectively set for financial 2010. Consequently, it will determine the amount of the variable compensation owed with respect to said financial year, to be paid to them in 2011.

The Board will also examine and set down at that meeting the criteria and goals that are applicable to the determination of the variable compensation of the Executive Management with respect to 2011.

These decisions will be published for the purposes of permanent information, in accordance with the AFEP-MEDEF Corporate Governance Code.

The Board stated at its meeting of November 3, 2010 that Gilles Michel's fixed annual compensation (€800,000), as well as the criteria for calculating his variable compensation (ceiling defined as one year of his annual fixed compensation, to be determined according to achievement of economic performance goals; application of a coefficient from 0.8 to 1.2 according to the achievement of specific goals), which it had set down, already took into account his possible subsequent appointment as Chairman & Chief Executive Officer of Imerys and that, consequently, they would remain unchanged in 2011 in the event of such an appointment.

EMPLOYMENT CONTRACT, INDEMNITIES, PENSIONS AND OTHER BENEFITS

	Employment contract	Supplementary pension plan	Indemnities or benefits due to end or change of duties	Indemnities under a non competition clause
Gérard Buffière, Chief Executive Officer	Yes	Yes	Yes	No
Gilles Michel, Deputy Chief Executive Officer	No	Yes	Yes	No
Jérôme Pecresse, Chief Operating Officer	Yes	Yes	No	No

Employment contract

In 1998, Gérard Buffière entered into an employment contract with the Company, the effects of which were suspended by decision of the Board of Directors on the day of his appointment and for the duration of his term of office as Chief Executive Officer of the Company. Consequently, given the wish voiced by Gérard Buffière not to be renewed in his duties as Chief Executive Officer on April 28, 2011, his employment contract would resume effect from that date. On that subject, Gérard Buffière has informed the Company of his intention to retire.

At the time of the appointment of Gilles Michel as Chief Operating Officer on November 3, 2010, the employment contract between him and the Company was terminated, given the duties of Chairman & Chief Executive Officer that he would be led to perform, in order to comply in advance with the AFEP-MEDEF recommendations published in October 2008.

At the time of the appointment of Jérôme Pecresse as Chief Operating Officer on February 13, 2008, the Board of Directors decided to maintain the employment contract binding him to the Company since 1998, given the operating duties he continued to hold in the Group as Vice-President, Ceramics, Refractories, Abrasives & Foundry business group. Pursuant to the AMF Recommendation of December 22, 2008 as confirmed on December 10, 2009, the non-cumulative holding of a corporate office with an employment contract does not apply to Delegate Chief Executive Officers.

End of contract indemnity

Gérard Buffière's above-mentioned employment contract provided in particular for indemnity, in the event of departure on the Company's initiative, equal to two years' gross salary, including the indemnity owed with respect to the applicable legal and collective agreement framework. In order to comply with the provisions of the "TEPA Law" in favor of work, employment and spending power of August 21, 2007, the contract was amended with an additional clause, for the purposes in particular of conditioning the indemnity for end of contract at the Company's initiative on performance criteria. Gérard Buffière having already informed the Company of his intention to retire, this indemnity would be groundless. Apart from those provisions, the Company has no other commitments for the benefit of Gérard Buffière with respect to the taking-up, end or change of his current duties.

Gilles Michel's employment contract provides for an indemnity in the event that his corporate office is terminated at the Company's initiative or in the event of forced departure linked to a change of control or strategy. No indemnity would be due in the event of Gilles Michel's voluntary departure or if he was entitled to retire within a short period of time. In accordance with the recommendations resulting from the AFEP-MEDEF Corporate Governance Code and according to the calculation terms provided below, the amount of Gilles Michel's severance indemnity will be calculated on the basis of a maximum of two years' compensation (fixed + variable). Pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, the payment of the severance indemnity provided for above would be subject and proportional to performance conditions appraised on the basis of the arithmetic average of the percentages of achievement of the sole economic and financial goals of the last three financial years, as set down for the determination of the variable compensation with respect to each of those financial years. In addition, Gilles Michel benefits from the social guarantee for company managers and executives (GSC). All these commitments taken by the Company in favor of Gilles Michel, in accordance with legal provisions, have been published on the Company's Website and notified to the Statutory Auditors for the drafting of their special report on regulated commitments which will be submitted to the approval of the Shareholders' General Meeting *(see Chapter 2, paragraph 2.2.3 of the Registration Document)*.

Jérôme Pecresse's employment contract does not provide, apart from the applicable legal and collective agreement framework, for any indemnity or other specific advantage with respect to the end or change of his duties of Chief Operating Officer.

Pension commitments

In 1985, Imerys set up a collective supplementary pension plan with defined benefits for the principal managers of Imerys who met the restrictive and objective eligibility criteria. The plan is managed by an external insurance company.

The Executive Corporate Officers and one Director (Jacques Drijard), in his capacity as a former executive of the Group, are among the potential beneficiaries of the plan.

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

- a life annuity of a total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan) of 60% of their reference salary (average of the last two years of the beneficiary's fixed plus variable compensation); said salary is limited to 22 annual French social security ceilings (PASS);
- subject to a pay-in ceiling equal to 25% of said reference salary.

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

According to the latest actuarial calculation, the current value of the estimated share of the four above-mentioned corporate officers in the total amount of the Group's commitment with respect to the past services of all the beneficiaries of this supplementary pension plan amounts to €7,682,702 as at the end of 2010 (compared with €6,961,900 as at end 2009).

Furthermore, in order to reduce the booked expense caused by the defined benefit plan and move closer to market practices, it was decided to set up, as from October 1st, 2009, a defined contribution supplementary pension plan for the benefit of some of Imerys' top managers, including the Delegate Chief Executive Officers.

Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of 8 PASS, are made jointly by the employee (for 3%) and the Company (for 5%). An external insurance company has been appointed to manage the scheme.

All these commitments taken by the Company in favor of its Executive Corporate Officers, in accordance with legal provisions, have been published on the Company's Website and notified to the Statutory Auditors for the drafting of their special report on regulated commitments. Those commitments were, as regards Gérard Buffière and Jérôme Pecresse, approved by the Ordinary and Extraordinary Shareholders' General Meeting on April 29, 2010 and will be, as regards Gilles Michel, submitted for approval at the Ordinary and Extraordinary Shareholders' General Meeting on April 28, 2011 *(see chapter 2, paragraph 2.2.3 of the Registration Document)*.

3.4 STOCK OPTIONS (1)

3.4.1 STOCK OPTION PLANS IN FORCE

GRANT POLICY

The general policy for the granting of Imerys stock options is set by the Board of Directors upon the Appointments and Compensation Committee's recommendations.

The main characteristics of the policy, excluding grants made under the Group's employee shareholding operations, are as follows:

- grants take the form of stock subscription options. This form was judged preferable to stock purchase options as it prevents the Company from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises;
- as from 1999, stock options are granted once a year and the total number of options each year is adjusted according to the Group's overall performance or to specific events, the grant taking usually place on the Annual General Meeting;
- the actual or likely beneficiaries of stock subscription options are the Group's executives (Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, members of the Executive Committee, business group and division management committees, main managers of the Group's corporate departments) as well as high-potential managers and employees that make an outstanding contribution to the Company's performance;
- as from 2008, the grant of stock subscription options is combined, in a single annual program, with the grant of performance shares *(see paragraph 3.5.1 of the present chapter)*.

(1) For the sake of consistency, all the figures given in the present section are based on the split into 4 of the nominal value of Imerys shares on June 1, 2004.

In accordance with article L. 225-186-1 of the French Code of Commerce, introduced by the French law of December 3, 2008 in favor of work earnings, the Board decided at its meeting of February 15, 2011, on the recommendation of the Appointments and Compensation Committee, that, subject to the renewal at the Shareholders' General Meeting of April 28, 2011 of the authorization given to the Board to grant employees and corporate officers of the Company and its subsidiaries, or to certain categories thereof, subscription or purchase options on the Company's shares *(see chapter 7, section 7.4 of the Registration Document)*, the grant of such options to Executive Corporate Officers would be subject to the payment of an additional collective profit-sharing bonus in the sense of article L. 3314-10 of the French Labor Code, distributed in accordance with the arrangements provided by the profit-sharing agreements in force, except in the event of a dispensation agreement, for the benefit of all the Company's employees and at least 90% of all employees of its French subsidiaries.

CHARACTERISTICS OF GRANTED OPTIONS

As from 1999, the grant general policy excludes any discount of the option exercise price: it is equal to the average Imerys share price for the last 20 stock market trading days prior to the grant date i.e. usually on the day of the Annual General Meeting. It will be put to the Shareholders' General Meeting of April 28, 2011, called to rule on the authorization to be given to the Board to grant options for subscription or purchase of the Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them *(see chapter 7, section 7.4 of the Registration Document)* to expressly exclude any discount of the option exercise price.

The duration of the options granted under the plans set up since 2001 is 10 years.

The options granted since 1996 are in principle definitively vested (except in the event of the beneficiary's dismissal, resignation of departure from the Group) after the end of the third year following their allotment or, if earlier, on the date of the beneficiary's retirement after the age of 63 (reference age included in the 2009 and 2010 plans, previously set at 60 years), his/her cessation of activity for incapacity or his/her death. The only exception concerns grants made within employee shareholding operations, for which the options are dependent on the employee's investment in Imerys shares with immediate vesting.

Option exercise conditions

Definitively vested options may be exercised at any time, except in the event of the beneficiary's death or, as from the 2004 option plan, departure from the Group.

However, the beneficiary must bear any additional costs and taxes borne by the Company in the event that applicable local regulations provide for a longer immobilization period than three years (this period is four years in France for plans adopted as from April 2001).

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

Loss or maintaining of options

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

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

- if the departure takes place before the vesting date of the options, their immediate cancellation;
- if the departure takes place after the vesting date of the options and only for plans adopted from 2004 onward, the cancellation of said options failing their exercise by the beneficiary by the end of the third month following his or her departure from the Group.

Date of record of shares resulting from the exercise of options

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

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

OPTION PLAN ADOPTED IN 2010

482,800 stock subscription options at the exercise price of €46.06 per share were granted on April 29, 2010 to 155 managers and executives of the Group residing in France or in other countries (vs. 166 in 2009).

Apart from the options granted to the Executive Corporate Officers, 120,900 were granted to the 10 beneficiaries receiving the most options.

82,000 stock subscription options at the exercise price of €44.19 per share were granted on November 3, 2010 to Gilles Michel, Deputy Chief Executive Officer *(see section 3.4.2 of the present chapter)*.

CHANGES IN THE NUMBER OF OPTIONS IN 2010 [1]

The total number of stock subscription options in existence on December 31, 2010 is 4,170,563, representing 5.20% of Imerys' share capital on that date after dilution; their weighted average exercise price is €49.29.

In 2010, 134,204 stock subscription options were cancelled; 213,302 were exercised by 475 beneficiaries at a weighted average price of €28.55.

(1) Including options granted under employee shareholder plans.

3.4.2 CONDITIONAL STOCK OPTIONS GRANTED BY THE COMPANY TO ITS EXECUTIVE CORPORATE OFFICERS IN 2010 (1)

	Date of Plan	Kind of options	Valuation of options * (euros)	Number of options granted in 2010	Exercise price (euros)	Exercise period
Gérard Buffière, Chief Executive Officer	April 29, 2010	Stock subscription options	303,600	40,000	46.06	April 29, 2013 April 28, 2020
Gilles Michel, Deputy Chief Executive Officer	November 3, 2010	Stock subscription options	770,800	82,000	44.19	March 1, 2014 November 2, 2020
Jérôme Pecresse, Chief Operating Officer	April 29, 2010	Stock subscription options	151,800	20,000	46.06	April 29, 2013 April 28, 2020

(*) Valuated at the time of their grant as used with respect to the application of IFRS 2, before the spread of the expense over the acquisition period.

The Board of Directors, at its meetings of April 29, 2010 and November 3, 2010, decided, on the recommendation of the Appointments and Compensation Committee, to grant to its Executive Corporate Officers stock options which are conditioned by and proportionate to the achievement of economic performance goals related to the growth of:

- the Group's net current operating income per share and the Group's ROCE (return on capital employed) during the 2010-2012 period for the grant to Gérard Buffière and Jérôme Pecresse with respect to the 2010 April Plan; and
- the Group's ROCE during the 2011-2013 period for the grant to Gilles Michel with respect to the 2010 November Plan.

On those occasions, the Board of Directors confirmed as needed the restrictive rules in terms of holding and keeping shares set by it at its meeting of February 15, 2010 pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code *(see section 3.6 of the present chapter)*.

HOLDINGS AND CHANGES

As of December 31, 2010, the total number of stock options held by the Executive Corporate Officers (Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer) is 904,547, compared with 841,898 as on December 31, 2009 (which included at that date the Chief Executive Officer and Chief Operating Officer), i.e. 1.13% of Imerys' share capital on that date after dilution; their weighted average exercise price is €49.01.

In 2010, 79,308 stock subscription options were exercised by Executive Corporate Officers at a weighted average price of €28.09 *(see details in the table appearing in paragraph 3.4.3 of the present chapter)*.

SPECIFIC TERMS AND RESTRICTIONS

In addition to the economic performance goals mentioned above, the other specific terms and restrictions which are applicable to the grants of stock subscription options to the Executive Corporate Officers, common to the grants of free shares, are given under *section 3.6 of the present chapter*.

(1) This information only concerns the options granted by the Company and does not include any Imerys share purchase options that may be granted to corporate officers by the controlling shareholders that they represent.

3.4.3 DETAILS OF STOCK OPTION PLANS IN FORCE (1)

The following table summarizes the history, status and main characteristics of the stock option plans in force as on December 31, 2010:

	Nov. 2010	April 2010	August 2009	April 2008	May 2007	Nov. 2006 (2)	May 2006
Initial grant							
Authorization: date of Shareholders' General Meeting	04/30/08	04/30/08	04/30/08	04/30/08	05/03/05	05/03/05	05/03/05
Date of Board of Directors / Supervisory Board or Managing Board meeting	11/03/10	04/29/10	07/29/09	04/30/08	05/02/07	11/07/06	05/02/06
Opening date of option exercise period (3)	03/01/14	04/29/13	08/14/12	04/30/11	05/03/10	02/01/07	05/03/09
Option expiration date	11/02/20	04/28/20	08/13/19	04/29/18	05/01/17	11/06/16	05/01/16
Share subscription price	€44.19	€46.06	€34.54	€54.19	€65.61	€62.31 (4)	€63.53
Total number of initial beneficiaries	1	155	166	183	160	2,932	171
Total number of options initially granted, of which to the Executive Corporate Officers:	82,000	482,800	464,000	497,925	560,000	38,770	640,000
- to G. Buffière, Chief Executive Officer	-	*40,000*	-	-	*60,000*	*15*	*90,000*
- to G. Michel, Deputy Chief Executive Officer	*82,000*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
- to J. Pecresse, Chief Operating Officer	-	*20,000*	-	*28,000*	*23,000*	*15*	*22,500*
- to the ten Group employees who received the most options	-	*120,900*	*206,750*	*198,150*	*154,000*	*150*	*157,500*
Change during financial 2010							
Number of options remaining to be exercised on 01/01/2010	n.a.	n.a.	464,000	515,840	500,557	43,780	592,389
Number of shares subscribed in 2010, of which:	n.a.	n.a.	n.a.	n.a.	-	-	-
- by G. Buffière, Chief Executive Officer	*n.a.*	*n.a.*	*n.a.*	*n.a.*	-	-	-
- by G. Michel, Deputy Chief Executive Officer	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
- by J. Pecresse, Chief Operating Officer	*n.a.*	*n.a.*	*n.a.*	*n.a.*	-	-	-
- by the ten Group employees who received the most options	*n.a.*	*n.a.*	*n.a.*	*n.a.*	-	-	-
Number of options cancelled (6) in 2010	-	-	(5,000)	(22,947)	(19,615)	-	(52,820)
Number of options remaining to be exercised on 12/31/2010 (7) of which:	82,000	482,800	459,000	492,893	480,942	43,780	539,569
- by G. Buffière, Chief Executive Officer	-	*40,000*	-	-	*64,482*	*17*	*96,714*
- by G. Michel, Deputy Chief Executive Officer	*82,000*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
- by J. Pecresse, Chief Operating Officer	-	*20,000*	-	*30,092*	*24,719*	*17*	*24,179*

(1) The above mentioned figures are given, if needed, after the adjustments made on June 2, 2009 following the share capital increase of Imerys.

(2) Employee Shareholder Plans.

(3) Not including longer tax immobilization periods that may be applicable locally.

(4) Except for different subscription prices applicable locally.

(5) Of which 200,000 pursuant to the Group's achievement of economic and financial results in financial years 2004 to 2006.

(6) Following the beneficiaries' departure from the Group.

(7) Following cancellation and exercise of the options since the date of approval of the plan in question and reintegrations, if any.

May 2005	**May 2004**	**Oct. 2003** [(2)]	**May 2003**	**Oct. 2002** [(2)]	**May 2002**	**Oct. 2001** [(2)]	**May 2001**	**Nov. 2000** [(2)]	**May 2000**	
05/03/05	05/06/02	05/06/02	05/06/02	05/06/02	05/06/02	05/09/00	05/09/00	05/09/00	05/09/00	
05/03/05	05/03/04	10/21/03	05/05/03	10/21/02	05/06/02	10/19/01	05/09/01	11/06/00	05/09/00	
05/04/08	05/03/07	10/22/06	05/05/06	10/22/05	05/06/05	10/20/04	05/09/04	11/07/03	05/09/03	
05/02/15	05/02/14	10/21/13	05/05/13	10/21/12	05/05/12	10/19/11	05/08/11	11/06/10	01/31/10	
€53.58	€45.49	€37.80	€26.34	€27.39	€30.47	€23.01	€26.52	€25.25	€29.94	
171	166	925	201	1,474	181	1,416	169	1,961	145	
										Total
635,000	840,000	37,424	747,720	68,328	652,000	73,784	711,240	72,808	570,520	7,174,319
80,000	*260,000* [(5)]	*60*	*80,000*	*60*	*30,000*	*60*	*32,000*	*40*	*28,500*	*700,735*
n.a.	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*82,000*
20,000	*36,000*	*60*	*21,400*	*60*	*9,000*	*60*	*8,560*	*40*	*5,700*	*194,395*
140,000	*109,600*	*360*	*145,580*	*720*	*90,000*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*1,323,710*
530,965	646,053	33,906	311,699	39,140	130,062	30,175	78,224	26,309	10,170	3,953,269
-	12,029	1,680	70,684	4,032	49,443	4,203	45,101	15,960	10,170	213,302
-	-	-	-	-	*32,244*	-	*34,391*	-	-	*66,635*
n.a.	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
-	-	-	*12,500*	*65*	-	*65*	-	-	*43*	*12,673*
-	*2,580*	*130*	*43,986*	*195*	*2,150*	*295*	*4,988*	*258*	*3,011*	*57,593*
(15,693)	(7,749)	-	-	-	-	(31)	-	(10,349)	-	(134,204)
515,272	626,275	32,226	241,015	35,108	80,619	25,941	33,123	-	-	4,170,563
85,976	*279,422*	*65*	*85,984*	*65*	-	*65*	-	-	-	*652,790*
n.a.	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*82,000*
21,494	*38,690*	*65*	*10,501*	-	-	-	-	-	-	*169,757*

3.5 FREE SHARES

3.5.1 CONDITIONAL FREE SHARE PLANS IN FORCE

GRANT POLICY

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

In 2008, the Appointments and Compensation Committee examined, with the support of a specialized external consultant, the suitability of a possible extension of that grant policy to a greater number of beneficiaries by combining it with the existing policy of stock option subscription grants in a single long-term Group policy for retaining their beneficiaries. In accordance with the Appointments and Compensation Committee's recommendations, the new general policy set down by the Board provides in principle for the grant to each beneficiary of a total number of rights giving access to share capital comprised of a combined ratio of stock subscription options and free shares subject to the achievement of economic performance goals.

In accordance with article L. 225-197-6 of the French Code of Commerce, introduced by the French law of December 3, 2008 in favor of work earnings, the Board decided at its meeting of February 15, 2011, on the recommendation of the Appointments and Compensation Committee, that, subject to the renewal at the Shareholders' General Meeting of April 28, 2011 of the authorization given to the Board to grant employees and corporate officers of the Company and its subsidiaries, or to certain categories thereof, Company's free shares *(see chapter 7, section 7.4 of the Registration Document)*, the grant of such shares to Executive Corporate Officers would be subject to the payment of an additional collective profit-sharing bonus in the sense of article L. 3314-10 of the French Labor Code, distributed in accordance with the arrangements provided by the profit-sharing agreements in force, except in the event of a dispensation agreement, for the benefit of all the Company's employees and at least 90% of all employees of its French subsidiaries.

MAIN CHARACTERISTICS OF CONDITIONAL FREE SHARES

Vesting of shares

The granted free shares are vested upon the expiry of a period that, in accordance with the legal provisions in force, may not be less than two years from their grant date, subject in principle to the achievement of certain economic and financial goals that cannot be appraised over a single year. The number of vested shares is conditioned on and proportionate to the achievement of those goals.

Loss of shares

The departure of the beneficiary from the Group before the expiry of the vesting period entails the loss of all rights to the vesting of his or her conditional free shares, except in the event of death, incapacity or retirement of the beneficiary whose rights will be retained according to the specific terms set forth by each related plan.

Keeping vested shares

The minimum time for which beneficiaries must keep shares may not in principle be less than two years from the date of vesting; that keeping period can however be removed in cases where the vesting period has a duration equal to four years. After the keeping period, if any, the beneficiaries may dispose freely of such shares.

CONDITIONAL FREE SHARE PLANS ADOPTED IN 2010

186,700 free shares conditional on the achievement of economic performance goals ("performance shares"), were granted in 2010 to 156 Group managers residing in France or abroad (vs. 169 in 2009).

The vesting and number of the performance shares granted with respect to the plans adopted by the Board in 2010 are conditioned by and proportionate to the achievement of a goal of growth of:

- the Group's net current operating income per share and the Group's ROCE (return on capital employed) during the 2010-2012 period with respect to the 2010 April Plan; and
- the Group's ROCE during the 2011-2013 period with respect to the 2010 November Plan that was granted exclusively for the benefit of Gilles Michel.

Apart from those granted to the Executive Corporate Officers, 54,225 performance shares were granted to the 10 beneficiaries receiving the highest number of those shares.

CHANGES IN THE NUMBER OF CONDITIONAL FREE SHARES IN 2010

The total number of conditional free shares in existence on December 31, 2010 was 488,429, which represents 0.61% of Imerys' share capital on that date after dilution.

In 2010, 3,711 free shares were cancelled and 42,984 vested.

DETAILS OF CONDITIONAL FREE SHARE PLANS IN FORCE

	Grant date	Number of initial beneficiaries	Number of shares initially granted	Number of remaining shares as on 01/01/2010	Number of shares cancelled in 2010	Number of shares vested in 2010	Number of shares as on 12/31/2010	Vesting date of shares	Date of end of share holding period
April 2008 conditional free share plan	April 30, 2008	184	96,232	101,418 (1)	2,461	42,984	55,973	April 30, 2011 (2)	April 30, 2013 (2)
August 2009 conditional free share plan	August 14, 2009	169	247,006	247,006	1,250	0	245,756	August 14, 2013 (3)	August 14, 2013 (4)
April 2010 conditional free share plan	April 29, 2010	155	144,700	-	0	0	144,700	April 29, 2014 (5)	April 29, 2014 (6)
November 2010 conditional free share plan (7)	November 3, 2010	1	42,000	-	0	0	42,000	March 1st, 2014	March 1st, 2016

(1) This number takes into account the adjustments made on June 2, 2009 following the increase in the Company's share capital.

(2) Dates applicable to all beneficiaries except the Chief Executive Officer for which the plan provides for a vesting date as on April 30, 2010 and an end date of the holding period as on April 30, 2012.

(3) For the beneficiaries resident outside France; August 14, 2011 for the members of the Executive Management and August 14, 2012 for the other beneficiaries resident in France.

(4) For the beneficiaries resident outside France and the members of the Executive Management; August 14, 2014 for the other beneficiaries resident in France.

(5) For the beneficiaries resident outside France; April 29, 2013 for the beneficiaries resident in France, including members of the Executive Management.

(6) For the beneficiaries resident outside France; April 29, 2015 for the beneficiaries resident in France, including members of the Executive Management.

(7) Plan granted exclusively for the benefit of Gilles Michel, Director and Deputy Chief Executive Officer as from November 3, 2010.

3.5.2 PERFORMANCE SHARES GRANTED BY THE COMPANY TO ITS EXECUTIVE CORPORATE OFFICERS IN 2010

	Date of Plan	Number of shares granted in 2010	Valuation of shares (1) *(euros)*	Vesting date	Availability date	Performance conditions
Gérard Buffière, Director and Chief Executive Officer	April 29, 2010	10,000	389,000	April 29, 2013	April 29, 2015	Yes
Gilles Michel, Director and Deputy Chief Executive Officer	November 3, 2010	42,000	1,649,760	March 1st, 2014	March 1st, 2016	Yes
Jérôme Pecresse, Chief Operating Officer	April 29, 2010	5,000	194,500	April 29, 2013	April 29, 2015	Yes

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

All the shares granted to Gérard Buffière, Chief Executive Officer, and Jérôme Pecresse, Chief Operating Officer, with respect to the April 2010 Plan, are subject to the achievement of the same economic performance goals as those provided with respect to the 2010 general performance shares plan intended for the Group's other top managers; these goals are related to the growth of the Group's net current operating income per share and the Group's ROCE during the 2010-2012 period.

These performance shares will be vested, according to the achievement of their economic goals to which they are subject, upon the expiry of a period of three years following their grant date; shares must be kept for a period of two years as from their vesting. These conditions are also identical to those provided under the 2010 general performance shares plan intended for the Group's other top managers.

The performance shares granted to Gilles Michel, Deputy Chief Executive Officer, with respect to the November 2010 Plan, are subject to the achievement of economic performance goals related to the growth of the Group's ROCE during the 2011-2013 period. These performance shares will be vested, according to the achievement of their economic goals to which they are subject, upon the expiry of a period exceeding three years following their grant date, shares must be kept for a period of two years as from their vesting.

HOLDING AND CHANGES

The total number of conditional free shares granted, but not vested yet, to the Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer is 173,224 as on December 31, 2010, compared with 159,208 on December 31, 2009, i.e. 0.20% of Imerys' share capital on that date after dilution. These figures take into account the adjustments made on June 2, 2009 following the increase in the Company's share capital.

The Board of Directors at its meeting of April 29, 2010 acknowledged that 42,984 conditional free shares (number adjusted following the share capital increase of the Company on June 2, 2009) were definitely allocated to Gérard Buffière, the condition to which the vesting was subject being fulfilled. These shares are subject to a holding period of two years, i.e. until April 29, 2012, as well as to the restrictive holding and keeping rules set out in *section 3.6 hereafter*.

No other conditional free shares granted to the members of the Executive Management became available in 2010.

SPECIFIC TERMS AND RESTRICTIONS

In addition to the economic performance goals mentioned above, the other specific terms and restrictions which are applicable to the grants of conditional free shares made to the Executive Corporate Officers, common to grants of stock subscription options, are set out in *section 3.6 hereafter*.

3.6 SPECIFIC TERMS AND RESTRICTIONS APPLICABLE TO GRANTS TO EXECUTIVE CORPORATE OFFICERS

The Board of Directors, pursuant to the recommendations of the Appointments and Compensation Committee, and in accordance with the provisions of articles L. 225-185 and L. 225-197-2 of the French Code of Commerce, confirmed, as need be, at its meeting of April 29, 2010 and November 3, 2010 during which it granted conditional stock subscription options and performance shares to its Executive Corporate Officers, the restrictive rules on holding and keeping shares it set down at its meeting of February 15, 2010. Thus, the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Operating Officer shall each hold on a registered basis, until the date of termination of their respective duties as Executive Corporate Officers of Imerys:

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

until the total amount [1] of the shares held [2] by each of them reaches, upon the exercise of stock subscription options and the availability of performance shares, a coefficient equal to: 300% of the last annual fixed compensation on the date in question for the Chief Executive Officer and the Deputy Chief Executive Officer, and 125% for the Chief Operating Officer.

On these occasions, the Board also confirmed that:

- this keeping rule applies to the grants made with respect to the stock subscription option and conditional free share plans implemented by the Company as from: for Gérard Buffière, January 1st, 2007; for Gilles Michel, November 3, 2010 and for Jérôme Pecresse, February 13, 2008 (date of their respective first appointment as Corporate Officer of the Company);
- the total amount of investment in shares of the Company shall take into account all the shares held by the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Operating Officer, respectively, on the date in question, regardless of their origin (purchase on the market, exercise of stock subscription options or shares acquired under conditional free share grant plans).

Given all these holding and keeping rules imposed on Executive Corporate Officers, the Board of Directors judged that it was not necessary to also make the purchase of additional shares on the market a condition for the grant of performance shares.

The Board noted, at its meeting of April 29, 2010, that the grant of conditional stock subscription options and performance shares awarded on that date to the Executive Corporate Officers was within the limits it had set at its meeting of July 29, 2010 pursuant to the recommendations resulting from the AFEP-MEDEF Corporate Governance Code: ceiling of the value (under IFRS) of the conditional stock options and performance shares, granted to each of them, at

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

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

one year of their respective gross annual compensation (fixed part + maximum variable part).

At its meeting of November 3, 2010, the Board of Directors judged that the grant made to Gilles Michel at the time of his initial appointment as Director and Deputy Chief Executive Officer of the Company was of an exceptional nature. The exceeding of a year’s compensation, as mentioned above, was justified by the wish to retain Gilles Michel for the long term and to involve him significantly in the development of the Group’s shareholder value.

The Board will examine on April 28, 2011, at the renewal of the authorization given to the Board by the Shareholders’ General Meeting to grant stock subscription options and performance shares, the maximum percentage of options and shares that may be granted to the Executive Corporate Officers in relation to the total envelope to be voted by shareholders.

Pursuant to the recommendations resulting from the AFEP-MEDEF Corporate Governance Code, all these conditions were published as permanent information on the Company’s website.

3.7 | CORPORATE OFFICERS’ TRANSACTIONS IN SECURITIES IN THE COMPANY

The Board of Directors adopted a Procedure for the prevention of use or disclosure of insider information within the Imerys group. This policy adopted in its initial version in July 2002, last amended in February 2011, is appended to the Internal Charter of the Board of Directors.

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

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

To make its implementation easier, the Board of Directors, at its meeting of February 15, 2011, appointed the Group’s General Counsel and Secretary of the Board as ethics officer, tasked with providing, on request from any concerned party, an opinion prior to the transactions on the Company’s securities under consideration by corporate officers. This decision is in line with AMF guidelines for preventing insider misconduct by executives of stock market-listed companies. The opinion given by the ethics officer is purely advisory.

The obligation to refrain from trading also covers any transaction in Imerys securities (including as hedging) during the 15 calendar days leading up to the announcement of the Group’s estimated or definitive annual, half-yearly or quarterly results, and the day of that announcement, known as the “negative window period”; it concerns corporate officers, but also other permanent or occasional Insiders such as the Group’s main support or line managers or any employees that directly take part in drawing up those consolidated financial statements, who are considered as regularly or occasionally likely to hold insider information because of their positions and responsibilities.

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

The Board of Directors examined in 2009 the recommendation of the AFEP-MEDEF Corporate Governance Code requesting the corporate officers of a stock market-listed company to refrain from trading on its shares as long as they have access, in consideration of their functions, to information which has not been made public yet. The Board confirmed and kept the obligation to refrain from trading it had previously adopted, stating however that this obligation will continue not to apply to the subscription or purchase of shares by the exercise of options. It indeed considered that the mere exercise of options was not speculative in nature, since the exercise price was established beforehand and only the prohibition from transferring the shares resulting from the exercise of options during the negative window period was necessary. Moreover, the transparency of those operations was fully guaranteed by the obligation to declare to AMF the transactions made in securities in the Company, including by the exercise of options, pursuant to legal and regulatory provisions.

Furthermore, the Group’s policy prohibits insiders from making any leveraged transaction or speculative transactions (short sales or bull purchases of shares, extension of orders on deferred settlement and delivery services, very short turnaround purchase/sale transactions, etc.) in Imerys securities. To comply with the recommendation of the AFEP-MEDEF Corporate Governance Code, that prohibits risk hedging transactions by Executive Corporate Officers who are beneficiaries of stock options and/or performance shares, Gérard Buffière and Jérôme Pecresse on November 3, 2009, as well as Gilles Michel on November 3, 2010, expressed in front of the Board their commitment not to resort to the use of any risk hedging transactions in respect of their stock options and performance shares granted or to be granted to each of them during their respective term of office.

Finally, in accordance with applicable legal requirements, the corporate officers and, under their personal responsibility, all related individuals, must:

- hold the Imerys shares they own in registered form, either directly in their names with the Company or its securities manager or through management by the intermediary (bank, financial institution or broker) of their choice;
- declare individually to the AMF any transactions carried out on Imerys securities within five trading days of such transactions and inform the Company thereof.

Pursuant to the provisions of article 223-26 of AMF's General Regulations, the table below summarizes the transactions made in securities in the Company by corporate officers in 2010 and, as the case may be, any related persons, as declared to the AMF and published on its website (www.amf-france.org).

Declaring or related person	Capacity	Financial instrument	Number	Nature of operation	Number of operations	Amount of operations
Aimery Langlois-Meurinne	Chairman of the Board	Shares	20,000	Sale	2	€851,366
Gérard Buffière	Director and Chief Executive Officer	Stock options	66,635	Exercise	2	€1,894,524
		Stock options	12,673	Exercise	5	€333,612
Jérôme Pecresse	Chief Operating Officer	Shares	12,673	Sale	3	€597,074
Ian Gallienne	Director	Shares	100	Acquisition	1	€4,530
Fatine Layt	Director	Shares	100	Acquisition	1	€4,557
Olivier Pirotte	Director	Shares	600	Acquisition	1	€26,910
Pierre-Jean Sivignon	Director	Shares	100	Acquisition	1	€4,559

RISK FACTORS AND INTERNAL CONTROL

4

4.1 RISK FACTORS

From now on, an analysis process of the major risks is regularly conducted within the Group, resulting in the mapping of the potential impact of each identified risk and the extent to which it is controlled. This risk analysis and management process is described in detail in the Report of the Chairman of the Board of Directors *in section 4.2 of the present chapter*.

The main risks and risk factors the Group is facing and their management as well as associated control methods are presented hereafter in order of importance in each category.

4.1.1 RISKS RELATED TO IMERYS' BUSINESS

MINERAL RESERVES AND RESOURCES

Mineral reserves and resources form one of the Group's primary assets and the foundation of the main part of its activities. Their accurate assessment is critical to the management and development of Imerys' operations.

Tonnages and values of mineral reserves and resources are estimates of the size and quality of ore deposits based mainly on the geological, technical, economic or market parameters available at a given time. Because of unforeseeable changes in these parameters and the uncertainty naturally inherent in evaluating resources, no absolute guarantee can be given for those estimates.

Imerys has set up an internal network of experts who are responsible for evaluating the Group's mineral resources and reserves for each of its operating activities. Under the responsibility of the Group Chief Geologist, these experts carry out an annual consolidated review of the Group's mineral reserves and resources according to the principles *presented in chapter 1, section 1.3 of the Registration Document*.

This appraisal is presented annually to the Executive Committee. The process and resources used to ensure its reliability are examined by the Audit Committee.

Appraisal methods, calculations and the mining plans drawn up by each site, including the renewal of administrative authorizations and operating permits *(see paragraph 4.1.3 of the present chapter)*, are audited over a three-year cycle, either by independent experts for the Group's main sites or internally for the remaining sites. Furthermore, since 2007, the appraisal process for some of the Group's most significant entities has been reviewed through internal control self-assessment questionnaires *(see section 4.2 of the present chapter)*.

The Group Chief Geologist has the widest powers to take action on the mining plans proposed by the activities in order to ensure the plans are consistent with the Group's long-term policy and/or its employee workplace safety policy and its environmental policy.

MARKET ENVIRONMENT

The diversity of its minerals, end markets, customers and locations gives the Group strong strategic positions while dispersing its global risk profile. However, the Group's business remains sensitive to changes in macroeconomic conditions. Whereas the effect of those changes varies according to the end markets and geographic zones where the Group operates, the simultaneous deterioration of conditions on several markets and geographic zones could nevertheless have an adverse combined impact on its activity, results and financial position.

The goal of Imerys' people is to constantly optimize management of existing activities by working to develop innovative, high value-added new products, penetrate new markets, and control production costs and overheads or even reduce them while adapting to temporary and structural evolutions. Each activity seeks to establish and strengthen its leadership on major markets and, more generally, enhance all the Group's competitive advantages in areas such as mining reserves, marketing, technology, logistics and human resources. Details of the Group's activities are given in *chapter 1 of the Registration Document*.

Information on the performance of activities, market trends, the measures taken to adapt to them and the strategies under consideration are periodically reviewed by the Executive Committee, the Strategic Committee and the Board of Directors through processes for the 5-year strategic plans, annual budgets and quarterly results reviews *(see section 4.2 of the present chapter)*.

EXTERNAL GROWTH OPERATIONS

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

Imerys has set up stringent internal control procedures that cover the analysis of potential targets (with the application of strict investment profitability criteria and the performance of in-depth due diligence), the review and acceptance of contractual terms and conditions for the completion of the operations (including commitments by sellers to indemnify against hidden liabilities) and the preparation work, implementation and follow-up of the acquired activities or companies integration. Depending on the amounts at stake, these procedures require prior approval by Executive Management, the Strategic Committee and/or the Board of Directors *(see chapter 3, section 3.1 of the Registration Document)*.

ENERGY PRICES

(See Note 25.5 to the consolidated financial statements)

COUNTRY

Because of their mining activity and the variety of their end markets, the Group's activities are now present in many countries, several of which represent a strategic interest for the Group. Future changes in the environmental, social, legal or regulatory policy of some countries, particularly emerging countries (such as South Africa, Brazil, China and India) could affect the Group's assets, cash flows, profitability and ability to continue operating and developing in such countries.

To identify at-risk countries, Imerys uses the @rating classification by Coface, the primary French insurance firm specializing in export credit insurance. This rating is used to measure the degree to which an entity's economic and financial commitments are exposed in the countries in question *(for more information on these ratings, see Note 31 to the consolidated financial statements)*.

In parallel, Imerys develops its relations with local authorities and communities in those countries in order to create and maintain mutual trust based on periodical and transparent dialog on the Group's activities and methods. Moreover, these relations must help the Group to anticipate major local changes that could have an impact on its activities.

Finally, Imerys has initiated a procedure for periodically monitoring the Group's performance in certain countries (particularly China and India), as well as a review of the Group's exposure to certain country risks. An overview of these items is examined by the Executive Committee and should be presented to the Audit Committee in 2011.

PENSION SCHEMES

(See Notes 4.19, 8, 12 and 24.1 to the consolidated financial statements)

HUMAN RESOURCES

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

That is why Imerys has drawn up a human resources policy with the aim of attracting, retaining and renewing expertises, talents and skills needed to carry out its activities worldwide and to support its internal and external growth. This policy is presented *in chapter 1, paragraph 1.9.5 of the Registration Document*.

RAW MATERIALS

Raw materials account for approximately 18.7% of the Group's current operating expenses in 2010. Trends in the cost of those materials and their supply conditions may, therefore, affect its operating margin.

In that context, the Group's strategy is to integrate, whenever economically and technically possible, the ownership or exploitation of the mineral resources needed to carry out its activities *(see the Group's portfolio of ores presented in chapter 1, section 1.3 of the Registration Document)*. For other critical raw materials, supplies are secured through long-term contracts and/or suppliers diversity. Thus, in 2010, purchases from Imerys' 10 largest suppliers (including transport and energy) represent 10.35% of the Group's total purchases, with no supplier accounting individually for more than 2% of total purchases.

A policy of systematic analysis of purchasing risks has been developed to control those supplies. In that context, the supplier qualification system (SQS), which is intended to keep supply risks to a minimum and qualify suppliers, was begun in 2008. Furthermore, the Group henceforth seeks to appoint purchasing managers by purchasing category in order to specialize buyers and to enable them to negotiate better purchasing terms.

CUSTOMER CREDIT RISKS

(See Note 22.4 to the consolidated financial statements)

The level of customer credit risk is relatively limited thanks to the diversity of the Group's activities and geographic bases and to the high number and dispersal of its customers. In 2010, sales to Imerys' 10 biggest customers represent 15.33% of the Group's sales, with none of them individually totaling 3%. Consequently, the Group does not estimate at present that it has any significant risk of dependence with respect to its customers.

Furthermore, trade receivables are closely monitored internally in every activity and credit insurance is set up in Europe according to the activity's specific circumstances.

The recent economic crisis, which increased the credit risk of some Group customers, did not reveal any situations where the default of several significant customers, even simultaneously, could have a major combined effect on the Group's results and financial situation. The total amount of provisions booked for the depreciation of trade receivables is €27.4 million (i.e. 5.8% of the amount of trade receivables) as on December 31, 2010, compared with €37.8 million (i.e. 9.4% of the amount of trade receivables) as on December 31, 2009.

4.1.2 INDUSTRIAL AND ENVIRONMENTAL RISKS

INDUSTRIAL OPERATIONS AND BUSINESS CONTINUITY

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

The risk of occurrence of such events and their possible impact on the Group's overall business are limited by the following set of factors and measures: the number and geographic dispersal of industrial sites, many of which are of moderate size, in each operating activity; regular capital expenditure committed by each activity to modernize and maintain its industrial assets; an active industrial risk prevention policy set up by the Group, including the definition of business continuity plans and/or crisis management plans for the most strategic sites and a dam soundness review program for the relevant sites.

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

The General Counsel presents the Group's policy on insurance, risk coverage and the related prevention programs to the Audit Committee as part of its annual examination of the risks facing the Group.

ENVIRONMENT, HEALTH & SAFETY

Most of the industrial mining and minerals conversion activities that make up Imerys' core business may have an impact, albeit a limited one, on their environment. Moreover, these activities require the daily performance of tasks that entail risks and, consequently, require relevant employee training, particularly in the use of explosives, driving heavy mobile equipment and work at heights.

Therefore, Imerys books provisions to cover environmental risks resulting from the Group's industrial activity and for the restoration of mining sites at the end of their operating lives. These provisions amount to €123.9 million as on December 31, 2010 (€92.7 million as on December 31, 2009).

Imerys has a central Environment, Health & Safety (EHS) Function with the mission of guiding and assisting operating activities and the Group in their efforts to develop and uphold an adequate level of protection of people (Imerys employees or external personnel), property and the environment.

As part of its mission, the EHS Function audits the programs implemented by operating activities in order to check their compliance with local regulations and with Imerys' internal safety, health and environmental standards, whenever these are more stringent. Approximately 35 to 40 audits per year are conducted in order to check all the Group's largest sites every three years.

The EHS Function delivers an in-house training program. Since 2005, "Imerys Safety Universities" have trained participants in work risk assessment and fostered the improvement of safety culture. The University courses contribute to the sharing of experience in the Group and help to form strong, dynamic internal networks for safety. Moreover, since 2009, monthly webinars have been organized to enhance training on precise topics related to safety or the environment. In 2010, the focus was on the setup of environmental management systems and specific training seminars (environmental aspects and impacts; audits) were held throughout the year.

The Executive Committee periodically examines EHS performance indicators and the results of audits in the different activities. Moreover, the Audit Committee reviews the processes and resources used to achieve the defined goals. The Board of Directors is given an overall presentation of those items at least once a year.

This information is given in detail *in chapter 1, section 1.9 of the Registration Document*.

4.1.3 LEGAL RISKS

ADMINISTRATIVE AUTHORIZATIONS

The availability of the Group's mineral reserves and resources is an essential factor in the continuity of its operations. Those operations require the obtaining, maintaining and renewal of administrative authorizations and permits, particularly operating permits. If those authorizations or permits were not obtained or renewed or if they were renewed on less favorable terms than the initial terms, the situation could have in some conditions (the most significant sites affected and/or several sites affected significantly) an adverse effect on the Group's operations, results or financial situation.

Consequently, the Group's activities organize a strict monitoring of those administrative authorizations and operating permits, and procedures are set up to prepare satisfactorily for any measures to be taken to obtain or renew the various authorizations and permits.

To the best of Imerys' knowledge, no particular significant risk exists on this issue as on the date hereof.

COMPLIANCE WITH AND/OR CHANGES IN LAWS AND REGULATIONS

The Group's companies have to deal with a great number of national and regional laws and regulations, given the nature of their operations (particularly mining of natural resources) and their diverse locations (245 industrial sites in 47 countries as at year-end 2010). Consequently, the Group must verify that it is able to comply with those regulations as well as possible in order to continue running all its operations and enable them to maintain an acceptable level of profitability.

Chiefly in emerging countries, foreign companies, especially those that exploit local natural resources, may be affected by the adoption of discriminatory legislative or regulatory texts or by their interpretation by the authorities in charge of their application. Furthermore, the legislative and regulatory framework is generally becoming tighter with respect to the protection of the environment, health and safety. The costs entailed in bringing the Group's activities into compliance with those laws, regulations or interpretations, the penalties that may be imposed in the event of non-compliance and the resulting possible damage to the Group's reputation may have a negative impact on the economic conditions of the Group's operations and the competitiveness of its activities.

To ensure its operations' optimal compliance with all applicable legislation and regulations, Imerys has set up a network of internal lawyers assigned to the Legal Function, some of whom are based at operations or in the Group's main geographic zones. Furthermore, in many countries, Imerys develops close relations with regulatory bodies, trade associations, local authorities and communities in order to better anticipate or orientate, whenever possible, the planned legislative and regulatory changes that may have an impact on the Group's activities. Finally, the Group tries to anticipate those changes and factor them into its research and development programs in order to be able to rapidly meet the requirements of new regulations in a timely manner, while limiting its costs, and/or to use those changes as commercial opportunities for the Group.

To the best of Imerys' knowledge, no particular significant risk exists on this issue as on the date hereof.

LEGAL PROCEDURES

(See Note 24.2 to the consolidated financial statements)

The Group is exposed to the risk of actions and claims arising from the ordinary course of its business. The most common claims or actions concern allegations of personal injury or financial loss calling on the liability of Group companies with respect to: the pursuit of their commercial or industrial activities (particularly claims by customers concerning the delivery of defective products – in most cases covered by Group insurance programs – or by third parties concerning neighbourhood disturbances); the possible breach of certain contractual obligations; the failure to comply with certain legal or statutory provisions that apply in social, property or environmental matters.

Furthermore, Imerys is also bound by certain contractual obligations of compensation – or enjoys certain rights to compensation – with respect to guarantees of liabilities made for past divestments – or acquisitions – of assets.

Imerys Legal Function manages all claims involving the Group, with the assistance of local lawyers whom it appoints. An overview of the most significant claims is reviewed with the Finance Function and Group Auditors after every half-year. The General Counsel makes a summary presentation of claims to the Audit Committee as part of its annual examination of the risks facing the Group.

Although the outcome of all outstanding actions and claims cannot be foreseen with certainty, taken individually or as a whole, their settlement, even if adverse for the Group companies involved, is not likely to have any material impact on the Company or Group's financial statements. The amount of provisions booked for management risks is €32.3 million as of December 31, 2010 (€38.6 million as of December 31, 2009) and the amount of provisions booked for legal and social litigations is €47.8 million as of December 31, 2010 (€45.0 million as of December 31, 2009). The likely term of these provisions is from 2011 to 2015.

More generally, as of the date of the present Registration Document, to the best of Imerys' knowledge, no governmental, legal or arbitration proceedings are likely to affect significantly the Group's business, financial position or cash flow.

MAJOR CONTRACTS

To the best of Imerys' knowledge, apart from the contracts entered into (i) in the ordinary course of business, including contracts with respect to operating rights for mineral reserves and resources, and (ii) in relation to the business acquisition or divestment operations or the financing operations mentioned in the present Registration Document, no other major contracts have been signed by any Group company in the two years prior to the date of the present Registration Document that are still in force on that date and which contain provisions entailing an obligation or commitment likely to have significant impact on the Group's business, financial position or cash flow.

However, with respect to some contracts, significant commitments and guarantees have been granted by Imerys or its subsidiaries. The amount of off-balance sheet commitments made is €540.9 million as on December 31, 2010, compared with €544.3 million as on December 31, 2009 *(see Note 30 to the consolidated financial statements).*

4.1.4 RISKS RELATING TO FINANCIAL MARKETS

(See Notes 22.4 and 25.5 to the consolidated financial statements)

4.1.5 RISK INSURANCE AND COVERAGE

The Group's policy with regard to the protection of its earnings and assets against identifiable risks is to seek the most suitable solutions on the insurance market that offer the best balance between their cost and the extent of the coverage provided.

The coverage of major risks that are common to all operating activities is almost exclusively integrated into "All Risks Except"-type international Group insurance programs taken out on the market with insurers that are internationally recognized for their reputation and financial solidity. This integration enables the Group to benefit from the most extensive coverage with the highest limits while optimizing its cost. As part of the active external growth policy implemented by the Group, steps are taken to ensure that acquired businesses are immediately integrated into existing Group insurance programs or benefit from coverage terms that are at least equivalent. In the latter case, integration is restricted to the additional coverage offered by Group programs compared with the local insurance policies that apply to the acquired activities.

The Group's companies also use the local market to cover the specific risks of some of their non-recurring activities or operations through the services of the brokers in charge of managing the Group's insurance programs, or when such insurance is made compulsory by applicable local regulations.

The Group judges that it currently benefits from sufficient insurance coverage, in terms of both scope and insured amounts or limits of guarantees, for the principal risks related to the pursuit of its businesses worldwide.

The two main Group insurance programs cover civil liability as well as property damage and business interruption.

CIVIL LIABILITY

The purpose of this program is to cover the Group's liability in the event of bodily injury, property damage or consequential damage occurring during operations or after the delivery of products, and any damage resulting from accidental pollution.

The Group's activities are first covered by local policies issued in each country ("1st layer"), then by a Master policy issued in France and an additional policy in excess of the limit of cover of the Master policy ("Excess"). The "Master" policy is taken out with XL Insurance Company Ltd UK (rated A by AM Best and Standard & Poors) and the "Excess" policy with AXA Corporate Solutions (rated NR-5 by AM Best and AA- by Standard & Poors).

Those "Master" and "Excess" policies are also used in addition to the limits and coverage of several specific sub-programs, particularly in North America, to cover Automobile Civil Liabilities and Workers' Compensation, and in addition to the mandatory Employer's Liability policy issued in Great Britain.

The coverage provided by the Group Civil Liability program, subject to the exclusions that are common practice on the insurance market for this type of risk and to sub-limits applied to certain defined events, amounts to €100 million per claim and per year.

The current Group Civil Liability program is renewable on December 31, 2012. Apart from exceptions, applicable standard deductibles are €15,000 euros per claim but may amount to 10% of the claim (with a ceiling of €200,000 per claim) for claims over €150,000, outside Canada and the United States where they amount to US$ 100,000 and US$ 250,000 respectively.

PROPERTY DAMAGE AND BUSINESS INTERRUPTION

This program is particularly intended to cover property damage caused suddenly and directly, affecting the insured property as well as any resulting operating losses.

The Group's activities are covered for property damage and business interruption under a Master policy that is issued in France and applies directly in most European countries and in addition to local policies in other countries, when regulations allow.

The overall trend among insurers of tightening their terms and conditions for major industrial risk coverage led Imerys to transfer only risks of intensity to insurers as of January 1, 2002. Frequency risks are retained in captive reinsurance that is consolidated in the Group's accounts, for maximum amounts of €700,000 per claim and €2 million in total per year.

The Master policy provides the Group, subject to the exclusions that are common practice on the insurance market for this type of risk and the sub-limits applied to certain defined events, with coverage for property damage and business interruption of €200 million per claim.

The current Group property damage and business interruption program, taken out with FM Insurance Company Limited (rated A+ by AM Best and AA by Fitch) will be renewed on its due date, scheduled for December 31, 2012.

The enhanced risk prevention policy implemented by the Group has enabled it since 2004 to negotiate lower premium rates. In assigning its property damage and business interruption program to an insurance firm that is renowned for its expertise in prevention engineering, Imerys intends to continue its extensive efforts on risk awareness and protection in its activities in line with its overall Sustainable Development program. Almost all the Group's industrial sites are regularly inspected by prevention engineers, giving rise to recommendations that enable Imerys to improve its industrial risk management. More than 100 sites were inspected in 2010. Since 2007, awareness seminars on industrial risks (fire, electrical risks, hot works, etc…), facilitated by FM Global's prevention engineers, have been organized in the Group.

OTHER GROUP-WIDE INSURED RISKS

The Group's other main insurance programs are intended to cover the following risks, which are common to all its legal entities or several of its activities: company officers' liability; motor fleet insurance (Europe and United States); marine cargo and charterer's liability; workers' compensation and employers' liability (particularly in the United States and Great Britain).

4.2 INTERNAL CONTROL

4.2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

INTRODUCTION

Context

Pursuant to article L. 225-37 of the French Code of Commerce, as amended by the law on financial security of August 1, 2003 (the "LSF law"), then by the laws of December 30, 2006 and July 3, 2008, the Chairman of the Board of Directors drew up his report on the composition of the Board, the conditions for preparing and organizing its work and on the risk management and internal control procedures set up by Imerys, on February 15, 2011.

Detailed information on the conditions for preparing and organizing the Board of Directors' work and, more generally, its composition and functioning, and the limits placed in the powers of the Chief Executive Officer by the Board, is given *in chapter 3, section 3.1 of the Registration Document*. The principles and rules set down by the Board of Directors to determine the compensation and benefits of any kind granted to corporate officers are given *in chapter 3, section 3.3 of the Registration Document*. As the case may be, this information comes with a note explaining why the Group does not implement certain provisions of the AFEP-MEDEF Corporate Governance Code, which the Board of Directors states that it uses as a reference. Moreover, the information described in Article L. 225-100-3 of the French Code of Commerce likely to have an impact in the event of a public offering and the particular arrangements for the participation of shareholders in the Annual General Meeting is presented *in chapter 6, section 6.1 of the Registration Document*. All this information should be considered as an integral part of the above-mentioned Report of the Chairman of the Board of Directors.

The part of the report presented below describes in more detail the main internal control and risk management procedures implemented by the Group. This part was drawn up under the responsibility of the Group Risk and Internal Control Department and reviewed by Executive Management who confirmed that its content was valid. The report was then provided in full to the Statutory Auditors for discussion and to the Audit Committee for review prior to its definitive approval by the Board of Directors.

Internal control objectives

To define its internal control reference matrix and structure its approach, the Group draws on the framework and the application guide published in January 2007 by the AMF (the French Securities Regulator) and updated in July 2010. That matrix includes the objectives and the components of the AMF framework.

The Imerys group's internal control system covers all controlled companies in the Group's scope of consolidation.

By implementing this system in all its activities, Imerys intends to ensure that it has the resources needed to manage the risks that its activities face, guarantee the accuracy and thoroughness of its financial information and organize the proper management of its operations in accordance with the laws and regulations in force and the Group's management principles and strategy. In this way, the internal control system helps to protect the Company's value for its shareholders and employees and enables the Group to achieve the goals it sets itself.

However, by its nature, such a system cannot provide an absolute guarantee as to the total control of the risks that the Group faces and the achievement of its goals.

Internal control principles

In line with the goals set, Imerys' internal control system is founded on the following principles:

- a chosen, controlled organization comprised of skilled, responsible men and women;
- targeted internal communications;
- a regular analysis of the Group's main risks;
- relevant control activities;
- a regular review of internal control practices in the Group.

A CHOSEN, CONTROLLED ORGANIZATION

Organizational model

Imerys' internal control is based on the Group's operating and management organization and on support Functions that are directly or indirectly dedicated to the control of the risks that the Group faces.

The control system set up in the Group is founded on a tight governance structure that guarantees the transparency and traceability of decisions, while conserving the principles of subsidiarity and decentralization that are considered as essential to the running of the Group's industrial and commercial activities. It requires great commitment from every line or support manager as they are expected to grasp the policies and procedures defined at Group level, contribute to their implementation and observance and enrich them through relevant measures for the activities or fields under their charge.

The framework for managing operations consists, on the one hand, of Group policies and the resulting delegations of authority to line managers and, on the other hand, of specific controls carried out by the central support Functions in their scope of responsibility, regular audits conducted by the Internal Audit Department and self-assessments conducted at least once every three years by the managers of the main entities under the control of the Risk and Internal Control Department. Furthermore, operating management is constantly controlled and monitored by line managers and periodically by Executive Management and the Chief Financial Officer through budget processes, quarterly income reviews and monthly management reporting, of which the main items and findings are commented on at the Executive Committee's monthly meetings. The consolidated financial statements are also reviewed by the Board of Directors and, for semi-annual and annual statements, approved by the Board of Directors after examination by the Audit Committee.

The longer-term orientations of each activity and the resulting financial forecasts are formalized and monitored under a multiyear strategic plan. This plan is drawn up under the control and supervision of Executive Management and its conclusions are reviewed by the Executive Committee before being presented to the Strategic Committee then, for approval, to the Board of Directors.

Participants in internal control

The Board of Directors and its specialized Committees

The Board of Directors constantly controls the management of the Group conducted by the Executive Management. In that framework, it particularly makes sure that internal control mechanisms are set up correctly in the Group.

To assist the Board in its mission, three specialized Committees were formed from its members: the Strategic Committee, the Appointment and Compensation Committee and the Audit Committee. The Strategic Committee and the Audit Committee have responsibilities with respect to identifying and managing risks and monitoring certain internal control mechanisms as presented *in chapter 3, section 3.1 of the Registration Document*. In particular, the Audit Committee reviews at least once a year the processes set up and results obtained in terms of risks analysis and appraisal of internal control mechanisms.

These specialized Committees perform their duties under the responsibility of the Board of Directors.

Executive Management and the Executive Committee

Executive Management has operating and functional responsibility covering all the Group's activities to implement the strategy defined by the Board of Directors. In particular, they are in charge of the effective implementation of internal control mechanisms within the Group.

Executive Management is assisted in its mission by an Executive Committee of which the Chief Executive Officer appoints the members. The members represent each of Imerys' activities and main support Functions. By delegation, Executive Committee members are in charge of setting up and monitoring internal control systems in their scope of responsibility.

Operating management

In accordance with the Group's decentralized operating principles, the managers of each activity have the responsibility and necessary powers to organize, run and manage the operations in their charge, and to delegate in similar conditions to the managers reporting to them.

Each activity favours the most appropriate organization to its markets, taking into account their commercial, industrial or geographic specificities. It is, therefore, responsible for adopting internal control mechanisms that are consistent, on the one hand, with its organization and, on the other hand, with the Group's principles and rules.

The Group's support Functions

The corporate Finance, Strategy, Legal & Corporate Support, Human Resources, Innovation, Research & Technology & Business Support, Geology and Environment, Health & Safety Functions have a twofold mission: organize and control the Group's operations in their respective spheres of expertise and provide technical assistance to operating activities in those fields when necessary. This central support core, together with the cross-Group Departments (Purchasing and Information Systems), enables the Group not only to benefit from the scale effects related to its size and from better sharing of skills, but also to ensure that all the operations in those fields are carried out in a framework of secure, consistent management and control.

Through their presence and organization, central support Functions make a significant contribution to the Group's internal control mechanisms. The managers of these functions have functional authority over the managers whose missions come under their scope of expertise in operating activities.

Internal Audit Function

The Internal Audit Function is a management support function and is independent of the operating and functional activities that it audits. For that purpose, the Internal Audit Manager reports hierarchically to the Executive Management and functionally to the Audit Committee.

The Internal Audit Function's mission is to check the Group's internal control mechanisms and make sure that they comply with the principles and rules governing them. It must alert management of any internal control failings and issues recommendations to correct such failings.

The Function has a centralized organization with a team of 5 auditors based in Paris (covering Europe, Africa and the Americas) and 3 auditors in Shanghai (covering Asia-Pacific and all information systems).

Risk and Internal Control Department

The Risk and Internal Control Department reports to the Legal & Corporate Support Function and works closely with the Internal Audit Function, the Group's other support Functions and the main line managers for each activity.

In carrying out his or her missions, the Department Manager is supported by the network of local financial controllers. The goal of those missions is to coordinate the continuous improvement of internal control mechanisms in the Group. They are organized around three activities: risk analysis; administration of Group's policies and procedures (including their Group-wide dissemination); overall review of internal control practices in the Group.

Framework

Group's rules

Imerys' internal control policy is set down in a number of charters (Board of Directors Charter, Sustainable Development Charter, Environment, Health & Safety Charter, Internal Audit Charter) and codes (Code of Business Conduct and Ethics, Corporate Governance policy) that apply Group-wide. These sets of rules are intended to create a favourable control environment, based on robust principles and the experienced practice of Corporate Governance, as well as on upright, ethical behaviour in compliance with laws, regulations and the Group's strategic objectives.

Furthermore, Group's policies have been defined by central support Functions and Departments and define the specific organization, responsibilities, working principles and reporting for the respective areas of expertise for which they are responsible.

Finally, the Group's internal control manual defines the main internal control principles and the principal control activities to be carried out with respect to the Group's operating and financial processes.

The Group's charts, policies and manuals are grouped together in the "Blue Book", which all employees can consult online via intranet. This initial set of rules forms the reference framework by which the Group's operating activities must abide. It applies to all the Group's companies and activities.

In operating activities, a second set of rules, if needed, define specific working and reporting principles. These arrangements are, in compliance with Group policies, adapted to their own internal organization, the management of their specific mining, industrial and commercial activities and to the particular related risks. They take into account specificities in terms of local laws and regulations.

Code of Business Conduct and Ethics

The Imerys Code of Business Conduct and Ethics summarizes the ethical behaviour principles the Group expects all its employees, especially its senior managers, as well as its contractors, suppliers and other partners with whom they have close relations to follow. It is designed so that everyone, in his or her daily work, adopts an attitude that complies with local legislation and abides by the principles of responsibility, integrity, fairness and openness that are the Group's values.

The Imerys Code of Business Conduct and Ethics particularly defines the rules of conduct to follow in terms of: protecting the environment and human rights; relations with local communities and the treatment of differences; employee safety; confidentiality rules; prevention of insider trading, conflicts of interest, illicit payments and practices; protection of the Group's assets and fair competition.

Details of some of these subjects are given in other Group policies in addition to the Code of Business Conduct and Ethics: the anti-fraud policy, the child labour and forced labour protocols, the anti-trust policy and the employee relations policy.

Major efforts are made in internal communications. The Code of Business Conduct and Ethics is presented at in-house seminars, regularly featured in articles in the internal magazine and was the subject of a specific Group communication campaign in 2009. Moreover, online training, initially created in the United States, is regularly followed by all American employees and at least once by all main managers elsewhere in the Group. As at the end of 2010, approximately 1,900 employees have thus been trained on the Group's Code of Business Conduct and Ethics.

Finally, the Group's general compliance program (including, in particular, the prevention of fraud and corruption risks and compliance with competition law regulations) is in the review process. New actions, particularly on Group personnel training, should be undertaken from 2011. In late 2010, the Group set up a simplified reporting process that enables Group division managers to report any breaches of the Code of Business Conduct and Ethics of which they may be aware, particularly in terms of fraud, corruption or violation of human rights, with respect to 2010.

Information systems

The effectiveness of information systems and tools contributes to the reliability and improvement of support and operating processes.

The Group's policy consists of integrating as much as possible its value chain (particularly sales, distribution, purchasing, inventory, fixed assets, production, the logistics chain and finance) via its computerized enterprise resource planning (ERP) tools. Imerys strives to use integrated ERP control systems in order to ensure the optimum level of control while meeting the specific requirements of better management of its operating activities. This use is regularly checked by the Internal Audit Function through specialized information system assignments.

Imerys is organized around a small number of ERP systems selected by the Group in which they are to be deployed in order to achieve support and maintenance synergies as well as satisfactory consistency, but also to allow for the size of operations and geographic zones where they are to be rolled out.

For the consolidation and reporting of its accounting and financial information, the Group uses a single software package in all its entities.

Furthermore, tools for consolidating and monitoring the most important non-financial data have been set up Group-wide. Depending on the case, they are used to achieve the following goals:

- obtaining better vision of the performance of the Group's different activities, preventing or solving any difficulties and fostering or measuring improvement (e.g. consolidation and reporting of representative indicators for managing human resources and environment, health or safety);
- ensuring accurate management of some data and contributing to the monitoring of the data's compliance with the legal or regulatory obligations that apply to the Group and with Group rules (e.g. consolidation and reporting of legal and administrative information on the Group's subsidiaries and interests and their company officers; management of intra-group bank accounts and cash flows).

Human Resources management principles

Human Resources management contributes to Imerys' internal control system by enabling the Group to ensure that its employees have a relevant skill level with respect to their responsibilities, that they are aware of those responsibilities and that they are informed about and observe the Group's rules.

In that respect, a set of rules has been drawn up to ensure that the decisions taken comply with applicable international laws and agreements, control the integrity of salary determination and payment processes, supervise the setup of benefits and gather and process information. Other Human Resources policies have been drawn up covering areas such as employee relations, industrial relations, career development, international mobility and crisis management. Review and updating work on the Human Resources policies and procedures that define these rules began in 2010. Full documentation should be available in 2011.

Recruitment and development

To support its growth, the Group recruits in every country and every function. To make sure that recruitments are consistent and relevant, the Human Resources Function defines standards and periodically verifies the quality of practices. In addition, senior managers may not be recruited without the involvement of the Human Resources Function and, as the case may be, the relevant support Functions.

There are two parts to the career development procedure: Performance Appraisal and Career Development (P.A.D.), through which individual goals are set and annual assessments carried out, and Organization and People Review (O.P.R.), a framework that allows the activities to examine annually individual situations (e.g. identifying high-potentials or outstanding performance), succession plans and key organizational questions which are then reviewed by the Executive Committee.

Compensation

Compensations are reviewed annually. The review particularly focuses on base salary and individual bonuses. Compensations are revised according to a global policy intended to improve Group-wide competitiveness, consistency and evolution. Revision is based on an international classification of the main line and support manager positions at Imerys. Furthermore, the bonus practices in force in the Group are now consistent and are based, in particular, on comparable criteria in terms of value and kind. The Appointment and Compensation Committee is informed of the global compensation policy and the measures taken for major Group executives.

TARGETED INTERNAL COMMUNICATIONS

Internal communication is organized around a central department that is part of the Group Human Resources Function and a network of local correspondents in operating activities. Its mission is to supervise the integration of each of the Group's activities and build a collective identity founded on its diversity.

The objective is threefold:

- inform all the Group's employees;
- share experience in order to foster the dissemination of best practices, including internal control mechanisms;
- listen to personnel, especially in operating activities, through the local correspondent network.

To achieve these goals, the Group has several communication tools. The in-house newsletter "Imerys News" or the intranet "Imerysnet" set out Imerys' general orientations, strategy, organization, activities and projects. Other tools, for example the intranet "Blue Book" or intranets on specific topics managed by support departments, are used to disseminate Group policies and procedures. Moreover, Imerys strives to give all recruited managers an overview of the Group, including its organization, core businesses and strategy. The welcome sessions organized every year for around 100 new arrivals in each of the Group's main geographic zones (Europe, Asia, USA) contribute to this effort.

Finally, in addition to the training programs organized by the activities, Group training sessions are organized by the Imerys Learning Center *(see chapter 1, paragraph 1.9.5 of the Registration Document)*. These sessions enable employees to enhance their professional expertise (e.g. finance, geology, marketing, project management…) and foster the sharing of best practices.

PERIODICAL ANALYSIS OF THE GROUP'S MAIN RISKS

Objectives

Analyzing risks enables Imerys to identify the events that, if they occurred, could represent a major threat with respect to the achievement of its strategic and financial goals and its compliance with local laws and regulations.

Through a structured process designed to enable the Group to appraise and analyze its main risks, Imerys can assess the suitability of its existing internal control mechanisms, set up relevant action plans to improve their efficiency and, more generally, increase the protection of the Group's value in compliance with applicable laws and regulations.

Organization

A two-level risk analysis process is organized:

- with respect to his or her duties, every support and line manager must constantly seek to identify, analyze and manage risks in his or her areas of responsibility. The identification and management of these risks are periodically reviewed and discussed by Executive Management and the Chief Financial Officer as part of the budget process, quarterly income statement reviews and monthly management reporting;
- furthermore, the Group has undertaken a formal, recurrent process to analyze its main risks by drawing up a map which shows the potential impact of identified risks and the extent to which they are controlled. This process was initiated from 2003 on the level of the Executive Committee and the main line and support managers, then extended to each activity in 2006, the level considered as most relevant to Imerys' management and operating structure. Results are reviewed and approved by the Group's Executive Committee and presented to the Audit Committee. In view of the results, new actions are defined to tighten the Group's control of certain identified risks. This risk mapping is now regularly updated on the basis of a review by the Group's support function managers and/or main line managers.

Imerys' Board of Directors supervises the Group's risk analysis process. The Board has appointed two of its specialized Committees, the Strategic Committee and the Audit Committee, to examine questions relating to the Executive Management's analysis and monitoring of the major risks that come under their respective areas of competence. The Committees regularly report to the Board on the work done on that subject and on the obtained results.

Major risks

The nature of the Group's main risks and their management and control methods are detailed *in section 4.1 of the present chapter*.

RELEVANT CONTROL ACTIVITIES

Operating and support control activities

Control activities are carried out to ensure that the risks related to a given operating or support process are correctly covered. They are adapted to the goals set by the Group.

Group policies *(see "Organization" part above)* are rules that structure the Group's control environment. The resulting Group procedures, particularly those relating to the accuracy of accounting and financial information, describe the required control activities in detail.

Control activities concerning the accuracy of accounting and financial information

The control mechanism and the procedures for the production of the accounting and financial information are uniform throughout the Group. This mechanism is made up of a cross-Group accounting organization, consistent accounting standards, a single consolidated reporting system and a quality control of the internal and external financial and accounting information that is produced.

Organization of the accounting and financial department

Accounting and financial operations are managed by the Group Finance Function. Its central organization includes:

- an accounting and consolidation department, which is responsible for the preparation and presentation of Imerys' statutory financial statements and the Group's consolidated financial statements;
- a financial control and budget control department, which prepares and compiles budget and monthly management reporting data and analyzes operations' performance in relation to budget targets and to comparable periods during the previous year;
- a treasury and financing department, which is particularly in charge of preparing and consolidating data on financial debt and on the Group's financial income/expense. Its main missions concern the centralized management and optimization of the Group's debt and financial resources and management of interest rate and liquidity and currency risk;
- a tax department, which is particularly responsible for monitoring the tax consolidations made in the Group, estimating the resulting amount of taxes and controlling their overall consistency.

Because of the decentralized organization of accounting and financial functions, the financial controller of each activity has a key role. In particular, he or she is in charge of making sure that accounting and financial framework and internal control procedures are correctly applied in the activities for his or her scope of responsibility. Each controller is assigned to the manager of the operating entity in question, but also reports on a functional basis to the Group Finance Function.

Accounting framework

The general rules described in the "Blue Book" apply to all the Group's operating and legal entities. In compliance with the IFRS standards adopted within the European Union, they include:

- a reminder of the general accounting principles and recommendations to comply with;
- a detailed chart of accounts;
- a definition of the Group's accounting methods that apply for the most important items and/or operations.

These documents are regularly updated with every amendment or application of new accounting standards, under the responsibility of the Reporting and Consolidation Department and under the control of the Statutory Auditors.

Annual budget and management reporting

Every year, Imerys implements a monthly reporting and budget process for all the Group's entities in order to have a running tool and accurate and consistent information. The match between accounting data and the management information derived from reporting is the key control principle intended to ensure the accuracy of accounting and financial information.

Imerys' budget preparation procedure is based on the involvement of crossfunctional teams in every activity and on the control of the overall consistency of assumptions and methods by the Reporting and Consolidation Department.

The reporting system enables the Group to accurately monitor monthly results (income statement and cash flow) and financial data for operating activities and to compare them with the budget and results for the corresponding period in the previous financial year. Local line managers comment on management indicators and the main variations are analyzed by the Reporting and Consolidation Department.

Consolidation process

A single accounting consolidation system handles all information from every Group operating and legal entity.

To guarantee the quality and accuracy of its financial information, Imerys has set up a "SAP Business Object Financial Consolidation " unified reporting and consolidation system for both the collection of management information and production of the consolidated financial statements. The system is deployed in all the Group's entities. It is sourced from local accounting data by interface, by retrieving the necessary data from the financial modules of entities' ERP systems or by manual input. The system provides for the automatic control of certain reported and/or consolidated data.

A detailed schedule is drawn up for annual and interim (quarterly and semi-annual) account closings.

Review of results

Every month, the Executive Committee examines the most recent overviews resulting from management reporting, analyzes significant variations on the previous year or the budget. It defines any corrective actions that it judges necessary and monitors their implementation.

Furthermore, results are reviewed at the quarterly meetings in which operating activity managers present their results to Executive Management and the Chief Financial Officer. A summary of each of those reviews is also presented to the Strategic Committee.

Finally, the consolidated financial statements, accounting procedures and complex financial transactions are systematically reviewed by Executive Management assisted by the Executive Committee. All of these items are also reviewed by the Board of Directors which approves them after examination by its Audit Committee.

REVIEW OF INTERNAL CONTROL MECHANISMS

The review processes set up at Imerys enable the Group to regularly check the quality and efficiency of its internal controls and to take improvement actions if needed.

Beyond the constant controls made by line and support management, internal controls are reviewed under two interrelated Group processes.

Audit of entities' internal control practices

The Internal Audit Function has a twofold mission: check internal control mechanisms in operating entities and make sure they comply with the principles and rules defined by the Group; cover operating and strategic risks and issues for the Group.

Internal Audit teams inspect all operating entities in an auditing cycle that ranges from 2 to 5 years on average, depending on how critical and significant the entities are. The audit plan is validated annually by the Audit Committee and may be modified according to circumstances.

Audit reports are passed on to Executive Management and the main support and line managers concerned. A complete report about the Internal Audit Function's activities is presented and discussed every six months in an Executive Committee meeting then in an Audit Committee meeting, attended by the Statutory Auditors. On that occasion, a document summarizing all drafted audit reports is handed to participants.

Overall review of the Group's internal control systems

Imerys has undertaken a continuous process to improve the efficiency of its internal control systems. Implementation of this process is supervised by the Risk and Internal Control Department and work is done in coordination with managers of the Group's relevant line and support organizations. This structured and formal process is based on detailed self-assessment questionnaires. The aim is to analyze existing internal control mechanisms, particularly with respect to the material nature of the related risks.

This process is structured in five main stages:

- prior identification of the key operating and support processes where the major risks are located;
- identification of critical control activities related to the risks in those processes;
- assessment of those controls by the main process owners;
- identification of any deficiencies in internal controls;
- consolidation of the obtained results, definition and implementation of any necessary improvement or corrective actions.

A computer tool is used to consolidate, process and provide overviews of the information resulting from the different stages.

Twenty-nine of the Group's main entities, which together account for almost 65% of consolidated sales, take part in the detailed self-assessment program of their 12 main operating and support processes that can generate material risks for the Group (Sales, Inventories, Purchases, Capital Expenditure, Fixed Asset Management, Mining, Payroll, Human Resources Management, Treasury, Tax, Closing & Consolidation, IT Security). These assessments are now updated every two to three years according to the selected entities and processes.

Furthermore, as of 2010, the Group's smaller legal entities are also covered in rotation by a self-assessment of their internal control mechanisms, on a simplified basis better suited to their size.

Self-assessment questionnaires are completed by the concerned responsible people and validated by the financial controllers and general managers of the assessed activities. They are reviewed and discussed with the Risk and Internal Control Department to ensure that answers are consistent and assessments are relevant. Furthermore, the results of the self-assessments are compared with the information given in the internal audit reports in order to identify any divergence of appreciation whenever the activities have been audited in the 24 months prior to the self-assessment of their internal controls.

The approach and the final results of the overall review of the Group's internal control systems are presented annually to the members of the Executive Committee and to the Audit Committee.

4.2.2 STATUTORY AUDITORS' REPORT

Prepared in accordance with Article L. 225-235 of the French Company Law (*Code de Commerce*) on the report prepared by the Chairman of the Imerys Company's Board of Directors.

Fiscal year ended December 31, 2010

ERNST & YOUNG et Autres	Deloitte & Associés
41, rue Ybry	185, avenue Charles-de-Gaulle
92576 Neuilly-sur-Seine Cedex	92524 Neuilly-sur-Seine Cedex
S.A.S. with variable capital	S.A. with share capital of €1,723,040
Statutory Auditor	Statutory Auditor
Member of the Compagnie régionale de Versailles	Member of the Compagnie régionale de Versailles

(This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French Company Law (Code de commerce) on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France).

To the Shareholders,

In our capacity as statutory auditors of Imerys and in accordance with Article L.225-235 of French Company Law *(Code de Commerce)*, we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of French Company Law *(Code de Commerce)* for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of French Company Law *(Code de Commerce)*, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of French Company Law *(Code de commerce)*, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of French Company Law *(Code de Commerce)*.

OTHER DISCLOSURES

We hereby attest that the Chairman of the Board of Directors' report includes the other disclosures required by Article L.225-37 of French Company Law *(Code de commerce)*.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors
French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

FINANCIAL STATEMENTS

5

5.1 CONSOLIDATED FINANCIAL STATEMENTS

5.1.1 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	2010	2009
Revenue	5	**3,346.7**	**2,773.7**
Current revenue and expenses		**(2,927.7)**	**(2,524.8)**
Raw materials and consumables used	6	(1,178.6)	(1,026.1)
External expenses	7	(849.5)	(674.9)
Staff expenses	8	(635.6)	(587.1)
Taxes and duties		(41.6)	(42.6)
Amortization, depreciation and impairment losses		(213.0)	(181.4)
Other current revenue and expenses	9	(15.1)	(12.6)
Share in net income of associates	20	5.7	(0.1)
Current operating income		**419.0**	**248.9**
Other operating revenue and expenses	10	**(12.4)**	**(87.1)**
Gain or loss from obtaining or losing control		40.8	11.3
Other non-recurring items		(53.2)	(98.4)
Operating income		**406.6**	**161.8**
Net financial debt expense		**(57.3)**	**(69.1)**
Income from securities	11	2.7	2.2
Gross financial debt expense	11	(60.0)	(71.3)
Other financial revenue and expenses		**(7.2)**	**(14.3)**
Other financial revenue	11	212.1	121.1
Other financial expenses	11	(219.3)	(135.4)
Financial income (loss)		**(64.5)**	**(83.4)**
Income taxes	13	(96.8)	(37.1)
Net income		**245.3**	**41.3**
Net income, Group share (1) (2)	14	240.8	41.3
Net income, share of non-controlling interests		4.5	-

(1) Net income per share			
Basic net income per share (in €)	*15*	*3.19*	*0.57*
Diluted net income per share (in €)	*15*	*3.19*	*0.57*
(2) Net income from current operations, Group share	*14*	*240.3*	*119.3*
Basic net income from current operations per share (in €)	*15*	*3.19*	*1.66*
Diluted net income from current operations per share (in €)	*15*	*3.18*	*1.66*
Other net operating revenue and expenses, Group share	*10*	*0.5*	*(78.0)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Notes	2010	2009
Net income		**245.3**	**41.3**
Cash flow hedges		**12.5**	**54.5**
Recognition in equity	25.4	18.4	41.0
Reclassification in profit or loss	25.4	(5.9)	13.5
Translation reserve		**164.7**	**33.1**
Recognition in equity		174.9	33.1
Reclassification in profit or loss		(10.2)	-
Income taxes	13	**(7.6)**	**(4.6)**
Other comprehensive income		**169.6**	**83.0**
Total comprehensive income		**414.9**	**124.3**
Total comprehensive income, Group share		407.5	123.5
Total comprehensive income, share of non-controlling interests		7.4	0.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Notes	2010	2009
Non-current assets		**2,936.9**	**2,740.5**
Goodwill	16	950.4	897.5
Intangible assets	17	34.6	43.8
Mining assets	18	453.5	377.2
Property, plant and equipment	18	1,287.6	1,224.1
Investments in associates	20	54.4	50.0
Available-for-sale financial assets	22.2	7.4	7.5
Other financial assets	22.1	33.7	23.2
Other receivables	22.1	45.0	43.7
Derivative financial assets	25.4	24.8	17.6
Deferred tax assets	26	45.5	55.9
Current assets		**1,489.9**	**1,190.8**
Inventories	21	545.1	440.5
Trade receivables	22.1	446.5	364.4
Other receivables	22.1	128.0	110.7
Derivative financial assets	25.4	12.2	5.0
Marketable securities and other financial assets	22.1	6.0	5.6
Cash and cash equivalents	22.1	352.1	264.6
Consolidated assets		**4,426.8**	**3,931.3**
Equity, Group share		**2,169.5**	**1,836.9**
Capital	23	151.0	150.8
Premiums		338.4	339.4
Reserves		1,439.3	1,305.4
Net income, Group share		240.8	41.3
Equity, share of non-controlling interests		**26.9**	**18.9**
Equity		**2,196.4**	**1,855.8**
Non-current liabilities		**1,408.4**	**1,388.9**
Provisions for employee benefits	24.1	94.7	103.9
Other provisions	24.2	189.6	157.7
Loans and financial debts	25.2	1,016.8	1,037.7
Other debts	25.3	10.2	9.5
Derivative financial liabilities	25.4	15.3	16.5
Deferred tax liabilities	26	81.8	63.6
Current liabilities		**822.0**	**686.6**
Other provisions	24.2	14.4	18.6
Trade payables		317.1	260.7
Income taxes payable		25.1	20.6
Other debts	25.3	239.8	185.7
Derivative financial liabilities	25.4	1.4	2.9
Loans and financial debts	25.2	219.5	186.0
Bank overdrafts	25.2	4.7	12.1
Consolidated equity and liabilities		**4,426.8**	**3,931.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity, Group share										
			Reserves								
(€ millions)	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves	Subtotal	Net income, Group share	Subtotal	Equity, share of non-controlling interests	Total
Equity as of January 1, 2009	**125.6**	**115.8**	**0.0**	**(66.7)**	**(249.9)**	**1,440.3**	**1,123.7**	**161.3**	**1,526.4**	**19.9**	**1,546.3**
Total comprehensive income	**-**	**-**	**-**	**53.6**	**28.6**	**-**	**82.2**	**41.3**	**123.5**	**0.8**	**124.3**
Transactions with shareholders	**25.2**	**223.6**	**0.0**	**0.0**	**0.0**	**99.5**	**99.5**	**(161.3)**	**187.0**	**(1.8)**	**185.2**
Allocation of 2008 net income	-	-	-	-	-	161.3	161.3	(161.3)	0.0	-	0.0
Dividend (€1.00 per share)	-	-	-	-	-	(62.8)	(62.8)	-	(62.8)	(0.8)	(63.6)
Capital increases	25.2	223.6	-	-	-	-	0.0	-	248.8	0.2	249.0
Share-based payments	-	-	-	-	-	6.4	6.4	-	6.4	-	6.4
Transactions with non-controlling interests	-	-	-	-	-	(5.4)	(5.4)	-	(5.4)	(1.2)	(6.6)
Equity as of January 1, 2010	**150.8**	**339.4**	**0.0**	**(13.1)**	**(221.3)**	**1,539.8**	**1,305.4**	**41.3**	**1,836.9**	**18.9**	**1,855.8**
Total comprehensive income	**-**	**-**	**-**	**12.7**	**154.0**	**-**	**166.7**	**240.8**	**407.5**	**7.4**	**414.9**
Transactions with shareholders	**0.2**	**(1.0)**	**0.0**	**0.0**	**0.0**	**(32.8)**	**(32.8)**	**(41.3)**	**(74.9)**	**0.6**	**(74.3)**
Allocation of 2009 net income	-	-	-	-	-	41.3	41.3	(41.3)	0.0	-	0.0
Dividend (€1.00 per share)	-	-	-	-	-	(75.5)	(75.5)	-	(75.5)	(0.8)	(76.3)
Capital increases	0.5	5.7	-	-	-	(0.1)	(0.1)	-	6.1	2.4	8.5
Capital decreases	(0.3)	(6.7)	-	-	-	-	0.0	-	(7.0)	-	(7.0)
Transactions on treasury shares	-	-	(5.9)	-	-	-	(5.9)	-	(5.9)	-	(5.9)
Share-based payments	-	-	-	-	-	7.6	7.6	-	7.6	-	7.6
Transactions with non-controlling interests	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)	(1.0)	(1.2)
Equity as of December 31, 2010	**151.0**	**338.4**	**(5.9)**	**(0.4)**	**(67.3)**	**1,512.9**	**1,439.3**	**240.8**	**2,169.5**	**26.9**	**2,196.4**
Proposed dividend (€1.20 per share)	-	-	-	-	-	(90.6)	(90.6)	-	(90.6)	-	(90.6)
Equity after allocation as of January 1, 2011	**151.0**	**338.4**	**(5.9)**	**(0.4)**	**(67.3)**	**1,422.3**	**1,348.7**	**240.8**	**2,078.9**	**26.9**	**2,105.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	2010	2009
Cash flow from operating activities		**406.4**	**520.5**
Cash flow generated by current operations	Appendix 1	567.4	657.3
Interests paid		(62.7)	(67.2)
Income taxes on current operating income and financial income (loss)		(82.6)	(26.1)
Dividends received from available-for-sale financial assets		0.1	0.4
Cash flow generated by other operating revenue and expenses	Appendix 2	(15.8)	(43.9)
Cash flow from investing activities		**(210.2)**	**(115.5)**
Acquisitions of intangible assets and property, plant and equipment		(154.9)	(138.4)
Acquisitions of investments in consolidated entities after deduction of cash acquired		(69.2)	(10.9)
Acquisitions of available-for-sale financial assets		0.4	-
Disposals of intangible assets and property, plant and equipment		8.6	18.8
Disposals of investments in consolidated entities after deduction of cash disposed of		1.8	14.2
Disposals of available-for-sale financial assets		-	0.1
Net change in financial assets		1.0	(1.2)
Paid-in interests		2.1	1.9
Cash flow from financing activities		**(118.0)**	**(365.7)**
Capital increases		8.5	249.0
Capital decreases		(7.1)	-
Disposals (acquisitions) of treasury shares		(5.9)	-
Dividends paid to shareholders		(75.5)	(62.8)
Dividends paid to non-controlling interests		(0.8)	(0.8)
Loan issues		67.0	8.2
Loan repayments		(32.0)	(402.4)
Net change in other debts		(72.2)	(156.9)
Change in cash and cash equivalents		**78.2**	**39.3**

(€ millions)	2010	2009
Opening cash and cash equivalents	**252.6**	**211.2**
Change in cash and cash equivalents	78.2	39.3
Impact of changes due to changes in perimeter	(0.1)	(2.3)
Impact of changes due to exchange rate fluctuations	17.5	4.5
Impact of changes in accounting policies	(0.8)	(0.1)
Closing cash and cash equivalents	**347.4**	**252.6**
Cash and cash equivalents	352.1	264.6
Bank overdrafts	(4.7)	(12.1)

Appendix 1: cash flow generated by current operations

(€ millions)	Notes	2010	2009
Net income		**245.3**	**41.3**
Adjustments		**373.3**	**367.2**
Income taxes	13	96.8	37.1
Share in net income of associates	20	(5.7)	0.1
Dividends received from associates		2.0	3.8
Impairment losses on goodwill	10 & 16	1.0	7.0
Profits resulting from bargain purchases		(42.8)	-
Share in net income of associates out of the recurring business	20	8.8	-
Other operating revenue and expenses excluding impairment losses on goodwill		45.4	80.1
Net operating amortization and depreciation		212.0	180.4
Net operating impairment losses on assets		8.6	18.1
Net operating provisions		(8.2)	(24.9)
Dividends receivable from available-for-sale financial assets		(0.1)	(0.3)
Net interests of revenue and expenses		56.7	71.4
Non-recurring foreign exchange gain related to a financial restructuring (1)		(10.2)	-
Revaluation gains and losses		13.9	5.5
Income from current disposals of intangible assets and property, plant and equipment		(4.9)	(11.1)
Change in the working capital requirement		**(51.2)**	**248.8**
Inventories		(56.6)	171.0
Trade accounts receivable, advances and down payments received		(24.3)	144.2
Trade accounts payable, advances and down payments paid		35.2	(79.9)
Other receivables and debts		(5.5)	13.5
Cash flow generated by current operations		**567.4**	**657.3**

(1) *See Note 14.*

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

(€ millions)	Notes	2010	2009
Other operating revenue and expenses	10	**(12.4)**	**(87.1)**
Adjustments		**(3.4)**	**43.2**
Impairment losses on goodwill	10 & 16	1.0	7.0
Profits resulting from bargain purchases	10	(42.8)	-
Other net operating amortization and depreciation	10	9.1	32.3
Other net operating provisions	10	(0.8)	6.1
Income from non-recurring disposals of intangible assets and property, plant and equipment	10	3.8	-
Income from disposals of consolidated investments and available-for-sale financial assets	10	(1.4)	(11.3)
Non-recurring foreign exchange gain related to a financial restructuring (1)		10.2	-
Share in net income of associates out of the recurring business	20	8.8	-
Income taxes paid on other operating revenue and expenses		8.7	9.1
Cash flow generated by other operating revenue and expenses		**(15.8)**	**(43.9)**

(1) *See Note 14.*

5.1.2 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 25.5 - Borrower's liquidity risk)*. The link between this indicator and the statement of financial position is presented in Note 25.2.

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)	**2010**	**2009**
Current operating income	419.0	248.9
Operating amortization, depreciation and impairment losses	213.0	181.4
Net change in operating provisions	(7.3)	(17.6)
Share in net income of associates	(5.7)	0.1
Dividends received from associates	2.0	3.8
Operating cash flow before taxes (current EBITDA)	**621.0**	**416.6**
Notional taxes on current operating income (1)	(121.0)	(69.5)
Current net operating cash flow	**500.0**	**347.1**
Paid capital expenditures (2)	**(154.9)**	**(138.4)**
Intangible assets	(6.4)	(2.9)
Property, plant and equipment	(118.3)	(93.3)
Overburden mining assets (3)	(44.4)	(22.5)
Debts on acquisitions	14.2	(19.7)
Carrying amount of current asset disposals	**3.7**	**6.3**
Change in the operational working capital requirement	**(45.7)**	**235.3**
Inventories	(56.6)	171.0
Trade accounts receivable, advances and down payments received	(24.3)	144.2
Trade accounts payable, advances and down payments paid	35.2	(79.9)
Current free operating cash flow	**303.1**	**450.3**

(1) Effective tax rate on current operating income	*28.9%*	*27.9%*
(2) Recognized capital expenditures/asset depreciation ratio	*79.4%*	*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	*212.9*	*181.3*
(3) Overburden mining assets	*(44.4)*	*(22.5)*
Overburden mining assets - non-current	*(20.1)*	*(8.7)*
Overburden mining assets - current	*(24.7)*	*(13.6)*
Neutralization of activated restoration provisions	*0.4*	*(0.2)*

Change in net financial debt

(€ millions)	2010	2009
Current free operating cash flow	**303.1**	**450.3**
Financial income (loss)	(64.5)	(83.4)
Financial impairment losses and unwinding of the discount	6.6	9.7
Non-recurring foreign exchange gain related to a financial restructuring [(1)]	(10.2)	-
Income taxes on financial income (loss)	21.5	23.3
Change in income tax debt	0.8	26.7
Change in deferred taxes on current operating income	16.1	(6.6)
Change in other items of working capital	(5.5)	13.6
Change in fair value	6.3	8.3
Change in dividends receivable from available-for-sale financial assets	-	0.1
Current free cash flow	**274.2**	**442.0**
External growth	**(68.5)**	**(11.0)**
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	(68.9)	(11.0)
Acquisitions of available-for-sale financial assets	0.4	-
Disposals	**1.8**	**15.9**
Disposals of investments in consolidated entities after deduction of the net debt disposed of	1.8	14.5
Disposals of available-for-sale financial assets	-	0.1
Non-recurring disposals of property, plant and equipment and intangible assets	-	1.3
Cash flow from other operating revenue and expenses	**(15.8)**	**(44.2)**
Dividends paid to shareholders and non-controlling interests	**(76.3)**	**(63.6)**
Financing requirement	**115.4**	**339.1**
Transactions on equity	(4.5)	249.0
Net change in financial assets	0.2	0.1
Change in net financial debt	**111.1**	**588.2**

(1) See Note 14.

(€ millions)	2010	2009
Opening net financial debt	**(964.3)**	**(1,566.1)**
Change in net financial debt	111.1	588.2
Impact of changes due to exchange rate fluctuations	(23.8)	14.0
Impact of changes in fair value of interest rate hedges	4.1	3.4
Impact of changes in accounting policies and other	0.1	(3.8)
Closing net financial debt	**(872.8)**	**(964.3)**

5.1.3 INFORMATION BY SEGMENTS

Judgment

The reported 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 *(Note 19)* followed each month by the Executive Management in its business reporting.

The aggregation of Cash-Generating Units into segments qualifies as a judgment of the Executive Management performed as follows:

Segments	Cash-Generating Units
Performance & Filtration Minerals (PFM)	Performance Minerals North America
	Minerals for Filtration North America
	Performance & Filtration Minerals Europe
	Performance & Filtration Minerals South America
	Performance & Filtration Minerals Asia Pacific
	Vermiculite
Pigments for Paper (PP)	Pigments for Paper
Materials & Monolithics (M&M)	Clay Roof Tiles & Bricks
	Monolithic Refractories
	Kiln Furniture
Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF)	Minerals for Ceramics
	Minerals for Refractories
	Fused Minerals
	Graphite

However, the Executive Management considers that the holding structures dedicated to the centralized financing of the Group are no segments. Their aggregates are thus presented in a reconciliation column with inter-segment eliminations (IS&H).

Consolidated income statement

Revenue from transactions of Imerys with each of its external customers never exceeds a threshold of 10.0% of the Group's revenue.

As of December 31, 2010

(€ millions)	PFM	PP	M&M	CRAF	IS&H	Total
External revenue	**582.0**	**758.9**	**922.2**	**1,077.3**	**6.3**	**3,346.7**
Sales of goods	519.3	636.4	833.3	998.6	6.0	2,993.6
Rendering of services	62.7	122.5	88.9	78.7	0.3	353.1
Inter-segment revenue	**12.7**	**8.2**	**0.4**	**27.7**	**(49.0)**	**0.0**
Revenue	**594.7**	**767.1**	**922.6**	**1,105.0**	**(42.7)**	**3,346.7**
Current operating income	**64.8**	**76.0**	**187.5**	**134.6**	**(43.9)**	**419.0**
of which share in net income of associates	(0.4)	5.3	0.3	0.5	-	5.7
of which amortization, depreciation and impairment losses	(43.2)	(70.6)	(33.2)	(64.0)	(2.0)	(213.0)
of which net operating provisions	(3.7)	(2.6)	1.9	(8.1)	(1.1)	(13.6)
Operating income	**36.5**	**103.4**	**185.1**	**129.1**	**(47.5)**	**406.6**
Financial income (loss)	**(3.3)**	**(6.4)**	**(0.5)**	**(5.2)**	**(49.1)**	**(64.5)**
Interest revenue	0.2	0.5	0.4	1.0	0.6	2.7
Interest expenses	(0.3)	(0.7)	(1.4)	(1.3)	(55.6)	(59.3)
Income taxes	**(14.6)**	**(9.0)**	**(67.6)**	**(33.8)**	**28.2**	**(96.8)**
Net income	**18.6**	**88.0**	**117.0**	**90.1**	**(68.4)**	**245.3**

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)
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)
Operating income	**13.8**	**26.6**	**159.1**	**(4.0)**	**(33.7)**	**161.8**
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 December 31, 2010

(€ millions)	PFM	PP	M&M	CRAF	IS&H	Total
Capital employed - Assets	**700.6**	**1,155.6**	**747.8**	**1,356.3**	**(15.2)**	**3,945.1**
Goodwill *(1)*	147.0	164.9	199.8	438.0	0.7	950.4
Property, plant and equipment and intangible assets *(2)*	387.5	639.6	315.9	426.2	6.5	1,775.7
Inventories	54.0	115.2	111.2	264.7	-	545.1
Trade receivables	87.8	99.1	91.3	175.9	(7.6)	446.5
Other receivables - current and non-current	21.1	101.5	22.7	45.4	(17.7)	173.0
Investments in associates	3.2	35.3	6.9	6.1	2.9	54.4
Unallocated assets						**481.7**
Total assets						**4,426.8**
Capital employed - Liabilities	**91.9**	**134.3**	**179.9**	**203.2**	**(17.2)**	**592.1**
Trade payables	47.8	74.4	93.8	117.6	(16.5)	317.1
Other debts - current and non-current	34.9	63.9	84.5	58.3	8.3	249.9
Income taxes payable	9.2	(4.0)	1.6	27.3	(9.0)	25.1
Provisions	**76.2**	**58.4**	**66.8**	**86.2**	**11.2**	**298.8**
Unallocated liabilities						**1,339.5**
Total current and non-current liabilities						**2,230.4**
Total capital employed	**608.7**	**1,021.3**	**567.9**	**1,153.1**	**2.0**	**3,353.0**
(1) Increases in goodwill	*-*	*-*	*1.9*	*4.8*	*-*	*6.7*
(2) Acquisitions of property, plant and equipment and intangible assets	*20.8*	*55.1*	*16.2*	*57.9*	*4.9*	*154.9*

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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)	2010	2009
France	708.5	683.0
Other European countries	1,218.8	994.7
North America	808.1	628.7
Asia - Oceania	433.7	327.2
Other countries	177.6	140.2
Revenue by geographical location of the businesses of the Group	**3,346.7**	**2,773.7**
France	561.4	561.2
Other European countries	1,226.6	1,014.5
North America	731.3	577.5
Asia - Oceania	546.9	398.7
Other countries	280.5	221.9
Revenue by geographical location of the customers	**3,346.7**	**2,773.7**

Assets by geographical location

	As of December 31, 2010			As of December 31, 2009		
(€ millions)	Goodwill	Property, plant and equipment and intangible assets	Total	Goodwill	Property, plant and equipment and intangible assets	Total
France	166.7	354.3	521.0	163.6	376.7	540.3
Other European countries	331.3	373.9	705.2	325.2	380.8	706.0
North America	130.2	488.7	618.9	120.8	463.5	584.3
Asia - Oceania	240.8	157.8	398.6	215.5	145.5	361.0
Other countries	81.4	401.0	482.4	72.4	278.6	351.0
Total	**950.4**	**1,775.7**	**2,726.1**	**897.5**	**1,645.1**	**2,542.6**

5.1.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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ACCOUNTING PRINCIPLES AND POLICIES

Note 1 Accounting principles

1.1 Statement of compliance with the Referential

Pursuant to European regulation no. 1606/2002 of July 19, 2002, Imerys, a group of the industrial minerals sector, with its headquarters in Paris, 154 rue de l'Université and whose share is admitted to trading on the compartment A of Euronext Paris, has established its consolidated financial statements as of December 31, 2010 in compliance with IFRSs (International Financial Reporting Standards) adopted within the European Union at the closing date (hereafter "the Referential"). The financial statements have been closed on February 15, 2011 by the Board of Directors of Imerys SA, the Parent Company of the Group, on a going concern basis, in millions of Euros with one decimal rounded up to the nearest tenth.

1.2 Differences between the Referential and IFRSs

The adoption process within the European Union may create temporary time-lags at the closing date between the Referential and IFRSs. However, in the absence of temporary time-lags as of December 31, 2010, there is no difference at that date between the Referential and IFRSs.

1.3 Optional statements

First-time adoption. Upon first-time adoption of the Referential, Imerys presented financial statements as of January 1, 2004 that included a retrospective application limited by some optional exemptions provided for by standard IFRS 1 on first-time adoption of IFRSs and exercised by the Group. The acquisition of businesses prior to the first-time adoption have not been adjusted. The carrying amount of property, plant and equipment has not been adjusted except for mineral reserves and resources, which have been measured at fair value. The actuarial differences of post-employment employee benefits unrecognized at the date of first-time adoption have been included in the measurement of the plan assets and provisions against the reserves. Finally, the translation differences of foreign businesses have been reclassified in the reserves.

Other optional statements. Some standards of the Referential present recognition and measurement options. The amortized/depreciated historical cost qualifies as the measurement basis of intangible assets *(Note 4.10)*, mining assets *(Note 4.11)* and property, plant and equipment *(Note 4.12)*. Inventories are measured on the basis of their characteristics in accordance with the "First-In, First-Out" (FIFO) or weighted average cost methods *(Note 4.15)*. The actuarial differences of post-employment employee benefits are recognized in profit or loss in accordance with the corridor method *(Note 4.19)*. The rules of hedge accounting are applied to the recognition of derivatives hedging currency, interest rate and energy price risks *(Note 4.21)*.

1.4 Absence of guidance

In the absence of any applicable text or sufficient detail of the existing texts, the Executive Management has defined recognition and measurement policies on three subjects: purchase commitment of non-controlling interests of an entity controlled by the Group *(Note 4.6)*, greenhouse gas allowances *(Note 4.10)* and mining assets *(Note 4.11)*.

Note 2 Changes in accounting policies

2.1 Mandatory changes

Anticipated application

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

Application upon effective date

IFRS 3 Revised, Business Combinations. This revision applicable prospectively as of January 1, 2010 qualifies obtaining or losing control as significant events, justifying to modify the recognition and measurement of an investment. Thus, any formerly held interest is remeasured at fair value against the other operating revenue and expenses *(Note 10)* when control is obtained. Goodwill *(Note 16)* 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, the amount recognized as an asset as of December 31, 2009 with respect to future acquisitions projects and amounting to €0.6 million is 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.

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 interests 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 *(Note 4.6)*.

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 *(Note 25.4 - Derivative instruments management principles)*.

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 25.5 - 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 policies in 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 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 January 17, 2011 by the EFRAG (European Financial Reporting Advisory Group), Imerys will apply the following texts after December 31, 2010:

3.1 Application in 2011

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. This amendment will have no significant impact on the measurement of employee benefits assets *(Note 24.1)*.

Besides, the texts hereafter do 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; IAS 24 Revised, Related Party Disclosures; IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.

3.2 Application in 2012

The following texts, whose adoption process is in progress within the European Union as of December 31, 2010, do not concern the transactions, events or conditions existing within the Group: Amendments to IFRS 7 Financial Instruments: Disclosures; Amendments to IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets; Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters.

3.3 Application in 2013

IFRS 9 (Phase 1), Financial Instruments: Classification and Measurement. As of December 31, 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 February 15, 2011, 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.

Former categories	New categories
Available-for-sale financial assets	Fair value
Financial assets and liabilities at fair value through profit or loss	Fair value
Loans and receivables	Amortized cost
Financial liabilities at amortized cost	Amortized cost

This amendment shall modify the classification of information disclosed in *Notes 11, 12, 22.1 and 25.1* without impacting the recognition and measurement rules of financial instruments. These rules shall however be modified by two subsequent amendments non-published as of December 31, 2010: impairment losses of financial assets measured at amortized cost (Phase 2) and hedge accounting (Phase 3).

Note 4 Summary of the main accounting policies

4.1 Accounting policies, errors and estimates

Accounting policies are identical from one period to the other and are modified either on a mandatory basis to apply a new standard or interpretation *(Note 2.1)*, or on a voluntary basis to improve the reliability or the relevance of information *(Note 2.2)*. Changes in accounting policies are accounted for retrospectively, unless required by the specific transition provisions of the standard or interpretation. The financial statements concerned by the change in accounting policies are modified for all reported periods, as if the new policy had always been applied. Errors are corrected retrospectively. Estimates are intended to provide a reasonable assessment of the latest reliable information available on an uncertainty. They are revised to reflect changes in circumstances, new information available and experience effects. The significant estimates of the Executive Management are separately outlined in each note concerned *(Notes 17, 18, 19, 24.1 and 24.2)*. Changes in estimates are accounted for prospectively.

4.2 Events after the end of the period

Events occurring between the end of the period and the authorization of issue of the financial statements by the Board of Directors result in an adjustment only if they reveal, specify or confirm situations existing at the closing date *(Note 32)*.

4.3 Financial statements

Imerys publishes annual financial statements as of December 31, and interim financial statements as of June 30, in accordance with the principles of the Referential *(Note 1)*. The main presentation conventions are the following:

- aggregation by positions: by similar natures or functions in accordance with materiality;
- classification of assets and liabilities: by increasing order of liquidity and payability distinguishing between non-current and current items, when these shall be recovered or settled in more or less than twelve months after the end of the period;
- classification of revenue and expenses: by nature and incorporation in the cost of an asset or a liability in application of a standard or interpretation;
- offset: in application of a standard or interpretation for assets and liabilities on the one hand and revenue and expenses on the other;
- comparative information: with respect to period N-1; comparative information with respect to period N-2 is incorporated by reference *(see chapter 8, section 8.4 of the Registration Document)*.

Operating income includes the current operating income and the other operating revenue and expenses. The current operating income *(Notes 5 to 9)* reflects the performance of the ordinary activities of Imerys. The other operating revenue and expenses *(Note 10)* correspond, in accordance with the recommendation CNC 2009-R.03 of the French accounting standard setting authority on the format of IFRS financial statements, to items of revenue and expenses resulting from a limited number of well identified, non-recurring and significant events, such as the profit or loss impacts from obtaining or losing control of a business, of a restructuring, of an impairment loss of goodwill or of a significant litigation. The financial income (loss) mainly includes the cost of indebtedness, foreign exchange differences, the expected return on defined benefit plan assets, the unwinding of the discount of provisions and impairment losses on financial assets *(Note 12)*.

4.4 Information by segments

The segments correspond to the four following business groups:

- Performance & Filtration Minerals: minerals for the plastics, rubber, coatings, sealants and adhesives, health, beauty and filtration of nutrition liquids;
- Pigments for Paper: filler and coating products for paper;
- Materials & Monolithics: construction materials in clay and slate and monolithic products and solutions for high-temperature industries;
- Minerals for Ceramics, Refractories, Abrasives & Foundry: minerals mainly for floor tiles, sanitaryware, porcelain, mobile energy as well as high-temperature and abrasive industries.

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 *(Note 19)* followed each month by the Executive Management in its business reporting. The aggregation of Cash-Generating Units into segments qualifies as a judgment of the Executive Management presented in *5.1.3 Information by segments*. The financial information by segment is measured in accordance with the principles of the Referential *(Note 1)*. The transactions between segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

4.5 Earnings per share

The Imerys financial statements disclose basic earnings per share and diluted earnings per share *(Note 15)*. The basic earnings per share is equal to the net income attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding over the period, i.e. excluding treasury shares. Basic earnings per share is further broken down as net basic earnings per share from current operations and net basic earnings per share. The calculation of the diluted earnings per share simulates the dilutive effect of the share options granted by Imerys *(Note 8)*. The previously defined weighted average number of ordinary shares is thus increased by the weighted average number of ordinary shares that would be issued if all dilutive options would be exercised at the closing date. The number of dilutive options is calculated by difference between the number of shares that would result from the exercise of the share options and the number of shares that would be issued at the period average market price for an issue of the same amount. Upon the calculation of the amount of this issue, each share resulting from the exercise of the share options is considered as issued at the exercise price of the share option increased by the fair value of the services to be rendered as measured using the Black & Scholes pricing model *(Note 4.17)*. The excess of the number of shares from share options over the number of shares issued under market conditions is the number of dilutive shares. However these only are taken into account in the calculation of the diluted earnings per share where the corresponding share options are in the money, i.e. where their exercise price is inferior to the period average market price of the Imerys share.

4.6 Entities controlled by the Group

The entities controlled by Imerys, i.e. those over which the Group has the power to govern the financial and operating policies, are consolidated *(Note 27)*. Their assets, liabilities, revenues and expenses thus contribute to the various positions of the consolidated financial statements. Intra-group transactions are eliminated. An entity's losses are allocated to non-controlling interests proportionally to their interest, even if they finally present a negative balance. Changes in interest with no impact on control are recognized in equity. In the absence of sufficient detail of the texts, the Executive Management considers that any commitment entered into by Imerys with the intent to acquire shares from the minority interests results in the recognition of a liability measured at the fair value of the commitment against a derecognition of these interests. Any difference between the fair value of the liability and the carrying amount of the minority interests is recognized in equity. No entity is consolidated under the proportionate consolidation method.

4.7 Investments under significant influence of the Group

The investments held in entities under significant influence of Imerys, i.e. in which the Group has the power to participate to the financial and operating policies without however governing these, are measured under the equity method *(Note 20)*. The shares held in the net assets and results of these entities are thus presented in distinct positions in the assets and in the operating income.

4.8 Foreign currency translation

The consolidated financial statements of Imerys are stated in Euro. The functional currencies of the main consolidated entities *(Note 27)* correspond to the local currencies. The accumulated impact of the translation of the financial statements of foreign businesses is recognized in equity. The assets and liabilities of foreign businesses are translated at the closing rate and their revenue and expenses at the average rate of the period *(Note 28)*.

The non-monetary assets and liabilities resulting from transactions in foreign currencies are measured at the rate of the day or the average rate of the month of the transaction. Except for derivative financial instruments, monetary assets and liabilities resulting from transactions in foreign currencies are measured at the closing rate. The corresponding unrealized foreign exchange differences are recognized in other financial revenue and expenses *(Note 12)* except for those generated by the monetary assets and liabilities of net investments in foreign businesses and by their hedges that are recognized in equity *(Note 25.5 - Conversion of financial statements risk)*. Upon disposal of a foreign business, the accumulated impact of the translation of its financial statements and hedges is recognized in other operating revenue and expenses with the result on disposal of the business.

4.9 Goodwill

Goodwill is the excess of the fair value of an acquired business over its identifiable net asset *(Note 16)*. Goodwill is recognized at the date control is obtained. The costs of an acquisition transaction are recognized as incurred in profit or loss in other operating revenue and expenses *(Note 10)*. Any excess of the identifiable net asset of the acquired business over its fair value (negative goodwill) is credited to the acquirer's profit or loss on the acquisition period in other operating revenue and expenses *(Note 10)*. The measurement of goodwill is finalized within the twelve months following the date at which control is obtained. The goodwill of a foreign business is measured in the functional currency of the business and translated in accordance with the rules applicable to the translation of financial statements of foreign businesses. Goodwill is not depreciable. It is allocated to the Cash-Generating Units *(Note 19)* that benefit from the synergies resulting from the acquisition. Goodwill is subject to a first impairment test before the closing date of the acquisition period and subsequently to annual or more frequent tests if there is an indication that it may be impaired. An impairment loss on goodwill is recognized in other operating revenue and expenses *(Note 10)* and cannot be reversed.

4.10 Intangible assets

Intangible assets controlled by Imerys *(Note 17)* are recognized as assets over their useful lives. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. The expenditures incurred by the research teams of Imerys to improve the quality and properties of products generally address specific requirements of customers and are thus immediately recognized as expenses in current operating income. In the absence of any applicable text, the Executive Management considers as intangible assets the rights held to justify the greenhouse gases emissions of the Group *(Note 17)*. The rights received free of charge are recognized for a value of zero and the rights acquired on the market are recognized at the acquisition cost. Where at the closing date the rights held are inferior to actual emissions, a provision is recognized in current operating income for the value of rights to acquire, measured at market value (net liability method). The amortization methods of intangible assets qualify as an estimate of the Executive Management presented in *Note 17*.

4.11 Mining assets

In the absence of any specific applicable text, the Executive Management has defined the accounting recognition and measurement policies hereafter on mining assets. Prospection expenditures, i.e. the research of new knowledge on the mineral producing potential, technical feasibility and commercial viability of a geographical area, are immediately recognized as expenses in current operating income. Mining rights are recognized as intangible assets and are initially measured at acquisition cost *(Note 17)*. Mineral reserves qualify as property, plant and equipment and are initially measured at acquisition cost excluding subsoil, increased by expenditures incurred to determine the tonnage of ore present in the deposit. Overburden works, i.e. works of removal of the top soil to enable access to the deposit, are also recognized as property, plant and equipment. Their initial measurement incorporates their production cost and the discounted value of restoration obligations resulting from the deterioration caused by their construction. Mineral reserves and overburden assets form the position "Mining assets" of *Note 18*. Mining assets are subsequently measured at cost, decreased by accumulated amortization and any impairment loss. The depreciation methods of mining assets qualify as an estimate of the Executive Management presented in *Note 18*. Mining assets are allocated to Cash-Generating Units *(Note 19)* as the other assets of the Group and are subject to the same impairment tests.

4.12 Property, plant and equipment

Property, plant and equipment *(Note 18)* is recognized as an asset if it is controlled as a result of a title of ownership, or under a finance lease that transfers the risks and rewards incident to ownership. Property, plant and equipment is initially measured at acquisition or production cost. The initial cost of items under finance lease is the lower of the fair value of the asset and the discounted value of future minimum payments. The cost of property, plant and equipment incorporates the cost of borrowings that finance their construction or production where these require a substantial period of time. The cost of property, plant and equipment is decreased, where applicable, by the amount of government grants that finance their acquisition or construction. Maintenance and repair expenditures are immediately recognized as expenses in current operating income. The cost of property, plant and equipment incorporates, in particular for satellite industrial facilities constructed on the land of customers, the discounted value of restoration or dismantling obligations, where a present obligation exists *(Note 24.2)*. Property, plant and equipment is subsequently measured at cost, decreased by accumulated depreciation and any impairment loss. The depreciation methods of property, plant and equipment qualify as an estimate of the Executive Management presented in *Note 18*.

4.13 Impairment tests

Cash-Generating Units (CGUs) are the smallest groups of assets at the level of which the three following criteria are verified: a homogeneous production process in terms of portfolio of minerals, transformation processes and applications, an active market and a level of operating power in terms of continuation, restructuring or discontinuation of mining, industrial and commercial activity. Any accordingly identified group of assets generates, through its continuing use, cash flows that are largely independent from the cash flows of other groups of assets. CGUs are part of the analysis structure followed each month by the Executive Management in its business reporting. All assets within the Group including goodwill and mining assets, are allocated to a CGU.

An impairment test *(Note 19)* is performed every twelve months on all CGUs at the end of the period. In addition to this annual test, impairment indicators may require the immediate performance of a test in case of an unfavorable trend. Furthermore, each activity manager, under the supervision of business group controllers, ensures that no individual asset within a CGU presents any impairment loss issue. An impairment loss is recognized as soon as the recoverable amount of a CGU or an individual asset becomes inferior to its carrying amount. Any improvement in the recoverable amount of a CGU or an individual asset results in the reversal of the previously recognized impairment loss in the limit of the carrying amount that would have been obtained in the absence of impairment loss. Impairment losses on goodwill cannot be reversed.

The impairment test consists in comparing the carrying amount of these assets to their recoverable amount. The latter is the higher between the fair value less costs to sell and the value in use. Fair value corresponds to the price of disposal. Value in use is measured by discounting the future cash flows generated by the continuous use of assets and by their final disposal. Future cash flows correspond to current free operating cash flow *(5.1.2 Reconciliation of the net financial debt/Current free operating cash flow)* adjusted by the position "Change in other items of working capital" *(5.1.2 Reconciliation of the net financial debt/Change in net financial debt)*.

The definitions of CGUs and impairment indicators qualify as judgments of the Executive Management. The duration and the amount of the future cash flows as well as the discount rates intervening in the calculation of the values in use of the CGUs qualify as estimates of the Executive Management. These items are presented in *Note 19*.

4.14 Non-current assets held for sale and discontinued operations

When at the closing date, it is highly probable that non-current assets or groups of directly related assets and liabilities shall be disposed of, they are designated as non-current assets or groups of assets held for sale. Their sale is considered as highly probable if, at the closing date, a plan designed to sell them at a price that is reasonable with respect to their fair value has been initiated to identify a buyer and to conclude definitively the sale within a maximum of one year. Non-current assets or groups of assets held for sale are presented in separate positions in the financial statements. They cease to be depreciated and are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets or groups of assets that are to be closed rather than sold are non-current assets that are to be abandoned and not held for sale.

Where non-current assets corresponding to a disposal or held for sale or to be abandoned correspond to one or several CGUs *(Note 19)* and are to be abandoned as part of a single coordinated plan, they qualify as discontinued operations and their related flows are disclosed separately in the income statement and in the statement of cash flows.

4.15 Inventories

Inventories *(Note 21)* are recognized as assets at the date at which the risks, rewards and control are transferred to Imerys. Upon the sale, their removal is recognized against an expense in current operating income at the same date as the related revenue. Inventories are measured at the lower of the cost of production and net realizable value. Where production is inferior to normal capacity, incorporable fixed expenses specifically exclude the share corresponding to under-activity. Inventories presenting similar characteristics are measured in accordance with the same formula. The formulas used within the Group are the “First-In, First-Out” (FIFO) and the weighted average cost. Where the cost of production is not recoverable, it is written-down to its net realizable value in accordance with the conditions existing at the closing date.

4.16 Non derivative financial assets

Where the execution of a contract results in the symmetrical creation of an asset for Imerys and a liability or equity instrument for the other party, the item recognized by the Group is a financial asset. Such elements are subject to a designation that relates them to one of the following categories: “Available-for-sale financial assets”, “Financial assets at fair value through profit or loss” or “Loans and receivables”. The designation of a financial asset to a category commands its recognition and measurement mode.

Available-for-sale financial assets. Imerys holds non-listed investments in entities over which the Group has neither control, nor significant influence, nor intent to dispose of in the short term *(Note 22.2)*. These investments are recognized as assets at the date of the purchase commitment and are maintained at a carrying amount representative of fair value. The changes of the latter are recognized in equity except for negative changes qualifying as objective evidence of impairment which are recognized in profit or loss.

Financial assets at fair value through profit or loss. Imerys holds marketable securities with the intent to perform a result on disposal in the short-term. These investments are recognized as assets between the dates of purchase and disposal and the changes in fair value are recognized in other financial revenue and expenses *(Note 12)* in accordance with the market prices published at the closing date.

Loans and receivables. A trade receivable *(Note 22.3)* is recognized with respect to a sale of goods upon transfer of the risks, rewards and control. A trade receivable is recognized with respect to the rendering of services to the extent of the percentage of completion of services at the closing date. Furthermore, for both sales of goods and rendering of services, a receivable is recognized only if it is recoverable and the amount of the transaction and that of the costs necessary to complete the transaction can be measured reliably. Sales of goods and rendering of services are measured at the fair value of the transaction, decreased by trade and volume rebates, as well as discounts for early payment. After their initial recognition, they are measured at their amortized cost. Where the occurrence of a credit event makes the carrying amount of a trade receivable partially or fully irrecoverable, it is individually written-down to its recoverable amount by means of a write-down in accordance with the conditions existing at the closing date *(Note 22.4)*. A receivable sold to a banking institution for financing purposes is only derecognized where the factoring contract also transfers to the factor the entire risks and rewards related to the receivable *(Note 22.3)*. The category of loans and receivables also includes cash, i.e. cash on hand, demand deposits and cash equivalents. The latter are highly liquid investments with a 3-months maximum term whose equivalent amount in cash is known or subject to insignificant uncertainty. In the statement of cash flows, cash and cash equivalents also include the position “Bank overdrafts” presented as liabilities.

4.17 Equity instruments

Treasury shares. The repurchase by Imerys of its own shares is recognized at acquisition cost as a decrease in equity. The result performed upon any subsequent disposal is directly recognized in equity.

Share-based payments. The fair value of services rendered against the grant of Imerys share options and free shares granted after November 7, 2002 is measured using the Black & Scholes pricing model by reference to the fair value of instruments at the grant date *(Note 8)*. This measurement takes into consideration the exercise price and life of instruments, the underlying share price, the turnover rate of beneficiaries, as well as the volatility of the Imerys share. Volatility equals the standard deviation of the historical monthly returns of the Imerys share over the expected life of the instruments. In the majority of cases, the acquisition of rights is subject to a condition of duration of service and the fair value of services rendered is amortized in the position “Staff expenses” over the vesting period of rights, against an increase in equity. The accounting treatment is identical where, in addition to the duration of service condition, the acquisition of rights is subject to the achievement of pre-determined economic performance conditions. The volatility and the assumptions related to the probability of acquisition of rights are revised at each closing date.

4.18 Provisions

A provision *(Note 24.2)* is recognized as soon as it becomes probable that a present obligation shall require a settlement whose amount can be measured reliably. Provisions are recognized against the profit or loss except for provisions for dismantling and some provisions for restoration whose counterpart is included in the cost of the assets whose construction has created the obligation. This treatment mainly applies to satellite industrial facilities constructed on the land of customers and to mining overburden assets. The measurement of provisions corresponds to the best estimate of the amount required to settle the obligation. Provisions whose settlement is expected within twelve months after the end of the period or whose settlement may occur at any time are not discounted. Provisions whose settlement is expected after twelve months after the end of the period are discounted. Changes in discounted provisions due to a revision of the amount of the obligation, of its phasing or of its discount rate are recognized in profit or loss or, for provisions recognized against assets, as an adjustment of the cost of the latter. The unwinding is recognized as a debit in the other financial revenue and expenses *(Note 12)*. The assessment of the probability of settlement and amount of the obligation, of the phasing of future payments and of discount rates qualify as estimates of the Executive Management presented in *Note 24.2*.

4.19 Employee benefits

Imerys contributes, in accordance with the laws and customs of each country, to the constitution of reserves for the retirement of its employees by paying, either on a mandatory or voluntary basis, contributions to third parties institutions such as pension funds, insurance companies or financial institutions. These plans, without guaranteeing the level of benefits returns, are defined contribution plans. These contributions are recognized in the position "Staff expenses" *(Note 8)*.

Furthermore, Imerys may grant post-employment retirement and medical benefits whose financing is assumed by the Group or outsourced to external funds. The measurement of the obligations of these defined benefit plans *(Note 24.1)* is performed in accordance with the Projected Unit Credit Method and uses financial and demographic actuarial assumptions. These are used to measure the value of services rendered over the period on the basis of an estimated salary at retirement date. Provisions (or assets) recognized correspond to the discounted value of the obligation, decreased by the fair value of plan assets and unrecognized past service cost and actuarial differences. The discount rates are fixed by reference to the rates of bonds issued by companies rated AA (high quality). Actuarial assumptions qualify as estimates of the Executive Management presented in *Note 24.1*.

The net expense of post-employment plans is recognized in the position "Staff expenses" *(Note 8)*, except for the unwinding of obligations and the expected return on assets that are recognized in other financial revenue and expenses *(Note 12)* and for the curtailments caused by a restructuring that are recognized in other operating revenue and expenses *(Note 10)*. Unrecognized past service cost is progressively included in the measurement of provisions (or assets) by a straight-line amortization over an estimate of the average vesting period of the rights. Actuarial differences are reflected in the measurement of provisions (or assets) as soon as their accumulated unrecognized amount exceeds 10.0% of the higher between the obligation and asset's fair value. The fraction of actuarial differences that exceeds the higher of these thresholds is recognized by a straight-line amortization in profit or loss over an estimate of the average remaining working lives of beneficiaries (corridor method). Any curtailment or settlement and related actuarial differences and unrecognized past service costs are recognized in profit or loss as they occur.

4.20 Non derivative financial liabilities

Loans *(Note 25.2)* are initially measured at the fair value of the amount received, less transaction costs. They are subsequently measured at amortized cost by using the effective interest rate method. Trade accounts payable and other financial liabilities are measured at amortized cost.

4.21 Derivative financial instruments

Imerys uses derivative financial instruments to reduce its exposure to currency, interest rate and energy price risks. The exclusive purpose of these instruments is to hedge economic risks to which the Group is exposed. Financial instruments are recognized at the transaction date, i.e. at the subscription date of the hedging contract. However, only financial instruments that meet the criteria of hedge accounting defined by standard IAS 39 on financial instruments follow the accounting treatment described hereafter. The changes in fair value of financial instruments that do not qualify for hedge accounting are immediately recognized in other financial revenue and expenses.

All transactions qualified as hedge accounting are documented by reference to the hedging strategy by identifying the hedged risk, the hedged item, the hedging instrument, the hedging relationship and the measurement method of the hedge relationship effectiveness. The measurement of the hedge effectiveness is reviewed at the end of each period. Derivatives are measured at fair value upon initial recognition. Subsequently, the fair value is re-measured at the end of each period by reference to market terms. Derivatives recognized as assets and liabilities are classified as current and non-current in accordance with their maturities and those of underlying transactions. Accounting for a hedge derivative depends upon its designation as either fair value hedge, or cash flow hedge or hedge of a net investment in a foreign operation *(Notes 11, 12 and 25.5)*.

Fair value hedge. Where the changes in fair value of a recognized asset or liability or a firm commitment may have an impact on the profit or loss, these changes may be hedged by a fair value hedge. The hedged item and the hedging instrument are re-measured symmetrically against the profit or loss at the end of each period. The impact in profit or loss is limited to the ineffective portion of the hedge.

Cash flow hedge. A cash flow hedge enables to hedge the unfavorable changes in cash flows related to a recognized asset or liability or a highly probable future transaction, where these changes may have an impact on the profit or loss. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. When the transaction is recognized, the effective portion in equity is reclassified in profit or loss at the same time the hedged item is recognized.

Hedge of a net investment in foreign businesses. The foreign exchange differences generated by the net assets held by the Group in foreign currencies may be hedged. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. Upon disposal of the business, the effective portion in equity is reclassified in other operating revenue and expenses with the result on disposal.

4.22 Income taxes

Current tax results in the recognition of a liability to the extent it is unpaid and of an asset where the amount already paid exceeds the amount due or if a tax loss can be carried back.

Deferred tax assets and liabilities are accounted for with respect to all temporary taxable differences between the tax and consolidated values of assets and liabilities, except mainly for differences related to the initial recognition of goodwill and, in the case of taxable temporary differences between the accounting and tax values of investments, where the Group is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future *(Note 26)*. A deferred tax asset is recognized with respect to taxable temporary differences, tax losses and tax credits only if it is probable that a future taxable profit shall be set against these elements, or there are taxable temporary differences in the same tax entity, that come to maturity over the period these elements remain recoverable. Tax rates and laws used are those that are enacted or substantively enacted at the closing date and shall be applicable over the period of reversal of the timing difference. Deferred taxes are not discounted. Deferred tax assets and liabilities are offset by tax entity, i.e. by legal entity or tax consolidation group.

Current and/or deferred taxes are recognized in the same level of profit or loss as the related losses *(Note 13)*. That principle of linking the tax to its base also applies to the transactions directly recognized in equity *(Note 13)*.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 5 Revenue

(€ millions)	2010	2009
Sales of goods	2,993.6	2,451.1
Rendering of services	353.1	322.6
Total	**3,346.7**	**2,773.7**

Revenue amounts to €3,346.7 million in 2010 (€2,773.7 million in 2009), i.e. an increase of + 20.7% (- 19.6% in 2009), including a positive effect of + €134.0 million due to foreign currency changes (+ €17.4 million in 2009) and a positive structure impact of + €23.9 million (- €5.7 million in 2009). At comparable structure and foreign currency rates, it increases by + 14.9% (- 19.9% in 2009).

Note 6 Raw materials and consumables used

(€ millions)	2010	2009
Raw materials	(549.2)	(348.0)
Energy	(345.1)	(280.2)
Chemicals	(71.3)	(53.1)
Other raw materials	(162.6)	(106.7)
Merchandises	(111.0)	(73.2)
Change in inventories	56.5	(170.7)
Property, plant and equipment produced by the entity	4.1	5.8
Total	**(1,178.6)**	**(1,026.1)**

Note 7 External expenses

(€ millions)	2010	2009
Freight	(390.6)	(298.2)
Operating leases	(45.5)	(41.8)
Subcontracting	(103.6)	(94.3)
Maintenance and repair	(89.7)	(61.7)
Fees	(57.4)	(44.8)
Other external expenses	(162.7)	(134.1)
Total	**(849.5)**	**(674.9)**

Note 8 Staff expenses

(€ millions)	**2010**	**2009**
Salaries	(470.7)	(432.7)
Social contributions	(99.6)	(94.8)
Net change in the provisions of defined benefit plans	20.5	39.7
Contributions to defined benefit plans	(37.2)	(55.9)
Contributions to defined contribution plans	(17.9)	(16.6)
Profit-sharing	(21.0)	(18.5)
Other employee benefits	(9.7)	(8.3)
Total	**(635.6)**	**(587.1)**

Share-based payments expense

Imerys attributes share options whose exercise results in the subscription of shares created for that purpose, as well as free shares acquired on the market.

The position "Other employee benefits" includes the cost of the corresponding plans, broken down as follows:

	Number of options (1)	**Exercise price (€)** (1)	**Maturity**	**Volatility**	**Turnover rate**	**Average dividend rate**	**Performance conditions**	**Fair value of the option (Black & Scholes) (€)**	**Total cost of each plan (€M)**	**2009 cost of the plans (€M)**	**2010 cost of the plans (€M)**
Share options plans											
2006	687,744	63.53	6 years	17.5%	11.8%	3.1%	-	8.97	(5.0)	(0.6)	-
2007	601,832	65.61	5 years	20.0%	20.0%	3.1%	-	12.40	(5.5)	(2.0)	(0.1)
2008	535,120	54.19	5 years	19.2%	12.1%	3.0%	-	8.88	(3.9)	(1.3)	(1.3)
2009	464,000	34.54	5 years	25.3%	13.4%	3.0%	-	5.77	(2.3)	(0.3)	(0.8)
2010	422,800	46.06	5 years	28.1%	13.4%	3.0%	-	7.59	(2.8)	-	(0.6)
2010	60,000	46.06	5 years	28.1%	0.0%	3.0%	-	7.59	(0.5)	-	(0.1)
2010	82,000	44.19	5 years	31.0%	0.0%	3.0%	75.0%	9.40	(0.6)	-	-
Free shares plans											
2008 (2)	55,053	-	3 years	-	12.1%	3.0%	0.0%	52.86	-	-	-
2008	5,374	-	3 years	-	0.0%	3.0%	-	52.86	(0.2)	-	(0.1)
2008	42,984	-	2 years	-	0.0%	3.0%	-	54.44	(2.2)	(1.0)	(0.6)
2009	116,006	-	3,5 years	-	13.4%	3.0%	100.0%	29.94	(3.0)	(0.4)	(0.9)
2009	131,000	-	2 years	-	0.0%	3.0%	100.0%	31.29	(4.1)	(0.8)	(2.1)
2010	129,700	-	3,5 years	-	13.4%	3.0%	100.0%	38.33	(4.3)	-	(0.8)
2010	15,000	-	3 years	-	0.0%	3.0%	100.0%	38.90	(0.6)	-	(0.1)
2010	42,000	-	3,3 years	-	0.0%	3.0%	75.0%	39.28	(1.2)	-	(0.1)
Cost of plans recognized in the position "Staff expenses" (€ millions)										**(6.4)**	**(7.6)**
Weighted average exercise price *(€)*										29.2	28.5

(1) Adjusted in accordance with the capital increase of June 2009 for the plans prior to 2009.
For the record, the number of options granted and their exercise prices were of 640,000 shares at €68.27 (2006 plan), of 560,000 shares at €70.51 (2007 plan) and of 497,925 shares at €58.24 (2008 plan). In addition, 51,232, 5,000 and 40,000 (2008 plan) free shares were originally granted.

(2) The performance conditions having a low probability of fulfillment, the cost of the plan was assessed at 0.

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Share-based payments management principles

The Group's long-term retention policy comprises the grant of share options and, since 2008, of conditional free shares. The management principles of these share-based payments are set by the Board of Directors upon the Appointments and Compensation Committee's recommendations and comprise, aside from the grants made under the Group's employee shareholding operations, the main following characteristics:

Share options. Grants take the form of share options. This form was judged preferable to share purchase options as it prevents Imerys from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises.

Conditional free shares. Free shares are in principle subordinated and proportional to the achievement of economic and/or financial performance objectives set by the Board of Directors.

Since 1999, share-based payments plans are annual and the total number of rights granted each year is adjusted in accordance with the Group's overall performance or to specific events. Grants traditionally take place on the annual shareholders' meeting. The actual or likely beneficiaries are the Group's executives (Chief Executive Officer, Executive Committee members, business group and activity management committees, managers of the Group's main corporate departments) and, since 2001, the holders of certain key positions reporting to them, as well as high-potential managers and employees that make an outstanding contribution to the Group's performance.

The following table summarizes the history, status and main characteristics of the share options plans included in the scope of standard IFRS 2 on share-based payments, i.e. subsequent to November 7, 2002.

	May 2003	Oct. 2003	May 2004	May 2005	May 2006	Nov. 2006	May 2007	April 2008	August 2009	April 2010	Nov. 2010	Total
Share option expiration date	05/2013	10/2013	05/2014	05/2015	05/2016	11/2016	05/2017	04/2018	08/2019	04/2020	11/2020	-
Share option exercise price	€26.34	€37.80	€45.49	€53.58	€63.53	€62.31	€65.61	€54.19	€34.54	€46.06	€44.19	-
Number of share options outstanding as of 01/01/2009	**297,830**	**31,344**	**615,500**	**566,500**	**573,200**	**38,625**	**504,700**	**494,425**	**0**	**0**	**0**	**3,122,124**
Capital increase June 2009 (1)	22,231	2,675	45,852	40,160	42,451	5,155	36,689	36,438	-	-	-	231,651
Number of share options granted	-	-	-	-	-	-	-	-	464,000	-	-	464,000
Number of share options exercised	(8,362)	(113)	-	-	-	-	-	-	-	-	-	(8,475)
Number of share options cancelled	-	-	(15,299)	(75,695)	(23,262)	-	(40,832)	(15,023)	-	-	-	(170,111)
Number of share options outstanding as of 01/01/2010	**311,699**	**33,906**	**646,053**	**530,965**	**592,389**	**43,780**	**500,557**	**515,840**	**464,000**	**0**	**0**	**3,639,189**
Number of share options granted	-	-	-	-	-	-	-	-	-	482,800	82,000	564,800
Number of share options exercised	(70,684)	(1,680)	(12,029)	-	-	-	-	-	-	-	-	(84,393)
Number of share options cancelled	-	-	(7,749)	(15,693)	(52,820)	-	(19,615)	(22,947)	(5,000)	-	-	(123,824)
Number of share options outstanding as of 12/31/2010	**241,015**	**32,226**	**626,275**	**515,272**	**539,569**	**43,780**	**480,942**	**492,893**	**459,000**	**482,800**	**82,000**	**3,995,772**
Number of share options exercisable as of 12/31/2010	241,015	32,226	626,275	515,272	539,569	43,780	480,942	-	-	-	-	2,479,079
Weighted average remaining contractual life (years)												6.0

(1) Adjustment in the number of share options outstanding at the date of the capital increase of June 2009.

The following table summarizes the history, status and main characteristics of the free shares plans included in the scope of standard IFRS 2 on share-based payments, i.e. subsequent to November 7, 2002.

	April 2008	April 2008	August 2009	August 2009	August 2009	April 2010	April 2010	Nov. 2010	Total
Acquisition date	04/2011	04/2010	08/2013	08/2012	08/2011	04/2014	04/2013	02/2014	-
Number of shares outstanding as of 01/01/2009	**55,857**	**40,000**	**0**	**0**	**0**	**0**	**0**	**0**	**95,857**
Capital increase June 2009 [(1)]	4,189	2,984	-	-	-	-	-	-	7,173
Number of shares granted	-	-	58,314	57,692	131,000	-	-	-	247,006
Number of shares acquired	-	-	-	-	-	-	-	-	-
Number of shares cancelled	(1,612)	-	-	-	-	-	-	-	(1,612)
Number of shares outstanding as of 01/01/2010	**58,434**	**42,984**	**58,314**	**57,692**	**131,000**	**0**	**0**	**0**	**348,424**
Number of shares granted	-	-	-	-	-	65,425	79,275	42,000	186,700
Number of shares acquired	-	(42,984)	-	-	-	-	-	-	(42,984)
Number of shares cancelled	(2,461)	-	(1,250)	-	-	-	-	-	(3,711)
Number of shares outstanding as of 12/31/2010	**55,973**	**0**	**57,064**	**57,692**	**131,000**	**65,425**	**79,275**	**42,000**	**488,429**

(1) Adjustment in the number of shares outstanding at the date of the capital increase of June 2009.

Note 9 Other current revenue and expenses

(€ millions)	**2010**	**2009**
Other revenue	44.1	32.4
Income on asset disposals	5.0	11.3
Grants received	2.4	2.1
Other expenses	(53.0)	(36.5)
Net change in operating provisions	(13.6)	(21.9)
Total	**(15.1)**	**(12.6)**
Revenue	99.3	82.9
Expenses	(114.4)	(95.5)

Note 10 Other operating revenue and expenses

(€ millions)	2010	2009
Gain or loss from obtaining or losing control	**40.8**	**11.3**
Transaction costs	(3.2)	-
Profits resulting from bargain purchases	42.8	-
Changes in estimate of the contingent remuneration of the seller	(0.2)	-
Income from disposal of consolidated businesses	1.4	11.3
Other non-recurring items	**(53.2)**	**(98.4)**
Impairment losses on goodwill	(1.0)	(7.0)
Impairment losses on restructuring	(9.0)	(32.3)
Income on non-recurring asset disposals	(3.8)	-
Restructuring expenses paid	(31.4)	(53.0)
Change in provisions	0.8	(6.1)
Share in net income of associates out of the recurring business	(8.8)	-
Other operating revenue and expenses - gross	**(12.4)**	**(87.1)**
Revenue	72.0	50.4
Expenses	(84.4)	(137.5)
Income taxes	2.7	9.1
Non-recurring foreign exchange gain related to a financial restructuring [(1)]	10.2	-
Other operating revenue and expenses - net, Group share	**0.5**	**(78.0)**

(1) See Note 14.

Other operating revenue and expenses of 2010

The 2010 “Other operating revenue and expenses - net, Group share” amount to + €0.5 million after income taxes, of which + €12.5 million with no cash impact and - €12.0 million in cash. The statement of cash flows splits the latter in - €15.8 million of “Cash flow generated by other operating revenue and expenses” (operating activities) and + €3.8 million of disposals of investments in consolidated entities. 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 - €12.4 million: - €28.3 million in the Performance & Filtration Minerals business group (of which mainly - €17.8 million with respect to environmental provisions in Devon (Great Britain) and in Georgia (United States) and - €8.2 million of goodwill impairment of associates in China); + €27.4 million in the Pigments for Paper business group (of which mainly + €42.8 million of negative goodwill in Brazil and - €9.1 million of impairment of assets in China); - €2.4 million in the Materials & Monolithics business group (of which - €5.2 million related to the main restructurings); - €5.5 million in the Minerals for Ceramics, Refractories, Abrasives & Foundry business group (of which - €5.1 million related to the main restructurings); and - €3.6 million in the holdings (of which - €3.2 million of transaction costs on acquisitions of businesses).

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 11 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 11, 12, 22.1 and 25.1* present disclosures on financial instruments in accordance with these categories. The classification logic of financial instrument assets *(Note 22.1)* and liabilities *(Note 25.1)* transversally applies to their changes in profit or loss *(Notes 11 and 12)*. For example, "Revenue" is attached to "Amortized cost" as its counterparts in "Trade receivables" or "Cash and cash equivalents" belong to that category in the assets. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column "Non IAS 39" that includes the following items:

- non IAS 39 financial assets and liabilities: consolidated investments (IAS 27), investments measured in accordance with the equity method (IAS 28), 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 assets and liabilities (IAS 19), grants (IAS 20).

The tables hereafter disclose the income and expenses before income taxes recognized in profit or loss and equity by categories of financial instruments. The balances of "Other financial revenue" and "Other financial expenses" are further analyzed in *Note 12*.

As of December 31, 2010

(€ 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	-	-	-	3,340.4	-	-	6.3	-	3,346.7
Raw materials and consumables used	-	-	-	-	(1,241.0)	-	0.6	61.8	(1,178.6)
External expenses	-	-	-	-	(849.5)	-	-	-	(849.5)
Taxes and duties	-	-	-	-	(41.6)	-	-	-	(41.6)
Other current revenue and expenses	-	-	-	29.6	(47.6)	-	0.4	2.5	(15.1)
Gain or loss from obtaining or losing control	-	-	-	-	(3.4)	-	-	44.2	40.8
Financial income (loss)									
Income from securities	-	2.7	-	-	-	-	-	-	2.7
Gross financial debt expense	-	-	(1.2)	-	(56.5)	(2.3)	-	-	(60.0)
Other financial revenue	0.1	-	(2.1)	4.8	154.5	7.2	-	47.6	212.1
Other financial expenses	(0.1)	-	(4.1)	(0.3)	(153.2)	(7.3)	(0.3)	(54.0)	(219.3)
Equity									
Recognition in equity	-	-	-	-	-	-	18.4	-	18.4
Reclassification in profit or loss	-	-	-	-	-	-	(5.9)	-	(5.9)
Total financial instruments	**0.0**	**2.7**	**(7.4)**	**3,374.5**	**(2,238.3)**	**(2.4)**	**19.5**	**-**	**-**
of which impairment losses in profit or loss	(0.1)	(0.1)	-	(18.7)	-	-	-	(8.0)	-
of which reversals of impairment losses in profit or loss	-	0.1	-	9.7	-	-	-	9.5	-

The columns “Hedge derivatives/Fair value” and “Hedge derivatives/Cash flow” of the above table are analyzed as follows:

(€ millions)	Fair value				Cash flow		
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges	Total	Effective portion of hedges	Ineffective portion of hedges	Total
Operating income							
Revenue	-	-	-	-	6.3	-	6.3
Raw materials and consumables used	-	-	-	-	0.6	-	0.6
Other operational revenue and expenses	-	-	-	-	(0.7)	1.1	0.4
Financial income (loss)							
Gross financial debt expense	-	(2.3)	-	(2.3)	-	-	-
Other financial revenue	-	7.2	-	7.2	-	-	-
Other financial expenses	(7.3)	-	-	(7.3)	(0.3)	-	(0.3)
Profit or loss	**(7.3)**	**4.9**	**0.0**	**(2.4)**	**5.9**	**1.1**	**7.0**
Equity							
Recognition in equity	-	-	-	-	18.4	-	18.4
Reclassification in profit or loss	-	-	-	-	(5.9)	-	(5.9)
Total financial instruments	**-**	**-**	**-**	**(2.4)**	**-**	**-**	**19.5**

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 current revenue and expenses	-	-	-	14.7	(34.8)	-	1.7	5.8	(12.6)
Gain or loss from obtaining or losing control	(1.1)	-	-	-	-	-	-	5.4	4.3
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	-	-	-	-	-

The columns "Hedge derivatives/Fair value" and "Hedge derivatives/Cash flow" of the above table are analyzed as follows:

(€ millions)	Fair value				Cash flow		
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges	Total	Effective portion of hedges	Ineffective portion of hedges	Total
Operating income							
Revenue	-	-	-	-	(5.6)	-	(5.6)
Raw materials and consumables used	-	-	-	-	(1.5)	-	(1.5)
Other operational revenue and expenses	-	-	-	-	(1.7)	3.4	1.7
Financial income (loss)							
Gross financial debt expense	-	(4.2)	-	(4.2)	(5.6)	2.0	(3.6)
Other financial revenue	(4.9)	5.6	-	0.7	2.4	1.2	3.6
Other financial expenses	7.2	(7.0)	-	0.2	(1.5)	-	(1.5)
Profit or loss	**2.3**	**(5.6)**	**0.0**	**(3.3)**	**(13.5)**	**6.6**	**(6.9)**
Equity							
Recognition in equity	-	-	-	-	41.0	-	41.0
Reclassification in profit or loss	-	-	-	-	13.5	-	13.5
Total financial instruments	**-**	**-**	**-**	**(3.3)**	**-**	**-**	**47.6**

Note 12 Financial income (loss)

The tables hereafter disclose the financial income (loss) by categories of financial instruments. A description of the categories of financial instruments is provided in *Note 11*.

As of December 31, 2010

(€ 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**	**2.7**	**(1.2)**	**0.0**	**(56.5)**	**(2.3)**	**0.0**	**0.0**	**(57.3)**
Income from securities	-	2.7	-	-	-	-	-	-	2.7
Gross financial debt expense	-	-	(1.2)	-	(56.5)	(2.3)	-	-	(60.0)
Other financial revenue and expenses	**0.0**	**0.0**	**(6.2)**	**4.5**	**1.3**	**(0.1)**	**(0.3)**	**(6.4)**	**(7.2)**
Net exchange rate differences	-	-	-	-	6.0	-	(0.2)	(0.2)	5.6
Expense and revenue on derivative instruments	-	-	(6.2)	-	-	-	-	-	(6.2)
Expected return on assets of defined benefit plans	-	-	-	-	-	-	-	47.3	47.3
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(50.1)	(50.1)
Unwinding of other provisions	-	-	-	-	-	-	-	(3.4)	(3.4)
Other financial revenue and expenses	-	-	-	4.5	(4.7)	(0.1)	(0.1)	-	(0.4)
Financial income (loss)	**0.0**	**2.7**	**(7.4)**	**4.5**	**(55.2)**	**(2.4)**	**(0.3)**	**(6.4)**	**(64.5)**
Revenue	0.1	2.7	(2.1)	4.8	154.5	7.2	-	47.6	214.8
Expenses	(0.1)	-	(5.3)	(0.3)	(209.7)	(9.6)	(0.3)	(54.0)	(279.3)

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 13 Income taxes

Tax consolidation scope

Imerys SA and the majority of its French entities are included in a tax consolidation system that notably enables the Group to offset within the consolidated group potential profits and losses. No entities entered nor left the French tax consolidation scope in 2010. The tax consolidation scope includes 28 entities as of December 31, 2010. Tax consolidations also exist in other countries, mainly in the United States, in Great Britain, in Spain, in Germany and in Italy.

Income taxes recognized in net income

(€ millions)	2010	2009
Payable and deferred income taxes		
Income taxes payable	**(74.7)**	**(43.4)**
Income taxes payable for the period	(77.7)	(39.9)
Income taxes payable - Prior period adjustments	3.0	(3.5)
Deferred taxes	**(22.1)**	**6.3**
Deferred taxes due to changes in temporary differences	(21.7)	6.3
Deferred taxes due to changes in income tax rates	(0.4)	-
Total	**(96.8)**	**(37.1)**
Income taxes by level of income		
Income taxes on current operating income	**(99.5)**	**(46.2)**
Current operating income taxes payable	(83.4)	(52.8)
Current operating deferred taxes	(16.1)	6.6
Income taxes on other operating revenue and expenses	**2.7**	**9.1**
Income taxes payable on other operating revenue and expenses	8.7	9.4
Deferred taxes on other operating revenue and expenses	(6.0)	(0.3)
Total	**(96.8)**	**(37.1)**

Income taxes recognized in equity

(€ millions)	2010	2009
Cash flow hedges	**0.2**	**(0.9)**
Income taxes recognized in equity	0.2	0.6
Income taxes reclassified in profit or loss	-	(1.5)
Translation reserve	**(7.8)**	**(3.7)**
Income taxes recognized in equity	(11.3)	(3.7)
Income taxes reclassified in profit or loss	3.5	-
Total	**(7.6)**	**(4.6)**

Income taxes paid

The amount of income taxes paid in 2010 amounts to €73.9 million (€17.0 million in 2009).

Tax reconciliation excluding non-recurring items

	2010	2009
Legal tax rate in France (including surtax and contribution)	**34.4%**	**34.4%**
Impact of national rate differences	(5.7)%	(2.6)%
Impact of permanent differences and tax incentives	0.1%	(5.3)%
Impact of unrecognized tax losses utilized	(2.2)%	(2.0)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.0%	1.9%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	1.3%	1.5%
Effective tax rate on current operating and financial income (loss) [(1)]	**28.9%**	**27.9%**

(1) 28.9% = €99.5 million (income taxes on current operating income) / [€419.0 million (current operating income) - €64.5 million (financial income (loss)) - €10.2 million (non-recurring reclassification of the translation reserve of foreign net investments - see Note 14)].

Tax reconciliation including non-recurring items

	2010	2009
Legal tax rate in France (including surtax and contribution)	**34.4%**	**34.4%**
Impact of national rate differences	(4.5)%	1.1%
Impact of permanent differences and tax incentives	(2.7)%	(5.7)%
Impact of unrecognized tax losses utilized	(2.4)%	(4.3)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.0%	3.6%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	2.5%	18.2%
Effective tax rate on operating and financial income (loss)	**28.3%**	**47.3%**

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 14 Net income, Group share

(€ millions)	2010	2009
Current operating income	419.0	248.9
Financial income (loss)	(64.5)	(83.4)
Non-recurring foreign exchange gain related to a financial restructuring	(10.2)	-
Income taxes on current operating income	(99.5)	(46.2)
Non-controlling interests	(4.5)	-
Net income from current operations, Group share	**240.3**	**119.3**
Other operating revenue and expenses - gross	(12.4)	-
Non-recurring foreign exchange gain related to a financial restructuring	10.2	(78.0)
Income taxes	2.7	-
Net income, Group share	**240.8**	**41.3**
Effective tax rate on current operating income	*28.9%*	*27.9%*

A foreign exchange gain of + €10.2 million realized in the 1st half of 2010 as a consequence of a reorganization of financings of businesses in US Dollar *(Note 10)* 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 financial communication indicator "Net income from current operations, Group share", this foreign exchange gain is however excluded to be reclassified in "Other net operating revenue and expenses, Group share", so as to stress its non-recurring and significant character.

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Note 15 Earnings per share

(€ millions)	2010	2009
Numerator		
Net income from current operations attributable to ordinary equity holders used for the calculation of the diluted earnings per share	**240.7**	**119.5**
Net income from current operations, Group share	240.3	119.3
Impact of financial income (loss) on share options	0.4	0.2
Net income attributable to ordinary equity holders used for the calculation of the diluted earnings per share	**241.2**	**41.5**
Net income, Group share	240.8	41.3
Impact of financial income (loss) on share options	0.4	0.2
Denominator		
Weighted average number of shares used for the calculation of the basic earnings per share (1)	75,405,857	72,054,523
Impact of share option conversion	267,037	93,661
Weighted average number of shares used for the calculation of the diluted earnings per share	75,672,894	72,148,184
Basic earnings per share, Group share (in €)		
Net basic earnings per share from current operations	3.19	0.57
Net basic earnings per share	3.19	1.66
Diluted earnings per share, Group share (in €)		
Diluted net earnings per share from current operations	3.19	0.57
Diluted net earnings per share	3.18	1.66

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

The number of potential ordinary shares taken into account in the calculation of the diluted earnings per share excludes the share options out of the money, i.e. those whose exercise price is superior to the period average market price of the Imerys share (€43.54 as of December 31, 2010; €33.20 as of December 31, 2009). Potentially dilutive options of the plans of May 2004 to April 2008 *(Note 8)* are thus excluded from the calculation of the diluted earnings per share as of December 31, 2010 and December 31, 2009.

No significant transaction has changed the number of ordinary shares and potential ordinary shares between December 31, 2010 and February 15, 2011, date of authorization of issue of the financial statements by the Board of Directors.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 16 Goodwill

Table of changes

(€ millions)	2010	2009
Opening carrying amount	**897.5**	**899.4**
Gross amount	902.4	951.3
Impairment losses	(4.9)	(51.9)
Incoming entities	6.7	4.3
Adjustments and reclassifications	-	(5.0)
Impairment losses [(1)]	(1.0)	(7.0)
Exchange rate differences	47.3	5.8
Closing carrying amount	**950.4**	**897.5**
Gross amount	956.3	902.4
Impairment losses	(5.9)	(4.9)

(1) Impairment losses on goodwill are disclosed in Note 19.

The “Incoming entities” row of the above table is analyzed as follows:

(€ millions)	2010	2009
Changes related to control obtained over the period	3.1	1.2
Changes related to control obtained over prior periods	3.6	3.1
Incoming entities	**6.7**	**4.3**

As of December 31, 2010, the row “Acquisitions of investments in consolidated entities after deduction of cash acquired” or the consolidated statement of cash flows is analyzed as follows:

(€ millions)	2010	2009
Cash paid	**(70.9)**	**(11.0)**
Cost of investments acquired	(67.0)	(14.4)
Payables on acquisitions of investments	(3.9)	3.4
Cash from acquired entities	**1.7**	**0.1**
Acquisitions of investments in consolidated entities after deduction of cash acquired	**(69.2)**	**(10.9)**
Incoming entities of the period - Cash paid	(60.5)	(8.3)
Incoming entities of the period - Cash from acquired entities	1.7	0.1
Incoming entities of the period - Payables on acquisitions of investments	0.3	3.4
Incoming entities of prior periods - Payables on acquisitions of investments	(4.1)	-
Purchase price adjustments	(7.2)	(5.8)
Acquisition costs	0.6	(0.3)

Provisional purchase accounting in 2010

PPSA. On July 26, 2010, Imerys acquired 86.16% of the voting rights of the Brazilian group PPSA and the remainder i.e. 13.84%, on December 31, 2010. This acquisition was paid in cash. PPSA produces kaolin for the paper market. After provisional fair value measurement of mineral reserves, property, plant and equipment and main provisions, the excess of the fair value of the assets and liabilities over the acquisition cost amounts to €42.8 million and was recognized in other operating revenue and expenses.

Others. Aside from the significant acquisition of the Pigments for Paper business group, the three other business groups performed some acquisitions, whose total amount of €6.4 million results in a provisional goodwill of €3.1 million as of December 31, 2010.

The fair values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is finalized in 2010 present the following amounts:

(€ millions)	PPSA	Others	Total
Consideration transferred by the Group	**54.1**	**6.4**	**60.5**
Interest held before control was obtained	-	-	-
Cash remitted to the seller when control was obtained	54.1	6.4	60.5
Investment of non-controlling interests	**0.0**	**0.0**	**0.0**
Shareholders' investment	**54.1**	**6.4**	**60.5**
Assets - non-current	**98.3**	**1.5**	**99.8**
Intangible assets	-	0.4	0.4
Property, plant and equipment	91.1	1.1	92.2
Other receivables	1.0	-	1.0
Deferred tax assets	6.2	-	6.2
Assets - current	**38.0**	**3.1**	**41.1**
Inventories	19.0	0.5	19.5
Trade receivables	10.1	0.6	10.7
Other receivables	8.9	0.1	9.0
Marketable securities and other financial assets	-	0.2	0.2
Cash and cash equivalents	-	1.7	1.7
Liabilities - non-current	**(25.3)**	**(0.7)**	**(26.0)**
Provisions for employee benefits	(0.1)	(0.1)	(0.2)
Other provisions	(10.0)	(0.6)	(10.6)
Deferred tax liabilities	(15.2)	-	(15.2)
Liabilities - current	**(14.1)**	**(0.6)**	**(14.7)**
Trade payables	(6.6)	(0.1)	(6.7)
Income taxes payable	(2.5)	(0.1)	(2.6)
Other debts	(5.0)	(0.4)	(5.4)
Identifiable net asset	**96.9**	**3.3**	**100.2**
Goodwill	**(42.8)**	**3.1**	**(39.7)**
Profits resulting from bargain purchases	(42.8)	-	(42.8)
Goodwill, Group share	-	3.1	3.1

Note 17 Intangible assets

Estimates

As part of its ordinary activities, Imerys uses intangible assets whose consumption is represented by amortization. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives:

- software: 1 to 5 years;
- trademarks, patents and licenses: 5 to 40 years.

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of intangible assets related to mining activity such as mining rights, prepaid leases and certain use rights. Their amortization is thus estimated in units of production on the basis of actual extraction. The rights held to justify the greenhouse gases emissions of the Group are not amortizable.

Table of changes

(€ 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	0.7	3.4	0.4	1.9	6.4
Disposals	-	-	-	(0.2)	(0.2)
Net increases in amortization	(5.0)	(0.6)	(0.2)	(1.6)	(7.4)
Impairment losses	-	-	-	(8.9)	(8.9)
Reclassification and other	0.9	(1.9)	1.2	1.2	1.4
Exchange rate differences	0.4	0.2	0.7	1.3	2.6
Carrying amount as of December 31, 2010	**5.2**	**3.5**	**16.9**	**9.0**	**34.6**
Gross amount	55.4	13.5	20.8	33.7	123.4
Amortization and impairment losses	(50.2)	(10.0)	(3.9)	(24.7)	(88.8)

Emission rights

Imerys is concerned, mainly for its production activity of roof tiles and bricks of the business group Materials & Monolithics, by the European directive no. 2003/87/CE dated October 13, 2003 which establishes within the Community a market for emission rights of greenhouse gases. In 2010, over the third period of the second phase of the European market (2008-2012), Imerys uses 79.8% of the greenhouse gas emission quotas granted to the sites concerned in Europe (58.1% in 2009). The relatively low level in 2009 was mainly explained by the slowdown in the activity. Since the actual emissions of the Group are inferior to the authorized level, no provision is recognized as of December 31, 2010.

Note 18 Property, plant and equipment

Estimates

As part of its ordinary activities, Imerys uses property, plant and equipment whose consumption is represented by depreciation. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives, reflecting where necessary, the useful lives of the components:

- office buildings: 10 to 50 years;
- industrial buildings: 10 to 30 years;
- improvements to office and industrial buildings: 5 to 15 years;
- machinery, tooling, facilities and equipment: 5 to 20 years;
- vehicles: 2 to 5 years.

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of property, plant and equipment related to mining activity such as mineral reserves and overburden assets, as well as certain industrial assets of discontinuous use. Their depreciation is thus estimated in units of production on the basis of actual extraction for mining assets or, for these industrial assets, of operational follow-up units such as production or operating hours. Subsoil, i.e. the surface of land excluding mineral deposit, is not depreciated since it is not consumed by mining activity.

Table of changes

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction	Other	Total
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	61.0	5.4	24.0	-	1.8	92.2
Acquisitions	25.2	4.3	38.4	62.7	12.4	143.0
Disposals	(0.1)	(2.5)	(4.9)	(0.2)	(0.6)	(8.3)
Net increases in depreciation	(32.2)	(12.8)	(132.0)	-	(10.8)	(187.8)
Impairment losses	(0.1)	(1.3)	(2.1)	(0.2)	-	(3.7)
Reversals of impairment losses	-	0.2	3.4	-	-	3.6
Reclassification and other	(0.9)	7.4	34.7	(51.2)	2.3	(7.7)
Exchange rate differences	23.4	19.7	59.3	4.4	1.7	108.5
Carrying amount as of December 31, 2010	**453.5**	**285.1**	**894.5**	**69.9**	**38.1**	**1,741.1**
Gross amount	655.9	497.9	2,845.5	71.1	183.1	4,253.5
Depreciation and impairment losses	(202.4)	(212.8)	(1,951.0)	(1.2)	(145.0)	(2,512.4)

Finance leases

Property, plant and equipment controlled under finance lease are recognized as assets for an amount of €3.3 million as of December 31, 2010 (€4.1 million as of December 31, 2009). It essentially relates to freight material. Commitments for future finance lease rent payments amount to €3.2 million, of which €0.5 million for 2011, €1.7 million from 2012 to 2016 and €1.0 million beyond.

Note 19 Impairment losses

Judgments

Cash-Generating Units (CGUs). The allocation of assets and goodwill to the CGUs qualifies as a judgment of the Executive Management. As disclosed in the following table, goodwill is present in almost all CGUs. This makes the systematic performance of an annual test mandatory on each of these CGUs.

	2010			2009
(€ millions)	Gross amount	Write-down	Carrying amount	Carrying amount
Performance Minerals North America	5.3	-	5.3	5.0
Minerals for Filtration North America	53.7	-	53.7	49.8
Performance & Filtration Minerals Europe	71.8	-	71.8	71.1
Performance & Filtration Minerals South America	11.1	-	11.1	10.5
Performance & Filtration Minerals Asia Pacific	5.1	-	5.1	4.8
Vermiculite	-	-	-	-
Pigments for Paper	164.9	-	164.9	153.5
Clay Roof Tiles & Bricks	5.5	-	5.5	3.7
Monolithic Refractories	162.3	-	162.3	154.6
Kiln Furniture	32.0	-	32.0	32.0
Minerals for Ceramics	108.7	(5.6)	103.1	94.4
Minerals for Refractories	56.7	-	56.7	52.3
Fused Minerals	255.1	(0.3)	254.8	242.7
Graphite	23.4	-	23.4	22.4
Goodwill of the CGUs	**955.6**	**(5.9)**	**949.7**	**896.8**
Holdings	0.7	-	0.7	0.7
Total	**956.3**	**(5.9)**	**950.4**	**897.5**

Impairment loss indicators. The trigger events of an impairment test qualify as judgments of the Executive Management. These are mainly significant changes in business, interest rates, technological level, obsolescence and level of performance of assets. The adverse evolution of one of these indices requires the immediate performance of an impairment test, either on a CGU, or on an individual asset.

Estimates

Recoverable amount. It is the higher between the fair value less costs to sell and the value in use of a CGU or individual asset. In practice, fair value is reliably determinable only for individual assets and then corresponds to prices of recent transactions on disposals of similar assets. The value in use qualifies as the most frequently used measurement basis for both CGUs and individual assets. The forecasted cash flows used to estimate it result from the 2010-2014 strategic plan whose last period is extrapolated at a rate of 1.0% to 2.0% in a perpetual growth model.

Discount rate. The average discount rate used to calculate the value in use is determined from the weighted average cost of capital of groups comparable to Imerys present of the industrial minerals sector. This rate, of 8.0% (8.0% in 2009), is adjusted in accordance with the tested assets by a country-market risk premium of 0 to + 150 basis points. The average discount rate after income taxes amounts to 8.3% in 2010 (8.2% in 2009). The calculations performed after income taxes are identical to those that would be performed with cash flows and rates before income taxes, as required by applicable texts.

Annual test of CGUs

The systematic performance of this annual test on each of the CGUs is mandatory as a consequence of the presence of goodwill in almost all CGUs. In 2010, this test requires the recognition of an impairment loss of goodwill of €1.0 million in the CGU Minerals for Ceramics of the business group Minerals for Ceramics, Refractories, Abrasives & Foundry. This impairment loss is recognized in “Other operating revenue and expenses” *(Note 10)*. In 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.

Sensitivity of the annual test of CGUs to the changes in forecasted cash flows and discount rates.

Scope. Assets of the CGUs net of accumulated depreciation and impairment losses recognized up to December 31, 2010.

Variables. Decrease of 5.0% in forecasted cash flows and increase of 100 basis points in discount rates.

Results. A decrease of 5.0% in forecasted cash flows would not require the recognition of any impairment loss. An increase of 100 basis points in discount rates would not require the recognition of any impairment loss.

Tests of individual assets

Impairment indicators may require the immediate performance of this test in case of an unfavorable evolution, in addition to the test carried out on CGUs. The resulting impairment losses recognized in 2010 amount to €12.6 million, of which €1.0 million in the holdings, €9.9 million on the business group Pigments for Paper, €1.0 million on the business group Materials & Monolithics and €0.7 million on the business group Minerals for Ceramics, Refractories, Abrasives & Foundry. These impairment losses, recognized in "Other operating revenue and expenses", have an impact on the industrial tool of the business groups. Furthermore, the reversals of impairment losses recognized in 2010 amount to €3.6 million. The impairment losses net of reversals thus result in an amount of - €9.0 million in "Other operating revenue and expenses" *(Note 10)*. In 2009, the tests of individual assets 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 20 Investments in associates

(€ millions)	2010	2009
Opening carrying amount	**50.0**	**50.0**
of which carrying amount of goodwill	7.1	3.4
Income	(3.1)	(0.1)
Dividends paid out	(2.3)	(4.3)
Other	9.8	4.4
Closing carrying amount	**54.4**	**50.0**
of which carrying amount of goodwill	3.9	7.1

Imerys only has a significant influence on the decisions of financial and operational management of the entities below, these being controlled by the other associates. The share in net income of associates contributes to operating income since 2009 in accordance with the voluntary change in accounting method recalled in *Note 2*. As of December 31, 2010, the share in net income of associates recognized in operating income amounts to - €3.1 million (- €0.1 million as of December 31, 2009), of which €5.7 million in current operating income (- €0.1 as of December 31, 2009) and - €8.8 million in other operating revenue and expenses (nil as of December 31, 2009).

	2010			2009		
	Share in capital held *(%)*	Share in equity *(€M)*	Share in net income *(€M)*	Share in capital held *(%)*	Share in equity *(€M)*	Share in net income *(€M)*
MST Mineralien Schiffahrt	50.0%	30.0	5.4	50.0%	24.8	(0.3)
Calderys Iberica Refractarios	49.9%	6.1	0.5	49.9%	5.7	0.2
Other investments	-	18.3	(9.0)	-	19.5	-
Total	**-**	**54.4**	**(3.1)**	**-**	**50.0**	**(0.1)**

The table below presents the key figures of the main entities under significant influence of Imerys. The data of the most important entity, MST Mineralien Schiffahrt, stem from the most recent financial statements to which the Group has access, i.e. those of the September 30 annual closing.

	2010		2009	
(€ millions)	Assets	Revenue	Assets	Revenue
MST Mineralien Schiffahrt	143.2	95.7	114.7	72.7
Calderys Iberica Refractarios	16.5	20.8	19.3	19.3

Note 21 Inventories

(€ millions)	2010 Gross amount	2010 Write down	2010 Carrying amount	2009 Gross amount	2009 Write down	2009 Carrying amount
Raw materials	223.0	(10.8)	212.2	177.2	(10.7)	166.5
Work in progress	59.8	(0.3)	59.5	50.0	(0.3)	49.7
Finished goods	246.8	(9.3)	237.5	201.8	(9.9)	191.9
Merchandises	37.4	(1.5)	35.9	34.3	(1.9)	32.4
Total	**567.0**	**(21.9)**	**545.1**	**463.3**	**(22.8)**	**440.5**

Note 22 Financial assets

22.1 Categories of financial assets

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. These carrying amounts are representative of fair value.

As of December 31, 2010

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss: Non derivative	Fair value through profit or loss: Non hedge derivatives	Loans and receivables	Hedge derivatives: Fair value	Hedge derivatives: Cash flow	Non IAS 39	Total
Non-current assets								
Available-for-sale financial assets	7.4	-	-	-	-	-	-	7.4
Other financial assets	-	-	-	6.5	-	-	27.2	33.7
Other receivables	-	-	-	42.0	-	-	3.0	45.0
Derivative financial assets	-	-	-	-	24.8	-	-	24.8
Current assets								
Trade receivables	-	-	-	446.5	-	-	-	446.5
Other receivables	-	-	-	93.3	-	-	34.7	128.0
Derivative financial assets	-	-	-	-	-	12.2	-	12.2
Marketable securities and other financial assets	-	6.0	-	-	-	-	-	6.0
Cash and cash equivalents	-	-	-	352.1	-	-	-	352.1
Total financial assets	**7.4**	**6.0**	**0.0**	**940.4**	**24.8**	**12.2**	**-**	**-**

As of December 31, 2009

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss: Non derivative	Fair value through profit or loss: Non hedge derivatives	Loans and receivables	Hedge derivatives: Fair value	Hedge derivatives: Cash flow	Non IAS 39	Total
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**	**-**	**-**

22.2 Available-for-sale financial assets

(€ millions)	2010	2009
Opening balance	**7.5**	**7.1**
Changes in the scope of consolidation	(0.1)	-
Acquisitions	-	0.3
Disposals	-	(0.2)
Changes in fair value	-	0.3
Closing balance	**7.4**	**7.5**

22.3 Receivables and other financial assets

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Carrying amount as of January 1, 2009	**13.8**	**40.4**	**523.3**	**154.2**	**731.7**
Gross amount	15.9	62.9	542.8	170.3	791.9
Write-down	(2.1)	(22.5)	(19.5)	(16.1)	(60.2)
Changes in the scope of consolidation	-	-	1.0	(0.5)	0.5
Net change	0.8	2.5	(147.4)	(37.7)	(181.8)
Write-down	(0.1)	(3.6)	(20.3)	(7.6)	(31.6)
Other	8.0	3.0	2.5	(1.1)	12.4
Exchange rate differences	0.7	1.4	5.3	3.4	10.8
Carrying amount as of January 1, 2010	**23.2**	**43.7**	**364.4**	**110.7**	**542.0**
Gross amount	25.4	76.0	402.2	120.8	624.4
Write-down	(2.2)	(32.3)	(37.8)	(10.1)	(82.4)
Changes in the scope of consolidation	-	1.0	10.7	9.0	20.7
Net change	(1.7)	2.4	39.1	33.9	73.7
Write-down	(0.2)	(9.3)	8.3	(21.0)	(22.2)
Other	10.8	2.7	-	(13.1)	0.4
Exchange rate differences	1.6	4.5	24.0	8.5	38.6
Carrying amount as of December 31, 2010	**33.7**	**45.0**	**446.5**	**128.0**	**653.2**
Gross amount	36.1	114.5	473.9	152.9	777.4
Write-down	(2.4)	(69.5)	(27.4)	(24.9)	(124.2)

Other non-current financial assets correspond to loans and deposits for €6.5 million as of December 31, 2010 (€6.4 million as of December 31, 2009) and to assets related to employee benefits for €27.2 million as of December 31, 2010 (€16.8 million as of December 31, 2009) *(Note 24.1)*. The greater part of other non-current receivables and related write-down corresponds to tax receivables other than income taxes in Brazil. Other current receivables also mainly correspond to tax receivables other than income taxes. In addition, the Group has set up in September 2009 a factoring contract without recourse for an unlimited duration. Since the object of this contract is to transfer the trade receivables of certain customers to the factor as well as the entire related risks and rewards, these receivables are derecognized. As of December 31, 2010, they represent an amount of €71.0 million (€83.0 million as of December 31, 2009).

22.4 Management of risks arising from financial assets

Credit risk

Description of the risk. The credit risk is the risk that a debtor of Imerys does not reimburse his debt at the due date. This risk mainly has an impact on the category of loans and receivables.

Management of the risk. The credit risk is followed at the level of each entity. This follow up mainly bases on the analysis of past due receivables and can be extended to a more detailed solvency investigation. The Group entities may hedge the credit risk through credit insurance contracts or warranties *(Note 30)*. At the closing date, loans and receivables are reduced to their recoverable amount by an individual write-down. As of December 31, 2010, loans and receivables are written-down by €124.2 million (€82.4 million as of December 31, 2009). The maximum exposure of Imerys to credit risk before credit insurance and warranties, i.e. the carrying amount of its receivables, thus amounts to €653.2 million (€542.0 million as of December 31, 2009).

The table hereafter presents the change in write-down of loans and receivables:

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Balance as of January 1, 2009	**(2.1)**	**(22.5)**	**(19.5)**	**(16.1)**	**(60.2)**
Changes in the scope of consolidation	-	-	1.9	0.2	2.1
Increases	(0.1)	(5.2)	(25.6)	(7.6)	(38.5)
Utilizations	-	1.5	5.4	-	6.9
Other	-	-	(0.5)	14.7	14.2
Exchange rate differences	-	(6.1)	0.5	(1.3)	(6.9)
Balance as of January 1, 2010	**(2.2)**	**(32.3)**	**(37.8)**	**(10.1)**	**(82.4)**
Changes in the scope of consolidation	-	(23.0)	-	-	(23.0)
Increases	(0.3)	(11.4)	(1.3)	(20.9)	(33.9)
Utilizations	0.1	2.1	9.6	0.1	11.9
Other	-	-	4.4	7.6	12.0
Exchange rate differences	-	(4.9)	(2.3)	(1.6)	(8.8)
Balance as of December 31, 2010	**(2.4)**	**(69.5)**	**(27.4)**	**(24.9)**	**(124.2)**

Trade receivables do not bear interest and are generally due between 30 to 90 days. Some trade receivables may be past due without being impaired, for example where hedged by a credit insurance contract or a warranty.

(€ millions)	2010	2009
Past due trade receivables that are not impaired	**73.6**	**88.5**
Since less than 30 days	42.5	54.4
Since 30 to 89 days	14.1	20.2
Since 90 days and more	17.0	13.9
Undue trade receivables and past-due and impaired trade receivables	**372.9**	**275.9**
Total	**446.5**	**364.4**

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency. In the assets, the transactional currency risk has an impact mainly on trade receivables.

Management of the risk. In the assets, the transactional currency risk is managed in accordance with the same principles as the transactional currency risk related to financial liabilities *(Note 25.5 - Transactional currency risk)*.

Note 23 Capital

Number of shares outstanding

(€ millions)	2010	2009
Number of shares outstanding at the opening	**75,389,496**	**62,786,590**
Capital increases	256,286	12,602,906
Capital decreases	(171,627)	-
Number of shares outstanding at the closing	**75,474,155**	**75,389,496**

Capital management principles

The management of capital presents three main fields: consolidated equity, share-based payments and share repurchases. The management of consolidated equity pursues the objective to maintain a stable financial structure so as to generate dividends for shareholders through a regular and steady growth of results. The share options and free shares granted to certain key employees aim at promoting their loyalty to reach this objective. The objective of share repurchases is to foster the liquidity of transactions and regularity of quotation of the Imerys share, to make certain share-based payments and to perform the cancellations necessary to offset the dilution impact on the shareholders of share options and free shares grants.

Consolidated equity corresponds to the capital and premiums of Imerys SA and consolidated income and reserves. There are no hybrid instruments combining the characteristics of liabilities and equity instruments. As of December 31, 2010:

- consolidated equity amounts to €2,196.4 million (€1,855.8 million as of December 31, 2009) on the basis of which the Board of Directors proposes a dividend per share of €1.20 (€1.00 in 2009);
- 4,170,563 share options and 488,429 free shares representing 5.81% of the capital of Imerys SA after dilution are attributed and not exercised or acquired (5.40% of the capital after dilution as of December 31, 2009);
- Imerys SA holds, at the end of the purchase, sale and cancellation transactions of the period 136,373 Imerys shares (250 as of December 31, 2009).

The capital of Imerys SA is subject to several mandatory requirements of the French Code of Commerce. These requirements do not have any significant impact on the financial statements. However their compliance is subject to specific verifications whose conclusions are disclosed in the Statutory Auditors' Report. Furthermore, part of the Group's financing is ensured through liabilities instruments whose external issuers impose the compliance to ratios, some of which using the amount of consolidated equity. These ratios as well as their amounts at the closing date are presented in *Note 25.5 - Borrower's liquidity risk*.

Period activity

- On April 29, 2010, the Board of Directors decided to create 42,984 new shares and thus to increase the Company's share capital by a nominal amount of €85,968 by incorporation of reserves, with a view to serving an equivalent number of free shares definitely acquired on that date.
- On December 16, 2010, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2009 and April 29, 2010, cancelled 171,627 self-held shares directly acquired on the market by the Company and totally allocated to the cancellation objective. This cancellation of shares led to a capital decrease of the Company by a nominal amount of €343,254.
- On January 10, 2011, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2010, noted that, on December 31, 2010, the share capital had been increased by a nominal amount of €426,604 as a result of the exercise in 2010 of 213,302 share options giving the right to the same number of Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as on December 31, 2010 totaled €150,948,310; it was made up of 75,474,155 shares with €2 par value of which 36,897,864 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 112,372,019. Share capital did not change and the number of voting rights did not change significantly between December 31, 2010 and the date of the present Registration Document. No directly registered shares have been pledged by the Company.

Note 24 Provisions

24.1 Provisions for employee benefits

(€ millions)	2010	2009
Retirement plans	70.8	76.6
Medical plans	13.6	12.9
Other long-term benefits	7.3	6.0
Termination benefits	3.0	8.4
Total	**94.7**	**103.9**

Description of the plans

The main defined benefits plans are located in Great Britain, in the United States and in France. In Great Britain (66.1% of the obligations as of December 31, 2010), the main plan – Imerys Minerals Limited Pension Scheme – is closed to the employees hired after January 1, 2005. Employees hired before that date may continue to acquire rights by year of service to the extent of 1/80 of the average of the 3 last annual salaries. Employees hired after January 1, 2005 benefit from a defined contributions plan. In the United States (20.7% of the obligations as of December 31, 2010), most of the employees may take part to a defined benefit plan whose specificities are defined by category of employees and by activity. A significant part of the defined benefits retirement plans has been closed to the employees hired after January 1, 2010. Besides, the majority of the employees may take part to a 401(k) defined contributions plan. In France (4.3% of the obligations as of December 31, 2010), the defined benefit plans mainly correspond to the retirement indemnities provided by the collective labor agreements and to the supplementary retirement plan of the key management personnel *(Note 29)*.

Estimates

The actuarial assumptions used to measure defined benefit plans (retirement plans, medical plans and other long-term benefits) qualify as estimates of the Executive Management. On the major monetary zones, the assumptions hereafter are weighted by the amounts of obligations or assets, depending upon the item to which they apply.

	2010			2009		
	Euro zone	**Great Britain**	**United States**	**Euro zone**	**Great Britain**	**United States**
Discount rates	4.2%	5.5%	5.5%	4.6%	5.7%	5.7%
Expected rates of return:						
▮ on plan assets	3.7%	6.1%	8.0%	3.6%	6.0%	8.0%
▮ on reimbursement rights	4.4%	-	-	3.9%	-	-
Expected rates of salary increases	2.9%	3.7%	2.1%	2.7%	3.6%	4.1%
Medical cost trend rates	-	-	8.0%	-	-	8.2%

Sensitivity of the 2011 net expense to a change in discount rate on the plans in Pound Sterling.
Scope. Entirety of plans in Pound Sterling, i.e. 66.1% of the Group's obligations at the closing date.
Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.
Results. Increase of €0.5 million (respectively increase of €0.4 million) in the 2011 net expense.

Sensitivity of the 2011 net expense to a change in discount rate on the plans in US Dollar.
Scope. Entirety of plans in US Dollar, i.e. 20.7% of the Group's obligations at the closing date.
Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.
Results. Decrease of €0.5 million (respectively increase of €0.8 million) in the 2011 net expense.

Sensitivity of the total of current service cost and interest cost on the one hand and the obligation of medical defined benefit plans on the other hand to the change in the medical cost trend rates.
Scope. Entirety of medical defined benefits plans, i.e. 1.1% of the Group's obligations at the closing date.
Variables. Increase of 100 basis points (respectively decrease of 100 basis points) in the medical cost trend rates.
Results. Insignificant increase (respectively decrease of €0.1 million) of the total of current service cost and interest cost and increase of €0.6 million (respectively decrease of €0.5 million) on the obligation of medical defined benefit plans.

Tables of changes

The unwinding and the expected return on plan assets and reimbursement rights contribute to the financial income (loss) *(Note 12)* since 2009 in accordance with the voluntary change in accounting method recalled in *Note 2*. The effective return on plan assets (respectively on reimbursement rights) amounts to €76.1 million (respectively to €0.7 million) as of December 31, 2010 and €70.6 million (respectively to €0.3 million) as of December 31, 2009. The amount recognized in profit or loss corresponds to the expected return, as disclosed in the tables hereafter. The difference between expected and effective return contributes to the unrecognized actuarial gains and losses of the period.

As of December 31, 2010

			Unrecognized items			
(€ millions)	**Obligations**	**Assets**	**Actuarial gains and (losses)**	**Past services**	**Assets ceiling**	**Asset (provision)**
Balances as of January 1, 2010	**(888.7)**	**733.0**	**(72.5)**	**(6.5)**	**2.0**	**(78.7)**
Plan assets	-	-	-	-	-	10.9
Reimbursement rights	-	-	-	-	-	5.9
Provisions	-	-	-	-	-	(95.5)
Unwinding	(50.1)	-	-	-	-	(50.1)
Current service cost	(11.1)	-	-	-	-	(11.1)
Expected return on plan assets	-	47.1	-	-	-	47.1
Expected return on reimbursement rights	-	0.2	-	-	-	0.2
Plan assets ceiling	-	-	-	-	(1.6)	1.6
Plan amendments	(1.4)	-	-	0.9	-	(2.3)
Curtailments	0.5	-	0.1	0.1	-	0.3
Settlements	0.7	(1.0)	-	-	-	(0.3)
Actuarial gains and (losses) of post-employment benefits	(46.5)	29.5	(11.2)	-	-	(5.8)
Actuarial gains and (losses) of other employee benefits	(0.9)	-	-	-	-	(0.9)
Changes recognized in profit or loss	**-**	**-**	**-**	**-**	**-**	**(21.3)**
Incoming entities	(0.3)	0.2	-	-	-	(0.1)
Benefit payments	53.0	(46.9)	-	-	-	6.1
Employer contributions	-	32.0	-	-	-	32.0
Employee contributions	(1.8)	1.8	-	-	-	0.0
Exchange rate differences	(38.6)	31.9	(4.3)	-	0.1	(2.5)
Balances as of December 31, 2010	**(985.2)**	**827.8**	**(87.9)**	**(5.5)**	**0.5**	**(64.5)**
Plan assets	-	-	-	-	-	20.6
Reimbursement rights	-	-	-	-	-	6.6
Provisions	-	-	-	-	-	(91.7)

The line “Changes recognized in profit or loss” of the above table is analyzed as follows:

	Asset (provision)
Current operating income	**(16.7)**
Net change in the provisions of defined benefit plans	20.5
Contributions to defined benefit plans	(37.2)
Other operating revenue and expenses	**(1.8)**
Net change in the provisions of defined benefit plans	(0.8)
Contributions to defined benefit plans	(1.0)
Financial income (loss)	**(2.8)**
Expected return on assets of defined benefit plans	47.3
Unwinding of provisions of defined benefit plans	(50.1)
Changes recognized in profit or loss	**(21.3)**

As of December 31, 2009

(€ millions)	Obligations	Assets	Unrecognized items: Actuarial gains and (losses)	Unrecognized items: Past services	Unrecognized items: Assets ceiling	Asset (provision)
Balances as of January 1, 2009	**(750.0)**	**626.0**	**(5.4)**	**(3.1)**	**1.6**	**(117.1)**
Plan assets	-	-	-	-	-	2.1
Reimbursement rights	-	-	-	-	-	5.6
Provisions	-	-	-	-	-	(124.8)
Unwinding	(45.3)	-	-	-	-	(45.3)
Current service cost	(10.6)	-	-	-	-	(10.6)
Expected return on plan assets	-	38.3	-	-	-	38.3
Expected return on reimbursement rights	-	0.2	-	-	-	0.2
Plan assets ceiling	-	-	-	-	0.3	(0.3)
Plan amendments	(5.1)	-	-	(3.3)	-	(1.8)
Curtailments	0.9	-	-	-	-	0.9
Settlements	0.3	-	-	-	-	0.3
Actuarial gains and (losses) of post-employment benefits	(109.3)	32.4	(73.0)	-	-	(3.9)
Actuarial gains and (losses) of other employee benefits	(0.1)	-	-	-	-	(0.1)
Changes recognized in profit or loss	**-**	**-**	**-**	**-**	**-**	**(22.3)**
Outgoing entities	0.2		-	-	-	0.2
Benefit payments	59.6	(50.7)	-	-	-	8.9
Employer contributions	-	53.7	-	-	-	53.7
Employee contributions	(1.8)	1.8	-	-	-	0.0
Reclassification	-	(0.4)	-	-	-	(0.4)
Exchange rate differences	(27.5)	31.7	5.9	(0.1)	0.1	(1.7)
Balances as of December 31, 2009	**(888.7)**	**733.0**	**(72.5)**	**(6.5)**	**2.0**	**(78.7)**
Plan assets	-	-	-	-	-	10.9
Reimbursement rights	-	-	-	-	-	5.9
Provisions	-	-	-	-	-	(95.5)

The line "Changes recognized in profit or loss" of the above table is analyzed as follows:

	Asset (provision)
Current operating income	**(15.8)**
Net change in the provisions of defined benefit plans	39.7
Contributions to defined benefit plans	(55.9)
Others	0.4
Other operating revenue and expenses	**0.3**
Net change in the provisions of defined benefit plans	7.0
Contributions to defined benefit plans	(6.7)
Financial income (loss)	**(6.8)**
Expected return on assets of defined benefit plans	38.5
Unwinding of provisions of defined benefit plans	(45.3)
Changes recognized in profit or loss	**(22.3)**

Assets allocation

	2010	2009
Shares	41.5%	37.4%
Bonds	51.5%	53.9%
Monetary	3.9%	4.6%
Real estate	3.1%	4.1%
Total	**100.0%**	**100.0%**

In 2011, the employer contributions are estimated at €29.9 million.

Funding of obligations and experience adjustments in the long term

The table below analyzes the obligations in accordance with their financing modes: by assets specific to the plans (plan assets), by the Group's own resources (unfunded obligations) and by assets non specific to the plans (reimbursement rights). Besides, this table splits the actuarial gains (losses) generated over the period between experience adjustments (difference between the previous actuarial assumptions and what has actually occurred, for example between the expected and actual returns on assets) and changes in assumptions (changes in certain actuarial assumptions without possible comparison with any actual value, for example for the change in the discount rate).

(€ millions)	2010	2009	2008	2007	2006
Funding of obligations					
Obligations funded by plan assets	(904.0)	(817.4)	(674.3)	(886.9)	(937.7)
Plan assets	821.2	727.1	620.4	858.6	870.2
Funded status	**(82.8)**	**(90.3)**	**(53.9)**	**(28.3)**	**(67.5)**
Unfunded obligations	(61.6)	(52.3)	(57.6)	(64.6)	(63.3)
Obligations funded by reimbursement rights	(19.6)	(19.0)	(18.1)	(18.0)	(20.6)
Reimbursement rights	6.6	5.9	5.6	5.3	5.4
Experience adjustments and changes in assumptions					
Experience adjustments on obligations	1.5	-	-	-	-
Experience adjustments on plan assets	29.0	-	-	-	-
Experience adjustments on reimbursement rights	0.5	-	-	-	-
Experience adjustments	**31.0**	**-**	**-**	**-**	**-**
Changes in assumptions	(48.9)	-	-	-	-
Actuarial gains (losses) of the period	**(17.9)**	**(77.0)**	**(42.2)**	**13.5**	**66.5**

24.2 Other provisions

(€ millions)	2010	2009
Other non-current provisions	189.6	157.7
Other current provisions	14.4	18.6
Total	**204.0**	**176.3**

Estimates

Probability of settlement and amount of the obligation. The probabilities of settlement and the amounts of the obligations are estimated by the Executive Management with the support of external counsels for the significant litigation and claims. These relate to allegations of personal or financial injury implicating the civil liability of Imerys and the potential breach of contractual obligations or regulations on employee, property and environmental issues.

Estimated phasing of future payments

(€ millions)	2011 - 2015	2016 - 2025	2026 and later	Total
Management risks	32.3	-	-	32.3
Environment, dismantling and restoration	41.1	52.4	30.4	123.9
Legal and social litigation	47.8	-	-	47.8
Other provisions	**121.2**	**52.4**	**30.4**	**204.0**

Discount rates. These rates integrate the time value of money and monetary inflation over the timeline of future payments.

For the main discounted provision (mine sites restoration), the assumptions of the major monetary zones are the following:

	2010			2009		
	Euro zone	Great Britain	United States	Euro zone	Great Britain	United States
Time value of money	3.4%	4.4%	3.6%	3.8%	4.7%	4.6%
Monetary inflation	1.9%	3.7%	1.3%	0.9%	2.8%	2.9%

Table of changes

(€ 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**
Changes in the scope of consolidation	-	5.5	5.1	10.6
Increases	0.9	28.5	16.4	45.8
Utilizations	(4.8)	(7.5)	(13.8)	(26.1)
Non-utilized decreases	(3.4)	(1.6)	(7.4)	(12.4)
Unwinding expense	-	3.2	0.2	3.4
Reclassification and other	-	(0.8)	(0.6)	(1.4)
Exchange rate differences	1.0	3.9	2.9	7.8
Balance as of December 31, 2010	**32.3**	**123.9**	**47.8**	**204.0**

Note 25 Financial liabilities

25.1 Categories of financial liabilities

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. 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 December 31, 2010

		Fair value through profit or loss	Hedge derivatives			
(€ millions)	Financial liabilities at amortized cost	Non hedge derivatives	Fair value	Cash flow	Non IAS 39	Total
Non-current liabilities						
Loans and financial debts	996.1	(6.9)	24.9	-	2.7	1,016.8
Other debts	6.9	-	-	-	3.3	10.2
Derivative financial liabilities	-	5.5	-	9.8	-	15.3
Current liabilities						
Trade payables	317.1	-	-	-	-	317.1
Other debts	123.3	-	-	-	116.5	239.8
Derivative financial liabilities	-	1.2	-	0.1	-	1.3
Loans and financial debts	217.1	-	-	1.9	0.5	219.5
Bank overdrafts	4.7	-	-	-	-	4.7
Total financial liabilities	**1,665.2**	**(0.2)**	**24.9**	**11.8**	**-**	**-**

The fair value of fixed rate bonds included in the position “Loans and financial debts” is superior to their carrying amount by €59.0 million.

				Interest rate				
Nominal amount *(in millions)*		Maturity	Quotation	Nominal	Effective	Carrying amount	Fair value	Difference
JPY	7,000.0	9/16/2033	Unlisted	3.40%	3.47%	65.1	84.0	18.9
USD	140.0	8/6/2013	Unlisted	4.88%	4.98%	106.8	117.1	10.3
USD	30.0	8/6/2018	Unlisted	5.28%	5.38%	22.9	26.6	3.7
EUR	300.0	4/25/2014	Listed	5.13%	5.42%	310.6	327.7	17.1
EUR	500.0	4/18/2017	Listed	5.00%	5.09%	517.7	526.7	9.0
Total as of December 31, 2010 (€ millions)						**1,023.1**	**1,082.1**	**59.0**

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**

25.2 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 25.5 - Borrower's liquidity risk)*.

The link between this indicator and the consolidated statement of financial position is presented in the following table:

(€ millions)	Notes	2010	2009
Non-derivative financial liabilities		**1,241.0**	**1,235.8**
Loans and financial debts - non-current		1,016.8	1,037.7
Loans and financial debts - current		219.5	186.0
Bank overdrafts		4.7	12.1
Non-derivative financial assets		**(358.1)**	**(270.2)**
Marketable securities and other financial assets		(6.0)	(5.6)
Cash and cash equivalents		(352.1)	(264.6)
Hedge derivatives		**(10.1)**	**(1.3)**
Financing hedge instruments - liabilities	25.4	16.7	18.8
Financing hedge instruments - assets	25.4	(26.8)	(20.1)
Net financial debt		**872.8**	**964.3**

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25.3 Other debts

(€ millions)	2010	2009
Non-current liabilities		
Income taxes payable	2.3	1.2
Tax debts	-	0.4
Other	7.9	7.9
Total	**10.2**	**9.5**
Current liabilities		
Capital expenditure payables	43.8	28.7
Tax debts	20.3	19.7
Social debts	114.0	103.3
Other	61.7	34.0
Total	**239.8**	**185.7**

25.4 Derivative instruments

Derivative instruments management principles

The use of derivative instruments is framed by a policy defined and operated by the Group Treasury Department and periodically presented to the Board of Directors. In accordance with this policy, derivative instruments are exclusively used to hedge risks related to operating transactions (transactional foreign exchange and energy price risks), to foreign investments (conversion of financial statements risk) and to financing (transactional currency and interest rate risks). Imerys is not taking any speculative position. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with first-rank banking institutions. Imerys proscribes to its entities to subscribe derivative instruments outside the Group. The implementation of this policy to the foreign exchange (transactional currency and conversion of financial statements), interest rate and energy price risks is developed in *Note 25.5*.

Derivative instruments in the financial statements

Assets and liabilities. The following table presents the derivative instruments recognized in the assets and liabilities in accordance with the hedged risks: foreign exchange, interest rate 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).

	2010			2009		
(€ millions)	Assets	Liabilities	Net	Assets	Liabilities	Net
Foreign exchange risk	**6.6**	**1.4**	**5.2**	**2.9**	**2.3**	**0.6**
Forward derivative instruments	6.6	0.1	6.5	0.4	2.3	(1.9)
Optional derivative instruments	-	1.3	(1.3)	2.5	-	2.5
Interest rate risk	**24.8**	**15.3**	**9.5**	**17.6**	**16.5**	**1.1**
Forward derivative instruments	24.8	9.8	15.0	17.6	12.3	5.3
Optional derivative instruments	-	5.5	(5.5)	-	4.2	(4.2)
Energy price risk	**5.6**	**0.0**	**5.6**	**2.1**	**0.6**	**1.5**
Forward derivative instruments	-	-	-	-	-	-
Optional derivative instruments	5.6	-	5.6	2.1	0.6	1.5
Total	**37.0**	**16.7**	**20.3**	**22.6**	**19.4**	**3.2**
Non-current	24.8	15.3	9.5	17.6	16.5	1.1
Current	12.2	1.4	10.8	5.0	2.9	2.1
Operational hedge instruments	10.2	-	10.2	2.5	0.6	1.9
Financing hedge instruments	26.8	16.7	10.1	20.1	18.8	1.3

Equity. As part of its policy of management of the foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments intended to hedge certain future purchases and sales in foreign currencies, a portion of its floating rate financing and part of its future energy consumption in the United States, in 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 11*. These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in *Note 25.5*.

(€ millions)	Foreign exchange rate 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	14.7	0.3	26.0	41.0
Reclassification in profit or loss	9.8	5.6	(1.9)	13.5
Balance as of January 1, 2010	**(0.7)**	**(13.9)**	**1.5**	**(13.1)**
Recognition in equity	10.6	4.1	3.7	18.4
Reclassification in profit or loss	(6.0)	-	0.1	(5.9)
Balance as of December 31, 2010	**3.9**	**(9.8)**	**5.3**	**(0.6)**
of which reclassification to profit or loss expected in 2011	3.9	(9.8)	5.3	(0.6)

25.5 Management of risks arising from financial liabilities

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency.

Management of the risk. Imerys recommends to its operating entities to perform, to the extent it is possible, their transactions in their functional currencies. Where this is not possible, the transactional currency risk may be hedged on an individual basis by currency forwards, currency swaps and foreign exchange options. These instruments are used as hedges of highly probable budget flows. The corresponding hedges qualify as cash flow hedges.

The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2010	2009
Opening balance	**(0.7)**	**(25.2)**
Recognition in equity	10.6	14.7
Reclassification in profit or loss	(6.0)	9.8
Closing balance	**3.9**	**(0.7)**
of which reclassification to profit or loss expected in 2011	3.9	(0.7)

Sensitivity of derivative instruments to changes in foreign exchange rates.

Scope. Portfolio of foreign exchange derivative instruments held as of December 31, 2010 with respect to highly probable future purchases and sales transactions in foreign currencies.

Variables. + 10.0% (respectively - 10.0%) on the exchange rates of all foreign currencies of the derivative instruments of the portfolio as of December 31, 2010.

Results. Decrease in equity of €13.2 million (respectively increase of €13.2 million) corresponding to the change in the effective portion of the derivative instruments qualified as cash flow hedges and increase of €3.4 million (respectively decrease of €3.4 million) in profit or loss corresponding to the change in the ineffective portion of the derivative instruments qualified as cash flow hedges and to the change in fair value of non hedge derivative instruments.

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. The sensitivity analysis presented hereafter enables to assess the exposure of the Group to this risk.

Management of the risk. The objective of the management of the interest rate risk consists in guaranteeing its medium-term cost. The net financial debt is known through a reporting that describes the financial debt of each entity and indicates its components and characteristics. This reporting, reviewed monthly by the Financial Department and quarterly by the Board of Directors, enables the situation to be monitored and the management policy to be adjusted as necessary. The management policy is drawn up by the Group Treasury Department and approved every year by the Financial Department and the Board of Directors. As part of this process, the Group Treasury Department works with first-rank banking institutions and obtains financial data and pricing from information providers. The policy of Imerys is to obtain financing mainly in Euro, the most accessible financial resource and at a fixed rate. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. Given anticipated trends in interest rates in 2010, the Group fixed the interest rate for part of its future financial debt (2011-2015) on various terms.

As of December 31, 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)	2010	2009
Opening balance	**(13.9)**	**(19.8)**
Recognition in equity	4.1	0.3
Reclassification in profit or loss	-	5.6
Closing balance	**(9.8)**	**(13.9)**
of which reclassification to profit or loss expected in 2011	(9.8)	(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 December 31, 2010.

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Debt at fixed rate	**628.2**	**25.0**	**0.7**	**0.0**	**653.9**
Debt at fixed rate on issue	828.2	129.8	65.1	-	1,023.1
Swap fixed rate into floating rate	(200.0)	(104.8)	(64.4)	-	(369.2)
Debt at floating rate	**66.1**	**231.6**	**39.8**	**(118.6)**	**218.9**
Debt at floating rate on issue	103.2	68.9	14.4	16.6	203.1
Net cash and marketable securities	(185.5)	(64.0)	(7.0)	(96.9)	(353.4)
Swap fixed rate into floating rate	200.0	104.8	64.4	-	369.2
Exchange rate swap	(51.6)	121.9	(32.0)	(38.3)	0.0
Net financial debt as of December 31, 2010	**694.3**	**256.6**	**40.5**	**(118.6)**	**872.8**

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	**66.1**	**231.6**	**39.8**	**(118.6)**	**218.9**
Fixed rate hedges	(150.0)	(239.5)	-	-	(389.5)
Swap at average rate of	4.04%	3.92%	-	-	-
Exposure at floating rate after hedging	**(83.9)**	**(7.9)**	**39.8**	**(118.6)**	**(170.6)**

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	**218.9**	**218.9**	**218.9**
Fixed rate hedges	(389.5)	(264.6)	-
Swap at average rate of	2.96%	4.26%	-
Total exposure after hedging	**(170.6)**	**(45.7)**	**218.9**

Sensitivity of financial instruments to changes in interest rates.

Scope. Net financial debt after interest rate derivative instruments as of December 31, 2010.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) of interest rates, assuming that the net financial debt remains constant and that each fixed rate debt (respectively floating rate debt) is replaced upon settlement date by a floating rate debt (respectively fixed rate debt).

Results. Increase in equity of €2.1 million (respectively decrease of €2.2 million) corresponding to the change in the effective portion of the derivative instruments qualified as cash flow hedges and increase in the financial income (loss) of €1.2 million (respectively decrease of €1.3 million).

Energy price risk

Description of the risk. The energy price risk is the risk whereby the cash flow due in relation to an energy purchase may be subject to a deterioration caused by a rise in its market price. Imerys is exposed to the price risk of the energies that enter into the production cycle of its activities, mainly natural gas, electricity and coal to a lesser extent.

Management of the risk. Confronted with the energy price risk, the geographical locations and supply sources of Imerys are diversified. The Group strives to pass on energy price increases to the selling price of its products. Furthermore, the management of the price risk of natural gas, both in Europe and the United States, is centralized, the Group Treasury Department being responsible for implementing the framework and resources needed for the application of a common management policy, which includes appropriate use of the financial instruments available in those markets. Since 2006, the Group has strengthened its research programs on alternative energy sources as well as its projects on the reduction of energy consumption under the supervision of a Group Energy Supervisor. Since 2008, energy managers are 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)	2010	2009
Opening balance	**1.5**	**(22.6)**
Recognition in equity	3.7	26.0
Reclassification in profit or loss	0.1	(1.9)
Closing balance	**5.3**	**1.5**
of which reclassification to profit or loss expected in 2011	5.3	1.5

The following table summarizes the positions taken as of December 31, 2010 to hedge the energy price risk.

	Net notional amounts (in MWh)	Maturities
Underlying position	3,656,416	< 12 months
Management transactions	1,942,533	< 12 months

Sensitivity of derivative instruments to the change in the prices of natural gas and Brent.

Scope. Portfolio of derivative instruments qualified as cash flow hedges held as of December 31, 2010 with respect to the price risk of natural gas and Brent.

Variables. + 10.0% (respectively - 10.0%) on the natural gas and Brent indices as of December 31, 2010.

Results. Increase in equity of €4.2 million (respectively decrease of €4.1 million) corresponding to the change in the effective portion of the derivative instruments qualified as cash flow hedges. The change in the ineffective portion recognized in profit or loss is immaterial.

Borrower's liquidity risk

Description of the risk. The borrower's liquidity risk is the risk whereby Imerys would not be in a position to meet the repayment obligations of its financial liabilities. The maturity on issue as of December 31, 2010 presented hereafter enables to assess the exposure of the Group to this risk. In this table, the bilateral facilities are posted between 2011 and 2015 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.

	2011		2012 - 2016		2017 and later		
(€ millions)	Capital	Interests	Capital	Interests	Capital	Interests	Total
Non-derivative financial liabilities	**66.3**	**51.7**	**558.2**	**221.4**	**586.9**	**73.3**	**1,557.8**
Eurobond / EMTN	-	40.8	303.0	173.4	500.0	25.0	1,042.2
Private placements	-	10.9	104.8	48.0	86.9	48.3	298.9
Commercial paper issues	18.5	-	-	-	-	-	18.5
July 2013 syndicated credit	-	-	-	-	-	-	0.0
Bilateral facilities	-	-	150.4	-	-	-	150.4
Facilities due within one year	47.8	-	-	-	-	-	47.8
Hedge derivatives	**(10.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(10.1)**
Financing hedge instruments - liabilities	16.7	-	-	-	-	-	16.7
Financing hedge instruments - assets	(26.8)	-	-	-	-	-	(26.8)
Future cash outflows with respect to gross financial debt	**56.2**	**51.7**	**558.2**	**221.4**	**586.9**	**73.3**	**1,547.7**
Non-derivative financial liabilities	**4.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4.7**
Bank overdrafts	4.7	-	-	-	-	-	4.7
Non-derivative financial assets	**(358.1)**	**0.0**	**-**	**-**	**-**	**-**	**(358.1)**
Marketable securities and other financial assets	(6.0)	-	-	-	-	-	(6.0)
Cash and cash equivalents	(352.1)	-	-	-	-	-	(352.1)
Future cash outflows with respect to gross financial debt	**(297.2)**	**51.7**	**558.2**	**221.4**	**586.9**	**73.3**	**1,194.3**
of which items recognized as of December 31, 2010 (net financial debt)	(297.2)	24.9	558.2	-	586.9	-	872.8
Non-derivative financial liabilities	**556.9**	**0.0**	**10.2**	**0.0**	**0.0**	**0.0**	**567.1**
Trade payables	317.1	-	-	-	-	-	317.1
Other debts	239.8	-	10.2	-	-	-	250.0
Hedge derivatives	**(10.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(10.2)**
Operational hedge instruments - liabilities	-	-	-	-	-	-	0.0
Operational hedge instruments - assets	(10.2)	-	-	-	-	-	(10.2)
Future cash outflows	**249.5**	**51.7**	**568.4**	**221.4**	**586.9**	**73.3**	**1,751.2**

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)	2011	2012 - 2016	2017 and later	Total
Debt at fixed rate	**31.4**	**100.0**	**522.5**	**653.9**
Debt at fixed rate on issue	31.4	404.8	586.9	1,023.1
Swap fixed rate into floating rate	-	(304.8)	(64.4)	(369.2)
Debt at floating rate	**(303.7)**	**458.2**	**64.4**	**218.9**
Debt at floating rate on issue	49.7	153.4	-	203.1
Net cash and marketable securities	(353.4)	-	-	(353.4)
Swap fixed rate into floating rate	-	304.8	64.4	369.2
Net financial debt	**(272.3)**	**558.2**	**586.9**	**872.8**

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, to part of the bond issues under private placements and to 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 December 31, 2010, the ratio amounts to 0.40 (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 December 31, 2010, the ratio amounts to 1.41 (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 December 31, 2010, Imerys has a long-term rating of Baa3 Outlook Positive by Moody's (Baa3 Outlook Stable 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 December 31, 2010, outstanding securities total €64.4 million (€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 December 31, 2009) rated P-3 by Moody's (P-3 as of December 31, 2009). As of December 31, 2010, outstanding securities total €18.5 million (€50.0 million as of December 31, 2009). Imerys has access to €1,086.6 million of bank facilities (€1,230.1 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 (€2,231.7 million as of December 31, 2010, €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)	2010	2009
Financial resources by maturity (€ millions)		
Maturity less than one year	167.0	134.7
Maturity from one to five years	1,474.8	1,634.2
Maturity beyond five years	589.9	576.4
Total	**2,231.7**	**2,345.3**
Financial resources by nature (€ millions)		
Bond resources	**994.7**	**1023.6**
Eurobond / EMTN	803.0	853.0
Private placements	191.7	170.6
Bank resources	**1,237.0**	**1,321.7**
Syndicated credit	750.0	750.0
Miscellaneous bilateral facilities	487.0	571.7
Total	**2,231.7**	**2,345.3**
Average maturity of financial resources (in years)		
Bond resources	6.1	6.6
Bank resources	2.0	2.9
Total	**3.8**	**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 €1,005.5 million (€1,122.9 million as of December 31, 2009), which gives the Group substantial room to maneuver and a guarantee of financial stability.

	2010			2009		
(€ millions)	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	994.7	994.7	-	1,023.6	1,023.6	-
Commercial papers	-	18.5	(18.5)	-	50.0	(50.0)
Committed bank facilities	1,237.0	150.4	1,086.6	1,321.7	91.6	1,230.1
Bank facilities and accrued interests	-	35.6	(35.6)	-	32.5	(32.5)
Other debts and facilities	-	27.0	(27.0)	-	24.7	(24.7)
Total	**2,231.7**	**1,226.2**	**1,005.5**	**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. The sensitivity analysis presented hereafter enables to assess the exposure of the Group to this risk.

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 December 31, 2010, the loans and exchange rate swaps hedging net investments in foreign entities are the following: USD 379.8 million, JPY1,000.0 million, CHF35.0 million and SGD5.5 million (USD 441.0 million, JPY1,000.0 million, CHF35.0 million and SGD5.5 million as of December 31, 2009).

The table below describes the financial debt before and after the impact of these foreign currencies swaps.

	2010			2009		
(€ millions)	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap
Euro	931.4	(51.6)	879.8	919.7	(65.2)	854.5
US Dollar	198.7	121.9	320.6	222.8	32.1	254.9
Japanese Yen	79.5	(32.0)	47.5	67.6	(27.7)	39.9
Other foreign currencies	16.6	(38.3)	(21.7)	12.3	60.8	73.1
Total	**1,226.2**	**0.0**	**1,226.2**	**1,222.4**	**0.0**	**1,222.4**

As of December 31, 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	879.8	320.6	47.5	(21.7)	1,226.2
Net cash and marketable securities	(185.5)	(64.0)	(7.0)	(96.9)	(353.4)
Net financial debt as of December 31, 2010	**694.3**	**256.6**	**40.5**	**(118.6)**	**872.8**

Sensitivity of foreign exchange swaps to changes in foreign exchange rates.

Scope. Portfolio of foreign exchange swaps qualified as hedges of net investments in foreign entities held as of December 31, 2010.

Variables. + 10.0% (respectively - 10.0%) on the exchange rates of all foreign currencies of the foreign exchange swaps of the portfolio as of December 31, 2010.

Results. Decrease in equity of €11.9 million (respectively increase of €11.9 million).

Note 26 Deferred taxes

Change in deferred taxes

(€ millions)	2009	Profit or loss	Translation, scope and reclassification	2010
Deferred tax assets	55.9	(22.2)	11.8	45.5
Deferred tax liabilities	(63.6)	0.1	(18.3)	(81.8)
Net deferred tax position	**(7.7)**	**(22.1)**	**(6.5)**	**(36.3)**

Deferred tax breakdown by nature

(€ millions)	2009	Profit or loss	Translation, scope and reclassification	2010
Deferred tax assets	**145.0**	**(5.9)**	**11.6**	**150.7**
Provision for employee benefits	12.1	(4.1)	(2.7)	5.3
Other provisions	40.7	(17.1)	3.4	27.0
Property, plant and equipment	48.0	3.1	8.6	59.7
Intangible assets	(0.3)	(0.1)	(0.1)	(0.5)
Financial assets	(5.0)	3.4	(2.8)	(4.4)
Current assets and liabilities	19.7	(0.1)	1.8	21.4
Tax losses carried forward	29.5	8.6	(7.8)	30.3
Other	0.3	0.4	11.2	11.9
Deferred tax liabilities	**(152.5)**	**(16.2)**	**(18.3)**	**(187.0)**
Property, plant and equipment	(154.6)	15.9	(18.5)	(157.2)
Intangible assets	(0.4)	(0.1)	-	(0.5)
Financial assets	(7.9)	0.5	(0.8)	(8.2)
Current assets and liabilities	(5.8)	(0.3)	-	(6.1)
Other	16.2	(32.2)	1.0	(15.0)
Net deferred tax position	**(7.5)**	**(22.1)**	**(6.7)**	**(36.3)**

Carried forward tax losses

Deferred tax assets are recognized as carried forward tax losses when they are assessed as being recoverable. As of December 31, 2010, these deferred tax assets amount to €30.3 million (€29.5 million as of December 31, 2009). On the other hand, tax losses and credits not having been recognized as deferred tax assets due to their uncertain recovery, amount as of December 31, 2010 to respectively €303.8 million (€154.1 million as of December 31, 2009) and €20.8 million (€28.8 million as of December 31, 2009), of which respectively €265.2 million and €20.8 million expire after 2015 or can be carried forward without any time limit. Deferred taxes are calculated by using effective rates over the period in question in accordance with the tax laws in force in each concerned country.

Temporary differences controlled by the Group

No deferred tax liability is recognized with respect to temporary taxable differences between the accounting and tax values of investments where Imerys is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. The Group assesses that the related deferred tax liability unrecognized as of December 31, 2010 amounts to €11.6 million (€6.3 million as of December 31, 2009).

OTHER INFORMATION

Note 27 Main consolidated entities

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). The acquisition of the Brazilian group PPSA over the 2nd half of 2010 represents the first significant change 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 over the 2nd half of 2007.

Materials & Monolithics (M&M). The scope of consolidation of the Materials & Monolithics business group has not significantly changed since the disposal over the 1st half of 2009 of Planchers Fabre, an operation of the Clay Roof Tiles & Bricks France activity specialized in concrete beams. The last significant 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 over the 1st half of 2008.

Scope of consolidation as of December 31, 2010

In the following table, the percentages of interest are identical to the percentages of control, unless otherwise indicated.

Countries Entities	Business groups	% of interest	Countries Entities	Business groups	% of interest
France					
AGS	CRAF	99.50	Imerys	Holding	Parent
Ardoisières d'Angers	M&M	100.00	Imerys Services	Holding	100.00
Calderys France	M&M	100.00	Imerys Tableware France	CRAF	100.00
Charges Minérales du Périgord	PP	100.00	Imerys TC	M&M	100.00
Damrec	CRAF	100.00	Mircal	Holding	100.00
Imerys Ceramics France	CRAF/PFM	99.99	Mircal Europe	Holding	100.00
Imerys Kiln Furniture France	M&M	100.00	World Minerals France	PFM	100.00
Imerys Minéraux France	PFM	100.00			
Europe					
Germany					
Calderys Deutschland	M&M	100.00	Treibacher	CRAF	100.00
Imerys Tableware Deutschland	CRAF	100.00	Treibacher Zschornewitz	CRAF	100.00
Austria					
Calderys Austria	M&M	100.00	Treibacher	CRAF	100.00
Belgium					
Calderys Belgium	M&M	100.00	Timcal Belgium	CRAF	100.00
Imerys Minéraux Belgique	PP/PFM	100.00			
Spain					
Celite Hispanica	PFM	100.00	Imerys Kiln Furniture Espana	M&M	97.11
Europerlita Espanola	PFM	100.00	Imerys Tiles Minerals Espana	CRAF	100.00
Great Britain					
Calderys UK	M&M	100.00	Imerys UK	Holding	100.00
Imerys Minerals	CRAF/PFM/PP	100.00	UCM Magnesia	CRAF	100.00
Hungary					
Calderys Magyarorszag	M&M	100.00	Imerys Kiln Furniture Hungary	M&M	100.00

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Countries Entities	Business groups	% of interest	Countries Entities	Business groups	% of interest
Italy					
Calderys Italia	M&M	100.00	Spica	CRAF	85.87
Gran Bianco Carrara	PFM	100.00	Treibacher	CRAF	100.00
Imerys Minerali	PP	100.00	World Minerals Italia	PFM	100.00
Imerys Tiles Minerals Italia	CRAF	100.00			
Luxembourg					
World Minerals International Sales	PFM	100.00			
Russia					
Calderys	M&M	100.00			
Slovenia					
Treibacher	CRAF	100.00			
Sweden					
Calderys Nordic	M&M	100.00	Imerys Mineral	PP	100.00
Switzerland					
Timcal	CRAF	100.00			
Ukraine					
Calderys Ukraine	M&M	74.90	Vatutinsky Kombinat Vognetryviv	CRAF	85.83
United States					
Advanced Minerals Corporation	PFM	100.00	Imerys Marble	PFM	100.00
Americarb	PP	100.00	Imerys Paper Carbonates	PP	100.00
Celite Corporation	PFM	100.00	Imerys USA	Holding	100.00
C-E Minerals	CRAF	100.00	Kentucky Tennessee Clay Company	CRAF	100.00
Ecca Calcium Products	PFM/PP	100.00	Kings Mountain Minerals	PFM	100.00
Harborlite Corporation	PFM	100.00	KT Feldspar Corporation	CRAF	100.00
Imerys Carbonates	PFM/PP	100.00	UCM Magnesia	CRAF	100.00
Imerys Clays	PFM/PP	100.00	Treibacher North America	CRAF	100.00
Imerys Kaolin	PFM/PP	100.00	UCM Zirconia	CRAF	100.00
Rest of the World					
South Africa					
Calderys South Africa	M&M	73.97 (1)	Rhino Minerals	CRAF	73.97 (1)
Ecca Holdings	CRAF	73.97 (1)	Samrec	CRAF	73.97 (1)
Argentina					
Imerys Argentina	PFM/PP	100.00			
Australia					
Imerys Minerals Australia	PP	100.00			
Brazil					
Imerys Do Brasil Comercio	PFM/PP	100.00	Treibacher Brasil	CRAF	100.00
Imerys Rio Capim Caulim	PP	100.00	Para Pigmentos	PP	100.00
Canada					
Imerys Canada	PP	100.00	Timcal Canada	CRAF	100.00
Suzorite Mining	PFM	100.00			
China					
Imerys Astron Advanced Materials	CRAF	100.00	Yingkou Imerys Astron Chemical	CRAF	100.00
Imerys Pigments Wuhu	PP	100.00	Zibo Imerys Astron Advanced Materials	CRAF	100.00
India					
Ace Calderys	M&M	99.80 (2)			
Japan					
Calderys Japan	M&M	100.00	Imerys Minerals Japan	PP	100.00

Countries Entities	Business groups	% of interest	Countries Entities	Business groups	% of interest
Malaysia					
Imerys Minerals Malaysia	PP	100.00			
Mexico					
Celite Mexicana	PFM	100.00	Liquid Quimica Mexicana	PFM	100.00
KT Clay de Mexico	CRAF	100.00			
New Zealand					
Imerys Tableware New Zealand	CRAF	100.00			
Taiwan					
Calderys Taiwan	M&M	100.00	Imerys Minerals Taiwan	PP	100.00

(1) Percentage of control: 100.00%
(2) Percentage of control: 99.74%

Note 28 Currency rates

(€)	Foreign currencies	2010		2009	
		Closing	Average	Closing	Average
South Africa	ZAR	8.8625	9.7013	10.6660	11.6730
Argentina	ARS	5.3125	5.1894	5.4695	5.2108
Australia	AUD	1.3136	1.4427	1.6008	1.7728
Brazil	BRL	2.2264	2.3323	2.5084	2.7640
Canada	CAD	1.3322	1.3655	1.5128	1.5851
China	CNY	8.8220	8.9753	9.8350	9.5260
United States	USD	1.3362	1.3262	1.4406	1.3945
Great Britain	GBP	0.8608	0.8520	0.8881	0.8911
Hungary	HUF (100)	2.7795	2.7540	2.7042	2.8040
India	INR	59.5835	60.5943	66.7217	67.4620
Japan	JPY (100)	1.0865	1.1632	1.3316	1.3035
Malaysia	MYR	4.0950	4.2691	4.9326	4.9073
Mexico	MXN	16.5475	16.7425	18.9223	18.8045
New Zealand	NZD	1.7200	1.8389	1.9803	2.2121
Russia	RUB	40.8200	40.2623	43.1540	44.1362
Sweden	SEK	8.9655	9.5387	10.2520	10.6199
Switzerland	CHF	1.2504	1.3807	1.4836	1.5101
Taiwan	TWD	38.9779	41.7606	45.8649	46.0366
Ukraine	UAH	10.6580	10.5477	11.5389	11.2490

Note 29 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 December 31, 2009) and the 10 members of the Executive Committee (9 members as of December 31, 2009), of which the Chief Executive Officer who is also member of the Board of Directors.

Remuneration and assimilated benefits granted to these related parties are disclosed in the table hereafter:

		2010		2009	
(€ millions)	**Notes**	**Expense**	**Liability**	**Expense**	**Liability**
Short-term benefits	1	(5.6)	2.3	(5.0)	2.0
Long-term benefits		-	-	-	-
Directors' attendance fees	2	(0.6)	0.3	(0.6)	0.3
Defined benefit plans	3	(3.3)	1.9	(3.4)	0.6
Contributions to defined contribution plans		(0.4)	-	(0.4)	-
Termination benefits		-	-	-	-
Share-based payments	4	(4.3)	-	(3.3)	-
Total		**(14.2)**	**4.5**	**(12.7)**	**2.9**

Note 1. Short-term benefits. These amounts include the fixed part of the remuneration paid for the period as well as the variable part due for the same period, but paid over the subsequent period.

Note 2. Directors' attendance fees. These amounts correspond to the fees paid to the members of the Board of Directors.

Note 3. Post-employment benefits. These amounts correspond to the post-employment defined benefit plans allowed to the main executives of the Group's French entities who meet the required conditions of eligibility. These amounts are recognized for the beneficiaries qualifying as related parties, among which the Chief Executive Officer as well as some of the above mentioned executives (8 in 2010, 7 in 2009). The maximum amount of the life annuity that can be paid to the beneficiaries of these plans as from the liquidation of their retirement rights is calculated in order to guarantee a life annuity:

- of a total gross annual amount (after recognition of pensions from obligatory and complementary retirement plans) of 60.0% of their salary of reference, this salary of reference being capped to 22 times the annual ceiling of the French Social Security;
- subject to a payment ceiling of 25.0% of the above mentioned salary of reference of the last 12 calendar months preceding the withdrawal from the Group's headcount.

Note 4. Share-based payments. This amount corresponds to expenses recognized with respect to the Imerys share options and the free shares attributed to the related parties.

Post employment benefits for Imerys employees

The post-employment benefit plans for the benefit of Imerys employees are related parties. The amount of the contributions to external funds recognized as an expense in 2010 amounts to €32.1 million (€53.7 million in 2009), of which mainly €13.9 million to Imerys UK Pension Fund Trustees Ltd., Great Britain (€16.5 million in 2009) and €9.8 million to Sun Trust Bank, United States (€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 2010 (and 2009) for the FCPE Imerys Actions are insignificant.

Note 30 Commitments

In the course of its activities, Imerys is liable towards third parties for obligations, often subordinated to conditions or subsequent events, that do not (or partially) meet the recognition criteria of liabilities, but may have an impact on the future financial position. The unrecognized portion of the obligation is designated hereafter by the term commitment.

Identified in accordance with applicable accounting standards, the significant commitments, given and received, are presented hereafter:

Commitments given

(€ millions)	Notes	2010	2009
Operating lease	1	134.3	167.7
Site restoration	2	15.5	7.5
Commitments related to operating activities	3	328.7	296.6
Commitments related to treasury	4	42.9	53.4
Other commitments	5	19.5	19.1
Total		**540.9**	**544.3**

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts of real estate, equipment, rail cars, trucks and vehicles, in which Imerys is the lessee. These commitments amount to €134.3 million, of which €18.2 million for 2011, €40.4 million for the period 2012 to 2015 and €75.7 million beyond.

Note 2. Site restoration. These amounts correspond to sureties and guarantees obtained from financial institutions in accordance with legal requirements, decreased by recognized provisions *(Note 24.2)*.

Note 3. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by Imerys as part of purchase contracts of goods, services, energy and freight. These commitments comprise in particular two commitments of purchase of services that aim at guaranteeing the shipping logistics of the Group until 2017 (chartering contract) and 2022 (storage and handling contract) for a total amount of €124.9 million as of December 31, 2010 (€139.1 million as of December 31, 2009).

Note 4. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by Imerys from financial institutions in order to guarantee operating treasury requirements in favor of customers.

Note 5. Other commitments. This position encompasses the whole of the commitments given not mentioned above, among which the seller warranties and the price adjustment clauses given by the Group upon disposals of businesses.

Commitments received

(€ millions)	Notes	2010	2009
Operating lease	1	1.6	10.7
Commitments related to operating activities	2	28.5	16.3
Commitments related to treasury	3	1.6	2.1
Other commitments	4	13.2	3.2
Total		**44.9**	**32.3**

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts in which Imerys is the lessor.

Note 2. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by customers in favor of Imerys as part of sales contracts of goods and services.

Note 3. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by certain suppliers from their financial institutions, in order to guarantee their operating treasury requirements in favor of Imerys.

Note 4. Other commitments. This position encompasses the whole of the commitments received not mentioned above, among which the seller warranties and the price adjustment clauses in favor of the Group upon acquisitions of businesses.

Note 31 Country risks

Due to their mining activity and the variety of their final markets, the entities of Imerys are located in numerous countries. The Group may thus be exposed to certain risks peculiar to these countries which may have in the future a certain impact on its financial statements. The fact that most of the supply sources and final markets of Imerys are located in developed countries however limits the exposure of the Group to these country risks.

In order to identify high-risk countries, Imerys uses the grading system @rating of the Coface, the main French insurance company specialized in export credit insurances, which measures if an economic and financial commitment in an entity is influenced by the economic, financial and political prospects of the concerned countries. The grading system of the Coface consists of 7 categories from A1 to D, with an increasing order of importance of the assessed risks. The categories C and D corresponding to the highest risks include Argentina, Venezuela, Ukraine and Zimbabwe where the Group is present.

The revenue performed in these countries represents in 2010 1.12% of the Group revenue (2.24% in 2009) and 1.26% of the current operating income (1.22% in 2009). The total of the statement of financial position located in these countries represents 0.20% of the statement of financial position (0.41% as of December 31, 2009) and - 0.64% of consolidated equity, Group share (- 0.58% as of December 31, 2009).

Note 32 Events after the end of the period

The annual consolidated financial statements as of December 31, 2010 were closed by the Board of Directors at its meeting on February 15, 2011. No significant event after the end of the period is to be reported.

Unless otherwise indicated, all values in the tables are in thousands of Euros.

5.2 STATUTORY FINANCIAL STATEMENTS

FINANCIAL COMMENTARY

The financial statements of Imerys (or the "Company") only provide a very partial view of the Group's economic and financial position, which is reflected only in the consolidated financial statements.

In 2010, the net income of the Company amounts to €83.6 million whereas the 2009 net income reached €71.9 million.

The main factors for 2010 were:

The acquisition by the Imerys group of the Brazilian company Pará Pigmentos SA (PPSA) on July 26, 2010. Imerys took over two loans from CMM Overseas for a total amount of USD 50.6 million, and financed the acquisition of PPSA shares by Mircal Brésil.

The evolution of financial resources. The financial debts of Imerys SA increase by €61.8 million in 2010.

Investments increase by €165.8 million due to the subscription to the capital increase of Mircal Chili for an amount of €15.5 million and to the capitalization of two loans granted to Imerys USA for a total amount of €150.3 million. It is mainly this capitalization which explains the decrease of loans related to direct investments and other subsidiaries for a net amount of €181.9 million in 2010.

The structure of financing means has not been modified compared to 2009.

The increase in the operating loss. Sales slightly decrease by €0.3 million whereas other revenue decreases by €0.8 million due to the decrease in retirement provisions of €5.6 million in 2010 against €7.0 million in 2009.

These decreases in provisions relate to payments of an amount of €5.0 million made in 2010 and of €7.0 million made in 2009 for a retirement plan in order to hedge the commitments related to these plans by financial assets.

The operating expenses of the Company increase by €9.6 million in 2010. This increase can mainly be explained by the constitution of a provision for risks for an amount of €4.1 million corresponding to the future transfer of treasury shares of the Company as part of free shares plans.

Purchases and external services slightly increase by + 1.5% in order to reach - €35.9 million. The increases in provisions rise by €2.9 million due to the constitution of the provision for risks for an amount of €4.1 million mentioned above, partly offset by a decrease in the amortization / depreciation allowance for an amount of €0.4 million and a decrease of €0.8 million in the retirement provisions accrual.

In total, the operating loss increases by €10.7 million.

The increase in the financial income. The financial income increases by €27.7 million compared to the 2009 period. Revenue from subsidiaries and affiliates slightly increases by €0.8 million. The exchange rate gain, net of change in provisions for exchange rate losses, increases by €25.3 million.

Thus, the current income increases by €17.0 million.

5.2.1 FINANCIAL STATEMENTS

INCOME STATEMENT

(€ thousands)	Notes	2010	2009
Operating revenue		**28,708**	**29,851**
Rendering of services		18,874	19,197
Other revenue and decreases in provisions		5,723	8,051
Transfer of expenses	9	4,111	2,603
Operating expenses		**(71,951)**	**(62,394)**
Purchases and external services		(35,955)	(35,431)
Taxes and duties		(624)	(683)
Staff expenses		(25,799)	(19,175)
Amortization, depreciation, write-downs and provisions		(8,573)	(5,638)
Other expenses		(1,000)	(1,467)
Operating income		**(43,243)**	**(32,543)**
Financial income	10	**101,269**	**73,618**
Revenue from subsidiaries and affiliates		103,384	102,578
Net financial expenses		(54,590)	(54,019)
Increases and decreases in write-downs and provisions		41,635	(44,126)
Exchange rate gains and losses		10,840	69,185
Current income		**58,026**	**41,075**
Exceptional income (loss)	11	**2,825**	**105**
Exceptional revenue		5,880	15,251
Exceptional expenses		(3,055)	(15,146)
Income taxes	12	**22,794**	**30,755**
Net income		**83,645**	**71,935**

BALANCE SHEET

(€ thousands)	Notes	2010	2009
Net intangible assets		**1,337**	**1,507**
Intangible assets	13	8,708	7,885
Accumulated amortization	13	(7,371)	(6,378)
Net property, plant and equipment		**2,005**	**2,020**
Property, plant and equipment	13	6,284	5,776
Accumulated depreciation	13	(4,279)	(3,756)
Net investments		**3,307,210**	**3,141,410**
Investments	14	3,310,213	3,144,413
Write-downs	14-20	(3,003)	(3,003)
Loans related to direct investments and other subsidiaries - net value		**516,812**	**698,739**
Loans related to direct investments and other subsidiaries	15-17	516,812	698,739
Write-downs	20	-	-
Other financial investments	16-17	**2,263**	**2,139**
Non-current assets		**3,829,627**	**3,845,815**
Other receivables	17	13,261	11,000
Derivative financial assets		179	258
Marketable securities	18	164,620	100,028
Cash and cash equivalents		2,596	2,703
Current assets		**180,656**	**113,989**
Regularization accounts	17	35,736	75,244
Assets		**4,046,019**	**4,035,048**
Share capital		150,948	150,779
Additional paid-in capital		338,358	339,414
Reserves		959,031	956,677
Retained earnings		369,030	375,039
Net income of the period		83,645	71,935
Shareholders' equity	19	**1,901,012**	**1,893,844**
Provisions for risks and charges	20	**43,878**	**84,845**
Financial debts	21	2,047,756	1,986,001
Other debts	21	25,429	29,151
Derivative financial liabilities	21	138	365
Debts		**2,073,323**	**2,015,517**
Regularization accounts	21	27,806	40,842
Shareholders' equity and liabilities		**4,046,019**	**4,035,048**

CASH FLOW STATEMENT

(€ thousands)	**2010**	**2009**
Cash flow from operating activities		
Net income	**83,645**	**71,936**
Expenses and revenue with no impact on cash flow		
Amortization and depreciation	2,234	2,700
Write-downs and provisions	(43,783)	38,899
Income on disposal of assets	5	1
Current operating cash flow before working capital changes	**42,101**	**113,536**
Change in the working capital requirement	(6,281)	35,523
Cash flow from operating activities	**35,820**	**149,059**
Cash flow from investing activities		
Acquisitions of assets		
Intangible assets and property, plant and equipment	(1,340)	(424)
Financial (investments and related assets)	(15,654)	857
Disposals of assets		
Intangible assets and property, plant and equipment	-	-
Financial (investments and related assets)	-	(1)
Cash flow from investing activities	**(16,994)**	**432**
Cash flow from financing activities		
Change in financial debts	90,480	(387,014)
Change in loans and other financial assets	31,652	114,595
Cash flow from financing activities	**122,132**	**(272,419)**
Capital operations		
Capital increase	6,090	248,816
Capital decrease by cancellation of treasury shares	(7,062)	-
Dividends paid	(75,505)	(62,788)
Cash flow from transactions on equity	**(76,477)**	**186,028**
Change in cash and cash equivalents	**64,485**	**63,100**

(€ thousands)	**2010**	**2009**
Cash and cash equivalents at the beginning of the period	**102,731**	**39,631**
Change in cash and cash equivalents	64,485	63,100
Cash and cash equivalents at the end of the period	**167,216**	**102,731**

DETAIL OF MOVEMENTS ON TREASURY SHARES

(€ thousands)	**2010**	**2009**
Gross amount of treasury shares booked as investments as of January 1	**6**	**0**
Purchases of treasury shares	12,994	133
Sales of treasury shares	-	-
Transfer of treasury shares (free shares)	-	(127)
Capital decrease by cancellation of treasury shares	(7,062)	-
Gross amount of treasury shares booked as investments as of December 31	**5,938**	**6**

5.2.2 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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5

ACCOUNTING PRINCIPLES AND POLICIES

The general accounting rules have been applied under the principle of prudence and in accordance with the basic assumptions: going concern, permanence of accounting policies from one period to the other, independence of periods, in accordance with the general rules of preparation and presentation of the annual financial statements.

The methodology generally used is the historical cost method for the items recognized in the books.

The statutory financial statements provide comparative information with respect to period N-1. Comparative information with respect to period N-2 is incorporated by reference to the financial statements included in the registration document of period N-2 *(see chapter 8, section 8.4 of the Registration Document)*.

Note 1 Intangible assets and property, plant and equipment

Intangible assets

Intangible assets are valued at acquisition cost. Software is amortized over 3 years using the straight-line method.

Property, plant and equipment

Property, plant and equipment are assessed at acquisition cost or at their contribution value.

The depreciation methods used are representative of economic depreciation; therefore, no excess tax depreciation was recognized under liabilities in the balance sheet.

Depreciation methods and periods are as follows:

- machinery and equipment: straight-line method, over 10 years;
- equipment and office furniture: straight-line method, over 5 and 10 years;
- office equipment: straight-line method, over 5 years;
- IT equipment: straight-line method, over 3 years.

Note 2 Long-term investments

The long-term investments are valued at acquisition cost, excluding ancillary expenses.

Investments and other long-term investments are estimated at their value in use. The value in use is evaluated according to the value of the Company, based notably on its previous results and its profitability prospects, to the portion of converted equity owned for these investments and to the net asset value. When this value is higher than the carrying amount recognized in the balance sheet, the latter is not modified. On the contrary, a write-down of the investment is recognized.

Unrealized losses generated from the fluctuations of foreign currencies in which the long-term investments are denominated are not aimed to realize. Therefore, unrealized exchange losses do not constitute in themselves sufficient criteria to justify systematically a provision for depreciation.

Note 3 Receivables and debts in foreign currencies

Receivables and debts in foreign currencies are converted at closing rate.

Note 4 Foreign currency exposure

Where, for transactions presenting sufficiently close maturities, the unrealized gains and losses may be considered as contributory to a global foreign exchange position, the amount of the increase in the provision for exchange rate losses is limited to the excess of unrealized losses over unrealized gains.

Note 5 Marketable securities

Their value in use is assessed at their average market price of the last month of the period for listed stocks, at the last known redemption price for the SICAVs (money market funds) and at their net asset value for the FCPs (equity funds). Unrealized losses of value are subject to a write-down, unrealized gains are not recognized.

Note 6 Provisions

Provisions for risks

Provisions for risks cover identified risks and are determined in accordance with the following method:

- provisions for operational risks include mainly litigation in progress related to the current activities;
- provisions for restructuring relate to reorganization plans officially decided and initiated before the end of the period;
- provisions pertaining to changes in the value of certain equity interests are determined in accordance with the last financial information available and the evolution prospects.

Provisions for charges

They mainly include:

- provisions for supplementary pension plans and pensions for former employees;
- retirement indemnities expense calculated in accordance with the Projected Unit Credit Method.

Imerys applies the recommendation no. CNC 2003-R01 applicable to the valuation and accounting for pension commitments and similar advantages.

Note 7 Risks pertaining to financial markets

As a holding company and head of the Group, the Company implements the management of financial market risks identified within the Group (foreign exchange rate risk, interest rate risk, energy price risk).

The main instruments and risks are described hereafter:

- the derivative instruments used to hedge the foreign exchange rate risk are mainly forward buying and selling foreign currency contracts as well as change options. A global foreign exchange position is established when transactions in foreign currencies (hedged items and hedging instruments) result in the symmetrical recognition of an asset and a liability presenting close characteristics. For those options complying with the Group's risk management policy, but not qualified as hedging options, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized;
- the Company implements swaps and options in order to hedge the interest rate risk. The expenses and revenue related to the hedging instruments are recognized in profit or loss symmetrically to the expenses and revenue of hedged items;
- in order to hedge the energy price risk which affects its subsidiaries, the Company uses option contracts as well as forward buying and selling contracts. The expenses and revenue related to hedging instruments of the Company's risks are recognized in profit or loss symmetrically to the expenses and revenue of hedged items. For those options and contracts related to the hedging of risks affecting the Company's subsidiaries which comply with the Group's risk management policy, but which are not qualified as hedging options in the financial statements of the Company, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized.

Note 8 Tax consolidation

Since 1993, Imerys and some of its French subsidiaries have been assessed under Article 223 A of the French Tax Code in respect of group taxation. The tax consolidation perimeter, identical to the 2009 perimeter, includes as of December 31, 2010 the 28 entities mentioned below:

AGS	KPCL KVS
Ardoisières d'Angers	Mircal
Calderys France	Mircal Brésil
Charges Minérales du Périgord	Mircal Chili (ex Parnasse 16)
Damrec	Mircal China
IGM For Fibre Glass (ex Parnasse 29)	Mircal Europe
Imerys	Parimétal
Imerys Ceramics France	Parnasse 22
Imerys Foundry Minerals Europe	Parnasse 25
Imerys Kiln Furniture France	Parnasse 27
Imerys Minéraux France	Parnasse 28
Imerys Services	PLR Réfractaires SAS U
Imerys Tableware France	Rieux Réfractaires
Imerys TC	World Minerals France

Within the fiscal group headed by Imerys, the relationships are governed by a convention whose principles are summarized below:

- the tax consolidated entities benefit from a situation identical to the one that they would have had in the absence of tax consolidation;
- all additional expenses are recognized at Imerys which benefits in counterpart from any potential savings generated by this system.

Note 9 Transfer of expenses

The transfer of expenses positions mainly correspond to:

- the transfer of expenses to balance sheet accounts (loan issuance costs, capital increase costs);
- the transfer from one category of expenses to another (operating expenses transferred to exceptional or financial expenses or vice versa).

NOTES TO THE INCOME STATEMENT

Note 10 Financial income

(€ thousands)	2010	2009
Financial revenue	**307,334**	**377,267**
Revenue from subsidiaries and affiliates [(1)]	103,384	102,578
Other investment income - net [(1)]	29,513	65,283
Decreases in provisions and transfer of expenses	72,665	32,076
Exchange rate gains	101,772	177,330
Financial expenses	**206,065**	**303,649**
Financial interests and expenses on financial instruments [(2)]	84,103	122,593
Increases in financial amortization and provisions	31,030	72,912
Exchange rate losses	90,932	108,144
Financial income	**101,269**	**73,618**
(1) of which revenue related to controlled entities	*112,479*	*144,568*
(2) of which expenses related to controlled entities	*9,948*	*7,783*

In 2010, the Company received €103.4 million of dividends.

As a holding company, Imerys manages its balance sheet foreign exchange rate risk, notably linked to the foreign net assets held directly or indirectly by the Company and also resulting from the loans and advances granted to the subsidiaries and entities controlled by the Company in accordance with the intra-group treasury contracts. Therefore, the proportion of the financial indebtedness drawn in foreign currencies is adjusted. In relation to this adjustment, Imerys recognized in 2010 a net foreign exchange gain of €10.8 million (a gain of €69.2 million was realized in 2009) mainly due to the hedging of foreign investments by Imerys.

For the record, at the same time, assets held by subsidiaries are not subject to revaluation of investments in the balance sheet.

Note 11 Exceptional income (loss)

(€ thousands)	2010	2009
Gains and losses on disposals of assets	(5)	(2)
Other exceptional revenue	61	1
Decreases in provisions and transfer of expenses	3,279	4,138
Increases in provisions	(508)	(3,675)
Other exceptional expenses	(2)	(357)
Exceptional income (loss)	**2,825**	**105**

The gains and losses on disposals of assets in 2010 relate to an intra-group loan transfer (€2.5 million) at net book value and the disposal of IGM for Fibre Glass shares to Imerys Ceramics France.

The decreases in provisions as of December 31, 2010 relate to a provision for Group restructuring (€1.5 million), a provision for headquarter restructuring (€0.2 million) and a provision for exceptional expenses (€1.5 million).

A provision for Group restructuring was constituted in 2010 for an amount of €0.5 million.

Note 12 Income taxes

(€ thousands)	**2010**	**2009**
Taxes on long-term capital gains	-	-
Income taxes	22,794	30,755
Total	**22,794**	**30,755**

Breakdown of the tax expense of the Company

(€ thousands)	**Result before taxes**	**Taxes**	**Result after taxes**
Current income	58,026	-	58,026
Exceptional income (loss)	2,825	-	2,825
Impact of the tax consolidation	-	22,794	22,794
Total	**60,851**	**22,794**	**83,645**

In accordance with the terms of the tax consolidation conventions signed by each company of the Group, the tax expense or credit recognized in the accounts of Imerys is composed of:

- the tax expense of the Company, calculated as if it was not fiscally consolidated;
- the net amount of additional expenses and credits resulting from the tax consolidation.

In this context, Imerys recognized a credit of €22.8 million for the 2010 period.

As regards Imerys, the Company recognizes in 2010 a loss of €56.0 million that has been used by the consolidated group in accordance with the rules of tax consolidation. At the end of 2010, the balance of carried forward short-term losses amounts to €530.9 million.

Change in deferred taxes (deferred tax basis)

Description	**As of December 31, 2010**		**As of December 31, 2009**	
(€ thousands)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Temporary differences	**29,059**	**60,738**	**70,690**	**120,772**
Deductible next year	-	30,163	-	73,496
Deductible later	-	2,769	-	6,434
Deducted expenses or taxed revenue not yet recognized	29,059	27,806	70,690	40,842
Potentially taxable items	**-**	**273,471**	**-**	**273,471**
Special reserve for long-term capital gains	-	273,471	-	273,471
Other	-	-	-	-

NOTES TO THE BALANCE SHEET

Note 13 Changes in property, plant and equipment and intangible assets

(€ thousands)	Gross amount 12/31/2009	Acquisitions	Disposals	Gross amount 12/31/2010
Intangible assets	7,885	823	-	8,708
Property, plant and equipment	5,776	508	-	6,284
Total gross intangible assets and property, plant and equipment	**13,661**	**1,331**	**0**	**14,992**

(€ thousands)	Amortization and depreciation as of 12/31/2009	Increases	Decreases	Amortization and depreciation as of 12/31/2010
Amortization of intangible assets	6,378	993	-	7,371
Depreciation of property, plant and equipment	3,756	523	-	4,279
Total amortization and depreciation of intangible assets and property, plant and equipment	**10,134**	**1,516**	**0**	**11,650**

Note 14 Changes in the value of investments

The gross amount of investments increases by €165.8 million due to the subscription to the capital increase of Mircal Chili for an amount of €15.5 million and to the capitalization of two loans granted to Imerys USA for a total amount of €150.3 million.

Write-down allowances remain unchanged since 2005. They amount to €3.0 million and relate to investments of a subsidiary whose activity has ceased.

Note 15 Loans related to investments

The amount of loans related to investments decreases by €181.9 million. Two loans granted to Imerys USA of respectively €127.9 million and €22.4 million were capitalized in 2010. These receivables related to investments correspond to loan contracts and intra-group credit agreements aimed at optimizing the cash management.

Note 16 Other financial investments

The other financial investments mainly include 19,797 Quadrem shares held by Imerys since October 11, 2000 for a gross amount of €2.1 million. The equity interest of Imerys represents 1.196% of the Quadrem share capital.

Note 17 Other receivables

(€ thousands)	Gross amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Loans and receivables related to investments	**516,812**	**336,334**	**80,139**	**100,339**
Loans and receivables related to direct investments	36,252	36,252	-	-
Loans and receivables related to other Group subsidiaries	480,560	300,082	80,139	100,339
Other financial investments	**2,263**	**1**	**-**	**2,262**
Other receivables	**13,261**	**12,129**	**948**	**184**
Operating receivables	11,823	11,823	-	-
Bond issuance premium	1,438	306	948	184
Regularization account	**35,736**	**33,373**	**1,863**	**500**
Prepaid expenses	4,507	3,905	602	-
Bond issuance cost	2,170	409	1,261	500
Unrealized foreign exchange rate losses	29,059	29,059	-	-
Total	**568,072**	**381,837**	**82,950**	**103,285**

Note 18 Marketable securities

Net values

(€ thousands)	2010	2009
SICAVs and mutual funds	158,682	100,028
Treasury shares	5,938	-
Total	**164,620**	**100,028**

As of December 31, 2010, the gross amount of marketable securities amounts to €164.6 million. No impairment loss has been recognized in 2009 and 2010.

Measurement of marketable securities as of December 31, 2010

Nature	Quantity	Average cost price per unit (€)	Closing price December 2010 (€)
SICAV BNP	1	56,131.58	56,133.99
SICAV BNP	565	56,133.99	56,133.99
SICAV Calyon	139	228,190.59	228,190.59
SICAV Natexis	567	55,962.75	55,962.75
SICAV SG	1	23,223.94	23,224.71
SICAV SG	1,365	23,224.71	23,224.71
SICAV HSBC	10,304	3,079.90	3,079.90
Treasury shares	136,373	43.54	49.89

Note 19 Breakdown of changes in shareholders' equity

(€ thousands)	Capital	Premiums	Reserves (1) legal	regulated	other	Retained earnings	Income of the period	Total
Shareholders' equity as of 01/01/09 before allocation of net income	**125,573**	**115,803**	**12,725**	**273,471**	**670,482**	**350,764**	**87,063**	**1,635,881**
Allocation of 2008 income	-	-	-	-	-	24,277	(87,063)	(62,786)
Movements of the 2009 period								
Capital increase by creation of 12,557,518 shares	25,115	222,376	-	-	-	-	-	247,491
Subscription of 45,388 shares by exercise of options	91	1,234	-	-	-	-	-	1,325
Net income as of 12/31/09	-	-	-	-	-	-	71,935	71,935
Shareholders' equity as of 01/01/10 before allocation of net income	**150,779**	**339,413**	**12,725**	**273,471**	**670,482**	**375,039**	**71,935**	**1,893,844**
Allocation of 2009 income	-	-	2,353	-	-	(5,923)	(71,935)	(75,505)
Movements of the 2010 period								
Cancellation of 171,627 shares of €2.00	(343)	(6,719)	-	-	-	-	-	(7,062)
Capital increase by creation of 42,984 shares	86	-	-	-	-	(86)	-	0
Subscription of 213,302 shares by exercise of options	426	5,664	-	-	-	-	-	6,090
Net income as of 12/31/10	-	-	-	-	-	-	83,645	83,645
Shareholders' equity as of 01/01/11 before allocation of net income	**150,948**	**338,358**	**15,078**	**273,471**	**670,482**	**369,030**	**83,645**	**1,901,012**
Proposal for allocation of income (2)	-	-	-	-	-	-	(83,645)	(83,645)
Shareholders' equity as of 01/01/11 with proposal for allocation of income	**150,948**	**338,358**	**15,078**	**273,471**	**670,482**	**369,030**	**0**	**1,817,367**

(1) Shareholders' equity of Imerys does not include revaluation differences.
(2) Proposed to the Shareholders' General Meeting on April 28, 2011.

Number of shares

	2010	2009
Number of shares outstanding at the opening	**75,389,496**	**62,786,590**
Capital increases	256,286	12,602,906
Capital decreases	(171,627)	-
Number of shares outstanding at the closing	**75,474,155**	**75,389,496**

For 2010, the capital movements are the following:

- on April 29, 2010, the Board of Directors decided to create 42,984 new shares and thus to increase the Company's share capital of a nominal amount of €85,968 by incorporation of reserves, with a view to serving an equivalent number of free shares definitely acquired on that date;
- on December 16, 2010, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2009 and April 29, 2010, cancelled 171,627 treasury shares directly acquired on the market by the Company and totally allocated to the cancellation objective. This cancellation of treasury shares lead to a capital decrease of the Company of a nominal amount of €343,254;
- on January 10, 2011, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2010, noted that, on December 31, 2010, the share capital had been increased by a nominal amount of €426,604 as a result of the exercise during the 2010 period of 213,302 share options giving the right to the same number of Imerys shares.

Detailed information concerning share capital is available in *chapter 6, paragraph 6.2.1 of the Registration Document.*

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Note 20 Write-downs and provisions

(€ thousands)	Amount at the beginning of the period	Increases			Decreases (1)			Amount at the end of the period
		Operating	Financial	Exceptional	Operating	Financial	Exceptional	
Write-downs								
Investments	3,003	-	-	-	-	-	-	3,003
Trade receivables	23	19	-	-	(23)	-	-	19
Loans related to investments	-	-	-	-	-	-	-	-
Non-consolidated investments	-	-	-	-	-	-	-	-
Bond issuance premium	1,458	-	306	-	-	-	-	1,764
Marketable securities	-	-	-	-	-	-	-	-
Prepaid expenses - future employee benefits	-	-	-	-	(2,812)	-	-	(2,812)
Total assets	**4,484**	**19**	**306**	**-**	**(2,835)**	**-**	**-**	**1,974**
Provisions								
Provisions for risks	**83,561**	**4,111**	**29,520**	**508**	**(56)**	**(72,151)**	**(3,279)**	**42,214**
Management risks	4,854	4,111	57	508	(56)	-	(1,541)	7,933
Provisions for exchange rate losses	70,690	-	29,059	-	-	(70,690)	-	29,059
Staff-related risks	730	-	-	-	-	-	(230)	500
Environmental risks	5,025	-	404	-	-	-	(1,508)	3,921
Financial instruments	1,461	-	-	-	-	(1,461)	-	0
Risks on subsidiaries and investments	801	-	-	-	-	-	-	801
Provisions for charges	**1,284**	**2,926**	**793**	**-**	**(2,825)**	**(514)**	**-**	**1,664**
Pensions	-	-	-	-	-	-	-	-
Future employee benefits	1,284	2,926	793	-	(2,825)	(514)	-	1,664
Other social contributions and tax expenses	-	-	-	-	-	-	-	-
Total liabilities	**84,845**	**7,037**	**30,313**	**508**	**(2,881)**	**(72,665)**	**(3,279)**	**43,878**
Grand Total	**89,329**	**7,056**	**30,619**	**508**	**(5,716)**	**(72,665)**	**(3,279)**	**45,852**

(1) Provisions decreased in accordance with used amounts for €5,923 thousand.

As head of the Group, Imerys recognizes management risk and environmental provisions. They specifically relate to environmental liability guarantees following the disposal of some investments.

As of December 31, 2010, the provision for financial risks constituted in 2009, has been totally decreased by an amount of €1.5 million. This provision relates to hedging transactions on foreign currencies and on energy prices.

In 2010, a provision for risks has been increased by an amount of €4.1 million corresponding to the future free grant of 136,373 treasury shares of the Company. As of December 31, 2010, these treasury shares are measured at a total amount of €5.9 million.

Some of these instruments, in accordance with the Group's financial risk management policy, are not recognized as hedging instruments at Imerys SA. The financial instruments held as of December 31, 2010 are described in *Note 25* and following.

Future employee benefits

The concerned retirement plans correspond to basic and complementary plans applicable to the metalworking industry.

The provision for future employee benefits is calculated in accordance with the following assumptions:

	Retirement	Other long-term employee benefits
Discount rates	4.4%	3.3%
Expected rates of return on plan assets	3.7%	-
Expected rates of salary increases	3.5%	3.5%
Annual turnover rates:		
▪ Non executives until 55 years (included)	20.0%	20.0%
▪ Non executives after 55 years	-	-
▪ Executives until 55 years (included)	9.0%	9.0%
▪ Executives after 55 years	-	-

Actuarial differences are recognized according to the corridor method.

Net expense

	2010			2009		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Interest cost	(781)	(12)	(793)	(864)	(11)	(875)
Current service cost	(1,113)	(30)	(1,143)	(983)	(19)	(1,002)
Expected return on assets	513	-	513	271	-	271
Past service cost	(2,133)	-	(2,133)	(1,990)	-	(1,990)
Actuarial (gains) and losses	254	(114)	140	(40)	(101)	(141)
Curtailments and settlements	210	-	210	14	24	38
Recognized net expense	**(3,050)**	**(156)**	**(3,206)**	**(3,592)**	**(107)**	**(3,699)**
Assets' effective return	816	-	816	(177)	-	(177)

Change in the discounted value of obligations

	2010			2009		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Opening obligations	**(19,415)**	**(307)**	**(19,722)**	**(11,730)**	**(219)**	**(11,949)**
Interest cost	(781)	(12)	(793)	(864)	(11)	(875)
Current service cost	(1,113)	(30)	(1,143)	(983)	(19)	(1,002)
Benefit payments	931	28	959	728	19	747
Plan amendments	(1,106)	-	(1,106)	(8,344)	-	(8,344)
Curtailments and settlements	386	-	386	60	24	84
Actuarial (gains) and losses	547	(114)	433	1,718	(101)	1,617
Closing obligations (1)	**(20,551)**	**(435)**	**(20,986)**	**(19,415)**	**(307)**	**(19,722)**
Funded by plan assets	(18,828)	-	(18,828)	(18,431)	-	(18,431)
Unfunded	(1,722)	(435)	(2,157)	(984)	(307)	(1,291)

(1) Of which retirement obligations to the benefit of the members of the Executive Management and of the Board of Directors: €7,683 thousand in 2010, €6,962 thousand in 2009.

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Change in fair value of plan assets

	2010			2009		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Opening assets	**13,430**	**-**	**13,430**	**6,986**	**-**	**6,986**
Expected return on assets	513	-	513	271	-	271
Benefit payments	(319)	-	(319)	(728)	-	(728)
Employer contributions	5,000	-	5,000	7,349	-	7,349
Actuarial gains and (losses)	302	-	302	(448)	-	(448)
Closing assets	**18,926**	**-**	**18,926**	**13,430**	**-**	**13,430**

Assets / liabilities in the balance sheet

	2010			2009		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Funded obligations	(18,828)	-	(18,828)	(18,431)	-	(18,431)
Fair value of assets	18,927	-	18,927	13,430	-	13,430
Funded status	**99**	**-**	**99**	**(5,001)**	**-**	**(5,001)**
Unfunded obligations	(1,722)	(435)	(2,157)	(984)	(307)	(1,291)
Unrecognized past service cost	5,420	-	5,420	6,657	-	6,657
Net unrecognized actuarial differences	(2,214)	-	(2,214)	(1,652)	-	(1,652)
Assets (provisions) in the balance sheet	**1,583**	**(435)**	**1,148**	**(980)**	**(307)**	**(1,287)**
Provisions for retirement	-	-	-	-	-	-
Provisions for future employee benefits	1,583	(435)	1,148	(980)	(307)	(1,287)

Change in assets (provisions) in the balance sheet

	2010			2009		
(€ thousands)	**Retirement**	**Other**	**Total**	**Retirement**	**Other**	**Total**
Opening assets (provisions)	**(980)**	**(307)**	**(1,287)**	**(4,737)**	**(219)**	**(4,956)**
Current service cost after curtailments / settlements	(3,050)	(156)	(3,206)	(3,592)	(107)	(3,699)
Contributions	5,613	28	5,641	7,349	19	7,368
Closing assets (provisions)	**1,583**	**(435)**	**1,148**	**(980)**	**(307)**	**(1,287)**

Note 21 Debts and regularization accounts as of December 31, 2010

(€ thousands)	**Amount**	**Maturity less than one year**	**Maturity from one to five years**	**Maturity beyond five years**
Financial debts	2,047,756	1,053,121	404,775	589,860
Other debts	25,567	25,567	-	-
Deferred revenue	-	-	-	-
Unrealized exchange rate gains	27,806	27,806	-	-
Total	**2,101,129**	**1,106,494**	**404,775**	**589,860**

The various bank overdrafts and the syndicated credit do not include any grants or guarantees from the Company to the benefit of the lending banks.

The financial debts by foreign currency share out as follows:

(€ thousands)	**Amount**
Euro	1,587,566
US Dollar	277,380
Pound Sterling	35,722
Japanese Yen	63,992
Other foreign currencies	83,096
Total	**2,047,756**

The analysis of the financial debts by nature and maturity is the following:

(€ thousands)	**Amount**	**Maturity less than one year**	**Maturity from one to five years**	**Maturity beyond five years**
Bonds	994,635	-	404,775	589,860
Commercial papers	18,500	18,500	-	-
Bank loans	150,352	150,352	-	-
Subsidiary loans	104,385	104,385	-	-
Group financial current accounts	759,717	759,717	-	-
Bank overdrafts and accrued interests	20,167	20,167	-	-
Total	**2,047,756**	**1,053,121**	**404,775**	**589,860**

Note 22 Accrued receivables and payables

(€ thousands)	**Accrued receivables**	**Accrued payables**
Operating	-	1,761
Financial	8,221 (1)	1,633
Total	**8,221**	**3,394**

(1) Accrued receivables mainly comprise accrued interests on financial instruments.

OTHER INFORMATION

Note 23 Off balance sheet commitments

The significant off balance sheet commitments of the Company are detailed in *Notes 24 to 28*.

The syndicated credit renewed on March 15, 2007 for an authorized amount of €750.0 million is not guaranteed by the Group. It has not been utilized over 2010 period.

As of December 31, 2010, the amount of bilateral multi-currencies credit lines confirmed and available for the benefit of Imerys is €537.0 million of which €150.4 million are utilized.

Commitments given

	For the benefit of				
(€ thousands)	**Subsidiaries**	**Equity interests**	**Other controlled entities**	**Other**	**Total**
Avals, sureties, guarantees	54,874	-	53,599	20,691	129,164

Commitments received

No commitments were received over 2010.

Note 24 Other commitments in relation to subsidiaries

Considering the commitments which came to maturity in 2010, the amount of the global commitment amounts to €95.4 million as of December 31, 2010.

Note 25 Commitments on the foreign exchange rate risk

As of December 31, 2010, the Company had net commitments regarding forward purchases and sales against Euros divided up by foreign currencies as follows:

	(foreign currency thousands)		*(€ thousands)*	
	Forward purchases	**Forward sales**	**Forward purchases**	**Forward sales**
Australian Dollar	2,040	-	1,553	-
Canadian Dollar	8,390	-	6,298	-
Swiss Franc	8,285	37,600	6,626	30,070
Pound Sterling	6,440	3,015	7,482	3,503
Japanese Yen	3,556,700	-	32,735	-
Mexican Peso	95,950	25,580	5,798	1,546
New Zealand Dollar	4,770	150	2,773	87
Swedish Krona	269,000	7,500	30,004	837
Thai Baht	-	391,000	-	9,734
US Dollar	24,010	185,320	17,969	138,692
South African Rand	-	7,525	-	849
Czech Koruna	31,260	-	1,247	-
Danish Krone	3,900	2,015	523	270
Hungarian Forint	-	100,500	-	362
Singapore Dollar	44,680	5,990	26,074	3,496
Polish Zloty	2,700	-	679	-
Total			**139,761**	**189,446**

These transactions have been carried out in order to hedge the foreign exchange rate risk generated by intra-group financing and investments in foreign currencies. They also include the net positions between internal and external derivatives on transactions carried out in accordance with the Group's management policy of the foreign exchange rate risk.

Note 26 Commitments on the interest rate risk

In accordance with its policy to manage the interest rate risk, the Group has, as of December 31, 2010, different hedging transactions (interest rate swaps and caps). These transactions are in line with its management policy.

The nominal amount of derivative instruments at the end of the period amounts to €350.0 million, JPY7.0 billion and USD 460.0 million.

Note 27 Commitments on the energy price risk

The following table summarizes the positions taken as of December 31, 2010 to hedge the energy price risk:

	Net notional amounts in MWh	Maturities
Underlying position	3,656,416	< 12 months
Management transactions	1,942,533	< 12 months

Note 28 Elements recognized under more than one balance sheet item (net value)

(€ thousands)	Total	Of which controlled entities (1)
Investments	3,307,210	3,306,869
Loans related to direct investments and other subsidiaries	516,812	516,038
Other financial investments	2,263	-
Operating receivables	11,823	11,283
Financial debts	2,047,756	864,102
Other debts	25,567	4,802

(1) The controlled entities are those that can be consolidated by full integration into the same group.

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Note 29 Main shareholders

	Number of shares	% of interest	% of voting rights (1)
Pargesa Netherlands BV	19,348,412	25.64%	32.56%
Belgian Securities BV (2)	23,201,353	30.74%	37.76%
M&G Investment Management Ltd (3)	4,890,722	6.48%	4.35%
Vanguard Precious Metal and Mining Funds (4)	3,900,000	5.17%	3.47%
Group employees	210,215	0.28%	0.36%
Self-holding	136,373	0.18%	-
Public	23,787,080	31.51%	21.50%
Total as of December 31, 2010	**75,474,155**	**100.00%**	**100.00%**

(1) Total net voting rights: 112,234,846.
(2) A 100% subsidiary of Groupe Bruxelles Lambert.
(3) M&G Investment Management Limited belongs to the Prudential Plc group (Great Britain).
(4) Vanguard Precious Metal and Mining Funds belongs to The Vanguard Group, Inc. (United States).

The consolidated financial statements of Imerys are included in the consolidation structure of the companies Pargesa Holding SA and Groupe Bruxelles Lambert, which are respectively the parent companies of Pargesa Netherlands BV and Belgian Securities BV.

Note 30 Headcount as of December 31, 2010

	Non-executives	Executives	Total
Full-time	28	99	127
Part-time	3	1	4
Total employees of the entity	**31**	**100**	**131**

Note 31 Individual training rights as of December 31, 2010

As of December 31, 2010 the total number of training hours corresponding to the acquired rights in the framework of the individual training right amounts to 8,695 hours.

The number of hours not having been requested amounts to 7,421 hours.

Note 32 Compensation of directors and executive managers

(€ thousands)	**2010**	**2009**
Board of Directors (1)	642	624
Executive Management	2,341	1,889
Total	**2,983**	**2,513**

(1) Directors' attendance fees.

The global amount of retirement obligations contracted for the benefit of the members of the Board of Directors and of the Executive Management is presented in *Note 20 to the statutory financial statements.*

Note 33 Post closing events

No significant post closing event has to be notified for the Company.

Note 34 Allocation of earnings (pursuant to the provisions of article L. 232-7 of the French Code of Commerce) (1)

(€)	
Income for the period	83,645,324.81
Increase in legal reserve in order to reach 10% of the share capital	(16,931.80)
Retained earnings	369,029,828.11
Distributable income	**452,658,221.12**
Dividend of €1.20 to each of the 75,474,155 shares existing as of January 1, 2011	(90,568,986.00)
Retained earnings	**362,089,235.12**

(1) Which will be proposed to the Shareholders' General Meeting on April 28, 2011.

Note 35 Table of subsidiaries and equity interests as of December 31, 2010

	Local units (thousands)			
	Capital	**Shareholders' equity other than share capital**	**Number of shares held by Imerys**	**Type of securities**
Subsidiaries (at least 50% of equity held by Imerys)				
Imerys TC	161,228	713,653	80,613,850	shares of €2
Mircal	1,034,653	273,979	68,976,891	shares of €15
Imerys USA	526,005	523,130	1,000	shares of USD1
Imerys Services	38	(635)	2,499	shares of €15
Mircal Europe	56,365	555,156	56,365,195	shares of €1
Mircal China	12,937	(1,092)	1,293,700	shares of €10
Mircal Chili	1,554	13,943	1,554,000	shares of €1
Imerys (SHANGHAI) Investment Management Company Limited	14,404	3,723	1	share of CNY14,404,000

		(€ thousands)							
	% of interest held by Imerys	**Gross amount of securities held**	**Net amount of securities held**	**Loans and advances granted by Imerys and not repaid**	**Borrowings taken up by Imerys and not repaid**	**Sureties, avals given by Imerys**	**Dividends collected by Imerys in 2010**	**2010 sales**	**2010 net income or loss**
Subsidiaries (at least 50% of equity held by Imerys)									
Imerys TC	100.00	758,369	758,369	-	104,380	-	83,032	395,204	83,752
Mircal	100.00	1,289,076	1,289,076	-	52,109	-	-	1	17,956
Imerys USA	100.00	663,837	663,837	30,261	32,510	54,874	-	-	16,875
Imerys Services	99.96	38	38	1,234	-	-	-	12,220	(232)
Mircal Europe	100.00	565,483	565,483	-	35,854	-	20,292	-	15,025
Mircal China	100.00	12,937	12,937	3,345	535	-	-	-	1,640
Mircal Chili	100.00	15,540	15,540	-	526	-	-	-	(2)
Imerys (SHANGHAI) Investment Management Company Limited	100.00	1,359	1,359	637	-	-	-	4,416	169
Equity interests									
10 to 50% of equity held by Imerys		10	10	-	-	-	60	-	-
Miscellaneous equity interests									
Non-significant French entities		3,564	561	774	169	-	-	-	-
Total		**3,310,213**	**3,307,210**	**36,251**	**226,083**	**54,874**	**103,384**	**411,841**	**135,183**

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5.3 AUDIT FEES

Terms of service of Auditors

The Shareholders' General Meeting of April 29, 2010 approved the renewal of the term of office of ERNST & YOUNG et Autres and Deloitte & Associés for another 6 years.

Organization of the audit of Imerys subsidiaries

For numerous years, the Group has primarily asked, in an equal standing, the two Imerys Statutory Audit firms to conduct the audit of the subsidiaries throughout the world. However, for practical or historical reasons, other audit firms intervened; the quantitative details were as follows:

	2010	2009	2008	2007	2006
Audit fees (€ millions)	6.1	6.4	7.1	6.9	6.7
Distribution					
ERNST & YOUNG et Autres	50%	53%	55%	53%	52%
Deloitte & Associés	46%	43%	40%	43%	44%
Other firms	4%	4%	5%	4%	4%

Fees as of December 31, 2010

The total fees paid in 2010 to the two Statutory Audit firms of the parent company Imerys, ERNST & YOUNG et Autres (EY) and Deloitte & Associés (DA), are as follows:

	2010				2009			
	EY		DA		EY		DA	
(€ millions)	(€M)	(%)	(€M)	(%)	(€M)	(%)	(€M)	(%)
Audit								
Certification and auditing of individual and consolidated accounts	**2.8**		**2.3**		**3.2**		**2.3**	
Imerys SA	0.8		0.6		1.0		0.6	
Fully integrated subsidiaries	2.0		1.7		2.2		1.7	
Other duties and services directly related to the audit mission	**0.2**		**0.5**		**0.2**		**0.5**	
Imerys SA	-		0.3		0.2		0.2	
Fully integrated subsidiaries	0.2		0.2		-		0.3	
Subtotal	**3.0**	**93.7%**	**2.8**	**93.3%**	**3.4**	**94.4%**	**2.8**	**96.6%**
Other services rendered by the network to fully integrated subsidiaries								
Legal, fiscal, social	0.2		0.2		0.2		0.1	
Other (to specify if > 10% of audit fees)	-		-		-		-	
Subtotal	**0.2**	**6.3%**	**0.2**	**6.7%**	**0.2**	**5.6%**	**0.1**	**3.4%**
Total	**3.2**	**100.0%**	**3.0**	**100.0%**	**3.6**	**100.0%**	**2.9**	**100.0%**

ADDITIONAL INFORMATION

6

6.1 INFORMATION CONCERNING THE COMPANY

CORPORATE NAME: IMERYS

This name was adopted by the Ordinary and Extraordinary Shareholders' Meeting of September 22, 1999. Until then, the Company's corporate name was Imetal.

REGISTERED OFFICE

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Telephone: + 33 (0) 1 49 55 63 00

REGISTRATION

562 008 151 R.C.S. Paris - SIRET 562 008 151 00093
N.A.F. (code of main activity): 7010Z

LEGAL STATUS AND LAW OF INCORPORATION

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

DATE AND TERM OF INCORPORATION

Imerys was incorporated on April 22, 1880. Its term of incorporation, initially set at fifty years, was extended until June 30, 2024 (article 5 of the by-laws).

CORPORATE PURPOSE *(ARTICLE 3 OF THE BY-LAWS)*

Imerys is the head company of an industrial and commercial group that is specialized in Minerals Processing.

Under the terms of article 3 of the by-laws, "The Company's purpose, in France and abroad, is as follows:

- the search for, the acquisition, the leasing, the sale and the operation of any mines and quarries, of any kind whatsoever;
- the processing and transformation of, and trading in, any minerals, metals, organic or non-organic materials and mineral substances, as well as their by-products and alloys;
- the manufacturing of any processed products in which minerals, metals, organic or non-organic materials and mineral substances are used;
- the purchase, obtaining, operation, concession and sale, in whole or in part, on a temporary or permanent basis, of any patents, certificates or licenses pertaining to the above-mentioned purposes;
- the creation, acquisition, sale, concession of any buildings and plants, of any means of transportation and energy sources;
- the participation in any country, in any mining, quarrying, commercial, industrial and maritime operations aimed at favoring or developing the Company's own industries and businesses, through the creation of new companies, alliances, holding companies or otherwise; and, generally, any mining, quarrying, commercial, industrial, maritime, real estate, personal property and financial operations relating directly or indirectly, in whole or in part, to any of the above-specified purposes or any other similar or related purposes."

FINANCIAL YEAR *(ARTICLE 28 OF THE BY-LAWS)*

The financial year is 12 months. It begins on January 1 and ends on December 31 of each year.

BOARD OF DIRECTORS *(ARTICLES 12 AND 13 OF THE BY-LAWS)*

The Company is managed by a Board of Directors of at least three members and no more than eighteen members, except for any dispensation provided by law.

Directors are appointed or renewed by the Ordinary General Meeting of the Shareholders, which may dismiss them at any time. The term of office of the Directors is three years. The term of office of a Director shall expire at the close of the Ordinary General Meeting of the Shareholders that rules on the financial statements for the previous financial year and which is held in the year during which the term of office expires.

For more details regarding composition, powers and functioning of the Board of Directors, *please see* *section 3.1 of chapter 3 of the Registration Document*.

SHAREHOLDERS' GENERAL MEETINGS *(ARTICLES 21 AND 22 OF THE BY-LAWS)*

Convening

Shareholders' General Meetings are convened under the terms and conditions provided by current legal provisions and are held either at the registered office or in any other place specified on the Notice of Meeting.

Conditions for admission

All shareholders have the right to take part in Shareholders' General Meetings – whether in person, via a proxy or by correspondence – subject to the obligation to prove their identity and, in the case of holders of bearer shares, to deposit a certificate of holding justifying the recording of the bearer shares. Registration or deposit formalities must be completed three business days before the meeting at the latest. Any shareholder may also, by decision of the Board of Directors as notified in the Notice of Meeting, take part in General Meetings and vote by data transmission and/or any other means of telecommunication, under the conditions provided by current legal provisions.

Conditions for exercise of voting rights

All documents provided by articles R. 225-81 and R. 225-83 of the French Code of Commerce, including a mail or proxy voting form, are sent to shareholders on request. This form cannot be validly taken into consideration unless it is completed in accordance with current legislation and returned to the registered office or to the address given on the Notice of Meeting. Moreover, any shareholder may, by decision of the Board of Directors as notified in the Notice of Meeting, obtain and return the form for voting by mail or proxy, by data transmission or any other means of telecommunication, under the terms and conditions provided by current legal provisions.

Double voting rights

As of the Shareholders' General Meeting of July 2, 1968, shares registered in the name of the same shareholder for at least two years carry a double voting right. This right is authorized by law and provided by article 22 of the by-laws, and is intended to reward the Company's shareholders for their loyalty. The double voting right is also granted to new free shares granted to shareholders under a capital increase operation, on the basis of the old shares for which they already benefited from this right. The double voting right ceases ipso jure when a registered share is converted to a bearer share or is transferred, except in cases of collateral assignment or transfer as life interest or by inheritance or family bequest. Finally, the double voting right may be cancelled by decision of an Extraordinary Shareholders' General Meeting with prior authorization by the Special General Meeting of the holders of such right.

Restriction of voting rights

None.

ALLOCATION OF PROFITS *(ARTICLE 30 OF THE BY-LAWS)*

Income for each financial year is determined in accordance with legal and regulatory provisions in force, as follows:

- at least 5% of net earnings for the financial year, minus any previous losses, are withheld to make up the legal reserve. This withholding ceases to be obligatory when such reserve is equal to 10% of the share capital;
- earnings for the financial year, minus the above and plus any earnings carried over, after deduction of any earnings retained or sums assigned to one or more reserves by the Shareholders' Meeting, are distributed among shares, without distinction;
- the Shareholders' Meeting may grant to each shareholder, for all or part of the dividend being distributed, or for advances on dividends, the option to be paid in cash or in shares.

IDENTIFIABLE BEARER SHARES

(ARTICLE 9 OF THE BY-LAWS)

The Company is authorized, under the terms and conditions provided by current legal provisions, to ask Euroclear France for the information needed to identify the owners of bearer shares that grant, whether immediately or at a later date, voting rights in its Shareholders' Meetings, as well as the quantity of shares or other securities held by each owner and, as the case may be, any restrictions that may apply to such shares or other securities.

DISCLOSURE OF THRESHOLD CROSSINGS

Imerys' by-laws do not contain any clause imposing disclosure requirements in the case of holdings that cross certain thresholds, other than those set down by the law.

Any shareholder, whether acting alone or with others, whose holding comes to rise above or fall below one of the holding thresholds for the Company's capital and/or voting rights provided by legislation in force must comply with the provisions of articles L. 233-7 and seq. of the French Code of Commerce and, more specifically, inform the Company (or, as the case may be, any person that the Company may have designated for that purpose) and the Autorités des marchés financiers (AMF), within five days of their holding crossing the threshold in question. In the event of failure to comply with this obligation, the provisions of article L. 233-14 of the French Code of Commerce shall apply.

DOCUMENTS ACCESSIBLE TO THE PUBLIC

The by-laws, minutes of Shareholders' General Meetings, statutory and consolidated financial statements, Statutory Auditors' Reports and all documents put at the shareholders' disposal may be consulted at the Company's registered office or on the Company's website (*www.imerys.com* – section the Group/publications and regulated information).

6.2 INFORMATION CONCERNING THE SHARE CAPITAL

6.2.1 SHARE CAPITAL AS OF DECEMBER 31, 2010

- On April 29, 2010, the Board of Directors decided to create 42,984 new shares and thus to increase the Company's share capital by a nominal amount of €85,968 by incorporation of reserves, with a view to serving an equivalent number of free shares definitely acquired on that date.
- On December 16, 2010, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2009 and April 29, 2010, cancelled 171,627 self-held shares directly acquired on the market by the Company and totally allocated to the cancellation objective. This cancellation of shares led to a share capital decrease of the Company by a nominal amount of €343,254.
- On January 10, 2011, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2010, acknowledged that, on December 31, 2010, the share capital had been increased by a nominal amount of €426,604 as a result of the exercise in 2010 of 213,302 stock options giving the right to the same number of Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as on December 31, 2010 totaled €150,948,310; it was made up of 75,474,155 shares with €2 par value of which 36,897,864 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 112,372,019.

Taking into account the 4,170,563 stock options and 488,429 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired on December 31, 2010, maximum potential dilution of the Company's share capital was 5.81% as on this date (i.e. a nominal amount of €160,266,294).

No directly registered shares have been pledged by the Company.

Share capital did not change and the number of voting rights did not change significantly between December 31, 2010 and the date of the present Registration Document.

Nevertheless, the project of reclassification of Imerys shares within the Pargesa-GBL group which was announced on March 21, 2011 *(see paragraph 6.3.5 of the present chapter)*, would entail, subject to its completion, the loss of double voting rights attached to the Pargesa Netherlands BV's stake and would reduce accordingly the total number of voting rights of the Company.

6.2.2 CHANGES IN SHARE CAPITAL OVER THE PAST FIVE YEARS

Changes in the number of shares and in the Company's share capital over the past five years are as follows:

Year	Operation	Nominal amount of change in capital *(in €)*	Issue premium *(in €)*	Number of shares created	Par value of shares *(in €)*	Successive amounts of the Company's capital *(in €)*	Number of shares that make up capital
2006	Cancellation of shares	(2,650,000)	(80,805,619)	(1,325,000)	2	125,293,730	62,646,865
	Capital increase reserved for employees	100,000	2,607,402	50,000	2	125,393,730	62,696,865
	Exercise of stock options	1,275,510	17,689,386	637,755	2	126,669,240	63,334,620*
2007	Cancellation of shares	(1,213,086)	(40,885,873)	(606,543)	2	125,456,154	62,728,077
	Exercise of stock options	797,558	13,645,455	398,779	2	126,253,712	63,126,856*
2008	Cancellation of shares	(740,000)	(16,782,710)	(370,000)	2	125,513,712	62,756,856
	Exercise of stock options	59,468	882,325	29,734	2	125,573,180	62,786,590*
2009	Exercise of stock options	2,000	26,310	1,000	2	125,575,180	62,787,590
	Share capital increase	25,115,036	226,035,324	12,557,518	2	150,690,216	75,345,108
	Exercise of stock options	88,776	1,207,985	44,388	2	150,778,992	75,389,496*
2010	Capital increase by incorporation of reserves	85,968	0	42,984	2	150,864,960	75,432,480
	Cancellation of shares	(343,254)	(6,719,326)	(171,627)	2	150,521,706	75,260,853
	Exercise of stock options	426,604	5,663,150	213,302	2	150,948,310	75,474,155*

(*) As on December 31.

6.2.3 FINANCIAL AUTHORIZATIONS

SECURITIES REPRESENTING SHARE CAPITAL

General authorizations

A set of financial authorizations was granted to the Board of Directors, in accordance with the provisions of articles L. 225-129 et seq. of the French Code of Commerce, for a twenty-six months period, by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009. These financial authorizations are intended to allow the Company, if necessary, to increase its share capital at the appropriate time either by capitalization of reserves, income and issue, share or other premiums, or by the issue of various securities granting access, immediately or in the future, to Imerys' share capital with or without preemptive subscription rights.

The maximum nominal amount [(1)] of the capital increases that may be carried out in this way was set at:

- €80 million for the issues carried out with preemptive subscription right;
- €50 million for the issues carried out without preemptive subscription right;
- €130 million in total for all such issues.

Furthermore, the maximum global nominal amount of debt securities that may be issued under these authorizations was set at €1 billion.

It is stipulated that the issuances made with cancellation of the preemptive subscription right that might be decided pursuant to these delegations would be carried out pursuant to the provisions of article L. 225-136, al.1 of the French Code of Commerce. As a result, the rules for the calculation of the price shall be set in accordance with the provisions of article R. 225-119 of the French Code of Commerce (price at least equal to the weighted average price of the three most recent trading sessions preceding the determination of such price, potentially reduced by a maximum discount of 5%).

Moreover, the Board of Directors was authorized by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 to:

- set, in accordance with provisions of article L. 225-136 of the French Code of Commerce, the issue price of the various securities that may be issued in the event of cancellation of shareholders' preemptive subscription rights, within the limit of 10% of the Company's share capital per year. It is specified that this issue price would be at least equal to the closing price for Imerys shares on the trading day before the date of setting the issue price, minus a possible 10% discount;
- carry out, pursuant to provisions of article L. 225-147 of the French Code of Commerce, one or more capital increases, within the limit of 10% of the share capital, in order to compensate, except in the case of a public exchange offer, contributions in kind made to the Company and comprised of securities that give access to capital, including in a company of which the shares are not admitted for trading on a regulated market;

These authorizations and the opportunities they offer are useful in giving Imerys access, within the best possible timeframe and in line with the best possibilities on the financial market, to any new financial resources that may be necessary when the time comes.

Pursuant to the powers granted by the Shareholders' General Meeting, the Board of Directors delegated to the Chief Executive Officer the specific powers needed to carry out increases of the Company's capital by capitalization of reserves, income and issue, share or other premiums within the limit of a maximum nominal amount of €10 million.

It is reminded that the Board of Directors used on April 29, 2009 the delegation of authority granted on the same day by the Ordinary and Extraordinary Shareholders' General Meeting in order to decide a share capital increase of the Company by the issue of common shares with shareholders' preemptive subscription rights. The conditions of this share capital increase were as follows: issue of 12,557,518 shares with a nominal value of €2 each, at a unit price of €20 (i.e. a share premium of €18 per share), at the rate of one new share for five existing shares.

On June 2, 2009, the Chief Executive Officer noted that 12,432,521 shares were subscribed on an irreducible basis and 124,997 shares on a non-preferential basis and as a consequence, all the 12,557,518 new shares were issued and fully paid-up, leading to a nominal share capital increase of €25,115,036 and a final gross of €251,150,360.

None of the delegations of authority described above were used in financial 2010.

Since all these delegations will expire on June 28, 2011, their renewal will be proposed to the Shareholders' General Meeting of April 28, 2011 *(see chapter 7, paragraph 7.1.5 and section 7.4 of the Registration Document)*.

According to the opportunity given by the French Order no. 2009-80 of January 22, 2009, it will be also proposed to the Shareholders' General Meeting of April 28, 2011 to delegate its authority to the Board of Directors in order to carry out capital increases through issue of shares or securities giving access to the Company's share capital, by private investments. These share capital increases would be carried out with cancellation of preemptive subscription rights in favor of qualified investors or a limited circle of investors as defined in article L. 411-2 of the French Monetary and Financial Code. The annual global ceiling of such capital increases would be set at 20% of the share capital according to the applicable law. It is specified that the nominal amount of the securities to be issued pursuant to this delegation would be charged to the new nominal amount of €37 million set for the share capital increases that may be carried out with cancellation of preemptive subscription rights. Last, the subscription price of the shares that may be issued pursuant to this delegation, shall be set in accordance with the provisions of article R. 225-119 of the French Code of Commerce and shall be at least equal to the weighted average price of the three most recent trading

(1) To which amount shall be added, as the case may be, the additional amount of any shares to be issued to maintain, in accordance with the law, the rights of holders of securities or rights giving access to capital.

sessions preceding the determination of such price, potentially reduced by a maximum discount of 5%.

Specific authorizations in favor of the Group's employees and/or corporate officers with cancellation of shareholders' preemptive subscription rights

Capital increases reserved for Group employees

The Shareholders' General Meeting held on April 29, 2009 delegated to the Board of Directors its authority to carry out capital increases reserved for employees that join the Group Savings Plan adopted on September 1, 2000, as last amended on September 21, 2006. The maximum nominal amount of capital increases that may be carried out in this way by the issue of shares is set at €1.6 million, i.e. a maximum of 800,000 shares; the price of the shares to be issued must be determined in accordance with the provisions of article L. 3332-19 of the Labor Code.

This delegation, which was not used in financial 2010 will expire on June 28, 2011. Its renewal on similar terms will be proposed to the Shareholders' General Meeting of April 28, 2011 *(see chapter 7, paragraph 7.1.6 and section 7.4 of the Registration Document)*.

Stock options and free share grants

The Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 authorized the Board of Directors to grant to employees and corporate officers of the Group, or to certain categories of them:

- options for the subscription of new shares or the purchase of existing shares of the Company, and
- free shares of the Company.

Moreover, the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 authorized the Board of Directors to:

- set the terms and conditions under which the share subscription or purchase options would be granted, and, in particular, determine their subscription [(1)] or purchase [(2)] price within the limits and in the conditions provided by the law;
- set the conditions, and as the case may be, the criteria for the grant of free shares and determine the acquisition and conservation periods of these shares, in compliance with the minimum times required by the regulation in force.

The maximum nominal amount of the shares likely to be covered by the options granted under this authorization, combined with that of the shares granted under free allotments by the Company, is set at 3,700,000 i.e. a cumulated nominal amount of €7.4 million.

To date, the Board of Directors has used these two authorizations to grant to employees and corporate officers of the Group:

- in 2008: a total number of 594,157 stock options and free shares representing a global nominal amount of €1,188,314. This amount was increased to €1,275,536 further to the adjustments made by the Company upon completion of the share capital increase of June 2, 2009, pursuant to the provisions of article L. 228-99 of the French Code of commerce, in order to uphold the rights of the beneficiaries of stock options and free shares;
- in 2009: a total number of 711,006 stock options and conditional free shares;
- in 2010: a total number of 751,500 stock options and conditional free shares *(for more details regarding all these grants, see chapter 3 sections 3.4 and 3.5 of the Registration Document)*.

Considering these grants, the aggregate balance of the current authorizations given to the Board of Directors as on December 31, 2010, was €3,199,452, i.e. 1,599,726 stock options or free shares.

These two authorizations expiring on June 29, 2011, their renewal on similar terms will be proposed to the Shareholders' General Meeting of April 28, 2011 *(see chapter 7, paragraph 7.1.6 and section 7.4 of the Registration Document)*.

Share subscription and/or acquisition warrants

In order to enhance and diversify the instruments enabling the Company to involve the Group's employees and top managers in its development, the Shareholders' General Meeting of April 29, 2010 fully empowered the Board of Directors to carry out capital increases, without shareholders' preemptive subscription rights, by the issue of share subscription and/or acquisition warrants ("BSA"), whether or not redeemable by the Company, that are reserved for the employees and corporate officers of the Group, or to certain categories of them.

The total nominal amount of the shares that may be issued pursuant to the present delegation was set by the Shareholders' General Meeting at €4,700,000, i.e. a maximum total number of 2,350,000 shares, this amount being charged to the total nominal amount of shares that may be the subject of share subscription or acquisition options or free grants.

This Shareholders' General Meeting also authorized the Board of Directors to set the issue price of the BSA in accordance with regulations in force on the day of issue; the subscription for the shares to which the warrants would give the right would be equal to

(1) Pursuant to the provisions of article L. 225-177 of the French Code of Commerce, the exercise price of options may not be less than 80% of the average price listed for the shares on the twenty stock market trading days preceding the date of grant. It is specified that since 1999 the policy of the Company for the granting of share subscription options has excluded any discount.

(2) Pursuant to the provisions of article L. 225-179 of the French Code of Commerce, the price of the share on the date of grant may not be less than 80% of the average purchase price of the shares held by the Company. It is specified that, as of today, the Company did not grant any share purchase options.

the average closing price for shares in the Company for the twenty stock market trading days prior to the day of the decision to issue the warrants.

This delegation of authority expiring on June 28, 2011, its renewal on similar terms will be proposed to the Shareholders' General Meeting of April 28, 2011 *(see chapter 7, paragraph 7.1.6 and section 7.4 of the Registration Document)*.

Share buyback authorization

The Shareholders' General Meeting of April 29, 2010 renewed, for a new eighteen months period, i.e. until October 28, 2011, the authorization previously granted to the Board of Directors by the Shareholders' General Meeting of April 29, 2009 to allow the Company to buy back its own shares, pursuant to the provisions of articles L. 225-209 et seq. of the French Code of Commerce, within the limit of 10% of the total number of shares issued and outstanding on January 1, 2010, i.e. 7,538,949 shares, and within the limit of a total purchase volume of €603 million. This Shareholders' General Meeting also decided that the number of shares that may be held, whether directly or indirectly, at any time whatsoever, shall not exceed 10% of the shares making the capital. Last, the maximum purchase price was set at €80 per share.

The objective of this authorization is to enable the Company to make purchases of its own shares:

- for the purpose of the subsequent cancellation of the shares acquired by reducing the Company's capital, in particular in order to offset the dilution impact on the shareholders likely to result from the grant of stock options and/or free shares;
- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a code of conduct recognized by AMF;
- with respect to employees' participation in shareholding plans set up by the Company or for the purposes of delivery to certain employees and corporate officers of the Group of the shares resulting from the exercise of stock purchase options or free shares allotment;
- for the delivery or exchange of shares, in particular with respect to external growth operations;
- and in general, for any purposes that are permitted or may come to be authorized by current regulations.

The acquisition, sale, transfer or exchange of the shares may be carried out, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks and the use or exercise of any financial instrument or derivative.

For details of the operations carried out under the share buyback programs in force during the past financial year, please *see paragraph 6.2.4. of the present chapter*.

As this authorization will expire on October 28, 2011, its renewal on a similar basis will be proposed at the next General Meeting *(see chapter 7, paragraph 7.1.4 and section 7.4 of the Registration Document)*.

Cancellation of Company shares

The Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 granted the Board of Directors the authorization to cancel Company shares held with respect to the share buyback programs authorized by its shareholders, within the limit of 10% of capital per 24-month period and to reduce the share capital accordingly.

The Board of Directors used this authorization to cancel on December 16, 2010, 171,627 self-held shares acquired during financials 2009 and 2010.

As this authorization will expire on June 28, 2011, its renewal on a similar basis will be proposed at the next General Meeting *(see chapter 7, paragraph 7.1.4 and section 7.4 of the Registration Document)*.

OTHER SECURITIES

As the decision to issue ordinary bonds is within the competence of the Board of Directors in accordance with article L. 228-40 of the French Code of Commerce, the Board of Directors delegated on April 29, 2010 full powers to the Chief Executive Officer, and with the agreement of the latter to the Chief Operating Officer for the purposes of carrying out such issues and deciding their conditions, within the period of one year and the initial limit of a maximum annual nominal amount of €1.5 billion and a maximum nominal amount per operation of €350 million.

Moreover, the Shareholders' General Meeting of April 29, 2009 authorized the Board of Directors to issue, in accordance with the provisions of article L. 228-91 of the French Code of Commerce, in one or more times, any compound securities representing debts of the Company, within the global limit of €1 billion, it being specified that the nominal amount of the securities to be issued pursuant to this authorization shall be charged to the maximum global nominal amount of the debt securities that may be issued pursuant to the authorizations and delegations of authorities granted to the Board of Directors and mentioned above.

This authorization expiring on June 28, 2011, its renewal will be proposed to the Shareholders' General Meeting of April 28, 2011 *(see chapter 7, paragraph 7.1.5 and section 7.4 of the Registration Document)*.

It is specified that none of these authorizations was used in 2010.

An overview of all the financial authorizations granted to the Board of Directors and existing at the date of the present Registration Document is set out in the table below.

Table summarizing existing financial authorizations

Type of issue	Date of authorization	Expiry of authorization (duration)	Nominal maximum amount of capital increase that may result, immediately or in the future, from the issue (excluding adjustments)	Potential dilution (1) that may result from the use of authorizations (2)	Use of existing authorizations (amount)	Maximum amount of issue of loan instruments (3)
General authorizations						
All securities, with preemptive subscription rights (4)	April 29, 2009	June 28, 2011 (26 months)	€80 million	34.64%	**25.11 million**	€1,000 million
All securities, without preemptive subscription rights and with, as the case may be, a priority period granted by the Board of Directors (5)	April 29, 2009	June 28, 2011 (26 months)	€50 million	24.88%	-	€1,000 million
Capitalization of reserves, earnings and issue or share premiums (6)	April 29, 2009	June 28, 2011 (26 months)	n/a	n/a	-	n/a
Compensation for contributions in kind made of securities representing shares in or giving access to capital (7)	April 29, 2009	June 28, 2011 (26 months)	€15.09 million (8)	9.09%	-	€1,000 million
Overall limit of general authorizations			**€130 million**	**46.27%**	**-**	**€1,000 million**
Specific authorizations in favor of employees and corporate officers with cancellation of preemptive subscription rights						
Shares reserved for Group employees that joined a company or Group savings plan (9)	April 29, 2009	June 28, 2011 (26 months)	€1.6 million	1.05%	-	n/a
Share subscription and/or acquisition options (10) and free share (11) grants	April 30, 2008	June 29, 2011 (38 months)	€7.4 million	4.67%	**€4.2 million**	n/a
Share subscription and/or acquisition warrants (12)	April 29, 2010	June 28, 2011 (14 months)	€4.7 million (13)	3.02%		
Overall limit of specific authorizations in favor of employees and corporate officers			**€9 million**	**5.63%**	**-**	**n/a**
Authorized total			**€139 million**	**47.94%**		**€1,000 million**

(1) The dilution is calculated on the basis of the nominal maximum amount of capital increases that may result from the use of the authorizations.
(2) Based on current par value of €2 per share and the amount of share capital as on December 31, 2010.
(3) Maximum nominal amount of securities representing debts of the Company that may give access to ordinary shares.
(4) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-91 et seq. of the French Code of Commerce.
(5) In accordance with the provisions of articles L. 225-129 et seq., L. 225-135 et seq., and L. 228-91 et seq. of the French Code of Commerce.
(6) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-130 of the French Code of Commerce.
(7) In accordance with the provisions of article L. 225-147 of the French Code of Commerce.
(8) i.e. 10% of share capital as on December 31, 2010.
(9) In accordance with the provisions of articles L. 225-129 et seq. and L. 225-138 of the French Code of Commerce, and L. 3332-1 et seq. of the French Labor Code.
(10) In accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce.
(11) In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.
(12) In accordance with the provisions of articles L. 225-129 et seq., L. 225-138 and L. 228-91 et seq. of the French Code of Commerce.
(13) Global maximum amount to be charged to the global nominal amount of stock options or free shares that may be granted.

6.2.4 SHARE BUYBACK PROGRAMS

LEGAL FRAMEWORK OF SHARE BUYBACK PROGRAMS IMPLEMENTED IN 2010

As described in *paragraph 6.2.3. of the present chapter*, the Shareholders' General Meeting of April 29, 2010 renewed in favor of the Board of Directors and for a period of 18 months, i.e. until October 28, 2011, the authorization previously granted by the Shareholders' General Meeting held on April 29, 2009 for the Company to buy back its own shares, in accordance with articles L. 225-209 et seq. of the French Code of Commerce. In accordance with articles L. 225-209 al. 3 of the French Code of Commerce, the Board of Directors delegated to the Chief Executive Officer as well as to the Chief Operating Officer on April 29, 2010 all powers for the purposes of purchasing the Company's shares, in the conditions and within the limits set by the Shareholders' General Meeting.

OPERATIONS CARRIED OUT IN 2010 *

In accordance with article L. 225-211 of the French Code of Commerce, the following operations were carried out with respect to the Company's share buyback programs in force in 2010.

It is reminded that since the termination in 2008 of the liquidity contract entered into with an investment services firm, the purchases made within the framework of share buyback programs implemented by the Company are carried out directly and exclusively on the market by the latter.

Transactions made out from January 1 until April 29, 2010 within the frame of the previous share buyback program

No purchase or sale transaction was made out on the market with respect to the share buyback program approved by the Shareholders' General Meeting of April 29, 2009, in force until April 29, 2010.

Transactions made out from April 30 until December 31, 2010 within the frame of the current share buyback program

Within the frame of the new share buyback program approved by the Shareholders' General Meeting of April 29, 2010, 307,750 shares were acquired directly by the Company on the market at an average price of €42.23.

171,377 shares were assigned for the purpose of subsequent cancellation, the balance, i.e. 136,373 shares, being assigned for the purpose of future grant of free shares.

Number of self-held shares as on December 31, 2010

Taking into account:

- the remaining number of self-held shares as on January 1, 2010, i.e. 250,
- the number of shares acquired directly on the market in 2010,
- the cancellation of 171,627 self-held shares on December 16, 2010,

136,373 shares with a par value of €2 and acquired on the market at an average price of €43.54 were self-held by the Company at the end of the year, representing 0.18% of share capital as on December 31, 2010.

It is stipulated that:

- all transactions made out in 2010 by the Company with respect to its share buyback programs were made on a spot basis without any open purchasing or selling position being taken;
- the Company does not use derivatives with respect to its share buyback programs;
- the bank fees relating to the buyback transactions made directly on the market by the Company in 2010 amounted to €12,995.

RENEWAL OF THE SHARE BUYBACK PROGRAM

As the authorization granted by the Shareholders' General Meeting of April 29, 2010 expires on October 28, 2011, its renewal in favor of the Board of Directors, on a similar basis, will be proposed at the General Meeting of April 28, 2011, for a further period of 18 months, i.e. until October 27, 2012.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (*www.imerys.com* – our Group – Publications & Regulated Information section) and sent to the AMF. A copy of this description can also be obtained on request from the Company's head office.

6.2.5 EMPLOYEE SHAREHOLDER PLANS

As on December 31, 2010, 0.28% of capital and 0.36% of voting rights in the Company were held, either directly or through a company mutual fund, by Group employees under the Group Savings Plan *(for more information concerning employee shareholders, see chapter 1, paragraph 1.9.5 of the Registration Document)*.

* *All prices and amounts are given excluding fees and commissions.*

6.3 SHAREHOLDING

6.3.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS OVER THE PAST THREE YEARS

Changes in the share capital and voting rights structure over the past three years are as follows:

	As on 12/31/2008				As on 12/31/2009				As on 12/31/2010			
	Number of shares held	**% of share capital**	**Voting rights attached** (1)	**% of voting rights**	**Number of shares held**	**% of share capital**	**Voting rights attached** (1)	**% of voting rights**	**Number of shares held**	**% of share capital**	**Voting rights attached** (1)	**% of voting rights**
Pargesa Netherlands BV	17,196,462	27.39	34,288,174	35.35	19,702,842	26.14	36,899,304	33.64	19,348,412	25.64	36,544,874	32.56
Belgian Securities BV	19,177,186	30.54	35,921,214	37.04	23,114,711	30.66	39,858,739	36.33	23,201,353	30.74	42,378,539	37.76
Sub-total	*36,373,648*	*57.93*	*70,209,388*	*72.39*	*42,817,553*	*56.80*	*76,758,043*	*69.97*	*42,549,765*	*56.38*	*78,923,413*	*70.32*
M&G Investment Management Ltd. (2)	3,533,526	5.63	3,533,526	3.64	5,186,214	6.88	5,186,214	4.73	4,890,722	6.48	4,890,722	4.35
Vanguard Precious Metals and Mining Funds (3)	3,380,000	5.38	3,380,000	3.49	4,056,000	5.38	4,056,000	3.70	3,900,000	5.17	3,900,000	3.47
Group employees (4)	216,441	0.35	309,181	0.32	223,793	0.30	314,761	0.29	210,215	0.28	402,611	0.36
Self-held shares					250	ns	-	-	136,373	0.18	-	-
Public	19,282,975	30.71	19,555,478	20.16	24,565,017	30.65	23,394,002	21.32	23,787,080	31.51	24,118,100	21.50
Total (5)	**62,786,590**	**100.00**	**96,987,573**	**100.00**	**75,389,496**	**100.00**	**109,709,020**	**100.00**	**75,474,155**	**100.00**	**112,234,846**	**100.00**

(1) According to article 22 of the Articles of Association, shares registered for at least two years carry a double voting right.

(2) M&G Investment Management Limited belongs to the Prudential Plc group (Great Britain).

(3) Vanguard Precious Metals and Mining Funds belongs to the Vanguard group (United States).

(4) In accordance with the provisions of article L. 225-102 of the French Code of Commerce, only shares held by Group employees under the Groups Savings Plan appear in this table.

(5) Voting rights specified in this table are net voting rights. For information, the number of theoretical voting rights was standing at 112,372,019 on December 31, 2010.

As on December 31, 2010 the members of the Board of Directors and the Executive Management held on a personal basis 0.23% of the Company's share capital and 0.26% of its voting rights *(for more details,* *see chapter 3, paragraph 3.1.2 of the Registration Document*).

6.3.2 CROSSING OF THRESHOLDS

On January 27, 2010, further to a transfer of Imerys shares on the market, Pargesa Netherlands BV had crossed down individually the threshold of 1/3 of voting rights in the Company, the number of shares being held by the latter at that date amounting to 19,368,012 i.e 25.68% of the share capital and 33.28% of the voting rights (AMF decision and notice 210C0475).

The Company was not informed of any other threshold crossing declarations in financial 2010.

As of the date of the present Registration Document and to the best of Imerys' knowledge, no shareholder other than those mentioned in *paragraph 6.3.1 above* directly or indirectly holds more than 5% of voting rights of the Company.

6.3.3 SHAREHOLDERS' AGREEMENT

Because of the number of voting rights held by Pargesa Netherlands BV and Belgian Securities BV, the Pargesa-GBL concert has controlling rights over the Company. Nevertheless, the Company judges that there is no risk of such control being exercised abusively. Actually, the Company and its Board of Directors have always been extremely attentive to the respect of all shareholders' interests and have always striven to comply with the best Governance rules and practices in this field, as shown in particular by the number of independent members of the Board of Directors and its specialized Committees *(for more information on the composition of the Board of Directors and its Committees, see chapter 3, paragraph 3.1.2 of the Registration Document)*.

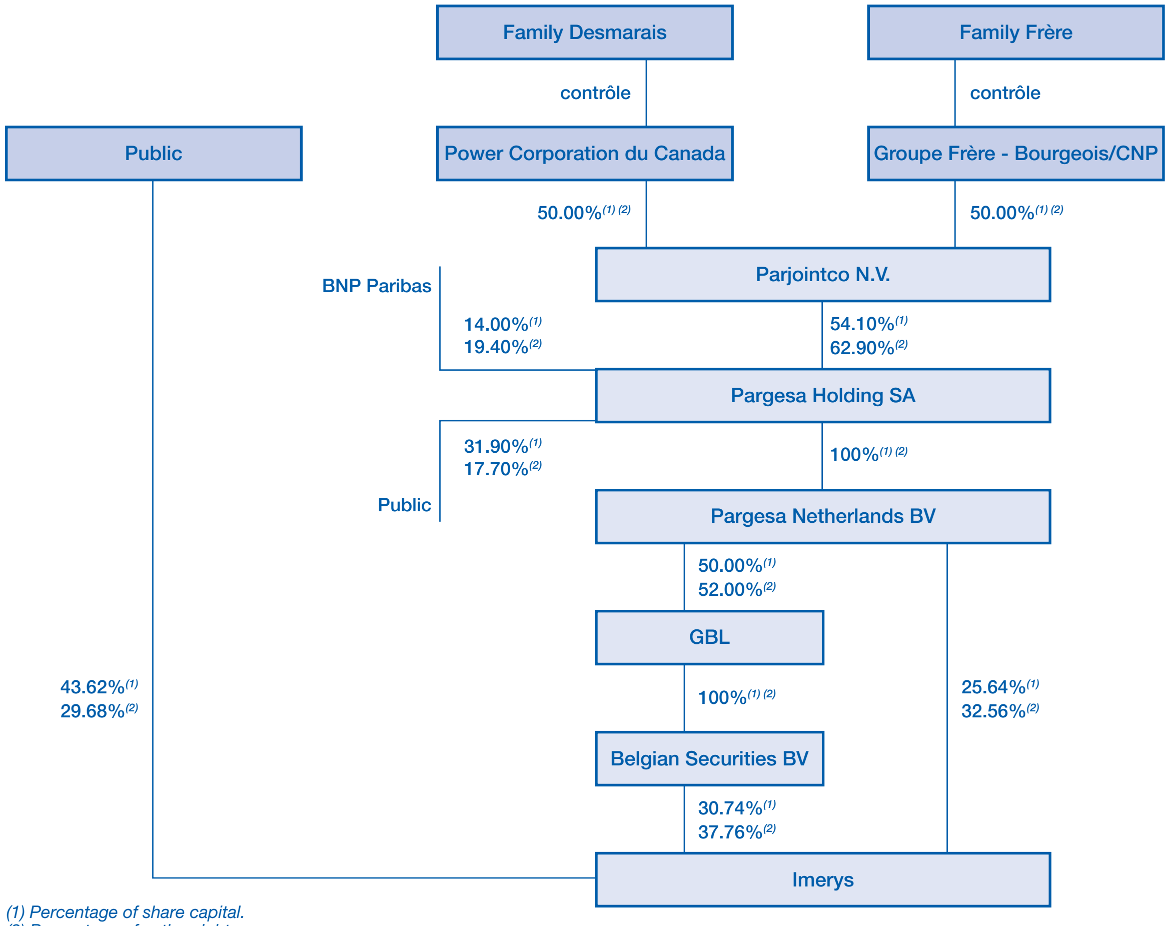
As of the date of the present Registration Document, the Company has not been informed of any agreement between the Company's shareholders, nor of any agreement that, if implemented, could lead to a change of control.

6.3.4 IDENTIFICATION OF BEARER SHAREHOLDERS

In 2010, Imerys asked Euroclear France to conduct a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 30,000 shares. Except for the controlling shareholders (Pargesa Netherlands BV and Belgian Securities BV), this survey identified 4,176 bearer shareholders with over 200 shares that together represented 39.72% of share capital as on May 31, 2010 (of which 233 professional investors holding 37.66% of share capital).

6.3.5 GROUP SHAREHOLDING STRUCTURE

The organizational chart showing relationships among Imerys shareholders with regard to share capital and voting rights as of December 31, 2010 may be presented as follows:



(1) Percentage of share capital.
(2) Percentage of voting rights.

Pargesa Holding SA is a company organized under the laws of Switzerland with registered offices located at 11 Grand-rue, CH 1204 Geneva (Switzerland). Pargesa Netherlands BV is a company organized under the laws of the Netherlands, with registered offices located at Herengracht 483, 1017 BT Amsterdam (Netherlands). Groupe Bruxelles Lambert (GBL) is a company organized under the laws of Belgium, with registered offices located at Avenue Marnix 24, 1000 Brussels (Belgium). Belgian Securities BV is a company organized under the laws of the Netherlands, with registered offices located at Herengracht 555, 1017 BW Amsterdam (Netherlands).

The direct tie-up of Imerys to the Pargesa-GBL group results from the merger of Parfinance into the Company, carried out on June 30, 1998. Parfinance was then, and had already been for several years, the Company's controlling shareholder.

Parjointco is a company organized under the laws of the Netherlands, with registered offices located at 3016 DE-Rotterdam, Veerkade 5, Netherlands. It is held equally, and jointly controlled by Power Group, a Canadian group controlled by the family of Mr. Paul Desmarais and by Groupe Frère/CNP (Compagnie Nationale à Portefeuille), a Belgian group controlled by the family of Baron Albert Frère.

Following the merger of Parfinance into the Company, the Pargesa-GBL group, then the majority shareholder of Parfinance, declared on July 6, 1998 that, with respect to the concerted action that united them, it exceeded the thresholds of one-third and one-half of share capital and voting rights in the Company. "Conseil des Marchés Financiers" (CMF) acknowledged that said thresholds were exceeded as a result of the Company's merger with Parfinance and granted the Pargesa-GBL concert a dispensation from the obligation to file a take-over bid plan, pursuant to the provisions of article 5-4-6 of its General Rules (notice 198C0696 of July 23, 1998).

On December 20, 2006, the Pargesa-GBL group informed AMF that, following the allocation of double voting rights to the Imerys shares held by Belgian Securities BV resulting from their being held in a registered account for more than two years on December 15, 2006, the Pargesa-GBL group had exceeded the threshold of 2/3 voting rights in the Company and Belgian Securities BV had directly exceeded the threshold of 1/3 voting rights (AMF Decision and Notice 207C0012). On January 9, 2007, AMF, at the request of Belgian Securities BV and based on article 234-9 6° of its general regulations, granted the latter company a dispensation from the obligation to file a take-over bid plan for the Company, as provided by article 234-2 of said regulations (AMF Decision and Notice 207C0065).

On March 21, 2011, the Pargesa-GBL group notified to AMF its intention of reclassification of Imerys shares, according to which Belgian Securities BV would acquire the whole of Imerys shares held by Pargesa Netherlands BV, and as a consequence requested to AMF an exemption from the obligation to file a take-over bid plan for the Company's shares. Such exemption being granted on March 29, 2011, the share transfer should occur in April 2011. Such transaction would entail the loss of double voting rights attached to the Pargesa Netherlands BV's stake and would reduce accordingly the total number of voting rights of the Company; it would not alter the ultimate control of the Company.

6.4 ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

Pursuant to article L. 225-100-3 of the French Code of Commerce, elements which could have an impact in the event of a takeover bid are as follows, being specified that no specific mechanism has been set up by the Company:

Structure of the share capital - direct or indirect shareholdings in the Company – Shareholders' agreements

Information regarding the shareholding of the Company (structure of the share capital, thresholds crossings and control of the Company) appear in *section 6.3 of the present chapter*.

Restrictions to the exercise of voting rights and to the transfer of shares or agreements known by the Company

None.

Holders of any securities granting specific rights of control

Company's Articles of Association provide for that shares registered in the name of the same shareholder for at least two years carry a double voting right *(see section 6.1 of the present chapter)*.

Mechanisms of control existing in employee shareholding schemes

None.

Specific rules governing the appointment or replacement of Directors and the modification of the Company's by-laws

None.

Powers of the Board of Directors regarding issue of shares or share buyback

Terms and conditions of the Company's share buyback are set forth in *paragraphs 6.2.3 and 6.2.4 of the present chapter*.

Agreements that may be amended or terminated in case of a change of control of the Company

Some of the main financing agreements of the Company *(see note 25.5 to the consolidated financial statements)* contain a clause which provides for their early reimbursement, under certain conditions and on the Company's initiative, in case of a change of control.

Joint venture agreements concluded by the Company's subsidiaries include generally an exit clause in case of a change of control of the said subsidiaries.

Agreements providing indemnities to members of the Board of Directors or employees if they resigned or are dismissed without true and serious reason or if their job ends due to a takeover bid

Terms and conditions of the indemnity that may be owed to executive corporate officers in case of end of their duties are detailed in *chapter 3, paragraph 3.3.2 of the Registration Document*.

6.5 IMERYS STOCK EXCHANGE INFORMATION

Imerys shares are listed on the Euronext Paris and are eligible for the deferred settlement system ("Système à Règlement Différé" - SRD) (ISIN FR code 0000120859-Mnemo NK). Imerys is part of the new index CAC MD (mid 60) within SBF 120 which represents the 120 biggest stocks listed on Eurnoext Paris (in terms of float and capital flow). The Imerys share is also part of "Dow Jones Euro Stoxx 600", the benchmark index for the euro zone, made up of 360 selected shares from the 11 countries in the zone. Within these indexes (SBF 120 and Dow Jones Euro Stoxx 600), Imerys shares belong to the general mining sector ("1775 General Mining Activities" according to classification ICB).

Imerys shares are also included in the "FTSE4Good,"and "ASPI Eurozone® [(*)]" indexes that identify companies that are globally acknowledged for their good corporate citizenship in terms of Sustainable Development (respect for human rights and the environment, development of relationships with shareholders). Imerys is also part of Ethibel's "Excellence" investment register.

No shares in an Imerys subsidiary are traded on any stock exchange.

6.5.1 HIGHEST AND LOWEST MARKET PRICES FROM 2006 TO 2010 [(1)]

Year	Highest market price [(2)] *(€)*	Lowest market price [(2)] *(€)*	Last closing market price of the year
2006	67.28	49.99	62.51
2007	72.61	48.83	52.16
2008	55.36	23.44	30.14
2009	44.35	21.58	42.01
2010	51.00	36.75	49.89

(1) Prices given for the years 2006 to 2008 have been restated in line with the adjustment arising from the share capital increase of June 2, 2009.

(2) Market prices observed during trading.

(Source: Bloomberg)

(*) Advanced Sustainable Performance Indices – Index managed by the ranking agency Vigeo.

6.5.2 TRADES SINCE JANUARY 2009

	Highest price* (€)	Lowest price* (€)	Total monthly trading volume		Average daily trading		
			Number of shares	Capital (M€)	Number of shares	Capital (M€)	Number of trades
2009							
January	33.39	25.09	2,976,897	93,37	141,757	4.45	1,048
February	32.74	23.39	2,997,167	90,64	149,858	4.53	1,162
March	27.63	21.58	3,631,841	94,81	165,084	4.31	1,232
April	30.41	24.67	3,742,832	112,48	187,142	5.62	1,540
May	37.19	29.31	4,454,041	145,04	222,702	7.25	1,754
June	34.20	28.05	3,428,402	105,61	155,836	4,80	1,346
July	38.75	26.80	7,290,856	222,23	316,994	9.66	1,194
August	38.40	34.55	1,988,543	73,05	94,693	3.48	985
September	44.35	35.54	3,498,461	138,89	159,021	6.31	1,508
October	42.30	35.51	2,469,161	98,18	112,235	4.46	1,106
November	41.20	36.89	2,096,655	83,25	99,841	3.96	1,024
December	42.40	38.32	1,723,230	68,91	78,329	3.13	707
Total 2009			**40,298,086**	**1,326.46**			
2010							
January	43.32	39.46	2,702,488	110.51	135,124	5.53	1,215
February	41.27	36.75	2,190,167	84.78	109,508	4.24	1,075
March	45.64	37.93	2,563,377	109.16	111,451	4.75	1,195
April	48.95	44.54	2,526,422	117.33	126,321	5.87	1,478
May	46.50	39.23	3,709,598	162.17	176,648	7.72	1,495
June	47.10	39.24	2,553,164	109.21	116,053	4.96	1,234
July	46.50	40.32	1,994,940	86.88	90,679	3.95	1,019
August	46.12	38.00	1,465,580	61.33	66,617	2.79	744
September	44.74	39.11	1,840,213	77.82	83,646	3.54	852
October	45.35	42.88	1,989,490	88.12	94,738	4.20	1,181
November	48.00	43.05	1,905,634	87.09	86,620	3.96	1,164
December	51.00	44.21	1,372,283	67.48	59,664	2.93	802
Total 2010			**26,813,356**	**1,161.88**			

* *Market prices observed during trading.*
(Source: Euronext)

6.6 PARENT COMPANY/SUBSIDIARIES ORGANIZATION

As on December 31, 2010, the Group was made up of 298 companies in 48 countries *(main consolidated entities of the Group are listed in note 5.2 to the consolidated financial statements)*. The Group operational structure is based on four business groups which are detailed in *chapter 1, paragraph 1.2.4 of the Registration Document*.

Imerys is the Group's holding company. In that respect it does not directly carry out any industrial or commercial activity. The Company's assets are mainly comprised of the investments it directly holds in some Group subsidiaries. For more information concerning the subsidiaries held directly by the Company, see the company financial statements *in chapter 5 of the Registration Document*.

Imerys as well as some of its local holding companies (Belgium, Brazil, China, Singapore, United Kingdom, United States), provide all its subsidiaries with general assistance and with expertise in the following areas: Purchasing; Insurance; Audit; Communication; Accounting & Financial Control; Environment, Health & Safety; Tax; Information Technology; Innovation; Legal; Intellectual Property; Research & Development; Human Resources; Strategy; Treasury.

These services include, in particular: assistance and advice in response to case-by-case requests from its subsidiaries, as well as more general studies and analyses and recommendations or proposals on preventive actions.

Compensation for these services is determined on the basis of the related costs incurred by Imerys and its local holding companies. These costs are allocated among the subsidiaries that benefit from the services, either in proportion to their sales in relation to the total sales of the division they belong to or in proportion to the number of their employees. In addition, external costs incurred specifically on behalf of a subsidiary and the costs of employees seconded to a subsidiary are allocated separately to that subsidiary.

The Company invoiced a net total amount of €16.86 million in financial 2010 with respect to services provided to its subsidiaries.

Imerys is also the lead company of the tax consolidation group for the Group's French companies, the share capital of which is more than 95% held by Imerys *(see note 8 to the statutory financial statements)*.

6.7 DIVIDENDS

Imerys' policy with regard to distribution of dividends is based on earnings recorded for the considered financial year.

In accordance with the provisions of Article 243 bis of the French General Tax Code:

- the dividends distributed with respect to the last three financials were as follows:

	Financial 2009	Financial 2008	Financial 2007
Net income per share, Group share	€1.66	€3.96 *	€4.65 *
Net dividend per share	€1.00	€1.00	€1.90
Gross dividend per share	€1.00	€1.00	€1.90
Number of shares compensated	75,505,458	62,787,810	62,618,358
Total net distribution	**€75,5 M**	**€62.8 M**	**€118.9 M**

* *Amounts given for 2007 and 2008 have been restated in line with the adjustment arising from the share capital increase of June 2, 2009.*

- in accordance with article 158-3-2° of the French General Tax Code, the entire paid-up dividend is subject to income tax under the gradual scale and is eligible for the 40% discount from which private individuals domiciled in France for tax purposes may qualify, as well as the flat annual abatement. However, pursuant to article 117 quarter of the French General Tax Code, private individuals domiciled in France for tax purposes may, prior to the dividend payment date, opt for liability to the 19% withholding.

Imerys does not usually make interim distributions. Dividends are paid once a year following the Shareholders' General Meeting called upon to approve the management and financial statements for the financial year just ended.

The right to claim dividends lapses five years from the date of payment. Unpaid amounts are deposited with the French State in the first 20 days of January of the year following that lapse.

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6.8 SHAREHOLDER RELATIONS

Imerys seeks to establish a relationship of trust and openness with its shareholders and has created several communication tools for informing them about the Group's business, strategy, earnings and outlook:

- an annual Registration Document (Document de Référence) registered with AMF including the Financial Annual report of the considered financial year;
- a corporate brochure, published at the same time as the Registration Document giving the key facts about the Group's business, development during the financial year and financial results;
- a half-yearly Financial Report on the financial statements to June 30;
- a Letter to Shareholders reviewing the Group's news and financial performance;
- a Sustainable Development Report, published every two years, that gives shareholders additional information on non-financial items.

All these documents are published in English and French and are sent regularly to every registered shareholder and to the bearer shareholders who so request.

The financial community and individual shareholders are also informed on the Company's business through financial notices in the press each time results are published (newspapers and Company's Internet website), including quarterly figures, and when annual Shareholders' General Meetings are convened.

Meetings and conference calls are held on a regular basis in the leading financial markets with financial analysts, financial intermediaries and institutional investors. Individual or gathered meetings are also organized with investors in France, the United Kingdom and the United States as well as in Canada, Germany, Italy, Switzerland and Scandinavia. In 2010, more than 350 meetings and interviews were organized with investors and analysts. Last, Imerys attends regularly thematic conferences organized by stockbrokers.

The website *www.imerys.com* includes a specific section for individual shareholders; it also presents the Group's activities and enables users to follow results presentation meetings and the annual Shareholders' General Meeting live. The online financial library groups together the documents that provide regulated information and all the Group's publications (results' presentations, press releases, annual brochures and Registration Documents, semi-annual reports, letters to shareholders and Sustainable Development reports).

Imerys also provides its registered shareholders with an online service for consulting their securities account through the secure Internet site *www.olisnet.com/actionnaires*. This site gives shareholders access to the value of their securities account, their latest security movements, the availability of their securities, their voting rights as well as the prices and characteristics of the securities in their portfolio. It also enables them to obtain all documentation concerning the Company's annual Shareholders' General Meetings and to vote on line.

Financial Communication belongs to the Group Finance Function:

- Telephone: + 33 (0) 1 49 55 66 55
- Fax: + 33 (0) 1 49 55 63 98
- e-mail: actionnaires@imerys.com

Imerys shares are serviced by the following bank:

CACEIS Corporate Trust
14. rue Rouget de Lisle
92862 Issy les Moulineaux Cedex 9

- Telephone: + 33 (0) 1 57 78 34 44
- Fax: + 33 (0) 1 49 08 05 80
- e-mail: ct-contact@caceis.com

CACEIS Corporate Trust is more specifically at the service of registered shareholders for the management of their Imerys shares.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF APRIL 28, 2011

7

7.1 PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

The resolutions that the Board of Directors drew up at its February 15, 2011 meeting and asks you to adopt, fall within the scope of the Ordinary part of the Shareholders' General Meeting for resolutions 1 to 12, 13 and 26 and within the scope of the Extraordinary part for resolutions 13 to 18 and 20 to 25.

7.1.1 FINANCIAL YEAR 2010 - ANNUAL FINANCIAL STATEMENTS AND ALLOCATION OF EARNINGS

(Three resolutions within the scope of the Ordinary Shareholders' General Meeting)

We first submit to your approval the Company's financial statements (*first resolution*) and the Group's consolidated financial statements (*second resolution*) for financial year 2010.

The presentation of these financial statements and the description of the financial situation, business and results of the Group and the Company for the financial year just ended, as well as the various items of information required by current legal and regulatory provisions, appear in *chapters 2 and 5 of the Registration Document*.

You are then called upon to decide on the allocation of the Company's earnings for financial year 2010 (*third resolution*).

The Company's net income for the past financial year amounts to €83,645,325 on which we propose you to withdraw an amount of €16,932 in order to raise the legal reserve to 10% of the Company's share capital. The balance, increased by the retained earnings appearing in the balance sheet of €369,029,828 forms a total distributable amount of €452,658,221.

We propose you to allocate an amount of €90,568,986 to the payment of a dividend of €1.20 per share for the 75,474,155 shares that make up the share capital as on January 1, 2011 *(see chapter 6, paragraph 6.2.1 of the Registration Document)*; the remainder would be allocated to the "Retained earnings" account. The total amount of dividend paid out would be adjusted according to the number of shares that would be issued following the exercise of stock options and which would be entitled to the dividend with respect to financial 2010 as on the date of payment of that dividend. Consequently, the amount allocated to retained earnings would be determined on the basis of the total amount of dividend effectively paid out. Finally, if the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that would be not paid out as a result would be allocated to retained earnings. The dividend would be paid as from May 11, 2011.

In accordance with article 243 bis of the French General Tax Code, you are reminded that the entire proposed dividend with respect to 2010 is eligible for the 40% allowance provided for by article 158-3-2° of the French General Tax Code, from which private individuals domiciled in France for tax purposes may benefit. However, in accordance with article 117 quater of the French General Tax Code, private individuals domiciled in France for tax purposes may, prior to the dividend payment date, opt for liability to the 19% withholding.

We also remind you that the dividends paid out with respect to the previous three financial years were as follows:

As on:	12/31/2009	12/31/2008	12/31/2007
Net dividend per share	€1.00*	€1.00*	€1.90*
Number of shares compensated	75,505,458	62,787,810	62,618,358

(*) dividend eligible for the 40% allowance.

With a net amount of €1.20 euro per share, the proposed dividend for this year represents a 20% increase compared with the dividend paid with respect to the previous financial year.

7.1.2 REGULATED AGREEMENTS AND COMMITMENTS

(One resolution within the scope of the Ordinary Shareholders' General Meeting)

Pursuant to the provisions of articles L.225-38, L.225-40 et L.25-42-1 of the French Code of Commerce, we ask you to rule upon the Statutory Auditors' special report relating to the regulated agreements and commitments concluded by the Company during financial 2010 and we submit to your approval the said regulated agreements and commitments (*fourth resolution*).

In fact, in accordance with the authorization given by the Board of Directors at its meeting of November 3, 2010, M. Gilles Michel benefits from:

- the collective supplementary pension plan with defined benefits as well as the amendments made to this plan;
- the collective supplementary pension plan with defined contribution set up by the Company in 2009;
- the social guarantee for company managers and executives (GSC);
- an end of contract indemnity that would be owed to Mr. Gilles Michel in the event that his corporate office is terminated at the Company's initiative or in the event of forced departure linked to a change of control or strategy of the Company, being precised that the granting of such indemnity would be subject to performance conditions.

These regulated agreements and commitments are detailed in the Statutory Auditors' special report which is reproduced *in chapter 2, paragraph 2.2.3 of the Registration Document*. Agreements and commitments authorized and concluded during previous financial years and which have continued in 2010, are also mentioned in such report.

7.1.3 COMPOSITION OF THE BOARD OF DIRECTORS

(Seven resolutions within the scope of the Ordinary Shareholders' General Meeting)

A second set of resolutions concerns the composition of the Board of Directors. The term of office of the Directors is three years.

It is reminded that at its meeting on November 3, 2010, the Board of Directors appointed Mr. Gilles Michel as a new Director in succession to Mr. Gilbert Milan for the remaining term of his office, i.e. until the Shareholders' General Meeting that will be called in 2012 to rule on the management and financial statements for financial 2011. According to the law, you are asked to ratify this appointment (*fifth resolution*).

Moreover, the terms of office of Mr. Aimery Langlois-Meurinne, Mr. Gérard Buffière, Mr. Aldo Cardoso, Mr. Maximilien de Limburg Stirum and Mr. Jacques Veyrat will expire at the end of the present Meeting.

In accordance with the recommendations of the Appointments and Compensation Committee, you are asked to renew these terms of office for a further three years, i.e. until the Shareholders' General Meeting that will be called in 2014 to rule on the management and financial statements for financial 2013 (*sixth to tenth resolutions*).

Professional information regarding the Directors whose ratification or renewal of term of office is proposed, are included in *chapter 3, paragraph 3.1.3 of the Registration Document*.

Last, following the recommendations of the Appointments and Compensation Committee, you are also asked to rule on the appointment of Mrs. Arielle Malard de Rothschild as a new Director of the Company for the same statutory duration of three years, i.e. until the Shareholders' General Meeting that will be called in 2014 to rule on the management and financial statements for financial 2013 (*eleventh resolution*).

Professional information regarding Mrs. Arielle Malard de Rothschild: A doctor of Economics of the Institut d'Etudes Politiques of Paris, Arielle Malard de Rothschild (47 years) began her career at Lazard bank where she spent 10 years, first within the Department Advice to foreign governments department, and then in the Mergers & Acquisitions Department. Arielle Malard de Rothschild joined Rothschild & Cie banque in 1999 where she set up the Emerging Markets department in Paris that she developed; she is currently Managing Director and Vice-President for Eastern Europe at Rothschild & Cie banque. Arielle Malard de Rothschild is also a director of Groupe Lucien Barrière.

In 1997, she was appointed as director of the NGO Care France and Chairman in 2007; she is also a director of CARE International (USA), the Rothschild Foundation and Traditions pour Demain (France).

In accordance with the principles used by the Company to determine the independent status of its Directors, after examining their personal situation, the Appointments and Compensation Committee recognized that status to Mr. Cardoso and Mr. Veyrat as well as to Mrs. Malard de Rothschild. However, independent status was not awarded to Mr. Langlois-Meurinne and Mr. de Limburg Stirum who represent the Company's controlling shareholders, or to Mr. Buffière, Chief Executive Officer.

Following the Shareholders' General Meeting of April 28, 2011 and subject to its approval of the propositions above, the Board of Directors will be made up as follows:

Year of end of term of office	Name	Independent member
2012	Jacques DRIJARD	No
	Jocelyn LEFEBVRE	No
	Gilles MICHEL	No
	Eric Le MOYNE de SERIGNY	No
2013	Jean MONVILLE	Yes
	Ian GALLIENNE	No
	Fatine LAYT	Yes
	Robert PEUGEOT	Yes
	Olivier PIROTTE	No
	Amaury de SEZE	No
	Pierre-Jean SIVIGNON	Yes
2014	Aimery LANGLOIS-MEURINNE	No
	Gérard BUFFIERE	No
	Aldo CARDOSO	Yes
	Maximilien de LIMBURG STIRUM	No
	Arielle MALARD de ROTHSCHILD	Yes
	Jacques VEYRAT	Yes

7.1.4 SHARE BUYBACK PROGRAM AND SELF-HELD SHARE CANCELLATION

(Two resolutions, one within the scope of the Ordinary Shareholders' General Meeting and the other of the Extraordinary Shareholders' General Meeting)

SHARE BUYBACK PROGRAM

The authorization to buy back the Company's shares on the market, given to the Board of Directors for a period of 18 months by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2010, expires before the 2012 Shareholders' General Meeting; thus, you are asked to renew it now in accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and articles 241-1 to 241-6 of the General Regulations of AMF (*twelfth resolution*). For further information concerning the Company's implementation in 2010 of its share buyback programs, see *chapter 6, paragraph 6.2.4. of the Registration Document*.

You are reminded that the requested new authorization is intended to enable the Company to make purchases of its own shares:

- for the purpose of the subsequent cancellation of the shares acquired by reducing the Company's capital, in particular in order to offset the dilution impact on the shareholders likely to result from the grant of stock options and/or free shares;
- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a code of conduct recognized by AMF;
- with respect to employees' participation in shareholding plans set up by the Company or for the purposes of delivery to certain employees and corporate officers of the Group of the shares resulting from the exercise of stock purchase options or free shares allotment;
- for the delivery or exchange of shares, in particular with respect to issue of shares or securities giving access immediately or in the future to capital, or within the frame of external growth operations;
- and in general, for any purposes that are permitted or may come to be authorized by current regulations.

The maximum number of shares that may be purchased under this new authorization shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2011, that is 7,547,415 shares. The number of shares that may be held, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares making up the capital. Last, the maximum purchase price would be set at €80 per share, representing a maximum amount of investment of €603.8 million.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (www.imerys.com – our Group – Publications & Regulated Information section) prior to the Shareholders'' General Meeting of April 28, 2011. A copy of this description can also be obtained on request from the Company's head office.

■ CANCELLATION OF SELF-HELD SHARES

You are also proposed to renew the authorization granted to the Board of Directors for the purposes of canceling all or part of the shares self-held by the Company under its share buyback programs, within the limit of 10% of its capital per 24-month period, by reducing its share capital accordingly and allocating the difference between the purchase value of the cancelled shares and their par value to available premiums and reserves (*twenty-fifth resolution*).

7.1.5 FINANCIAL AUTHORIZATIONS

(Eight resolutions, one within the scope of the Ordinary Shareholders' General Meeting and the seven others of the Extraordinary Shareholders' General Meeting)

The Board of Directors has at its disposal a set of financial authorizations, renewed lastly by the Shareholders' General Meeting of April 29, 2009, that allow to increase the net equity of the Company through the issue of shares or any securities that represent a debt or give access, immediately or in the future, to shares in the Company with or without preemptive subscription right, or by incorporation of reserves, premiums, income or other items (An overview of the financial authorizations and delegations is set out in *chapter 6, paragraph 6.2.3 of the Registration Document*).

These financial authorizations were designed to give the Board of Directors the greatest leeway and flexibility in choosing the issue arrangements that are most favorable to the Company and its shareholders and the most appropriate to the market fluctuation and financial context of the time.

It is reminded that on April 29, 2009 the Board of Directors used the delegation of authority granted by the Shareholders' General Meeting held on the same day, in order to carry out a share capital increase of a nominal amount of approx. €12.6 million through the issue of common shares, with Shareholders' preemptive subscription right (for more details regarding the conditions of this share capital increase, *see chapter 6, paragraph 6.2.3 of the Registration Document*).

The financial authorizations and delegations granted to the Board of Directors by the Shareholders' General Meeting of April 30, 2009 expiring in 2011, you are asked to renew them under the conditions described as follows:

■ ISSUE OF COMMON SHARES OR SECURITIES GIVING ACCESS TO CAPITAL WITH OR WITHOUT PREEMPTIVE SUBSCRIPTION RIGHTS

Issues of common shares or other securities may, at the choice of the Board of Directors, be made with preemptive subscription right for an unchanged global nominal amount of €80 million (*thirteenth resolution*), or without such right (*fourteenth resolution*). In order to take into account the best market practices, the Board of Directors proposes that the global nominal amount of the share capital increases that may be made without preemptive subscription right, currently set at €50 million, be reduced to €37 million, i.e. approx. 25% of the Company's share capital as of December 31, 2010. The cancellation of the preemptive subscription right would allow to call upon a greater number of investors, on both the French and international markets, and to make the issue process easier, particularly because of the shorter implementation period. The Board of Directors may, whatever the case, grant shareholders subscription priority for the period and according to the mechanism that it would decide in accordance with the applicable law.

Within the framework of the thirteenth and fourteenth resolutions, it is also proposed that, in case of excess demand, the Board of Directors be authorized to increase the number of securities planned in the initial issue in the conditions set down by legal and regulatory provisions in force at the time of issue.

Furthermore, it is specified that, with respect to the delegation of authority provided in order to increase the share capital without preemptive subscription right, common shares may be issued in compensation for securities that may be contributed to the Company under a public exchange offer for securities in the conditions set by article L. 225-148 of the French Code of Commerce.

■ SHARE CAPITAL INCREASES UNDER AN OFFERING BY PRIVATE INVESTMENT

Moreover and according to the opportunity given by the French Order no. 2009-80 of January 22, 2009, it is also proposed to complete the current scale of delegations of authority granted to the Board of Directors and to authorize it to carry out capital increases through issuance of shares or securities giving access to the Company's share capital, by private investment (*fifteenth resolution*). These share capital increases would be carried out with cancellation of preemptive subscription rights in favor of qualified investors or a limited circle of investors as defined in article L. 411-2 of the French Monetary and Financial Code. The annual global ceiling of such capital increases would be set at 20% of the share capital according to the applicable law. It is specified that the nominal amount of the securities to be issued pursuant to this delegation would be charged to the nominal amount of €37 million set for the share capital increases that may be carried out with cancellation of preemptive subscription rights. Last, the subscription price of the shares that may be issued pursuant to this delegation, shall be set in accordance with the provisions of article R. 225-119 of the French Code of Commerce: it shall thus be at least equal to the weighted average price of the three most recent trading sessions preceding the determination of such price, potentially reduced by a maximum discount of 5%.

SETTING OF THE ISSUE PRICE

Moreover, you are asked under the *sixteenth resolution* to authorize the Board of Directors, in the event of issue of shares and/or securities giving access to capital without preemptive subscription right, to derogate, within the annual limit of 10 % of the Company's capital, from their price-setting conditions and to fix such price as follows:

- the issue price of the shares should be at least equal to the closing price for Imerys shares on the stock market the day before the issue, minus a possible 10% discount; and
- the issue price of the securities giving access to capital shall be such that the sum immediately received by the Company plus, as the case may be, any sum that may be received later by the Company, is, for every ordinary share issued as a result of the issue of those securities, at least equal to the issue price of the shares above-mentioned.

This possibility, provided by the provisions of article L. 225-136, 1° 2 of the French Code Commerce would enable the Company to carry out capital increases in the event of a downward trend in Imerys share price, which might not be possible under the fourteenth resolution.

SHARE CAPITAL INCREASES IN ORDER TO COMPENSATE CONTRIBUTIONS IN KIND

You are also called on to authorize the Board of Directors to carry out one or more share capital increases in compensation for contributions in kind made to the Company outside any public exchange offer and comprised of securities representing shares in or giving access to capital of another company, within the limit of 10% of share capital and upon presentation of a report issued by one ore more independent auditor(s) (*seventeenth resolution*).

ISSUE OF SECURITIES GIVING ENTITLEMENT TO AN ALLOTMENT OF DEBT INSTRUMENTS

Moreover, you are asked to grant the Board of Directors the authority to issue securities giving entitlement to an allotment of debt instruments (compound securities comprised of a primary security and a secondary security) for a maximum amount of €1 billion *(eighteenth resolution)*.

SHARE CAPITAL INCREASES BY INCORPORATION OF PREMIUMS, RESERVES OR OTHER ITEMS

The *nineteenth resolution* provides for the possibility of increasing the share capital by incorporation of premiums, reserves, income or any other amounts that could be capitalized, within the limit of the global nominal amount provided by the thirteenth resolution, i.e. €80 million.

CEILINGS OF ISSUES

The overall nominal amount of shares that may be issued without preemptive subscription rights under the fifteenth, sixteenth and seventeenth resolutions shall be charged to the limit of €37 million set in the fourteenth resolution.

The overall amount of the increases in share capital of the Company that could result from the use of the delegations and authorizations granted by the thirteenth, fourteenth, fifteenth, seventeenth and nineteenth resolutions would be set at €80 million, i.e. 53% of the share capital as of December 31, 2010. The additional amount of any shares to be issued to maintain, in accordance with the law and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital that exist on the issue date, as the case may be, shall be added to that amount. The maximum nominal amount of the debt securities that may be issued pursuant to the authorizations relating to the issue of securities giving access to capital, immediately or in the future, or entitlement to an allotment of debt instruments granted by the thirteenth, fourteenth, fifteenth, seventeenth and eighteenth resolutions would be set at €1 billion (*twentieth resolution*).

These authorizations and delegations would be granted for a period of 26 months and would replace the authorizations previously granted by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009, which would thus be rendered null and void.

7.1.6 SPECIFIC AUTHORIZATIONS GRANTED IN FAVOR OF EMPLOYEES AND/OR CORPORATE OFFICERS OF THE GROUP

(Four resolutions within the scope of the Extraordinary Shareholders' General Meeting)

SHARE CAPITAL INCREASES RESERVED TO EMPLOYEES THAT JOINED A COMPANY OR GROUP SAVINGS PLAN

You are asked to renew, for a further period of 26 months, the delegation of authority granted to the Board of Directors by the Shareholders' General Meeting of April 29, 2009 in order to carry out capital increases reserved for employees and/or corporate officers that have joined a company or Group savings plan (*twenty-first resolution*). Subject to your approval, this delegation shall replace the previous one which shall thus be rendered null and void.

The conditions of the existing authorization would remain unchanged: cancellation of the preemptive subscription right in favor of the beneficiaries, price of the shares to be issued at least equal to 80% of the average stock market price for Imerys shares the day before the issue in accordance with the law and nominal maximum increase in share capital set at €1.6 million. It is specified that this ceiling would be autonomous and separate from the overall capital increases ceiling set by the twentieth resolution.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND ALLOTMENT OF FREE SHARES OF THE COMPANY

You are also proposed to renew the authorizations given to the Board of Directors by the Shareholders' General Meeting of April 30, 2008 to grant purchase or subscription options on the Company's shares (*twenty-second resolution*) or free shares (*twenty-third resolution*) to Group's employees and/or corporate officers, or to certain categories of them (*details regarding granting of options or free shares decided by the Board of Directors under the existing authorizations are set out in* *chapter 6, paragraph 6.2.3 and chapter 3, sections 3.4 and 3.5 of the Registration Document*).

Terms and conditions of grants provided for by the new authorizations you are asked to adopt, would be similar to the current ones. Nevertheless, it is proposed that:

- in the event of stock subscription options, the subscription price shall be equal to 100% of the average of the first price listed for the share on the twenty stock market trading days preceding the grant date, thus excluding any possibility for the Board to apply a discount;
- in the event of stock purchase options, the purchase price of the shares shall be equal to 100% of the average purchase price of the shares held by the Company with respect to articles L. 225-208 and L. 225-209 of the French Code of Commerce, also excluding any possibility for the Board to apply a discount;
- grants of stock subscription or purchase options to executive corporate officers or acquisition by them of free shares shall be necessarily subject to the achievement of one or more performance criteria determined by the Board of Directors.

Furthermore, regarding allotment of free shares, the minimum vesting period as well as the minimum holding period for that shares would be those provided by the regulations in force on the day of their grant.

Last, the total number of shares that may be the subject of share subscription or acquisition options or free grants could not exceed an overall ceiling of 5% of the Company's capital on the day of the Board's granting decision, this ceiling being common to share subscription and/or acquisition warrants that my be issued.

These authorizations would be granted for a period of 38 months as from the date of the Shareholders' General Meeting and shall replace the previous ones which shall thus be rendered null and void for the unused part.

SHARE SUBSCRIPTION AND/OR ACQUISTION WARRANTS

It is reminded that the Shareholders' General Meeting of April 29, 2010 delegated its authority to the Board of Directors, for a period of 14 months, to increase the share capital by issue of share subscription and/or acquisition warrants ("BSA"), whether or not redeemable, reserved for the employees and corporate officers of the Company and/or its subsidiaries, or for specific categories thereof, without shareholders' preemptive subscription right.

This delegation expiring on June 28, 2011, you are asked to renew it according to similar conditions: the issue price of the BSA would be set by the Board of Directors in accordance with regulations in force on the day of issue; the subscription for the shares to which the warrants would give the right would be equal to the average closing price for shares in the Company for the twenty stock market trading days prior to the day of the decision to issue the warrants (*twenty-fourth resolution*).

It is specified that the total nominal amount of the share capital increases that may be made pursuant to this delegation could not exceed 5% of the Company's capital on the day of issue, this ceiling being common to the one provided for in the twenty-second and twenty-third resolutions proposed to the Shareholders' General Meeting.

This new delegation would be granted for a period of 26 months as from the date of the Shareholders' General Meeting and shall replace the previous one which shall thus be rendered null and void.

7.2 AUDITORS' REPORTS

ERNST & YOUNG et Autres
41, rue Ybry
92576 Neuilly-sur-Seine Cedex

S.A.S. with variable capital
Statutory Auditor
Member of the Compagnie régionale de Versailles

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

S.A. with share capital of €1,723,040
Statutory Auditor
Member of the Compagnie régionale de Versailles

7.2.1 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR MARKETABLE SECURITIES WITH RETENTION AND/OR WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS

Extraordinary Shareholders' Meeting of April 28, 2011
13th, 14th, 15th, 16th and 17th resolutions

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and pursuant to the procedures set forth in the French Company Law *(Code de commerce)*, and in particular, Articles L.225-135, L.225-136 and L.228-92, we hereby present to you our report on the proposed delegations of authority to the Board of Directors to carry out various issues of shares and/or marketable securities. Shareholders are being asked to vote on these transactions.

Your Board of Directors proposes, based on its report:

- that you delegate to it, for a period of 26 months, the authority to decide on the following transactions and to set the final terms and conditions of these issues and proposes that, when necessary, you waive your preferential subscription rights:
  - issue of ordinary shares or marketable securities conferring entitlement to ordinary shares of the Company or, in accordance with Article L. 228-93 of the French Company Law *(Code de commerce)*, of any company that owns, directly or indirectly, more than 50% of its capital or in which it owns, directly or indirectly, more than 50% of the capital, and/or conferring entitlement to the grant of debt securities, with retention of your preferential subscription rights (13th resolution);
  - issue of ordinary shares or marketable securities conferring entitlement to ordinary shares of the Company or, in accordance with Article L. 228-93 of the French Company Law *(Code de commerce)*, of any company that owns, directly or indirectly, more than 50% of its capital or in which it owns, directly or indirectly, more than 50% of the capital, and/or conferring entitlement to the grant of debt securities, with waiver of your preferential subscription rights, by public exchange offers (14th resolution), it being specified that ordinary shares may be issued in consideration of securities that may be contributed to the Company as part of a public exchange offer meeting the conditions set forth in Article L. 225-148 of the French Company Law *(Code de commerce)*;
  - issue of ordinary shares or marketable securities conferring entitlement to ordinary shares of the Company and/or conferring entitlement to the grant of debt securities, with waiver of your preferential subscription rights, as part of a private placement referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code *(Code monétaire et financier)* for up to a maximum of 20 % of the share capital per year (15th resolution);
- that you authorize it, pursuant to the 16th resolution and in connection with the implementation of the delegation referred to in the 14th and 15th resolutions, to set the issue price for up to the annual legal maximum of 10 % of the share capital;
- that you delegate to it, for a period of 26 months, the authority to set the terms and conditions of an issue of ordinary shares or marketable securities conferring entitlement to ordinary shares of the Company, in consideration of in-kind contributions made to the Company that are comprised of equity securities or marketable securities conferring entitlement to the share capital, for up to a maximum of 10% of the share capital (17th resolution).

The total nominal amount of potential capital increases likely to be carried out, immediately or in the future, may not exceed €80 million pursuant to the 13th, 14th, 15th, 17th and 19th resolutions, it being specified that the total nominal amount of potential capital increases likely to be carried out, immediately or in the future, pursuant to the 14th resolution, may not exceed €37 million. The total nominal amount of debt securities likely to be issued may not exceed €1 billion pursuant to the 13th, 14th, 15th, 17th and 18th resolutions.

These ceilings include the additional number of marketable securities to be created as part of the delegations of authority resulting from the 13th, 14th and 15th resolutions, under the conditions set forth in Article L. 225-135-1 of the French Company Law *(Code de commerce)*.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Company Law *(Code de commerce)*. Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information concerning these transactions, contained in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this type of engagement. These procedures consisted in verifying the contents of the Board of Directors' report in respect of these transactions and the terms and conditions governing the determination of the issue price of equity securities to be issued.

Subject to a subsequent review of the terms and conditions of proposed issues that may be decided, we have no comments on the terms and conditions governing the determination of the issue price of equity securities to be issued presented in the Board of Directors' report in connection with the 14th, 15th and 16th resolutions.

As this report does not include information on the terms and conditions governing the determination of the issue price of equity securities to be issued pursuant to the 13th and 17th resolutions, we cannot express an opinion on the issue price calculation inputs.

Furthermore, as the issue price of equity securities to be issued has not been set yet, we do not express an opinion on the final terms and conditions under which the issues will be performed and, as such, on the proposed cancellation of preferential subscription rights submitted for your approval in the 14th, 15th, 16th and 17th resolutions.

In accordance with Article R.225-116 of the French Company Law *(Code de commerce)*, we shall issue an additional report, if necessary, on the performance by your Board of Directors of any issues with cancellation of your preferential subscription rights or of any issues of marketable securities conferring access to the Company's share capital and/or entitlement to the grant of debt instruments.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

7.2.2 STATUTORY AUDITORS' REPORT ON THE ISSUE OF MARKETABLE SECURITIES CONFERRING ENTITLEMENT TO THE GRANT OF DEBT SECURITIES

Extraordinary Shareholders' Meeting of April 28, 2011
18th resolution

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L. 228-92 of the French Company Law *(Code de commerce)*, we hereby report to you on the proposed delegation of authority to the Board of Directors to decide on the issue of marketable securities conferring entitlement to the grant of debt instruments, for a maximum nominal amount of €1 billion. Shareholders are being asked to vote on this transaction.

Your Board of Directors recommends that, based on its report, you confer on it, for a period of 26 months, the authority to decide on this transaction. When necessary, the Board of Directors will set the final terms and conditions of the debt instrument issue.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.225-113, R.225-114 and R.225-117 of the French Company Law *(Code de commerce)*. Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts and on certain other information concerning the issue, contained in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. Such procedures consisted in verifying the contents of the Board of Directors' report relating to this transaction.

As the final terms and conditions of this issue have not been set, we do not express an opinion on the final terms and conditions under which the issue will be performed.

In accordance with Article R.225-116 the French Company Law *(Code de commerce)*, we will issue an additional report, if necessary, when your Board of Directors uses this authorization.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

7.2.3 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES OR MARKETABLE SECURITIES WITH WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS RESERVED FOR MEMBERS OF A COMPANY SAVINGS PLAN

Extraordinary Shareholders' Meeting of April 28, 2011
21ST resolution

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Articles L. 225-135, L.225-138 and L.228-92 of the French Company Law *(Code de commerce)*, we hereby report to you on the proposed delegation of authority to the Board of Directors to decide on an issue of shares or marketable securities conferring entitlement to the share capital, with waiver of your preferential subscription rights, for a maximum nominal amount of €1.6 million, reserved for members of a Company or Group savings plan and/or of affiliated French or foreign groupings within the meaning of Article L.225-180 of the French Company Law *(Code de commerce)* and Article L.3344-1 of the French Labor Code *(Code du travail)*. Shareholders are being asked to vote on this transaction.

Shareholders are asked to approve this issue pursuant to Article L. 225-129-6 of the French Company Law (*Code de commerce*) and Article L. 3332-18 et seq. of the French Labor Code.

Your Board of Directors recommends that, based on its report, you confer on it, for a period of 26 months, the authority to set the terms and conditions for one or more issues and proposes that you waive your preferential subscription rights. When necessary, the Board of Directors will set the final terms and conditions of this transaction.

It is the Board of Directors' responsibility to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R.225-117 of the French Company Law *(Code de commerce)*. Our role is to express an opinion on the fairness of the quantified data extracted from the financial statements, on the proposed waiver of preferential subscription rights and on certain other information pertaining to the issue as presented in this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. Such procedures consisted in verifying the contents of the Board of Directors' report relating to this transaction and the terms and conditions under which the issue price of the equity securities was determined.

Subject to our subsequent review of the terms and conditions of the issue(s) that will be decided, we have no comments to make on the procedures for determining the issue price of the equity securities to be issued as presented in the Board of Directors' report.

As the issue price of the equity securities to be issued has not been determined, we express no opinion on the final terms and conditions under which the capital increase will be carried out and, consequently, on the proposed waiver of preferential subscription rights on which you are being asked to vote.

In accordance with Article R. 225-116 of the French Company Law *(Code de commerce)* we will issue an additional report, if necessary, when your Board of Directors uses this authorization.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

7.2.4 STATUTORY AUDITORS' SPECIAL REPORT ON THE GRANTING OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS TO EMPLOYEES AND CORPORATE OFFICERS

Extraordinary Shareholders' Meeting of April 28, 2011
22nd resolution

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Articles L.225-177 and R.225-144 of the French Company Law *(Code de commerce)*, we have prepared this report on the granting of share subscription or purchase options to employees and corporate officers of your Company, and, if applicable, to employees or corporate officers of affiliated companies or groupings referred to in Article L. 225-180 of the French Company Law *(Code de commerce)*, or to certain categories of them.

It is the responsibility of the Board of Directors to prepare a report on the reasons for the granting of share subscription or purchase options and the proposed terms and conditions for determining the subscription or purchase price. It is our responsibility to comment on the proposed terms and conditions for determining the subscription or purchase price.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. These procedures consisted in verifying that the proposed terms and conditions for determining the subscription or purchase price are disclosed in the Board of Directors' report, that they comply with legal provisions, in order to inform shareholders, and that they do not appear obviously inappropriate.

We have no comments on the proposed terms and conditions.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

7.2.5 STATUTORY AUDITORS' SPECIAL REPORT ON THE FREE GRANT OF EXISTING SHARES OR SHARES TO BE ISSUED TO EMPLOYEES AND CORPORATE OFFICERS

Extraordinary Shareholders' Meeting of April 28, 2011
23rd resolution

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L. 225-197-1 of the French Company Law *(Code de commerce)*, we have prepared this report on the proposed free grant of existing shares or shares to be issued to employees and corporate officers of the Company, and, where applicable, to employees or corporate officers of affiliated companies or groupings within the meaning set forth in Article L. 225-197-2 of the French Company Law *(Code de commerce)*, or to certain categories of them.

The Board of Directors also recommends that you confer on it the authority to grant shares for no consideration, whether existing or to be issued. It is responsible for preparing a report on the transaction that it wishes to carry out. Our role is to inform you of our comments, if any, on the information thus given to you on the proposed transaction.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. Our work consisted in verifying more specifically that the proposed procedures and data presented in the Board of Directors' report comply with the legal provisions.

We have no comments on the information given in the Board of Directors' report in connection with the proposed free grant of shares.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres
François Carrega

Deloitte & Associés
Arnaud de Planta

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7.2.6 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARE SUBSCRIPTION OR PURCHASE WARRANTS WITH WAIVER OF PREFERENTIAL SUBSCRIPTION RIGHTS

Extraordinary Shareholders' Meeting of April 28, 2011
24th resolution

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and pursuant to the procedures set forth in the French Company Law *(Code de commerce)*, and in particular, Articles L.225-135, L.225-136 and L.228-92, we hereby present to you our report on the proposed delegations of authority to the Board of Directors to carry out a capital increase, on one or more occasions, with waiver of your preferential subscription right, reserved for employees and corporate officers of the Company and/or its French or foreign subsidiaries or groupings within the meaning set forth on Articles L. 225-180 and L. 233-3 of the French Company Law *(Code de commerce)* or to certain categories of them, by the issue of share subscription and/or purchase warrants. Shareholders are being asked to vote on this transaction.

Your Board of Directors recommends that, based on its report, you confer on it, for a period of 26 months, the authority to set the terms and conditions for one or more issues and proposes that you waive your preferential subscription rights. When necessary, the Board of Directors will set the final terms and conditions of this transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Company Law *(Code de commerce)*. Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information concerning this transaction, contained in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this type of engagement. These procedures consisted in verifying the contents of the Board of Directors' report in respect of this transaction and the terms and conditions governing the determination of the issue price of equity securities to be issued.

We have the following comment to make on the Board of Director's report:

In its report, the Board of Directors does not mention the issue price for share subscription warrants.

Furthermore, subject to our subsequent review of the terms and conditions of the issue(s) that will be decided, we have no comments to make on the procedures for determining the issue price of the equity securities to be issued as presented in the Board of Directors' report.

As the issue price of the equity securities to be issued has not been determined, we express no opinion on the final terms and conditions under which the issue(s) will be carried out and, consequently, on the proposed waiver of preferential subscription rights on which you are being asked to vote.

In accordance with Article R. 225-116 of the French Company Law (*Code de commerce*), we will issue an additional report, if necessary, when your Board of Directors uses this authorization.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
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7.2.7 STATUTORY AUDITORS' REPORT ON THE DECREASE IN SHARE CAPITAL BY CANCELLATION OF PURCHASED SHARES

Extraordinary Shareholders' Meeting of April 28, 2011
25th resolution

(This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L. 225-209 of the French Company Law *(Code de commerce)* on the decrease in share capital by the cancellation of purchased shares, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decrease.

This transaction involves the purchase by the Company of its own shares, up to a maximum of 10% of its share capital, pursuant to the terms and conditions set forth in Article L. 225-209, of the French Company Law *(Code de commerce)*. This purchase authorization is subject to the approval of the Extraordinary Shareholders' Meeting for a period of 18 months.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months starting from the day of this Extraordinary Shareholders' Meeting, to cancel, on one or more occasions, up to a maximum of 10% of its share capital by 24-month periods, the shares purchased by the Company pursuant to the authorization to purchase its own shares.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, and ensuring that it does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for or the terms and conditions of the proposed share capital decrease, which, you are reminded, may only be performed subject to the prior approval by the Extraordinary Shareholders' Meeting of the purchase by the Company of its own shares.

Neuilly-sur-Seine, March 30, 2011

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François Carrega	Arnaud de Planta

7.3 AGENDA

ORDINARY PART

1. Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2010;
2. approval of the Group's consolidated financial statements for the financial year ended on December 31, 2010;
3. allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2010;
4. Statutory Auditors' special report on regulated commitments governed by articles L. 225-38 and L. 225-42-1 of the French Code of Commerce entered into in favor of Mr. Gilles Michel, Deputy Chief Executive Officer and Director, and approval of said commitments;
5. ratification of the appointment of Mr. Gilles Michel as Director;
6. renewal of the term of office as Director of Mr. Aimery Langlois-Meurinne;
7. renewal of the term of office as Director of Mr. Gérard Buffière;
8. renewal of the term of office as Director of Mr. Aldo Cardoso;
9. renewal of the term of office as Director of Mr. Maximilien de Limburg Stirum;
10. renewal of the term of office as Director of Mr. Jacques Veyrat;
11. appointment of Mrs. Arielle Malard de Rothschild as new Director;
12. repurchase by the Company of its own shares.

EXTRAORDINARY PART

13. Delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital with preemptive subscription right;
14. delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without preemptive subscription right;
15. delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without preemptive subscription right, under an offering by private investment with respect to section II of article L. 411-2 of the French Monetary and Financial Code;
16. authorization to the Board of Directors to set the issue price of shares or securities giving access to capital, in the event of the cancellation of the preemptive subscription right, within the limit of 10% of capital per year;
17. delegation of powers to the Board of Directors for the purposes of increasing capital in compensation for contributions in kind comprised of securities representing shares in or giving access to capital, within the limit of 10 %of capital per year;
18. delegation of authority to the Board of Directors to issue securities giving entitlement to an allotment of debt instruments;
19. delegation of authority to the Board of Directors for the purposes of increasing capital by capitalization of premiums, reserves, income or other items;
20. overall limitation of the nominal amount of issues of common shares and debt securities that may result from the above delegations and authorizations;
21. delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares reserved for members of a company savings plan of the Company or its Group;
22. renewal of authorization to grant options for subscription or purchase of the Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them;
23. renewal of authorization to make allotments of free Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them;
24. delegation of authority to the Board of Directors to issue share subscription and/or acquisition warrants to employees and officers of the Company and its subsidiaries, or to certain categories of them, without shareholders' preemptive subscription right;
25. authorization to the Board of Directors to reduce share capital by canceling shares held by the Company;
26. powers.

7.4 DRAFT RESOLUTIONS

ORDINARY PART

FIRST RESOLUTION

Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2010

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Auditors' report relating to the Company's financial statements for the financial year ended on December 31, 2010 approves, as presented, such financial statements, as well as the transactions evidenced by such financial statements and summarized in such reports.

SECOND RESOLUTION

Approval of the Group's consolidated financial statements for the financial year ended on December 31, 2010

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Auditors' report relating to the Group's consolidated financial statements for the financial year ended on December 31, 2010 approves, as presented, such financial statements as well as the transactions evidenced by such financial statements and summarized in such reports.

THIRD RESOLUTION

Allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2010

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report:

acknowledges that the Company's profit for the past financial year is:	€83,645,324.81
decides to withdraw an amount of: to raise the legal reserve to 10% of the share capital	€(16,931.80)
the balance increased by the retained earnings amounting to:	€369,029,828.11
represents a total distributable amount of:	€452,658,221.12
resolves to pay in respect of financial 2010 a dividend of €1.20 to each of the 75,474,155 shares that make up the share capital as on January 1, 2011, which represents a distribution of:	€(90,568,986.00)
and allocates the remaining amount to retained earnings which now amount to:	€362,089,235.12

The Shareholders' General Meeting decides that the total amount of the dividend paid out shall be adjusted according to the exercise of subscription options for shares entitled to the dividend with respect to financial 2010 as on the payment date of that dividend. The amount allocated to retained earnings shall be determined on the basis of the total amount of dividend effectively paid out.

The Shareholders' General Meeting decides that the dividend will be paid as from May 11, 2011.

If the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that would not have been paid out as a result would be allocated to retained earnings.

In accordance with article 243 bis of the French General Tax Code, the proposed dividend is eligible for the 40% allowance provided for by 2° of 3 of Article 158 of the French General Tax Code, from which private individuals domiciled in France for tax purposes may benefit; this allowance shall not apply if the beneficiary have opted for liability to the 19% withholding governed by article 117 quarter of the French General Tax Code.

The Shareholders' General Meeting acknowledges that the sums paid out as dividends with respect to the previous three financial years were as follows:

	Financial 2009	Financial 2008	Financial 2007
Net dividend per share	€1.00*	€1.00*	€1.90*
Number of shares compensated	75,505,458	62,787,810	62,618,358
Total net distribution	€75.5 M	€62,8 M	€118,9 M

(*) Dividend eligible for the 40% allowance.

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FOURTH RESOLUTION

Statutory Auditors' special report on regulated agreements and commitments governed by articles L. 225-38 and L. 225-42-1 of the French Code of Commerce entered into in favor of Mr. Gilles Michel, Deputy Chief Executive Officer and Director, and approval of said agreements and commitments

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Statutory Auditors' special report drawn up pursuant to the provisions of article L. 225-40 of the French Code of Commerce, and ruling on this report, approves pursuant to articles L. 225-38 and L. 225-42-1 of the French Code of Commerce, the agreements and commitments taken by the Company in favor of Mr. Gilles Michel, Deputy Chief Executive Officer and Director, as authorized by the Board of Directors at its meeting of November 3, 2010.

FIFTH RESOLUTION

Ratification of Mr. Gilles Michel's appointment as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report, ratify the decision of the Board of Directors made at its meeting of November 3, 2010, to appoint Mr. Gilles Michel as Director to replace Mr. Gilbert Milan, who resigned, for the remaining duration of his predecessor's term, that is, until the Shareholders' General Meeting called upon in 2012 to approve management and financial statements for financial 2011.

SIXTH RESOLUTION

Renewal of Mr. Aimery Langlois-Meurinne's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Aimery Langlois-Meurinne's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2014 to rule on the management and financial statements for financial year 2013.

SEVENTH RESOLUTION

Renewal of Mr. Gérard Buffière's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Gérard Buffière's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2014 to rule on the management and financial statements for financial year 2013.

EIGHTH RESOLUTION

Renewal of Mr. Aldo Cardoso's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Aldo Cardoso's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2014 to rule on the management and financial statements for financial year 2013.

NINTH RESOLUTION

Renewal of Mr. Maximilien de Limburg Stirum's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Maximilien de Limburg Stirum's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2014 to rule on the management and financial statements for financial year 2013.

TENTH RESOLUTION

Renewal of Mr. Jacques Veyrat's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Jacques Veyrat's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2014 to rule on the management and financial statements for financial year 2013.

ELEVENTH RESOLUTION

Appointment of Mrs. Arielle Malard de Rothschild as new Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, resolves to appoint as from this day as a new Director, Mrs. Arielle Malard de Rothschild, for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2014 to rule on the management and financial statements for financial year 2013.

TWELFTH RESOLUTION

Repurchase by the Company of its own shares

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report pursuant to the provisions of article L. 225-209 et seq. of the French Code of Commerce and Articles 241-1 to 241-6 of the General Regulations of Autorité des marchés financiers (AMF):

1) authorizes the Board of Directors, with the possibility of sub-delegating under the conditions provided by law, to make purchases of the Company's own shares:
   - for the cancellation of the shares thus bought and, as the case may be, any shares bought under previous buyback authorizations provided that the twenty-fifth resolution be approved by the present Shareholders' General Meeting;
   - in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company on a fully independent basis without being influenced by the Company, under a liquidity contract in accordance with a code of conduct recognized by AMF, or in any other manner agreed by the applicable regulations;
   - in order to grant or transfer some shares to employees, former employees or corporate officers of the Company and companies that are affiliated pursuant to articles L. 225-180 and L. 233-3 of the French Code of Commerce, in particular employee shareholding plans, stock purchase options plans, or grants of free shares plans, under the conditions provided by law and provided that the twenty-first, the twenty-second and the twenty-third resolutions be approved by the present Shareholders' General Meeting;
   - for the delivery or exchange of shares, particularly with respect to the issue of securities that give access, immediately or in the future, to shares in the Company or with respect to external growth;
   - and, in general, for any purposes that are permitted or may come to be authorized by the regulations in force.

The acquisition, sale, transfer or exchange of the shares may be carried out, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks and the use or exercise of any financial instrument or derivative.

2) sets the following limits for the use of the present authorization by the Board of Directors:
   - the maximum number of shares that may be purchased shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2011, that is 7,547,415 shares;
   - the number of shares that the Company may hold, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares that make up the Company's capital;
   - the maximum purchase price of the shares shall not be greater than €80;
   - consequently, the maximum amount that the Company is liable to use for such repurchases shall not be greater than €603,8 million;
3) resolves that, in the event that the par value of the stock is modified, the capital is increased by the capitalization of reserves or free shares are granted, or in the event of a stock split or consolidation, the above-stated maximum amount devoted to these buybacks and the maximum number of shares to be repurchased will be adjusted accordingly by a multiplier equal to the ratio between the number of shares that made up the capital before the operation and the resulting number after the operation;
4) sets at eighteen months from the date of this General Meeting the term of this authorization, which renders null and void, for the unused part, any previous authorizations granted to the Board of Directors with regard to the Company's repurchase of its shares;
5) grants full powers to the Board of Directors, with the authority to delegate such powers under the conditions provided by law, to implement this authorization and, in particular, to sign any stock purchase, sale, exchange or transfer agreements, file any statements with Autorité des marchés financiers or any other agency, proceed with the adjustments set forth above, complete any formalities and, generally, do what is necessary.

EXTRAORDINARY PART

THIRTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of common shares or of securities giving access to capital immediately or in the future with preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of Articles L. 225-129-2, L. 228-91 et seq. of the French Code of Commerce:

1) delegates its authority to the Board of Directors to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it judges fit, on the French market and/or the international market, in euros or any other currency by the issue, with preemptive subscription right, of common shares and/or any other securities in the Company, whether or not they represent debt, giving access by any means, immediately or in the future, at any time or on set dates, to common shares in the Company existing or to be issued, or, in accordance with article L. 228-93 of the French Code of Commerce, in any company that directly or indirectly owns more than half its capital or of which it directly or indirectly owns more than half the capital, whether by subscription, conversion, exchange, redemption, presentation of a warrant of in any other way, such securities being issued in euros or in any monetary unit determined by reference to several currencies;

2) resolves to limit as follows the amounts of the authorized issues in the event of the Board of Directors using the present delegation of authority:

- the total nominal amount of common shares that may be issued, whether directly or on presentation of securities, pursuant to the present delegation shall not be greater than €80 million, which represents, for guidance only, 53% of the Company's capital as on December 31, 2010, it being specified that the nominal amount of those issues shall be charged against the total ceiling for rights issues set down in the twentieth resolution, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount;

- the total nominal amount of debt securities that may be issued pursuant to the present delegation and which give access, whether immediately or in the future, to the Company's capital, shall not be greater than €1 billion or the equivalent of that amount on the date of the issue decision, it being specified that the nominal amount of these issues shall be charged against the overall issue ceiling for debt securities set down in the twentieth resolution;

3) in the event of the use of the present delegation of authority:

- resolves that the issue or issues shall be preferentially reserved for shareholders who may subscribe on an irreducible basis;

- grants the Board of Directors the possibility of instituting a reducible subscription right;

- empowers the Board of Directors, if it notes excess demand, to increase the number of securities planned in the initial issue under the conditions of article L. 225-135-1 of the French Code of Commerce and within the percentage limit of the initial issue provided by the legal and regulatory provisions in force at the time of the issue, it being understood that the issue price shall be the same as that of the initial issue and that the nominal amount of the corresponding issues shall be charged to the amount of the above-mentioned ceiling;

- in accordance with the provisions of article L. 225-134 of the French Code of Commerce, resolves that, if the irreducible subscriptions and, as the case may be, any reducible subscriptions have not taken up the whole of an issue as defined above, the Board of Directors may use one or more of the following possibilities in the order that it judges fit:

  - limit the amount of the subscriptions, provided that such amount is at least three-quarters of the intended issue,

  - freely allocate all or part of the unsubscribed securities,

  - offer all or part of the unsubscribed securities to the public;

4) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares to which the securities issued pursuant to the present delegation shall give the right;

5) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:

- set the terms and conditions of the issue or issues, particularly the forms and characteristics of the securities to be issued, set the subscription opening and closing dates, acknowledge the completion of the resulting capital increases and amend the by-laws accordingly;

- charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase;

- make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital;

- in turn delegate the powers needed to carry out the issue, or to refrain therefrom, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more delegate Chief Executive Officers;

- and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

6) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes for the unused part.

FOURTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of common shares or securities giving access immediately or in the future to capital, with cancellation of the preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-135-1, L. 225-136 and L. 228-91 et seq. of the French Code of Commerce:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it sees fit, on the French market and/or the international market, by making a public offering by the issue in euros or any other currency of common shares and/or any other securities in the Company, which may or not represent debt, giving access by any means, immediately or in the future, at any time or on set dates, to common shares in the Company existing or to be issued or, in accordance with article L. 228-93 of the French Code of Commerce, in a company that directly or indirectly owns more than half of its capital or of which it directly or indirectly owns more than half the capital, whether

by subscription, conversion, exchange, redemption, presentation of a warrant of in any other way, such securities being issued in euros or in any monetary unit determined by reference to several currencies;

2) resolves to limit the amounts of issues authorized in the event of the Board of Directors using the present delegation of authority:

- the total nominal amount of the shares that may be issued, whether directly or on presentation of securities, pursuant to the present delegation shall not be greater than €37 million, i.e., for guidance only, approximately 25% of the Company's capital as on December 31, 2010, it being specified that the nominal amount of these issues shall be charged against the overall ceiling for capital issues set down in the twentieth resolution, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount;
- the total nominal amount of the debt securities that may be issued pursuant to the present delegation and which give access, whether immediately or in the future, to the Company's capital shall not be greater than €1 billion or the equivalent amount on the date of the issue decision, it being stipulated that the nominal amount of these issues shall be charged against the overall ceiling for debt securities set down in the twentieth resolution;

3) resolves to cancel the preemptive subscription right of shareholders to the securities concerned by the present resolution, while however giving the Board of Directors the possibility, in accordance with the provisions of article L. 225-135 of the French Code of Commerce, to grant shareholders, for a period and at the terms and conditions that it shall set and for all or part of an issue, a subscription priority that does not give the right to the creation of negotiable rights, which must be exercised in proportion to the number of shares owned by each shareholder;

4) acknowledges that the present delegation entails the waiver by the shareholders of their pre-emptive subscription right to the shares in the Company to which the securities issued pursuant to the present delegation may give the right;

5) decides that:

- the issue price of the common shares issued pursuant to the present delegation shall be determined by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Code of Commerce and shall be at least equal to the weighted average price of the Imerys share for the three trading sessions prior to the determination of that price, minus a maximum possible discount of 5%;
- the issue price of the securities giving access to the Company's capital shall be such that the sum immediately received, plus, as the case may be, the sum that may to be received later, shall, for each common share in the Company issued as a result of the issue of those securities, be at least equal to the minimum price defined in the previous paragraph after correcting, if need be, that amount to take into account the difference in dated date;

6) resolves that the Board of Directors may, within the limit of the overall issue amount authorized in paragraph 2) above, issue common shares and/or securities giving access, whether immediately or in the future, to the Company's capital, in compensation for the securities contributed to the Company with respect to a public exchange offer within the limits and under the conditions provided by article L. 225-148 of the French Code of Commerce;

7) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:

- set the terms and conditions of the issue or issues, particularly the forms and characteristics of the securities to be issued, set the subscription opening and closing dates, acknowledge the completion of the resulting capital increases and amend the by-laws accordingly;
- increase, if it notes excess demand, the number of securities planned in the initial issue under the conditions provided for by article L. 225-135-1 of the French Code of Commerce and within the percentage limit of the initial issue provided by the legal and regulatory provisions in force at the time of the issue, it being understood that the issue price shall be the same as that of the initial issue;
- in the event of the issue of securities intended as compensation for securities contributed with respect to a public exchange offer: draw up the number and characteristics of securities contributed in exchange, set the terms and conditions of the issue, the exchange rate and, as the case may be, the amount of the balancing cash adjustment to be made in cash, and determine the arrangements for the issue;
- charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase;
- make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital;
- in turn delegate the powers needed to carry out the issue, or to refrain therefrom, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more delegate Chief Executive Officers;
- and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

8) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

FIFTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without preemptive subscription right, under an offering by private investment with respect to section II of article L. 411-2 of the French Monetary and Financial Code

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-91 et seq. of the French Code of Commerce and article L. 411-2 of the French Monetary and Financial Code:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it sees fit, with respect to an offering by private investment as provided by section II of article L. 411-2 of the Monetary and Financial Code, carried out in France or another country, concerning common shares and/or any other securities in the Company giving access, whether immediately or in the future, at any time or on set dates, to common shares, whether in existence or to be issued, in the Company, whether by subscription, conversion, exchange, retirement, presentation of a warrant or in any other way, with the possibility of stating the securities thus issued in foreign currencies or any monetary unit established in reference to several currencies;

2) acknowledges that the issues that may be made pursuant to the present delegation are, in accordance with the law, limited to 20% of capital per year, it being stipulated that this period of one year runs from each issue made pursuant to the present delegation;

3) resolves to set as follows the amount of authorized issues in the event of the Board of Directors' use of the present delegation of authority:

   - the total nominal amount of shares that may be issued pursuant to the present delegation shall not be greater than 20% of the Company's capital on the day of issue, it being stipulated that the nominal amount of these issues shall be charged against the specific capital increase ceiling provided by paragraph 2 of the fourteenth resolution below, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount;

   - the total nominal amount of debt securities that may be issued pursuant to the present delegation and which give access, whether immediately or in the future, to the Company's capital shall not be greater than €1 billion or the equivalent amount on the date of the issue decision, it being stipulated that the nominal amount of these issues shall be charged against the overall ceiling for issues of debt securities set down in the twentieth resolution;

4) resolves to cancel the preemptive subscription right for shareholders to the securities coming under the present resolution;

5) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares in the Company to which the securities issued pursuant to the present delegation may give the right;

6) resolves that:

   - the issue price of the common shares issued pursuant to the present delegation shall be set by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Code of Commerce and shall be at least equal to the weighted average of Imerys share prices for the last three trading sessions prior to its definition, reduced as the case may be by a maximum 5% discount,

   - the issue price of the securities giving access to the Company's capital shall be such that the sum received immediately, plus, as the case may be, the sum to received later, shall, for every common share in the Company issued as a result of the issue of those securities, be at least equal to the minimum price defined in the previous paragraph after correcting, if need be, that amount to take into account the difference in dated date;

7) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:

   - set the conditions of the issue(s), particularly the forms and characteristics of the securities to be created, set the subscription opening and closing dates, acknowledge the completion of the resulting capital increases, and amend the by-laws accordingly,

   - increase, if it observes excess demand, the number of securities planned in the initial issue under the conditions of article L. 225-135-1 of the French Code of Commerce and within the limit of the initial percentage of the issue provided by legal and regulatory provisions in force at the time of the issue, it being understood that the issue price shall be the same as that retained for the initial issue,

   - charge, on its sole initiative, capital increase expenses against the amount of related premiums and take from that amount the sums needed to increase the legal reserves to one-tenth of capital after each increase,

   - make any adjustments required in compliance with applicable legal and contractual provisions and set down the arrangements, as the case may be, for maintaining the rights of bearers of securities or rights giving access to capital,

   - itself delegate to the Chief Executive Officer, or with his agreement to one or more delegate Chief Executive Officers, the powers needed to complete the capital increase and to delay it within the limits and according to the arrangements that Board of Directors may set down beforehand,

   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do whatever is necessary to complete the issues under consideration successfully;

8) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation.

SIXTEENTH RESOLUTION

Authorization to the Board of Directors for the purposes of setting the issue price of common shares and securities giving access to capital, in the event of cancellation of the preemptive subscription right of shareholders and within the limit of 10% of share capital per year

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2 and L. 225-136, 2° of paragraph 1 of the French Code of Commerce:

1) authorizes the Board of Directors, in the event of an issue of common shares and/or securities giving access to capital without preemptive subscription rights, in the conditions provided by the fourteenth and fifteenth resolutions, within the annual limit of 10% of the Company's capital as it exists at the end of the month prior to the issue date, to derogate from the price-setting conditions and set the issue price of common shares or securities giving access to capital at an amount that shall be at the least equal to:
    - in the case of the issue price of common shares, the closing price of Imerys stock on the Euronext Paris market on the trading day prior to the date of setting the issue price, possibly reduced by a maximum 10% discount, and
    - in the case of the issue price of securities giving access to capital, the amount such that the sum immediately received by the Company, plus, as the case may be, the amount to be perceived at a later date by the Company, i.e. for every common share issued as a result of the issue of those securities, at least equal to the issue price referred to in the previous paragraph;
2) states, as need be, that the amount of the issues made with respect to the present delegation shall be charged against the specific ceiling for capital increases referred to in paragraph 2 of the fourteenth resolution above;
3) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

SEVENTEENTH RESOLUTION

Authorization to the Board of Directors for the purposes of increasing the share capital in compensation for contributions in kind made up of securities representing shares in or giving access to capital, within the limit of 10% of the share capital per year

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-147 and L. 228-91 et seq. of the French Code of Commerce:

1) delegates to the Board of Directors the powers needed for the purposes of carrying out, upon the report of one or more capital contributions auditors, within the limit of 10% of the Company's capital, as it exists on the date on which the present delegation is used, the issue of common shares and/or any other securities, whether or not debt securities, which give access by any means, whether immediately or in the future, at any time or at set dates, to common shares, whether in existence or to be created, in the Company, in compensation for the contributions in kind made to the Company and made up of securities representing shares in or giving access to capital, if the provisions of article L. 225-148 of the French Code of Commerce do not apply;
2) resolves, as need be, to cancel the preemptive subscription right for shareholders to the securities issued with respect to the present delegation for the benefit of the bearers of the securities representing shares in or giving access to capital which make up the contributions in kind;
3) resolves that the nominal amount of the issues carried out pursuant to the present delegation shall be charged against the specific ceiling for capital increases referred to in paragraph 2 of the fourteenth resolution, and that any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital shall be added to that amount;
4) acknowledges that the present delegation entails the waiver by the shareholders of their preemptive subscription right to the shares in the Company to which the securities issued pursuant to the present delegation may give the right;
5) resolves that the Board of Directors shall have, within the limits set above, the powers needed, with the possibility of subdelegating in the conditions provided by law, to rule on the appraisal of the contributions and the report of the capital contributions auditor(s), set down the arrangements and conditions for the authorized operations and, in particular, the appraisal of the contributions and, as the case may be, the grant of special advantages, set down the number and characteristics of the securities to be issued in compensation for the contributions, make any charges, as the case may be, to the share premiums, amend the by-laws accordingly, carry out any formalities, make any statements and do what is necessary to complete successfully the operations thus authorized;
6) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

EIGHTEENTH RESOLUTION

Delegation of authority to the Board of Directors to issue securities giving entitlement to an allotment of debt instruments

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2 to L. 225-129-6 and L. 228-91 et seq. of the French Code of Commerce:

1) delegates to the Board of Directors its authority to issue, in one or more times, on its sole decisions, in the proportion and at

the dates that it shall determine, on the French market and/or the international market, in euros or any other currency, any securities (other than shares) giving entitlement, immediately or in the future, to an allotment of debt instruments, including bonds or related securities, subordinated securities for a determinate or indeterminate period and any other securities giving, in the same issue, a debt right in the Company;

2) resolves that the maximum nominal amount of the issues, in the event of the Board of Directors using the present delegation of authority, shall not exceed the ceiling of €1 billion or the equivalent amount in any other currency at the issue date, it being specified that the nominal amount of the securities to be issued shall be charged against the overall ceiling for issues of debt securities set in the twentieth resolution;

3) resolves that the Board of Directors shall have, within the limits set down above, the necessary powers, with the possibility of subdelegating in the conditions provided by law, to:

- set down the conditions and arrangements for each issue and all the characteristics of the securities to be issued and of the debt securities to which they would give the right of grant and, in particular, their par value, dated date, issue price, with premium as the case may be (said premium being charged against the maximum amount referred to in paragraph 2) above), interest rate, whether fixed or variable, and its date of payment, the arrangements as the case may be for the subordination of the principal and/or interest, the arrangements for depreciation and/or early repayment, as the case may be with or without premium, or even buyback by the Company, their duration and any other characteristics;
- resolve, as the case may be, to allocate a guarantee or security interests to the securities to be issued, and to the debt securities to which those securities may give the right of grant, and set down the nature and characteristics thereof;
- in general, set down all the arrangements for each issue, enter into any agreements, take any measures, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

4) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation.

NINETEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by capitalization of premiums, reserves, income or other items

The Shareholders' Meeting, ruling in the quorum and majority conditions required for ordinary general meetings, after examining the Board of Directors' report and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Code of Commerce:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that it sees fit, by capitalization of all or part of premiums, reserves, income or other items which incorporation to the capital would be admitted, in the form of a free share grant or an increase in the par value of existing shares or by the combined use of those processes;

2) resolves that the total nominal amount of the common shares that may be issued under the present delegation, shall not be greater than the specific ceiling of capital increase set at paragraph 2 of the thirteenth resolution above, it being specified that to such amount shall be added, as the case may be, the additional amount of any shares to be issued to maintain, in accordance with the applicable law and contractual terms, the rights of the holders of securities or rights giving access to capital that shall exist on the issue date;

3) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:

- set the terms and conditions of the issue or issues, in particular set the amount and the nature of the reserves or premiums to be incorporated to the share capital, set the number of new shares to be issued or the amount by which the par value of the shares that make up the share capital shall be increased, set the date, even retrospectively, from which the new shares shall give entitlement or from which the increase in nominal amount shall take effect, and acknowledge the completion of the resulting capital increases and amend the by-laws accordingly;
- charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase;
- make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital;
- resolve, as the case may be, that any rights forming odd lots shall not be negotiable and that the corresponding shares shall be sold, with the sums resulting from the sale allocated to the holders of rights within the timeframe set by legal provisions;
- in turn delegate the powers needed to carry out the issue, or to refrain there from, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more deputy Chief Executive Officers;
- and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

4) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

TWENTIETH RESOLUTION

Overall limitation of the nominal amount of issues of common shares and debt securities that may result from the above delegations and authorizations

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report decides to set:

- at €1 billion, or the equivalent amount on the date of the issue decision, the maximum nominal amount of the debt securities that may be issued pursuant to the delegations and authorizations relating to the issue of securities giving access, whether immediately or in the future, to a share of capital or securities giving the right to the grant of debt securities, given by the thirteenth, fourteenth, fifteenth, seventeenth and eighteenth resolutions of the present Meeting;
- at €80 million the maximum nominal amount of the capital increase, whether immediate or in the future, that may be carried out pursuant to the delegations and authorizations given by the thirteenth, fourteenth, fifteenth, seventeenth and nineteenth resolutions of the present Meeting, with any additional nominal amount of shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or of rights giving access to capital to be added to that amount.

TWENTY-FIRST RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of shares or securities giving access to capital reserved for members of a company savings plan of the Company or its Group

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report, with respect to the provisions of articles L. 3332-1 et seq. of the French Labor Code concerning employee shareholding and pursuant to articles L. 225-129-2 to L. 225-129-6 and article L. 225-138-1 of the French Code of Commerce:

1) delegates to the Board of Directors its authority to decide the capital increase of the Company, in one or more times, in the proportions and at the times that is sees fit, by the issue of common shares in the Company and/or any other securities giving access by any means, immediately or in the future to the capital of the Company reserved for members of a company or a group savings plan of the Company and/or of the French or foreign companies or groups affiliated to it in the sense of articles L. 225-180 of the French Code of Commerce and article L. 3344-1 of the French Labor Code, who also meet any other conditions imposed by the Board of Directors;

2) resolves that the nominal amount of the share capital increases that may be carried out pursuant to the present delegation shall not be greater than €1.6 million, i.e. for guidance only, approximately 1% of the Company's capital as on December 31, 2010, it being specified that this ceiling is autonomous and separate from the overall capital increase ceiling set by the twentieth resolution of the present Meeting, and that, as the case may be, the nominal amount of the shares to be issued to maintain, in accordance with the law and applicable contractual stipulations, the rights of bearers of securities or rights giving access to capital, shall be added to that amount;

3) resolves that the subscription price of the shares issued pursuant to the present delegation shall not be less than the average of the last prices listed for the twenty stock market trading days leading up to the date of the Board of Directors' decision setting the subscription opening date, minus, as the case may be, the maximum discount allowed by law on the date of the Board of Directors' decision;

4) resolves to cancel shareholders' pre-emptive subscription right to the securities to be issued in favor of the beneficiaries mentioned above;

5) grants all powers, with the possibility of sub-delegating in the conditions provided by the law, to the Board of Directors to implement the present delegation and, in particular, for the purposes of:

   - determining the companies of which the employees and officers may benefit from the subscription offer for the issues coming under the present delegation,
   - set down the conditions, particularly as regards length of service, that the beneficiaries of those subscription offers must meet,
   - set down the conditions of the issues, acknowledge the capital increase or increases resulting from any issue made using the present delegation, amend the by-laws accordingly,
   - set the subscription opening and closing dates, the price and dated date of the issued securities, and the share paying-up arrangements,
   - decide whether the subscriptions may be carried out directly and/or indirectly through mutual funds,
   - set the arrangements and conditions for joining company or group savings plan, draw up their regulations or, in the event of preexisting plans, modify the regulations, if needed,
   - make, as the case may be, on its sole decision and if it sees fit, any charges to the premium or premiums related to the capital increases, particularly for the expenses, fees and duties arising from the completion of the issues, and take from these premiums the sums needed to increase the legal reserve to one-tenth of the new share capital after each capital increase,
   - make any adjustments required in accordance with applicable legal and contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital,
   - generally take any useful measures, enter into any agreements, carry out or have carried out any acts or formalities and do the necessary to complete successfully the planned issues;

6) sets at twenty-six months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-SECOND RESOLUTION

Renewal of authorization to grant options for subscription or purchase of the Company's shares to employees or corporate officers of the Company and its subsidiaries, or certain categories of them

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary Shareholders' General Meetings, after examining the Board of Directors' report and the Auditors' special report, in accordance with the provisions of articles L. 225-177 to L. 225-186 of the French Code of Commerce:

1) authorizes the Board of Directors to grant, as it judges appropriate, in one or more times, to certain employees and corporate officers of the Company and, as the case may be, companies and groups that are affiliated to it in the conditions provided in article L. 225-180 of the French Code of Commerce, or to certain categories of them, options giving the right to subscribe new shares or purchase existing shares in the Company;

2) acknowledges that, pursuant to the provisions of article L. 225-178 of the French Code of Commerce, this authorization entails the explicit waiver by shareholders of their preemptive subscription right to the shares that shall be issued as and when options are exercised, in favor of the beneficiaries of the share subscription options;

3) resolves that the number of shares that may be granted pursuant to the present authorization shall not give the right to subscribe or acquire a total number of shares greater than 5% of the Company's capital on the day of the Board's decision to grant the options, it being specified that this ceiling is common to the present resolution and the twenty-third and twenty-fourth resolutions hereafter and that it is set without taking into account the number of shares to be issued, as the case may be, to maintain, in accordance with the law and applicable contractual stipulations, the rights of the bearers of securities or rights giving access to capital;

4) resolves that the subscription or purchase price of the shares for the beneficiaries shall be determined by the Board of Directors on the date of granting the options, within the limits and according to the arrangements provided by the law, it being specified that:

   - in the event of stock subscription options, the subscription price shall be equal to 100% of the average of the first prices listed for the share on the twenty stock market trading days leading up to the grant date;
   - in the event of stock purchase options, the purchase price of the shares shall be equal to 100% of the average purchase price of the shares held by the Company with respect to articles L. 225-208 and L. 225-209 of the French Code of Commerce;
   - as an exception, a discount may, as the case may be, be applied to the share subscription or purchase price of the options that may be granted with respect to employee shareholding operations implemented by the Company under the conditions provided by law;

5) resolves that grants of stock subscription or purchase options to executive corporate officers shall be subject to the achievement of one or more performance criteria determined by the Board of Directors on the day of the grant;

6) sets at ten years the period during which the options must be exercised, commencing on the date on which they are granted;

7) resolves that no share subscription or purchase option may be granted less than twenty trading sessions after a coupon giving the right to a dividend or a preemptive subscription right to a capital increase is detached from the shares;

8) states that the shares that may be obtained by exercising stock purchase options granted pursuant to the present resolution shall be acquired by the Company, either under L. 225-208 of the French Code of Commerce, or, as the case may be, under the share buyback program authorized by the twelfth resolution put to the present Meeting with respect to article L. 225-209 of the French Code of Commerce or of any share buyback program implemented before or after the passing of the present resolution;

9) grants to the Board of Directors full powers, with the possibility of subdelegating in the conditions provided for by law, to implement this authorization, particularly in order to:

   - set the dates on which the options shall be granted,
   - define the arrangements and other conditions in which the options shall be granted and determine the list of beneficiaries of the options as provided above,
   - set the exercise period or periods for the options thus granted, subject to the maximum term for the options as set down above,
   - provide the possibility of temporarily suspending the exercise of options for a maximum period of three months in the event of carrying out financial operations entailing the exercise of a right attached to the shares,
   - decide on the conditions in which the price and number of shares to be subscribed or purchased may be adjusted when such adjustments are stipulated by current legal and regulatory provisions, particularly in the various scenarios provided in articles R. 225-137 and R. 225-142 of the French Code of Commerce,
   - make, as the case may be, on its sole decision and as it judges fit, any charges to the issue premium or premiums pertaining to the capital increases, particularly the premium for expenses, fees and duties incurred in carrying out the issues, and deduct from those premiums the amounts needed to increase the legal reserve to one-tenth of the new share capital after each capital increase,
   - acknowledge the capital increase or increases carried out pursuant to the present authorization, modify the by-laws accordingly and carry out or have carried out any acts and formalities in order to make such capital increases definitive,
   - and, in general, do whatever is necessary;

10) sets at thirty-eight months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void, for the unused part, any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-THIRD RESOLUTION

Renewal of authorization to make allotments of free Company's shares to employees or corporate officers of the Company and its subsidiaries, or certain categories of them

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary Shareholders' General Meetings, after examining the Board of Directors' report and the Auditors' special report, pursuant to the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce:

1) authorizes the Board of Directors to make, as it judges appropriate, in one or more times, free allotments of existing shares or shares to be issued in the Company to the employees and corporate officers of the Company and, as the case may be, companies and groups that are affiliated to it in the conditions provided in article L. 225-197-2 of the French Code of Commerce, or certain categories of them;

2) resolves that the shares, whether in existence or to be issued, that may be granted pursuant to this authorization shall not represent more than 5% of the Company's capital on the date of the Board's decision to grant the shares, it being specified that this ceiling is common to the present resolution and the twenty-second and twenty-fourth resolutions of the present Meeting and that it is set without taking into account the number of shares to be issued, as the case may be, to maintain, in accordance with the law and applicable contractual stipulations, the rights of the bearers of securities or rights giving access to capital;

3) resolves that the vesting of the free shares granted to executive corporate officers shall be subject to the achievement of one or more performance criteria determined by the Board of Directors on the date of grant, except however for any free shares that may be granted with respect to employee shareholding operations implemented by the Company;

4) resolves that the shares shall be definitively granted to their beneficiaries at the end of the vesting period set by the Board of Directors, while such period may not be less than that provided by the regulations in force on the grant date;

5) resolves that the minimum period for which the beneficiaries must hold the shares shall be that set by the Board of Directors, while such period may not be less than that provided by the regulations in force on the grant date;

6) notes that, in the case of free grant of shares to be issued, this decision constitutes, in favor of the beneficiaries, a waiver ipso jure by the shareholders of any right to the new shares freely granted and the portion of the reserves, profits or premiums that will be incorporated into capital if new shares are issued;

7) states that the existing shares that may be granted pursuant to the present resolution must be acquired by the Company, either under article L. 225-208 of the French Code of Commerce, or, as the case may be, under the share buyback program authorized by the twelfth resolution put to the present Meeting with respect to article L. 225-209 of the French Code of Commerce or any share buyback program implemented before or after the passing of the present resolution;

8) delegates to the Board of Directors full powers, with the option of subdelegating in the conditions provided by law, to implement the present authorization, in particular in order to:

- determine the categories of the beneficiaries of the allotments and the terms and conditions and, as the case may be, criteria for granting the shares,
- set the vesting and holding periods for the shares in accordance with the minimum periods provided for by the applicable law,
- set and define the issue conditions for the shares that may be issued under this authorization,
- adjust, as the case may be, during the acquisition period, the number of shares pertaining to any operations on the Company's share capital in order to protect the rights of the beneficiaries,
- acknowledge, as the case maybe, the capital increase or capital increases that may be carried out pursuant to this authorization, modify the by-laws accordingly, and carry out or have carried out any acts and formalities in order to make such capital increases definitive,
- and, in general, do whatever is necessary;

9) sets at thirty-eight months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void, for the unused part, any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-FOURTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of issuing share subscription and/or acquisition warrants reserved for the employees and corporate officers of the Company and/or its subsidiaries, or for specific categories thereof, without shareholders' preemptive subscription right

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the provisions of articles L. 225-129 et seq., L. 225-138 and L. 228-91 et seq. of the French Code of Commerce:

1) delegates its authority to the Board of Directors, with the possibility of sub-delegating, to decide on the issue, in one or more times, of share subscription and/or acquisition warrants ("BSA") that may or may not be redeemable by the Company;

2) resolves that the overall nominal amount of the capital increases that may be carried out pursuant to the present delegation may not be greater than 5% of the Company's capital on the day of the issue, it being specified that (i) this ceiling is common to

the present resolution and the twenty-second and twenty-third resolutions of the present Meeting and that (ii) this amount does not take into account the shares to be issued, as the case may be, to maintain, in accordance with the law, the rights of the bearers of securities or rights giving access to capital;

3) resolves that the subscription price of the shares to which the share subscription and/or acquisition warrants shall give the right shall be at least equal to the average closing price of shares in the Company for the twenty stock market trading sessions prior to the day on which it is decided to issue the warrants;

4) resolves to cancel the shareholders' preemptive subscription right to the share subscription and/or acquisition warrants to be issued and to reserve that right for employees and corporate officers of the Company and/or its French and foreign subsidiaries in the sense of articles L. 225-180 and L. 233-3 of the French Code of Commerce, or for specific categories thereof;

5) duly notes that, in accordance with the provisions of the last paragraph of article L. 225-132 of the French Code of Commerce, the present delegation entails ipso jure the waiver by the shareholders of their preemptive subscription right to the shares to be issued by the exercise of the BSA in favor of the holders of those warrants;

6) resolves that the Board of Directors shall have, with the option of subdelegating in the conditions provided by law and under the conditions and within the limits set down above, the necessary powers to:

- determine the list and, as the case may be, the categories of individual authorized to subscribe to the BSA among the employees and corporate officers of the Company and/or its subsidiaries, as well as the terms and conditions and, as the case may be, subscription criteria,
- determine the number of BSA to be granted to each beneficiary and the number of shares to which each warrant shall give the right,
- determine whether the BSA issued shall be redeemable or not by the Company,
- set, in accordance with the regulations in force on the day of issue, all the characteristics of the BSA, particularly their subscription price, the terms, conditions and periods for the subscription and exercise of the warrants, any immobilization period for the warrants, their adjustment mechanism as well as, as the case may be, the trigger threshold and period of redemption of the BSA by the Company and, more generally, all the terms, conditions and arrangements for the issue,
- set the subscription price of the shares to which the BSA shall give the right, under the conditions provided for above,
- acknowledge the completion of the share capital increase that may arise from the exercise of the BSA and make the corresponding amendments to the by-laws,
- charge, at its sole initiative, the share capital increase expenses to the amount of related premiums and take from that amount the sums needed to raise the legal reserve to one tenth of capital after each increase,
- make any adjustments required in compliance with legal and/or contractual provisions and set the arrangements for ensuring that any rights of bearers of securities or rights giving access to capital that may exist on the day of the issue in question are upheld,
- and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary to see the present delegation completed correctly;

7) sets at twenty-six months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-FIFTH RESOLUTION

Authorization to the Board of Directors to reduce the share capital by canceling self-held shares

The Shareholders' Meeting, ruling in the quorum and majority conditions required for extraordinary general meetings, after examining the Board of Directors' report and the Auditors' special report:

1) authorizes the Board of Directors, with the possibility of sub-delegating in the conditions provided by the law, to cancel, in one or more times, the shares held by the Company in itself within the limit of 10% of capital per twenty-four month period, and to reduce the share capital accordingly by charging the difference between the purchase value and the nominal value of the cancelled shares to available premiums and reserves;

2) grants all powers to the Board of Directors for the purposes of setting the definitive amount of the capital reduction within the limits provided by law and by the present resolution, to set its arrangements, acknowledge its completion, charge the difference between the purchase value and the nominal value of the cancelled shares to the available premiums and reserves of its choice, carry out all acts, formalities or declarations in order to make the capital increases carried out pursuant to the present authorization definitive and amend the by-laws accordingly;

3) sets at twenty-six months from the date of the present Shareholders' Meeting the duration of the present authorization, which renders null and void, any previous delegation granted to the Board of Directors for the same purposes.

TWENTY-SIXTH RESOLUTION

Powers

The Shareholders' Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, fully empowers the bearer of a duplicate or an extract of the minutes of the present Meeting to carry out any formalities with respect to registration or publication.

PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF ACCOUNTS

8

8.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Gérard Buffière, Chief Executive Officer

8.2 CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I certify, after taking every reasonable measure for that purpose, that the information contained in the present Registration Document is, to the best of my knowledge, accurate and does not contain any omission that could make it misleading.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and profit and loss of the Company and all undertakings included in the consolidation, and that the Board of Directors' Management report appearing on pages 60 to 69 presents a fair picture of the development and performance of the business and financial position of the Company and all undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter of completion from the Statutory Auditors in which they state that they have checked the information on the financial position and the financial statements given in this Registration Document and that they have read the Document in its entirety.

The financial information presented in the Registration Document is the subject of the Statutory Auditors' Reports appearing on pages 70 to 74. The report on the consolidated statements for the period ending December 31, 2010 contains an observation concerning the financial year's changes of method. The reports on the consolidated statements for the period ending December 31, 2009 and December 31, 2008, incorporated by reference to the corresponding historical financial statements as specified on page 260 of the present Registration Document, respectively contain an observation concerning the financial year's changes of method.

Paris, March 31, 2011

Gérard Buffière
Chief Executive Officer

8.3 AUDITORS

STATUTORY AUDITORS:

Deloitte & Associés

represented by Arnaud de Planta
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex - France

first appointed by the Ordinary and Extraordinary Shareholders' General Meeting of May 5, 2003 and renewed by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2010

Ernst & Young et Autres

represented by François Carrega
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris - La Défense Cedex - France

first appointed by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2010 in replacement of Ernst & Young Audit

Ernst & Young et Autres and Deloitte & Associés are members of the Auditors' Regional Company of Versailles.

ALTERNATE AUDITORS:

BEAS

7-9 Villa Houssay
92524 Neuilly-sur-Seine Cedex - France

part of the Deloitte network

first appointed by the Ordinary and Extraordinary Shareholders' General Meeting of May 5, 2003

Auditex

Faubourg de l'Arche
11, allée de l'Arche
92037 Paris - La Défense Cedex - France

part of the Ernst & Young network

first appointed by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2010 in replacement of Mr. Jean-Marc Montserrat

8.4 INFORMATION INCLUDED IN THE REGISTRATION DOCUMENT BY REFERENCE

Pursuant to article 28 of EC Regulation 809/2004 of April 29, 2004, the following information is included in the present Registration Document by Reference:

- with respect to the financial year ending on December 31, 2009, the consolidated financial statements, annual financial statements, the related Auditors' reports, the Auditors' special report on regulated agreements and commitments and the Board of Directors' management report appearing respectively on pages 120 to 181, 182 to 203, 64 to 66, 67 and 54 to 63 of the 2009 Registration Document filed with *Autorité des marchés financiers* on April 1, 2010 under number D. 10-0205;
- with respect to the financial year ending on December 31, 2008, the consolidated financial statements, annual financial statements, the related Auditors' reports, the Auditors' special report on regulated agreements and commitments and the Board of Directors' management report appearing on pages 116-176, 177-197, 65-67, 218 and 54-64 of the 2008 Registration Document filed with *Autorité des marchés financiers* on April 3, 2009 under number D. 09-0192.

Any other information that is not included in the present Document is either of no relevance to investors or mentioned in another part of the Registration Document.

8.5 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Michel Deville
Group Chief Financial Officer
Telephone: +33 (0) 1 49 55 66 55
http://www.imerys.com

CROSS REFERENCE AND RECONCILIATION TABLES

9

9.1 CROSS REFERENCE TABLE

In order to facilitate the reading of this Registration Document, the subject index can be used to identify the main information required by the Autorité des marchés financiers (the French Securities Regulator) with respect to its regulations and instructions.

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12.2	Information on any known trends that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year	2	65
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13.2	A report prepared by independent accountants or Auditors		n.a.
13.3	Profit forecast or estimate prepared on a basis comparable with the historical financial information		n.a.
13.4	Statement setting out whether or not that forecast is still correct as at the time of the Registration Document		n.a.
14	**Management and supervisory bodies**	**Chapter 3**	
14.1	Names, business address and functions in the Issuer, and indication of the main activities performed outside the Issuer; nature of any family relationship, details of relevant management expertise; any convictions in relation to fraudulent offences; bankruptcies, receiverships or liquidations; public incriminations, sanctions by statutory or regulatory authorities	3	77-87; 95-96
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23	**Third party information and statement by experts and declaration of any interest**	**n.a.**	
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9.2 TABLE OF RECONCILIATION WITH THE ANNUAL FINANCIAL REPORT

This Registration Document includes all information of the Annual Financial Report provided for in I of article L. 451-1-2 of the French Monetary and Financial Code and in article 222-3 of the general regulations of the AMF.

The table below sets out the references to the extracts from the Registration Document that correspond to the various items comprising the Annual Financial Report.

NOTES

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