First-Half **Financial Report** 2008

IMERYS
TRANSFORM TO PERFORM

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1 Person responsible for the First-Half Financial Report

1 - Person responsible for the First-Half Financial Report

Gérard Buffière, Chief Executive Officer

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

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

Paris, August 28, 2008

Gérard Buffière

Chief Executive Officer

2 First-Half Activity Report

In the 1st half of 2008, Imerys' economic environment became gradually harsher. While markets related to global industrial equipment (refractories, abrasives, graphite, etc.) remained firm throughout the period, markets linked to new construction activity (building materials, ceramics, performance minerals, etc.) were difficult in the United States and took a downturn in Europe in the 2nd quarter. In parallel, energy price rises picked up speed and inflation gradually spread to other major cost factors for the Group, particularly transport and raw materials. The US Dollar continued to depreciate.

In that context, Imerys continued to prove its ability to weather adverse conditions.

- Sales grew + 4.1% compared with the same period in 2007. Organic growth remained positive at + 4.2% at comparable Group structure and exchange rates, despite a downturn on some end markets. This robustness is particularly due to the diversity of the Group's markets and its continued development in emerging economies, which now account for 22.0% of sales (vs. 18.0% in 1st half 2007);
- Current operating income decreased slightly (- 2.8%), penalized by the heavy impact of exchange rates (- 7.0%). At comparable Group structure and exchange rates, however, it grew + 1.2%, thanks to a reduction in fixed costs and to price rises that offset the high inflation in variable costs;
- Net income from current operations rose + 3.2%, and + 4.3% per share.

(€ millions)	*1st half 2008*	*1st half 2007*	*% current change*
Consolidated results			
Sales	1,774.1	1,704.9	+ 4.1%
Current operating income [(1)]	236.2	242.9	- 2.8%
Net income from current operations[(2)], Group share	159.8	154.8	+ 3.2%
Net income, Group share	144.4	151.4	- 4.6%
Financing			
Current operating cash flow [(3)]	254.6	264.0	- 3.6%
Booked capital expenditure	(114.1)	(154.7)	- 17.4%
Net financial debt	1,616.1	1,280.7	+ 26.2%
Data per share (weighted average number)	62,811,118	63,446,107	- 1.0%
Net income from current operations[(2)], Group share	€2.54	€2.44	+ 4.3%

[(1)] Operating income before other operating revenue and expenses

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

[(3)] EBITDA minus tax on current operating income

DETAILED COMMENTARY ON THE GROUP'S RESULTS

SALES

Sales totaled €1,774.1 million for the 1st half of 2008, a + 4.1% increase from the same period in 2007 (+ 3.9% in the 1st quarter; + 4.3% in the 2nd).

The growth in half-yearly sales takes into account:

- A high negative exchange rates impact (- €86.5 million, i.e. - 5.1%, of which - 4.5% in the 1st quarter and - 5.7% in the 2nd), reflecting the depreciation of the US Dollar against the Euro (- 15.2% compared with the 1st half of 2007).
- The net effect of changes in Group structure for + €85.0 million (+ 5.0%, of which + 5.1% in the 1st quarter and + 4.8% in the 2nd) corresponding to the balance of the positive contribution (+ €102.5 million) of the acquisitions completed since 2007 and the impact of divestments (- €17.5 million).

At comparable Group structure and exchange rates, sales rose + 4.2% (+ 3.2% in the 1st quarter; + 5.1% in the 2nd). This increase reflects the + 3.4% improvement in the price/mix component (+ 3.6% in the 1st quarter; + 3.2% in the 2nd) in all business groups, as well as a slight increase in sales volumes (+ 0.8%).

Sales grew significantly in emerging economies[(1)] (+ 25.0%) thanks to the contribution of the acquisitions made in 2007 and to firm organic growth. With 22.0% of the Group's sales, these zones now represent a greater share than North America (18.0%). In Western Europe, the Group's sales increased slightly.

CURRENT OPERATING INCOME

Current operating income, at €236.2 million for the 1st half of 2008, was slightly eroded (- 2.8%) compared with the 1st half of 2007 (+ 3.6% in the 1st quarter; - 8.1% in the 2nd) because of:

- The heavy negative impact of exchange rates (- €17.0 million, of which - €7.2 million in the 1st quarter and - €9.8 million in the 2nd), resulting from the US Dollar's depreciation against the Euro and the Brazilian Real, with impact primarily due to a conversion effect;
- Net effect of changes in Group structure for + €7.3 million (of which + €4.3 million in the 1st quarter and + 3.0 million in the 2nd). This was less than expected for the 1st half, as it is taking longer than planned to implement integration plans, without however calling long-term profitability forecasts into question.

At comparable Group structure and exchange rates, current operating income grew slightly (+ 1.2%) with higher prices offsetting inflation in external costs (energy, raw materials and transport). The fixed and general cost base improved significantly as expected, and despite its natural inflation, thanks to the industrial plans launched in 2007. Sales volumes had a slightly unfavorable effect.

The Group's operating margin was 13.3% (13.8% at comparable Group structure and exchange rates), compared with 14.2% in 2007.

NET INCOME FROM CURRENT OPERATIONS

The Group's share in net income from current operations, at €159.8 million in the 1st half of 2008, compared with €154.8 million for the same period in 2007, increased + 3.2% (+ 6.4% in the 1st quarter; + 0.7% in the 2nd).

- Financial expense totaled - €20.2 million (- €29.0 million for the same period in 2007). It includes €13.0 million profit resulting from the settlement of financial instruments.
- The current tax expense is stable (- €60.2 million), with an effective tax rate of 27.9% (28.2% for the 1st half of 2007).

At €2.54 compared with €2.44 in 2007, net income from current operations per share increased + 4.3% during the period, with a slight decrease in the weighted average number of outstanding shares at 62,811,118, down from 63,446,107 in the 1st half of 2007.

NET INCOME

The Group's share in net income, at €144.4 million for the 1st half of 2008, compared with €151.4 million for the same period in 2007, includes - €15.4 million (net of tax) in other income and expense, comprising primarily the cost of the restructuring programs undertaken during the period (in US kaolin activities, in particular) and the settlement in the 1st quarter, of a dispute with a supplier. In the 1st half of 2007, this amount was - €3.4 million.

[(1)] Africa, Latin America (inc. Mexico), Asia-Pacific (excluding Japan/Australia), Eastern Europe, Middle East.

CASH FLOW AND FINANCIAL STRUCTURE

Current operating cash flow[(2)] was €254.6 million, compared with €264.0 for the 1st half of 2007. It takes into account:

- EBITDA[(3)] of €320.6 million (€332.4 million in the 1st half of 2007);
- Notional tax on current operating income of - €65.8 million (- €68.4 million in the 1st half of 2007).

Capital expenditure represents 121.0% of depreciation expense[(4)] (vs. 137.0% in 1st half 2007), of which €60.0 million was spent on maintenance of the production assets and €54.0 million on development projects. The paid amount was €141.6 million (vs. €145.7 million in 1st half 2007)

Change in operating working capital was negative at - €83.0 million (- €64.2 million in 1st half 2007), in accordance with seasonal trends in the Group's activities.

Current free operating cash flow[(5)] totals €38.5 million (€58.8 million in 1st half 2007).

After allowing for financial expense, net of tax (- €14.6 million after tax, vs. - €20.8 million in 1st half 2007) and other working capital and non-cash items for a total of - €37.3 million, compared with + €0.5 million in the 1st half of 2007, current free cash flow[(6)] amounts to - €13.4 million (€38.5 million as on June 30, 2007).

The cash impact of external growth operations, mainly used for the acquisition of Astron China on February 5, 2008 is - €119.8 million (- €90.3 million in the 1st half of 2007).

Finally, Imerys paid out €119.5 million in dividends on May 13, 2008 (€114.4 million in 2007).

Consolidated net financial debt rose to €1,616.1 million, compared with €1,343.0 million as on December 31, 2007 and 1,280.7 million on June 30, 2007. It represents 101.9% of shareholders' equity and 2.5 times EBITDA (77.4% and 1.9 times, respectively, on June 30, 2007).

2008 OUTLOOK

Economic conditions for the 1st half of the year were particularly adverse, with higher inflation heavily affecting external costs, unfavorable currency trends and a significant downturn on some markets at the end of the period.

Nevertheless, Imerys continued to improve its performance thanks to the Group's specific strengths: diversity of markets served; greater penetration of emerging economies thanks to the acquisitions made in 2007 and 2008 which enable the Group to benefit more from high-growth zones, even if their contributions have not yet reached their planned target; substantial price rises that have, so far, offset the impact of inflation in our purchases; reduction in industrial fixed costs as announced.

To adapt the Group to an increasingly harsh economic environment, a new set of cost reduction measures are taken and further price rises will be implemented wherever possible. All Group's teams are mobilized to achieve net income from current operations in 2008 that is as close as possible to the 2007 figure.

Beyond that, the Group remains fully confident in its capability and the determination of all its teams to continue its development and performance growth, whatever the circumstances.

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

(3) Earnings before income tax, depreciation & amortization.

(4) Recorded capital expenditure divided by fixed asset depreciation expense.

(5) Current operating cash flow minus paid capital expenditure and changes in operating working capital.

(6) Current operating free cash flow minus financial expense net of tax and change in other working capital items and non-cash items (deferred taxes and financial provisions).

GOVERNANCE

The Board, at its meeting of July 30, 2008, co-opted Mr. Amaury de Sèze (Vice-Chairman Europe, Power Corporation of Canada) as a new Director of Imerys, for 2 years, in succession to Mr. Paul Desmarais, Jr.

COMMENTARY BY BUSINESS GROUP

Minerals for Ceramics, Refractories, Abrasives & Foundry

(33.0% of 1st half consolidated sales)

(€ millions)	*1st half 2008*	*1st half 2007*	*% current change*	*% comparable change(2)*
Sales	595.5	520.4	+ 14.4%	+ 8.8%
Current operating income(1)	74.4	74.4	+ 0.0%	+ 4.8%

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

Markets

During the 1st half of the year, the business group's markets showed contrasting trends. Markets for Minerals for Refractories, Fused Minerals (particularly refractories and abrasives) and Graphite (mobile energy, refractories, etc.) benefited throughout the period from the vitality of the global industrial equipment sector. Moreover, the Minerals for Refractories activity's products benefited from the reduced availability of some Chinese raw materials, which they replaced. Ceramics markets, however, were affected by the crisis on the North American construction sector. They also slumped in Europe since the end of the 1st quarter, as a result of the slowdown in new construction in the region.

Highlights

To support the growth in demand for its refractory and abrasive products, the business group undertook capital expenditure programs to selectively increase its production capacities. In Minerals for Refractories, a new kiln for producing chamottes is being built in the Andersonville (USA) plant and andalusite production capacity is being extended in Yilong (China). Similarly, in Fused Minerals, a new alumina furnace was installed on the Treibacher Schleifmittel site (Zschornewitz, Germany) and will come on stream early in the second half of the year.

Production asset improvement programs continue. In Minerals for Ceramics, optimization is in progress at the feldspar units acquired in 2007 in the United States. Moreover, projects to improve energy efficiency in kaolin production units in Cornwall (United Kingdom) were completed.

The acquisitions made in 2007, particularly UCM, made a positive contribution to the Group's performance. The integration of Astron China, an acquisition completed on February 5, 2008, is in progress.

Performance

Sales, at €595.5 million for the 1st half of 2008, showed a substantial increase (+ 14.4%) compared with the same period in 2007. This improvement reflects:

- A substantial Group structure effect of + €60.2 million, i.e. + 11.6%, taking into account the contribution of the acquisitions[7] made since 2007, net of the divestment of trading activities in products for craftsmen;
- Foreign exchange impact of - €30.7 million, i.e. - 5.9%, resulting from the sharp depreciation of the US Dollar.

At comparable Group structure and exchange rates, sales rose + 8.8% over the period (+ 6.3% in the 1st quarter; + 11.1% in the 2nd), thanks to an improved price/mix component and growth in sales volumes.

Current operating income, at €74.4 million for the 1st half of 2008, was stable compared with the same period in 2007. restated from exchange rates impact (- €5.7 million) and Group structure (+€2.1 million) effects, the business group's operating performance improved by + €3.6 million. Price increases made up for the sharp rise in some variable cost factors (energy, raw materials and transport).

Operating margin is 12.5% (13.8% at comparable Group structure and exchange rates), compared with 14.3% in the 1st half of 2007, reflecting the integration of acquired companies, particularly Astron China (February 2008), where profitability remains significantly lower than in the business group's other activities. Integration plans are proving slower to implement than planned. The average profitability of these acquisitions, therefore, should rise in the coming quarters.

Capital expenditure amounted to €34.2 million, i.e. 113.0% of depreciation expense, compared with €29.5 million in 2007.

Performance Minerals & Filtration

(15.0% of 1st half consolidated sales)

(€ millions)	*1st half 2008*	*1st half 2007*	*% current change*	*% comparable change[2]*
Sales	268.5	292.0	- 8.1%	- 0.9%
Current operating income[1]	29.2	26.3	+ 10.8%	+ 8.9%

[1] Operating income before other operating income and expense; [2] At comparable structure and exchange rates.

Markets

In the 1st half of 2008, the Performance Minerals activity (paint, plastics, adhesives, etc.) faced difficult markets. The downturn continued in North America and business slowed down in Europe, especially in the 2nd quarter due to the slump in new construction, particularly in the UK. Minerals for Filtration markets were stable overall.

Highlights

In Performance Minerals, work to adjust US production capacities to demand is ongoing. In Europe, the reorganization of the industrial platform for kaolin production, launched in 2007, allowed to reduce the cost base.

In the Minerals for Filtration activity, the optimization plan for North American industrial assets is nearing completion with the commissioning of new facilities on the Lompoc site (California, USA). The plan is expected to have its full effect on operating performance in the second half of 2008.

[7] Baotou (China, February 2007), UCM Group PLC (UK, April 2007), Yilong (China, May 2007), ZAF (China, June 2007), Jumbo Mining (India, June 2007), Vatutinsky (Ukraine, July 2007), The Feldspar Corporation (USA, September 2007), Astron China (China, February 2008).

In Argentina, the acquisition of Perfiltra enabled the Group to develop its local production base. Capital expenditure was implemented as planned to adapt production assets; performance is already higher than expected. The integration of Xinlong (China) helped to make the business group a major player on the global vermiculite market.

Performance

Sales, at €268.5 million for the 1st half of 2008, were down - 8.1% from the 1st half of 2007. This decrease takes into account the negative impact of exchange rates for - €26.4 million (- 9.0%) and a Group structure effect[8] of + €5.6 million (+ 1.9%). At comparable Group structure and exchange rates, sales are stable (- 0.9% for H1, of which - 1.9% in the 1st quarter and stable in the 2nd). Price increases were recorded in each activity; volumes on construction-related markets decreased.

Current operating income totaled €29.2 million (€26.3 million in the 1st half of 2007). This result takes into account a Group structure effect for + €0.9 million and an adverse foreign exchange effect for - €0.4 million. Factoring out those items, the business group's operating performance improved by +€2.4 million. The increase in product prices and mix offset the increase in variable costs (energy, transport, etc.). Lower volumes were more than offset by the improvement in fixed and general costs, mainly in Performance Minerals but also in Minerals for Filtration, where the optimization plan for the Lompoc site obtained its first savings in the 2nd quarter.

Operating margin increased to 10.9% (9.9% at comparable Group structure and exchange rates), compared with 9.0% for the same period in 2007.

Capital expenditure totaled €24.0 million, i.e. 165.0% of depreciation expense, compared with €24.2 million in 2007.

Pigments for Paper

(22.0% of 1st half consolidated sales)

(€ millions)	*1st half 2008*	*1st half 2007*	*% current change*	*% comparable change[2]*
Sales	388.6	400.1	- 2.9%	+ 3.9%
Current operating income[1]	31.9	44.1	- 27.7%	- 7.0%

[1] Operating income before other operating income and expense; [2] At comparable structure and exchange rates.

Markets

Global printing and writing paper production increased slightly (+ 0.3%) in the 1st half of 2008, still driven by the sector's vitality in Asia-Pacific (+ 5.0%). Production in North America and Europe, however, was marked by further restructuring of industrial assets, with temporary or definitive paper machine shutdowns.

[8] Xinlong (China, May 2007), Perfiltra (Argentina, May 2007).

Highlights

Efforts to optimize the kaolin for paper cost base continued. After the transfer of coating kaolin for paper production from the United Kingdom to Brazil, effective in early 2008, the economic optimization of this new industrial platform was completed in the 2nd quarter. In parallel, it was decided to reduce kaolin production capacities at the Sandersville (Georgia, USA) plant. This plan should be implemented by the end of August and will entail approximately 50 job cuts.

At the same time, the Group continues to implement its development strategy in carbonates, which now represent 55.0% of the business group's sales volumes with notably 16 plants in Asia. The Niigata (Japan) plant and the Kerinci (Indonesia) plant expansions, two capital expenditures implemented in 2007, are running at full capacity.

Performance

Sales, at €388.6 million in the 1st half of 2008, were - 2.9% lower than in the same period in 2007. This decrease is due to a negative exchange rate impact of - €25.4 million (- 6.3%) and a Group structure effect of -€1.7 million. At comparable Group structure and exchange rates, sales rose + 3.9% over the period (+ 3.9% in the 1st and 2nd quarters). Volumes grew overall (with dynamic growth in carbonates in Asia canceling out lower volumes in North America) and prices improved.

Current operating income totaled €31.9 million for the 1st half of 2008 (€44.1 million for 1st half 2007). This result factors in an adverse foreign exchange effect for - €9.2 million, resulting from the depreciation of the US Dollar compared with the Euro (conversion impact) and the Brazilian Real (transaction impact). At comparable Group structure and exchange rates, the business group's operating performance decreased by - €3.1 million. The price increases negotiated in late 2007 are now far from sufficient to make up for very high inflation in variable costs (energy, transport, etc.). Fixed costs were improved in line with initial expectations.

The operating margin was 8.2% (9.9% at comparable Group structure and exchange rates), compared with 11.0% for the same period in 2007.

Capital expenditure amounted to €34.8 million, i.e. 124.0% of depreciation expense, compared with €70.8 million in 2007.

Materials & Monolithics

(30.0% of 1st half consolidated sales)

(€ millions)	*1st half 2008*	*1st half 2007*	*% current change*	*% comparable change[2]*
Sales	543.2	511.0	+ 6.3%	+ 3.3%
Current operating income[1]	123.6	115.0	+ 7.5%	+ 4.5%

[1] Operating income before other operating income and expense; [2] At comparable structure and exchange rates.

Markets

In Building Materials, the new single-family housing market in France went through a clear downturn during the 1st half (- 12.0% over the past twelve months). In the clay roof tile segment, this was partly offset by firm renovation business (- 3.5% on the tile market). In structure bricks, clay products continue to gain market share and is gaining speed in tertiary buildings and small collective housing. This trend offsets the downturn in new house construction, with a + 1.5% increase on the clay bricks market in the 1st half of 2008.

Monolithic Refractories markets showed positive trends with firm steel, glass, cement and aluminum sectors in all geographic zones.

Highlights

In that context, productivity improvement efforts continue in Building Materials. The new facilities installed on production lines in the Saint-Germer-de-Fly (Oise, France) plant are now running at full capacity. Moreover, capital expenditure was implemented to improve industrial efficiency and remove bottlenecks on the Sainte-Foy l'Argentière (Rhône, France) site.

In parallel, the capital expenditure program launched in 2007 to support high growth in the technical clay bricks sector continues in line with market growth. The capacity increase in rectified brick manufacturing at the Gironde-sur-Dropt (Gironde) plant was completed and ramp-up of these facilities continues in line with forecasts. New facilities are being installed at the La Boissière du Doré plant (Loire Atlantique, France) and will come on stream in the 1st quarter of 2009.

In Monolithic Refractories, a highlight of the period was the integration, in accordance with the acquisition plan, of Ace, the Indian leader in monolithic refractories. External growth continued with the acquisition on April 30, 2008, of Svenska Silikaverken A.B (SVAB), a Swedish producer of monolithic refractory products. With two plants near Stockholm, SVAB posted sales of €13.0 million in 2007. Finally, a new production unit started up in South Africa to meet growing demand for monolithic refractories in the country.

Performance

At €543.2 million, the business group's sales rose + 6.3% in the 1st half of 2008 compared with the same period in 2007. This further growth includes a net Group structure effect of + €20.8 million (+ 4.1%), corresponding to acquisitions[(9)] net of divestments[(10)] and a negative exchange rate impact of -€5.6 million. At comparable Group structure and exchange rates, sales increased + 3.3% compared with the same period in 2007 (+ 3.0% in the 1st quarter; + 3.6% in the 2nd). This growth results from the improvement in the price/mix component, which offsets the slight decrease in sales volumes recorded in the Building Materials activity.

Current operating income increased to €123.6 million, compared with €115.0 million in the 1st half of 2007. Allowing for Group structure (+ €4.2 million) and foreign exchange (- €0.8 million) effects, the business group's operating performance improved by +€5.2 million. The efforts made to increase the price/mix component more than offset the negative impact of some cost factors (energy, particularly in France, and raw material costs for monolithic refractories). The effect of lower sales volumes in Building Materials was contained thanks to aggressive productivity improvement initiatives in that activity.

Operating margin improved slightly to 22.8% (22.8% at comparable Group structure and exchange rates), compared with 22.5% over the same period in 2007.

Capital expenditure totaled €20.4 million, i.e. 98% of depreciation expense, compared with €15.0 million in 2007.

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(9) B&B (South Africa, August 2007), Ace (India, September 2007) and SVAB (Sweden, April 2008).

(10) Clay brick and roof tile activities in Spain and Portugal (August 2007).

The present *Chapter 2* - First-Half Activity Report 2008 draws on detailed information from the following chapters of the present First-Half Financial Report 2008:

- Related parties Chapter 3 - Financial Statements - *Note 31*
- Risks Chapter 3 - Financial Statements - *Notes 21 and 22.4*

These notes should be read in relation to *Part 7*, *Chapter 1* of the 2007 Annual Report on risk factors, on which they give updated information in terms of major events that occurred during the first six months of financial 2008 and their impact on the half-yearly financial statements.

3 Condensed financial statements

Consolidated income statement

(€ millions)	Notes	June 30, 2008	June 30, 2007	2007
Revenue	5	1,774.1	1,704.9	3,401.9
Raw materials and consumables used	6	(653.2)	(578.7)	(1,159.9)
External expenses	7	(440.1)	(431.0)	(867.7)
Staff expenses	8	(337.0)	(337.7)	(685.4)
Taxes and duties		(27.1)	(24.5)	(47.9)
Amortization, depreciation and impairment losses		(95.0)	(101.1)	(197.4)
Other operational revenue and expenses		14.5	11.0	34.7
Current operating income		**236.2**	**242.9**	**478.3**
Income on asset disposals		-	(1.9)	(1.3)
Impairment losses, restructuring and litigation		(22.8)	(1.8)	(44.7)
Other operating revenue and expenses	9	**(22.8)**	**(3.7)**	**(46.0)**
Operating income		**213.4**	**239.3**	**432.3**
Income from securities	11	1.9	3.3	5.7
Gross financial debt expense	11	(29.9)	(31.8)	(63.7)
Net financial debt expense		**(28.0)**	**(28.5)**	**(58.0)**
Other financial revenue	10	116.9	8.1	50.5
Other financial expenses	10	(109.1)	(8.6)	(48.2)
Financial income (loss)		**(20.2)**	**(29.0)**	**(55.7)**
Income taxes	12	(52.8)	(60.0)	(96.6)
Share in net income of associates		4.9	2.3	6.9
Net income		**145.3**	**152.6**	**286.9**
of which:				
Net income, Group share	13	144.4	151.4	284.2
Net income, Minority interests		0.9	1.2	2.7
Net income, Group share	13	**144.4**	**151.4**	**284.2**
of which:				
Current operating income, Group share	13	159.8	154.8	316.7
Other net operating revenue and expenses, Group share	9	(15.4)	(3.4)	(32.5)
(in €)				
Net basic earnings per share from current operations	14	2.54	2.44	5.00
Net basic earnings per share	14	2.30	2.39	4.49
Diluted net earnings per share	14	2.30	2.38	4.49
Average exchange rate euro/USD		*1.5304*	*1.3288*	*1.3702*

Consolidated balance sheet

(€ millions)	Notes	June 30, 2008	June 30, 2007	2007
CONSOLIDATED ASSETS				
Goodwill	15	934.7	808.3	860.7
Intangible assets	16	48.1	29.6	49.3
Mining assets	17	377.9	431.6	399.6
Property, plant and equipment	17	1,257.3	1,208.5	1,280.9
Investments in associates		47.3	34.9	42.9
Available-for-sale financial assets	20	6.5	44.9	9.0
Other financial assets	20	14.0	12.3	11.3
Other receivables	20	47.0	29.3	46.8
Derivative financial assets	22.3	4.6	6.0	5.6
Deferred tax assets	23	51.4	46.1	59.4
Total non-current assets		**2,788.8**	**2,651.5**	**2,765.5**
Inventories	19	530.4	505.6	502.0
Trade receivables	20	676.1	672.8	623.4
Other receivables	20	151.8	137.5	133.3
Derivative financial assets	22.3	13.5	(0.1)	(0.6)
Marketable securities and other financial assets	20	6.5	3.5	5.3
Cash and cash equivalents	22.2	155.4	154.7	173.4
Total current assets		**1,533.7**	**1,474.0**	**1,436.8**
TOTAL CONSOLIDATED ASSETS		**4,322.5**	**4,125.5**	**4,202.3**
CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY				
Capital		126.3	126.7	126.3
Premiums		132.6	158.9	131.7
Reserves		1,163.3	1,201.0	1,097.5
Net income, Group share		144.4	151.4	284.2
Shareholders' equity, Group share		**1,566.6**	**1,638.0**	**1,639.7**
Minority interests		**19.0**	**16.8**	**23.9**
Shareholders' equity		**1,585.6**	**1,654.8**	**1,663.6**
Provisions for employee benefits		153.6	216.0	177.7
Other provisions	21	153.8	146.2	150.5
Loans and financial debts	22.1	997.0	1,004.9	1,021.1
Other debts	22.1	15.6	27.3	23.0
Derivative financial liabilities	22.3	25.1	21.6	12.5
Deferred tax liabilities	23	56.2	58.0	53.9
Total non-current liabilities		**1,401.3**	**1,474.0**	**1,438.7**
Other provisions	21	15.8	23.6	14.8
Trade payables	22.1	323.8	296.3	321.5
Income taxes payable		17.9	32.4	30.0
Other debts	22.1	215.0	224.8	240.3
Derivative financial liabilities	22.3	2.4	1.5	2.8
Loans and financial debts	22.1	662.2	398.7	388.0
Bank overdrafts	22.1	98.5	19.4	102.6
Total current liabilities		**1,335.6**	**996.7**	**1,100.0**
TOTAL CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY		**4,322.5**	**4,125.5**	**4,202.3**
Net financial debt	22.2	**1,616.1**	**1,280.7**	**1,343.0**
Closing exchange rate euro/USD		*1.5764*	*1.3505*	*1.4721*

Consolidated cash flow statement

(€ millions)	June 30, 2008	June 30, 2007	2007
Cash flow from operating activities			
Cash flow generated by current operations *(appendix 1)*	209.5	243.1	612.9
Interest paid	(34.8)	(31.7)	(58.4)
Income taxes on current operating income and financial income (loss)	(64.9)	(46.1)	(118.0)
Dividends received	2.0	2.1	2.6
Cash flow generated by other operating revenue and expenses *(appendix 2)*	(23.0)	(19.2)	(41.2)
Cash flow from operating activities	**88.8**	**148.2**	**397.9**
Cash flow from investing activities			
Acquisitions of property, plant and equipment and intangible assets	(141.4)	(145.6)	(351.9)
Acquisitions of investments in consolidated entities after deduction of cash acquired	(114.6)	(75.4)	(191.4)
Acquisitions of available-for-sale financial assets	-	-	-
Disposals of property, plant and equipment and intangible assets	14.3	14.0	27.5
Disposals of investments in consolidated entities after deduction of cash disposed of	-	0.7	18.4
Disposals of available-for-sale financial assets	0.1	-	-
Net change in financial assets	(2.2)	3.1	(0.4)
Paid-in interests	1.3	1.4	2.8
Cash flow from investing activities	**(242.5)**	**(201.8)**	**(495.0)**
Cash flow from financing activities			
Capital increases	0.9	-	15.9
Capital decreases	-	-	(42.1)
Disposals (acquisitions) of treasury shares	(18.7)	(16.0)	(13.6)
Dividends paid to shareholders	(119.0)	(114.2)	(114.2)
Dividends paid to minority interests	(0.5)	(0.2)	(1.8)
Loan issues	337.8	500.1	503.4
Loan repayments	(13.4)	(383.3)	(402.8)
Net change in other debts	(42.4)	66.4	93.9
Cash flow from financing activities	**144.7**	**52.8**	**38.7**
Change in cash and cash equivalents	**(9.0)**	**(0.8)**	**(58.4)**
Cash and cash equivalents at the beginning of the period	**70.8**	**136.5**	**136.5**
Change in cash and cash equivalents	(9.0)	(0.8)	(58.4)
Impact of changes due to exchange rate fluctuations	(4.7)	(0.4)	(7.3)
Impact of changes in accounting policies	(0.2)	-	-
Cash and cash equivalents at the end of the period	**56.9**	**135.3**	**70.8**
Cash and cash equivalents	155.4	154.7	173.4
Bank overdrafts	(98.5)	(19.4)	(102.6)
Cash and cash equivalents at the end of the period	**56.9**	**135.3**	**70.8**

Annexe 1

(€ millions)	June 30, 2008	June 30, 2007	2007
Net income	**145.3**	**152.6**	**286.9**
Adjustments for:			
Income taxes	52.8	60.0	96.6
Share in net income of associates	(4.9)	(2.3)	(6.9)
Impairment losses on goodwill	-	-	0.1
Other operating revenue and expenses excluding impairment losses on goodwill	22.8	3.7	45.9
Net operating amortization and depreciation	94.1	99.7	194.9
Net operating impairment losses on assets	4.4	3.3	3.1
Net operating provisions	(13.3)	(11.5)	(27.3)
Dividends	(0.2)	(0.1)	(0.2)
Net interests of revenue and expenses	27.8	29.8	60.7
Revaluation gains and losses	3.8	1.8	3.1
Income from current disposals of property, plant and equipment and intangible assets	(5.8)	(9.2)	(16.4)
Change in the working capital requirement	**(117.3)**	**(84.7)**	**(27.6)**
Inventories	*(22.7)*	*(9.6)*	*(21.2)*
Trade accounts receivable, advances and down payments received	*(39.9)*	*(51.5)*	*(11.6)*
Trade accounts payable, advances and down payments paid	*(20.4)*	*(3.1)*	*27.9*
Other receivables and debts	*(34.3)*	*(20.5)*	*(22.7)*
Cash flow generated by current operations	**209.5**	**243.1**	**612.9**

Annexe 2

(€ millions)	June 30, 2008	June 30, 2007	2007
Other operating revenue and expenses	**(22.8)**	**(3.7)**	**(46.0)**
Adjustments for:			
Impairment losses on goodwill *(Note 18)*	-	-	0.1
Other net operating amortization and depreciation	1.6	(0.4)	20.6
Other net operating provisions	(8.4)	(18.7)	(34.2)
Income from non-current disposals of property, plant and equipment and intangible assets	-	0.4	0.2
Income from disposals of consolidated investments and available-for-sale financial assets	-	1.5	1.1
Income taxes paid on other operating revenue and expenses	6.6	1.7	17.0
Cash flow generated by other operating revenue and expenses	**(23.0)**	**(19.2)**	**(41.2)**

Consolidated statement of changes in shareholders' equity

(€ millions)	Number of shares outstanding	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves & accumulated income	Total Group share	Total minority interests	Total shareholders' equity
Shareholders' equity as of January 1, 2007	**63,334,620**	**126.7**	**158.9**	**2.3**	**1.1**	**(36.3)**	**1,377.4**	**1,630.1**	**16.3**	**1,646.4**
of which income taxes directly recognized in equity	-	-	-	-	-	*5.2*	-	*5.2*	-	*5.2*
Gains (losses) on cash flow hedges	-	-	-	-	1.7	-	-	1.7	-	1.7
Change in translation reserve	-	-	-	-	-	(17.5)	-	(17.5)	(0.1)	(17.6)
Total income and expense of the period recognized in equity	**-**	**-**	**-**	**-**	**1.7**	**(17.5)**	**-**	**(15.8)**	**(0.1)**	**(15.9)**
Net income for the 1st half of 2007	-	-	-	-	-	-	151.4	151.4	1.2	152.6
Total income and expense of the period	**-**	**-**	**-**	**-**	**1.7**	**(17.5)**	**151.4**	**135.6**	**1.1**	**136.7**
Dividend (€1.80 per share)	-	-	-	-	-	-	(114.2)	(114.2)	(0.2)	(114.4)
Capital increases	340,973	-	-	-	-	-		-	-	-
Capital decreases	-	-	-	-	-	-	-	-	-	-
Impact on minority interests of scope changes and capital increases	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Transactions on treasury shares	(222,429)	-	-	(16.0)	-	-	-	(16.0)	-	(16.0)
Share option-based payments	-	-	-	-	-	-	2.5	2.5	-	2.5
Shareholders' equity as of June 30, 2007	**63,453,164**	**126.7**	**158.9**	**(13.7)**	**2.8**	**(53.8)**	**1,417.1**	**1,638.0**	**16.8**	**1,654.8**
of which income taxes directly recognized in equity	-	-	-	-	-	*5.5*	-	*5.5*	-	*5.5*
Gains (losses) on cash flow hedges	-	-	-	-	1.1	-	-	1.1	-	1.1
Change in translation reserve	-	-	-	-	-	(110.9)		(110.9)	(1.2)	(112.1)
Total income and expense of the period recognized in equity	**-**	**-**	**-**	**-**	**1.1**	**(110.9)**	**-**	**(109.8)**	**(1.2)**	**(111.0)**
Net income for the 2nd half of 2007	-	-	-	-	-	-	132.8	132.8	1.5	134.3
Total income and expense of the period	**-**	**-**	**-**	**-**	**1.1**	**(110.9)**	**132.8**	**23.0**	**0.3**	**23.3**
Dividend (€1.80 per share)	-	-	-	-	-	-	-	-	(0.7)	(0.7)
Capital increases	57,806	0.8	13.6	-	-	-	-	14.4	1.5	15.9
Capital decreases	(384,114)	(1.2)	(40.9)	-	-	-	-	(42.1)	-	(42.1)
Impact on minority interests of scope changes and capital increases	-	-	-	-	-	-	1.1	1.1	6.0	7.1
Transactions on treasury shares	-	-	-	2.4	-	-	-	2.4	-	2.4
Share option-based payments	-	-	-	-	-	-	2.9	2.9	-	2.9
Shareholders' equity as of December 31, 2007	**63,126,856**	**126.3**	**131.6**	**(11.3)**	**3.9**	**(164.7)**	**1,553.9**	**1,639.7**	**23.9**	**1,663.6**
of which income taxes directly recognized in equity	-	-	-	-	-	*8.9*	-	*8.9*	-	*8.9*
Gains (losses) on cash flow hedges	-	-	-	-	8.7	-	(0.6)	8.1	-	8.1
Change in translation reserve	-	-	-	-	-	(91.8)	-	(91.8)	(1.8)	(93.6)
Total income and expense of the period recognized in equity	**-**	**-**	**-**	**-**	**8.7**	**(91.8)**	**(0.6)**	**(83.7)**	**(1.8)**	**(85.5)**
Net income of the 1st half of 2008	-	-	-	-	-	-	144.4	144.4	0.9	145.3
Total income and expense of the period	**-**	**-**	**-**	**-**	**8.7**	**(91.8)**	**143.8**	**60.7**	**(0.9)**	**59.8**
Dividend (€1.90 per share)	-	-	-	-	-	-	(119.0)	(119.0)	(0.5)	(119.5)
Capital increases	28,366	-	0.9	-	-	-	-	0.9	-	0.9
Capital decreases	-	-	-	-	-	-	-	-	-	-
Impact on minority interests of scope changes and capital increases	-	-	-	-	-	-	-	-	(3.5)	(3.5)
Transactions on treasury shares	(350,000)	-	-	(18.7)	-	-	-	(18.7)	-	(18.7)
Share option-based payments	-	-	-	-	-	-	3.0	3.0	-	3.0
Shareholders' equity as of June 30, 2008	**62,805,222**	**126.3**	**132.5**	**(30.0)**	**12.6**	**(256.5)**	**1,581.7**	**1,566.6**	**19.0**	**1,585.6**
of which income taxes directly recognized in equity	-	-	-	-	*0.6*	*12.3*	-	*12.9*	-	*12.9*

1. Accounting principles and policies

1. ACCOUNTING PRINCIPLES

The June 30, 2008 1st half financial statements are established in a condensed form in compliance with IAS 34 on interim financial information. They are intended to provide an update on the complete set of annual financial statements as of December 31, 2007 compliant with IFRSs adopted within the European Union and do not include all disclosures for a complete set of financial statements as published for the annual closing. They shall thus be reviewed in relation with the Group annual financial statements published as of December 31, 2007.

2. CHANGES IN ACCOUNTING POLICIES

New standards and interpretations

The accounting policies are identical to those of the prior period except for the following standard and interpretation:

IFRS 8, Operating Segments. This standard, whose application is required as of January 1, 2009, is applied by anticipation as of June 30, 2008. The Board of Directors of February 13, 2008 changed the operational organization of the Group into four business groups: Minerals for Ceramics, Refractories, Abrasives & Foundry; Performance Minerals & Filtration; Pigments for Paper and Materials & Monolithics. Each of the operating segments is engaged in the production and rendering of related goods and services presenting common commercial synergies. The financial information presented by operating segment in *Notes 28, 29* and *30* is measured in accordance with the accounting policies used for the preparation of the Group financial statements. The transactions between operating segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions. This interpretation, applicable as of January 1, 2008 to share options involving several Group entities, has no impact on the salaries expense disclosed in *Note 8*.

Balance sheet presentation

Termination indemnities due as a result of restructuring (€25.0 million as of June 30, 2007 and €12.1 million as of December 31, 2007), formerly classified as "Other provisions" with provisions for restructuring, are reclassified as "Provisions for employee benefits". Comparative information provided in *Note 21* has been restated.

Standards and interpretations not applicable within the Group

Standards and interpretations adopted within the European Union as of June 30, 2008 but not applicable to the transactions, events or conditions existing within the Group: none.

3. STANDARDS AND INTERPRETATIONS EFFECTIVE AFTER THE BALANCE SHEET DATE

Texts adopted within the European Union at the balance sheet date

As the Group decided to apply by anticipation IFRS 8, Operating Segments, whose application is required as of January 1, 2009, there is no other text adopted within the European Union whose application by anticipation would be allowed as of June 30, 2008.

Texts not adopted within the European Union at the balance sheet date

The amendments, revisions and interpretations indicated hereafter are not adopted within the European Union as of June 30, 2008:

Amendment to IFRS 2, Share-Based Payment: Vesting Conditions and Cancellations. This amendment clarifies the vesting conditions of the rights by an explicit limitation to the conditions of service and conditions of performance. It also clarifies that all cancellations follow an identical treatment, irrespective of whether the decision was originally taken by the entity or another party. This amendment will have no impact on the measurement of the share options expense.

Revised IFRS 3, Business Combinations. This revision will result in changes in the rules applicable to the recognition and measurement of business combinations, for transactions of acquisition and disposal of interests.

Amendment to IAS 1, Presentation of Financial Statements. This amendment will mainly result in the split of the current statement of changes in shareholders' equity into two separate statements reporting owner changes in equity on the one hand and items of income and expense directly recognized in equity on the other hand.

Amendment to IAS 23, Borrowing Costs. This amendment requires the incorporation of the borrowing costs directly attributable to the acquisition, construction or production of assets prepared over a substantial period of time. This amendment will have no impact on the measurement of the majority of the Group's ordinary industrial investment projects.

Amendment to IAS 27, Consolidated and Separate Financial Statements. This amendment draws the consequences of revised IFRS 3, Business Combinations on the standard addressing consolidation rules.

IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This interpretation applies to the interaction between future reductions in contributions and minimum funding requirements. The Group is currently investigating the impact of that interpretation with the assistance of its actuary, but does not anticipate any significant impact.

4. INFORMATION SPECIFIC TO THE JUNE 30, 2008 CLOSING

4.1 Seasonality

Interim operations are globally not subject to seasonality or cyclicality.

4.2 Significant judgments and estimates

The measurement of some assets and liabilities requires judgments and estimates for the preparation of the financial statements. Judgments and estimates that are likely to result in a material adjustment on the carrying amount of these assets and liabilities are identical to those of the prior annual period *(2007 annual report - Chapter 3 - Note 5.1 Significant judgments and estimates)*.

4.3 Evolution of the scope of consolidation

Pigments for Paper

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

Performance & Filtration Minerals

No significant change occurred in the scope of consolidation of the business group over the 1st half of 2008. Over the 2nd half of 2007, the business group had acquired the Argentine perlite producer Perfiltra.

Materials & Monolithics

Over the 1st half of 2008, the business group acquired Svenska Silikaverken A.B, a Swedish producer of monolithic refractory products. Over the 2nd half of 2007, the business group had acquired Ace, the Indian leader in monolithic refractories.

Minerals for Ceramics, Refractories, Abrasives & Foundry

The business group is integrating Astron China, a major producer of zircon-based products, acquired over the 1st half of 2008. Over the 1st half of 2007, the business group had integrated the British group UCM, one of the world's leading producers of fused zirconia for the refractories, advanced ceramics and automotive industries and fused magnesia, which is primarily used in the manufacture of electrical heating elements. Over the 2nd half of 2007, the business group had acquired The Feldspar Corporation (feldspar and kaolin) in the United States and the Ukrainian company Vatutinsky Kombinat Vognetryviv (calcined clays).

4.4 Currency rates

(€)	Foreign	2008		2007			
COUNTRIES	currencies	June 30	Average	June 30	Average	December 31	Average
Argentina	ARS	4.7673	4.8010	4.1741	4.1063	4.6425	4.2701
Australia	AUD	1.6371	1.6546	1.5885	1.6449	1.6757	1.6352
Brazil	BRL	2.5095	2.5944	2.6013	2.7165	2.6075	2.6628
Canada	CAD	1.5942	1.5401	1.4245	1.5079	1.4449	1.4682
China	CNY	10.8051	10.7989	10.2816	10.2552	10.7524	10.4161
Denmark	DKK	7.4579	7.4567	7.4422	7.4512	7.4583	7.4506
United States	USD	1.5764	1.5304	1.3505	1.3288	1.4721	1.3702
Great Britain	GBP	0.7923	0.7752	0.6740	0.6746	0.7334	0.6843
Hungary	HUF (100)	2.3543	2.5358	2.4615	2.5038	2.5373	2.5137
Japan	JPY (100)	1.6644	1.6062	1.6663	1.5957	1.6493	1.6122
New Zealand	NZD	2.0632	1.9553	1.7502	1.8522	1.9024	1.8629
Republic of South Africa	ZAR	12.3426	11.7263	9.5531	9.5308	10.0298	9.6602
Czech Republic	CZK	23.8930	25.1913	28.7180	28.1530	26.6280	27.7674
Sweden	SEK	9.4703	9.3753	9.2525	9.2233	9.4415	9.2507
Switzerland	CHF	1.6056	1.6065	1.6553	1.6316	1.6547	1.6425
Thailand	THB	52.7380	48.4803	42.6150	44.2729	43.8000	44.2086

4.5 Events after the balance sheet date

The half year consolidated financial statements as of June 30, 2008 were closed by the Board of Directors on July 30, 2008. No event after the balance sheet date is to be reported.

2. Notes to the consolidated income statement

5. REVENUE

Consolidated sales evolution

Consolidated sales of the 1st half of 2008 amount to €1,774.1 million against €1,704.9 million for the 1st half of the previous period, i.e. an increase of + 4.1%, including a negative effect of - €86.5 million due to foreign currency changes. At comparable structure and foreign currency rates, the Group's sales increased by + 4.2%.

Sales of goods and rendering of services

(€ millions)	June 30, 2008	June 30, 2007	2007
Sales of goods	1,583.1	1,520.8	3,027.5
Rendering of services	191.0	184.1	374.4
Total	**1,774,1**	**1,704.9**	**3,401.9**

Geographical origins of consolidated sales

(€ millions)	June 30, 2008	June 30, 2007	2007
France	447.9	437.2	858.9
Other European countries	692.9	686.3	1,353.2
North America	367.1	400.5	777.9
Asia - Oceania	192.4	112.8	267.7
Other countries	73.8	68.1	144.2
Total	**1,774.1**	**1,704.9**	**3,401.9**

6. RAW MATERIALS AND CONSUMABLES USED

(€ millions)	June 30, 2008	June 30, 2007	2007
Raw materials	(277.1)	(223.1)	(462.6)
Energy	(200.2)	(183.9)	(361.4)
Chemicals	(35.6)	(35.1)	(71.1)
Other raw materials	(91.3)	(91.2)	(171.9)
Merchandises	(75.7)	(58.2)	(122.4)
Change in inventories	22.7	9.6	21.2
Property, plant and equipment produced by the entity	4.0	3.2	8.3
Total	**(653.2)**	**(578.7)**	**(1,159.9)**

7. EXTERNAL EXPENSES

(€ millions)	June 30, 2008	June 30, 2007	2007
Freight	(208.3)	(192.5)	(391.3)
Operating leases	(22.1)	(24.1)	(46.3)
Subcontracting	(52.3)	(48.2)	(101.7)
Maintenance and repair	(44.3)	(47.2)	(97.4)
Fees	(19.9)	(29.2)	(47.3)
Other external expenses	(93.2)	(89.8)	(183.7)
Total	**(440.1)**	**(431.0)**	**(867.7)**

8. STAFF EXPENSES

(€ millions)	June 30, 2008	June 30, 2007	2007
Salaries	(256.8)	(261.2)	(524.5)
Social contributions	(53.4)	(50.5)	(105.6)
Net change in defined benefit plans	8.2	8.5	18.3
Contributions to defined benefit plans	(14.2)	(14.3)	(28.5)
Contributions to defined contribution plans	(8.6)	(8.6)	(17.6)
Other employee benefits	(3.2)	(2.6)	(6.2)
Profit-sharing	(9.0)	(9.0)	(21.3)
Total	**(337.0)**	**(337.7)**	**(685.4)**

9. OTHER OPERATING REVENUE AND EXPENSES

(€ millions)	June 30, 2008	June 30, 2007	2007
Income on disposals of consolidated investments	-	(1.5)	(1.1)
Income on non-current asset disposals	-	(0.4)	(0.2)
Restructuring expenses paid	(29.6)	(20.9)	(58.2)
Impairment losses on restructuring	(1.6)	(0.1)	(22.5)
Change in provisions for restructuring and litigation	8.4	19.2	36.1
Impairment losses on goodwill	-	-	(0.1)
Other operating revenue and expenses - gross	**(22.8)**	**(3.7)**	**(46.0)**
of which :			
- revenue	*18.2*	*27.5*	*70.8*
- expenses	*(41.0)*	*(31.2)*	*(116.7)*
Income taxes on other revenue and expenses	7.4	0.3	13.4
Other operating revenue and expenses - net, Group share	**(15.4)**	**(3.4)**	**(32.5)**

Other operating revenue and expenses of the period

The other operating revenue and expenses of the 1st half of 2008 mainly correspond to the settlement of litigation opposing the Group to one of its suppliers for - €4.1 million after income taxes and to the continuation of restructurings, in US kaolin activities in particular, for - €11.3 million after income taxes.

Other operating revenue and expenses of prior periods

The other operating revenue and expenses of the 1st half of 2007 mainly corresponded to the restructuring of the filtration activities in North America initiated in 2006 for - €2.3 million after income taxes. Furthermore, they included a provision reversal of + €3.7 million after income taxes corresponding to the extinguishment of a guarantee period. At the end of the 2007 period, the restructuring of the North American filtration activities amounted to - €8.4 million after income taxes, to which was added the restructuring of North American performance minerals activities for an amount of - €16.8 million after income taxes.

10. 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. As financial instruments correspond to a large number of different contracts, these are classified in categories by IAS 39 on financial instruments. Among these, the following categories exist at Imerys:

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

Cash flow hedge derivatives are disclosed in a separate column. They belong by nature to the scope of IAS 39, but the hedge accounting treatment determines their recognition in a way such that it is not possible to include these in one of the above categories.

The tables hereafter disclose the items of income, expenses, gains and losses recognized in the income statement and in equity by categories of financial instruments. The detail of rows "Other financial revenue" and "Other financial expenses" is disclosed in *Note 11*.

As of June 30, 2008

		Financial assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss						
(€ millions)	June 30, 2008	Available for sale financial assets	Marketable securities and deposits	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Cash flow hedge derivatives	
INCOME STATEMENT									
Operating income									
Revenue	1,774.1	-	-	-	-	1,774.1	-	-	-
Raw materials and consumables used	(653.2)	-	-	-	-	-	(686.3)	5.9	27.2
External expenses	(440.1)	-	-	-	-	-	(440.1)	-	-
Taxes and duties	(27.1)	-	-	-	-	-	(27.1)	-	-
Other operational revenue and expenses	14.5	-	-	-	0.6	16.8	(17.5)	(0.9)	15.5
Income on asset disposals	-	-	-	-	-	-	-	-	-
Financial income (loss)									
Income from securities	1.9	-	1.9	-	-	-	-	-	-
Gross financial debt expense	(29.9)	-	-	5.8	-	-	(38.5)	2.8	-
Other financial revenue	116.9	0.3	-	14.9	2.7	1.5	91.6	5.5	0.4
Other financial expenses	(109.1)	-	-	(13.8)	(5.8)	-	(84.4)	(3.4)	(1.7)
SHAREHOLDERS' EQUITY									
Revenue and expenses recognized in shareholders' equity	8.3	-	-	-	-	-	-	8.3	-
Revenue and expenses recycled to the income statement	0.4	-	-	-	-	-	-	0.4	-
NET PROFIT (LOSS)		**0.3**	**1.9**	**6.9**	**(2.5)**	**1,792.4**	**(1,202.3)**	**18.6**	**-**
of which:									
- impairment losses in income statement	*(9.1)*	-	-	-	-	*(6.5)*	-	-	*(2.6)*
- reversals of impairment losses in income statement	*5.3*	-	-	-	-	*2.8*	-	-	*2.5*

As of June 30, 2007

(€ millions)	June 30, 2007	Financial assets and liabilities within the scope of standard IAS 39 on financial instruments: Available for sale financial assets	Financial assets and liabilities at fair value through profit or loss: Marketable securities and deposits	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Cash flow hedge derivatives	Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
INCOME STATEMENT									
Operating income									
Revenue	1,704.9	-	-	-	-	1,704.9	-	-	-
Raw materials and consumables used	(578.7)	-	-	-	-	-	(587.8)	(5.6)	14.7
External expenses	(431.0)	-	-	-	-	-	(431.0)	-	-
Taxes and duties	(24.5)	-	-	-	-	-	(24.5)	-	-
Other operational revenue and expenses	11.0	-	-	-	-	13.6	(20.8)	3.5	14.6
Income on asset disposals	(1.9)	(0.2)	-	-	-	-	-	-	(1.7)
Financial income (loss)									
Income from securities	3.3	-	3.3	-	-	-	-	-	-
Gross financial debt expense	(31.8)	-	-	2.2	-	-	(35.3)	1.3	-
Other financial revenue	8.1	0.6	-	23.9	0.1	2.0	(19.8)	1.1	0.2
Other financial expenses	(8.6)	(1.1)	-	(24.5)	(0.1)	(0.1)	19.3	(0.1)	(2.0)
SHAREHOLDERS' EQUITY									
Revenue and expenses recognized in shareholders' equity	7.5	-	-	-	-	-	-	7.5	-
Revenue and expenses recycled to the income statement	(5.8)	-	-	-	-	-	-	(5.8)	-
NET PROFIT (LOSS)		**(0.7)**	**3.3**	**1.6**	**-**	**1,720.4**	**(1,099.9)**	**1.9**	**-**
of which:									
- impairment losses in income statement	*(7.4)*	*(1.1)*	-	-	-	*(3.5)*	-	-	*(2.8)*
- reversals of impairment losses in income statement	*4.6*	-	-	-	-	*1.7*	-	-	*2.9*

As of December 31, 2007

(€ millions)	2007	Financial assets and liabilities within the scope of standard IAS 39 on financial instruments: Available for sale financial assets	Financial assets and liabilities at fair value through profit or loss: Marketable securities and deposits	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Cash flow hedge derivatives	Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
INCOME STATEMENT									
Operating income									
Revenue	3,401.9	-	-	-	-	3,401.9	-	-	-
Raw materials and consumables used	(1,159.9)	-	-	-	-	-	(1,199.5)	2.8	36.8
External expenses	(867.7)	-	-	-	-	-	(867.7)	-	-
Taxes and duties	(47.9)	-	-	-	-	-	(47.9)	-	-
Other operational revenue and expenses	34.7	-	-	-	-	33.5	(29.7)	0.9	30.0
Income on asset disposals	(1.3)	(1.3)	-	-	-	-	-	-	-
Financial income (loss)									
Income from securities	5.7	-	5.7	-	-	-	-	-	-
Gross financial debt expense	(63.7)	-	-	1.5	-	-	(70.4)	5.2	-
Other financial revenue	50.5	1.0	-	(24.4)	0.6	0.9	72.1	(0.8)	1.1
Other financial expenses	(48.2)	(1.3)	-	23.5	(1.1)	-	(66.8)	1.5	(4.0)
SHAREHOLDERS' EQUITY									
Revenue and expenses recognized in shareholders' equity	(3.9)	-	-	-	-	-	-	(3.9)	-
Revenue and expenses recycled to the income statement	6.7	-	-	-	-	-	-	6.7	-
NET PROFIT (LOSS)		**(1,6)**	**5,7**	**0,6**	**(0,5)**	**3,436.3**	**(2,209.9)**	**12,4**	**-**
of which:									
- impairment losses in income statement	*(14.1)*	*(1.3)*	-	-	-	*(6.0)*	-	-	*(6.8)*
- reversals of impairment losses in income statement	*12.0*	*0.8*	-	-	-	*4.5*	-	-	*6.7*

11. 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 10*.

As of June 30, 2008

(€ millions)	June 30, 2008	Financial assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss						
		Available for sale financial assets	Marketable securities	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Cash flow hedge derivatives	
Income from securities	1.9	-	1.9	-	-	-	-	-	-
Gross financial debt expense	(29.9)	-	-	5.8	-	-	(38.5)	2.8	-
Net financial debt expense	**(28.0)**	**-**	**1.9**	**5.8**	**-**	**-**	**(38.5)**	**2.8**	**-**
Dividends	0.2	0.2	-	-	-	-	-	-	-
Net exchange rate differences	7.7	-	-	-	-	-	7.7	-	-
Expenses and revenue on derivative instruments	(1.6)	-	-	1.1	(3.1)	-	-	0.4	-
Unwinding expense	(1.3)	-	-	-	-	-	-	-	(1.3)
Other financial revenue and expenses	2.8	0.1	-	-	-	1.5	(0.5)	1.7	-
Other financial revenue and expenses	**7.8**	**0.3**	**-**	**1.1**	**(3.1)**	**1.5**	**7.2**	**2.1**	**(1.3)**
Financial income (loss)	**(20.2)**	**0.3**	**1.9**	**6.9**	**(3.1)**	**1.5**	**(31.3)**	**4.9**	**(1.3)**
of which:									
- revenue	*118.8*	*0.3*	*1.9*	*14.9*	*2.7*	*1.5*	*91.6*	*5.5*	*0.4*
- expenses	*(139.0)*	*-*	*-*	*(8.0)*	*(5.8)*	*-*	*(122.9)*	*(0.6)*	*(1.7)*

As of June 30, 2007

(€ millions)	June 30, 2007	Financial assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss						
		Available for sale financial assets	Marketable securities	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Cash flow hedge derivatives	
Income from securities	3.3	-	3.3	-	-	-	-	-	-
Gross financial debt expense	(31.8)	-	-	2.2	-	-	(35.3)	1.3	-
Net financial debt expense	**(28.5)**	**-**	**3.3**	**2.2**	**-**	**-**	**(35.3)**	**1.3**	**-**
Dividends	0.1	0.1	-	-	-	-	-	-	-
Net exchange rate differences	0.5	-	-	-	-	-	0.5	-	-
Expenses and revenue on derivative instruments	(0.1)	-	-	(0.6)	-	-	-	0.5	-
Unwinding expense	(1.8)	-	-	-	-	-	-	-	(1.8)
Other financial revenue and expenses	0.8	(0.6)	-	-	-	1.9	(1.0)	0.5	-
Other financial revenue and expenses	**(0.5)**	**(0.5)**	**-**	**(0.6)**	**-**	**1.9**	**(0.5)**	**1.0**	**(1.8)**
Financial income (loss)	**(29.0)**	**(0.5)**	**3.3**	**1.6**	**-**	**1.9**	**(35.8)**	**2.3**	**(1.8)**
of which:									
- revenue	*11.4*	*0.6*	*3.3*	*23.9*	*0.1*	*2.0*	*(19.8)*	*1.1*	*0.2*
- expenses	*(40.4)*	*(1.1)*	*-*	*(22.3)*	*(0.1)*	*(0.1)*	*(16.0)*	*1.2*	*(2.0)*

As of December 31, 2007

(€ millions)	2007	Financial assets and liabilities within the scope of standard IAS 39 on financial instruments								Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
		Available for sale financial assets	Financial assets and liabilities at fair value through profit or loss: Marketable securities	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Cash flow hedge derivatives		
Income from securities	5.7	-	5.7	-	-	-	-	-		-
Gross financial debt expense	(63.7)	-	-	1.5	-	-	(70.4)	5.2		-
Net financial debt expense	**(58.0)**	**-**	**5.7**	**1.5**	**-**	**-**	**(70.4)**	**5.2**		**-**
Dividends	0.2	0.2	-	-	-	-	-	-		-
Net exchange rate differences	7.3	-	-	-	-	-	6.6	-		0.7
Expenses and revenue on derivative instruments	(1.0)	-	-	(0.9)	(0.5)	-	-	0.4		-
Unwinding expense	(3.7)	-	-	-	-	-	-	-		(3.7)
Other financial revenue and expenses	(0.5)	(0.5)	-	-	-	0.9	(1.3)	0.4		-
Other financial revenue and expenses	**2.3**	**(0.3)**	**-**	**(0.9)**	**(0.5)**	**0.9**	**5.3**	**0.8**		**(3.0)**
Financial income (loss)	**(55.7)**	**(0.3)**	**5.7**	**0.6**	**(0.5)**	**0.9**	**(65.1)**	**6.0**		**(3.0)**
of which:										
- revenue	*56.2*	*1.0*	*5.7*	*(24.4)*	*0.6*	*0.9*	*72.1*	*(0.7)*		*1.0*
- expenses	*(111.9)*	*(1.3)*	*-*	*25.0*	*(1.1)*	*-*	*(137.2)*	*6.7*		*(4.0)*

12. INCOME TAXES

Imerys SA and the majority of its French entities are included in a tax consolidation system which notably enables the Group to offset within the consolidated group potential profits and losses. The French tax consolidation scope was modified in 2008 by 3 outgoing entities. No entities entered the scope. The tax consolidation scope includes 26 entities as of June 30, 2008. Tax consolidations also exist in other countries, mainly in the United States, in Great Britain, in Spain, in Germany and in Italy.

Income taxes for the period

The breakdown of income taxes is as follows:

(€ millions)	June 30, 2008	June 30, 2007	2007
Income taxes payable for the period	(44.7)	(52.2)	(109.2)
Income taxes payable - Prior period adjustments	(0.4)	0.7	3.2
Income taxes payable	**(45.1)**	**(51.5)**	**(106.0)**
Deferred taxes due to changes in temporary differences	(7.7)	(7.7)	9.7
Deferred taxes due to changes in income tax rates	-	(0.8)	(0.3)
Deferred taxes	**(7.7)**	**(8.5)**	**9.4**
Total	**(52.8)**	**(60.0)**	**(96.6)**

(€ millions)	June 30, 2008	June 30, 2007	2007
Current operating income taxes payable	(51.8)	(53.2)	(123.1)
Current operating deferred taxes	(8.4)	(7.0)	13.0
Income taxes on current operating income	**(60.2)**	**(60.2)**	**(110.1)**
Income taxes payable on other operating revenue and expenses	6.7	1.7	17.1
Deferred taxes on other operating revenue and expenses	0.7	(1.5)	(3.6)
Income taxes on other operating revenue and expenses	**7.4**	**0.2**	**13.5**
Total	**(52.8)**	**(60.0)**	**(96.6)**

Income taxes paid over the period

The amount of income taxes paid over the 1st half of 2008 amounts to €58.3 million (€44.4 million for the 1st half of 2007), of which €64.9 million paid on current operating income and financial income (loss) (€46.1 million for the 1st half of 2007) and €6.6 million received on other operating revenue and expenses (€1.7 million received for the 1st half of 2007).

Tax reconciliation excluding non-recurring items

The effective income tax rate excluding non-recurring items[(1)] amounts to 27.9% increasing by 1.9 point in comparison with December 2007 (26.0%).

The reconciliation with the legal rate in France for the current and the prior period can be analyzed as follows:

	June 30, 2008	June 30, 2007	2007
Legal tax rate in France (including surtax and contribution)	34.4%	34.4%	34.4%
Impact of national rate differences	(2.5)%	(0.7)%	(1.1)%
Impact of permanent differences and tax incentives	(4.6)%	(5.0)%	(4.3)%
Impact of unrecognized tax losses utilized	(1.1)%	(0.8)%	(1.0)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	0.9%	0.9%	0.8%
Other (tax credits, tax losses created and unrecognized, tax reassessment and tax provisions, prior period adjustments)	0.8%	(0.6)%	(2.8)%
Effective tax rate on current operating and financial income (loss) [(1)]	27.9%	28.2%	26.0%

[(1)] Income taxes on current operating income (€60.2 million) divided by the sum of the current operating income (+ €236.2 million) and financial income (loss) (- €20.2 million).

Tax reconciliation including non-recurring items

After integration of non-recurring items, the effective tax rate amounts to 27.3%.

	June 30, 2008	June 30, 2007	2007
Legal tax rate in France (including surtax and contribution)	34.4%	34.4%	34.4%
Impact of national rate differences	(2.7)%	(0.7)%	(1.2)%
Impact of permanent differences and tax incentives	(5.0)%	(4.7)%	(4.7)%
Impact of unrecognized tax losses utilized	(1.3)%	(0.8)%	(1.1)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.0%	0.9%	0.6%
Other (tax credits, tax losses created and unrecognized, tax reassessment and tax provisions, prior period adjustments)	0.9%	(0.6)%	(2.3)%
Effective tax rate on operating and financial income (loss)	27.3%	28.5%	25.7%

13. NET INCOME, GROUP SHARE

(€ millions)	June 30, 2008	June 30, 2007	2007
Current operating income	236.2	242.9	478.3
Financial income (loss)	(20.2)	(29.0)	(55.7)
Income taxes on current operating income *(Note 12)*	(60.2)	(60.2)	(110.1)
Share in net income of associates	4.9	2.3	6.9
Minority interests	(0.9)	(1.2)	(2.7)
Current operating income, Group share	**159.8**	**154.8**	**316.7**
Effective tax rate on current operating income	27.9%	28.2%	26.0%

(€ millions)	June 30, 2008	June 30, 2007	2007
Current operating income, Group share	159.8	154.8	316.7
Net income of discontinued operations or held for sale	-	-	-
Other operating revenue and expenses - net *(Note 9)*	(15.4)	(3.4)	(32.5)
Net income, Group share	**144.4**	**151.4**	**284.2**

14. EARNINGS PER SHARE

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

(€ millions)	June 30, 2008	June 30, 2007	2007
Numerator			
Current operating income, Group share	159.8	154.8	316.7
Impact of financial income (loss) on share options	0.7	1.8	3.6
Current operating income attributable to ordinary equity holders used for the calculation of the diluted earnings per share	160.5	156.6	320.3
Net income, Group share	144.4	151.4	284.2
Impact of financial income (loss) on share options	0.7	1.8	3.6
Net income attributable to ordinary equity holders used for the calculation of the diluted earnings per share	145.1	153.2	287.7
Denominator			
Weighted average of shares used for the calculation of the basic earnings per share	62,811,118	63,446,107	63,330,652
Impact of share option conversion	370,183	860,462	730,853
Weighted average of shares used for the calculation of the diluted earnings per share	63,181,301	64,306,569	64,061,505
Basic earnings per share (*) (in €)			
Net basic earnings per share from current operations	2.54	2.44	5.00
Net basic earnings per share	2.30	2.39	4.49
Diluted net earnings per share from current operations	2.54	2.44	5.00
Diluted net earnings per share	2.30	2.38	4.49

(*) Group share

3. Notes to the consolidated balance sheet

15. GOODWILL

(€ millions)	June 30,2008	June 30, 2007	2007
Opening balance			
Gross amount	860.9	793.5	793.5
Impairment losses	(0.2)	(0.4)	(0.4)
Carrying amount	**860.7**	**793.1**	**793.1**
Acquisitions	108.7	19.0	112.9
Disposals	-	-	(6.7)
Adjustments and reclassifications	(0.4)	-	-
Impairment losses	-	-	(0.1)
Foreign exchange differences	(34.3)	(3.8)	(38.5)
Carrying amount	**934.7**	**808.3**	**860.7**
Closing balance	-	-	-
Gross amount	934.9	808.6	860.9
Impairment losses	(0.2)	(0.3)	(0.2)
Carrying amount	**934.7**	**808.3**	**860.7**

Goodwill recognized upon acquisitions mainly represents development prospects of the acquired entities within the Imerys group. Impairment losses on goodwill are disclosed in *Note 18*.

UCM

On April 2, 2007, Imerys acquired 95.8% of the voting rights of the British group Universal Ceramic Materials (UCM) further to its recommended takeover bid launched on February 15. UCM produces fused zirconia for the refractories, advanced ceramics and automotive industries and fused magnesia which is primarily used in the manufacture of electrical heating elements.

As of June 30, 2008, goodwill amounts to €16.7 million after measurement of provisions for employee benefits and fair value measurement of property, plant and equipment and inventories.

The final fair value of assets, liabilities and contingent liabilities of UCM and entities acquired over the 1st half of 2007 is presented as follows:

(€ millions)	UCM			Other incoming entities 2007			
	Carrying amount before acquisition	Business combination adjustments	Final fair values	Carrying amount before acquisition	Business combination adjustments	Final fair values	Total final fair values
Assets - non-current							
Intangible assets	-	-	-	-	-	-	-
Property, plant and equipment	19.9	(2.3)	17.6	15.7	(0.7)	15.0	32.6
Other receivables	-	-	-	0.4	-	0.4	0.4
Deferred tax assets	1.5	0.8	2.3	1.8	0.1	1.9	4.2
Assets - current							
Inventories	11.4	0.1	11.5	6.2	(2.6)	3.6	15.1
Trade receivables	9.9	-	9.9	4.0	-	4.0	13.9
Other receivables	1.5	-	1.5	3.7	-	3.7	5.2
Marketable securities and other financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	2.4	-	2.4	5.8	-	5.8	8.2
Total assets	**46.6**	**(1.4)**	**45.2**	**37.6**	**(3.2)**	**34.4**	**79.6**
Minority interests	-	-	-	1.9	-	1.9	1.9
Liabilities - non-current							
Provisions for employee benefits	3.5	-	3.5	0.6	-	0.6	4.1
Other provisions	0.3	-	0.3	6.4	-	6.4	6.7
Loans and financial debts	-	-	-	-	-	-	-
Other debts	-	-	-	0.2	-	0.2	0.2
Deferred tax liabilities	2.2	1.9	4.1	(0.1)	0.6	0.5	4.6
Liabilities - current							
Trade payables	5.0	-	5.0	2.1	(0.3)	1.8	6.8
Income taxes payable	1.0	-	1.0	0.3	-	0.3	1.3
Other debts	1.4	-	1.4	6.8	-	6.8	8.2
Loans and financial debts	14.9	-	14.9	8.3	-	8.3	23.2
Total liabilities	**28.3**	**1.9**	**30.2**	**26.5**	**0.3**	**26.8**	**57.0**
Fair value of the acquired equity	**18.3**	**(3.3)**	**15.0**	**11.1**	**(3.5)**	**7.6**	**22.6**
Revaluation of the shares of interest previously acquired	-	-	-	(1.2)	-	(1.2)	(1.2)
Goodwill	**13.4**	**3.3**	**16.7**	**31.6**	**3.5**	**35.1**	**51.8**
Cost of business combinations	**31.7**	**-**	**31.7**	**41.5**	**-**	**41.5**	**73.2**
of which costs directly attributable to the acquisition	*1.8*	-	*1.8*	*1.9*	-	*1.9*	*3.7*

THE FELDSPAR CORPORATION

On September 4, 2007, Imerys acquired 100.0% of the voting rights of the American company The Feldspar Corporation from the North American group Zemex Corporation. Holding mineral reserves, The Feldspar Corporation mines, produces and markets feldspath and kaolin mainly through ceramics applications.

After fair value measurement of intangible assets, property, plant and equipment, mineral reserves and inventories, the excess of the provisional fair value of the assets and liabilities of this entity over its acquisition cost was recognized in the current operating income of the period.

ACE

On September 24, 2007, Imerys acquired 99.8% of the voting rights of the Indian company Ace Refractories from the Indian LBO fund, ICICI Venture. Ace Refractories is the Indian leader in providing monolithic refractory solutions and operates in the steelmaking, cement and thermal power plant sectors.

Goodwill recognized as of June 30, 2008 is determined provisionally. It takes into consideration fair value measurement of inventories as well as measurement of provision for employee benefits. Goodwill will be finalized in the 2nd half of 2008 mainly to reflect fair value measurement of intangible assets.

The provisional fair value of assets, liabilities and contingent liabilities of these two entities can be analyzed as follows:

	The Feldspar Corporation			Ace Refractories			
(€ millions)	Carrying amount before acquisition	Business combination adjustments	Provisional fair values	Carrying amount before acquisition	Business combination adjustments	Provisional fair values	Total Provisional fair values
Assets - non-current							
Intangible assets	0.4	0.7	1.1	11.2	(9.9)	1.3	2.4
Property, plant and equipment	24.1	3.3	27.4	23.3	(0.9)	22.4	49.8
Oher receivables	-	-	-	-	-	-	-
Deferred tax assets	1.1	-	1.1	-	-	-	1.1
Assets - current							
Inventories	12.0	(7.5)	4.5	6.2	0.2	6.4	10.9
Trade receivables	3.2	-	3.2	7.1	-	7.1	10.3
Other receivables	0.5	(0.3)	0.2	2.0	-	2.0	2.2
Marketable securities and other financial assets	-	-	-	2.2	-	2.2	2.2
Cash and cash equivalents	(0.2)	-	(0.2)	0.9	-	0.9	0.7
Total assets	**41.1**	**(3.8)**	**37.3**	**52.9**	**(10.6)**	**42.3**	**79.6**
Minority interests	-	-	-	-	-	-	-
Liabilities - non-current							
Provisions for employee benefits	-	-	-	0.5	-	0.5	0.5
Other provisions	3.4	-	3.4	4.8	-	4.8	8.2
Loans and financial debts	-	-	-	20.3	-	20.3	20.3
Other debts	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	1.6	(2.5)	(0.9)	(0.9)
Liabilities - current							
Trade payables	1.5	-	1.5	4.4	-	4.4	5.9
Income taxes payable	-	-	-	0.2	-	0.2	0.2
Other debts	0.1	-	0.1	1.6	-	1.6	1.7
Loans and financial debts	-	-	-	-	-	-	-
Total liabilities	**5.0**	**-**	**5.0**	**33.4**	**(2.5)**	**30.9**	**35.9**
Fair value of the acquired equity	**36.1**	**(3.8)**	**32.3**	**19.5**	**(8.1)**	**11.4**	**43.7**
Revaluation of the shares of interest previously acquired	-	-	-	-	-	-	-
Goodwill	**(5.4)**	**3.3**	**(2.1)**	**57.4**	**8.1**	**65.5**	**63.4**
Cost of business combinations	**30.7**	**(0.5)**	**30.2**	**76.9**	**-**	**76.9**	**107.1**
of which costs directly attributable to the acquisition	*1.7*	-	*1.7*	*0.1*	-	*0.1*	*1.8*

ASTRON CHINA

On February 5, 2008, Imerys acquired 100.0% of the voting rights of the Chinese company Astron China. Active in a wide range of zircon-based products, Astron China owns several plants and distribution centres in China.

Goodwil generated as of June 30, 2008 is determined provisionally.

Since its acquisition, Astron China contributed for €34.4 million to the Group consolidated sales and for €0.1 million to the consolidated net income.

If the acquisition had been effective as of January 1, 2008, the consolidated revenue would have amounted to €40.6 million and the consolidated net loss to - €0.1 million.

Other acquisitions

In the 1st half of 2008, the Group achieved the acquisition of Svenska Silikaverken A.B, a Swedish producer of monolithic refractory products.

The provisional fair value of the assets, liabilities and contingent liabilities of the 2008 incoming entities is presented as follows:

	Astron			Other incoming entities 2008			
(€ millions)	Carrying amount before acquisition	Business combination adjustments	Provisional fair values	Carrying amount before acquisition	Business combination adjustments	Provisional fair values	Total Provisional fair values
Assets - non-current							
Intangible assets	0.9	-	0.9	-	-	-	0.9
Property, plant and equipment	12.1	-	12.1	1.6	-	1.6	13.7
Other receivables	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Assets - current							
Inventories	19.8	-	19.8	3.2	-	3.2	23.0
Trade receivables	20.5	-	20.5	2.1	-	2.1	22.6
Other receivables	8.7	-	8.7	0.1	-	0.1	8.8
Marketable securities and other financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	4.2	-	4.2	0.1	-	0.1	4.3
Total assets	**66.2**	**-**	**66.2**	**7.1**	**-**	**7.1**	**73.3**
Minority interests	-	-	-	-	-	-	-
Liabilities - non-current							
Provisions for employee benefits	-	-	-	-	-	-	-
Other provisions	-	-	-	1.7	-	1.7	1.7
Loans and financial debts	-	-	-	-	-	-	-
Other debts	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	0.4	-	0.4	0.4
Liabilities - current							
Trade payables	25.3	-	25.3	1.4	-	1.4	26.7
Income taxes payable	0.6	-	0.6	0.1	-	0.1	0.7
Other debts	13.5	-	13.5	0.9	-	0.9	14.4
Loans and financial debts	4.9	-	4.9	1.1	-	1.1	6.0
Total liabilities	**44.3**	**-**	**44.3**	**5.6**	**-**	**5.6**	**49.9**
Fair value of the acquired equity	**21.9**	**-**	**21.9**	**1.5**	**-**	**1.5**	**23.4**
Revaluation of the shares of interest previously acquired	-	-	-	-	-	-	-
Goodwill	**91.1**	**-**	**91.1**	**-**	**-**	**-**	**91.1**
Cost of business combinations	**113.0**	**-**	**113.0**	**1.5**	**-**	**1.5**	**114.5**
of which costs directly attributable to the acquisition	*0.3*	-	*0.3*	-	-	-	*0.3*

The following table details the "Acquisitions" line of the first table of *Note 15.*

(€ millions)	June 30, 2008	June 30, 2007	2007
Goodwill of 2008 business combinations	91.1	14.9	108.4
Adjustment of the cost of business combinations prior to 2008	13.3	-	(0.2)
Goodwill on 2008 increases in shares of interest	4.3	4.1	4.7
Goodwill - Acquisitions	**108.7**	**19.0**	**112.9**

The Group increased its share of interest in some of its entities, in particular in Mikro Minerals in Turkey and Gran Bianco in Italy.

The net cash flow related to the acquisitions of the period can be broken down as follows:

(€ millions)	Astron	Other incoming entities in 2008	Increases in shares of interest and purchase price adjustments	2007 acquisition cost of entities consolidated in 2008	Total
Cost of business combinations	(113.0)	(1.5)	(4.9)	0.7	(118.7)
Payables related to business combinations of the period	-	-	(0.2)	-	(0.2)
Cash paid	**(113.0)**	**(1.5)**	**(5.1)**	**0.7**	**(118.9)**
Cash from acquired entities	4.2	0.1	-	-	4.3
Acquisition cost of investments consolidated in 2008 after deduction of cash acquired	**(108.8)**	**(1.4)**	**(5.1)**	**0.7**	**(114.6)**

16. INTANGIBLE ASSETS

(€ millions)	Software	Trademarks, patents and licences	Mining and use rights	Other	Total
Opening balance: January 2007					
Gross amount	39.9	12.6	2.7	17.9	73.1
Amortization	(28.7)	(8.5)	(0.3)	(12.8)	(50.3)
Carrying amount	**11.2**	**4.1**	**2.4**	**5.1**	**22.8**
Acquisitions	2.5	1.2	13.3	16.9	33.9
Acquisitions resulting from business combinations	-	0.4	0.6	0.6	1.6
Disposals	(0.1)	-	-	(0.4)	(0.5)
Net increases in amortization	(7.8)	(0.3)	(0.1)	(0.8)	(9.0)
Impairment losses recognized in net income	-	-	-	-	-
Foreign exchange differences	(0.8)	(0.2)	0.4	(0.5)	(1.1)
Reclassification and other	9.2	-	(0.5)	(7.1)	1.6
Opening balance: January 2008					
Gross amount	50.0	12.7	16.4	26.7	105.8
Amortization	(35.8)	(7.5)	(0.3)	(12.9)	(56.5)
Carrying amount	**14.2**	**5.2**	**16.1**	**13.8**	**49.3**
Acquisitions	0.9	0.2	0.2	2.7	4.0
Acquisitions resulting from business combinations	0.1	0.1	-	2.0	2.2
Disposals	-	-	-	(0.3)	(0.3)
Net increases in amortization	(2.8)	(0.1)	(0.1)	(0.5)	(3.5)
Impairment losses recognized in net income	-	-	-	-	-
Foreign exchange differences	(0.5)	(0.1)	(1.6)	(0.6)	(2.8)
Reclassification and other	0.1	0.2	0.1	(1.2)	(0.8)
Closing balance: June 2008					
Gross amount	47.4	13.1	15.1	27.8	103.4
Amortization	(35.4)	(7.6)	(0.4)	(11.9)	(55.3)
Carrying amount	**12.0**	**5.5**	**14.7**	**15.9**	**48.1**

17. PROPERTY, PLANT AND EQUIPMENT

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction	Other	Total
Opening balance: January 2007						
Gross amount	578.8	487.4	2,554.2	92.9	177.0	3,890.3
Depreciation	(141.0)	(215.8)	(1,784.9)	(0.6)	(135.2)	(2,277.5)
Carrying amount	**437.8**	**271.6**	**769.3**	**92.3**	**41.8**	**1,612.8**
Acquisitions	26.0	7.4	113.3	167.0	11.3	325.0
Acquisitions resulting from business combinations	4.7	17.7	44.1	6.1	12.3	84.9
Disposals	(1.5)	(14.1)	(15.4)	(0.2)	(1.7)	(32.9)
Net increases in depreciation	(31.8)	(13.3)	(125.9)	-	(13.9)	(184.9)
Impairment losses recognized in net income	(9.0)	(2.7)	(15.7)	(0.1)	(0.1)	(27.6)
Impairment losses reversed in net income	-	1.2	3.9	-	0.1	5.2
Foreign exchange differences	(29.3)	(14.3)	(42.7)	(12.9)	(1.5)	(100.7)
Reclassification and other	2.7	6.3	31.1	(44.0)	2.6	(1.3)
Opening balance: January 2008						
Gross amount	540.9	446.2	2,488.3	208.4	182.7	3,866.5
Depreciation	(141.3)	(186.4)	(1,726.3)	(0.2)	(131.8)	(2,186.0)
Carrying amount	**399.6**	**259.8**	**762.0**	**208.2**	**50.9**	**1,680.5**
Acquisitions	13.3	20.2	22.4	48.7	4.4	109.0
Acquisitions resulting from business combinations	(1.2)	1.9	10.4	(0.1)	1.9	12.9
Disposals	(0.9)	(2.7)	(3.5)	(0.1)	(0.3)	(7.5)
Net increases in depreciation	(14.8)	(5.8)	(61.4)	-	(6.6)	(88.6)
Impairment losses recognized in net income	-	-	(1.6)	-	-	(1.6)
Impairment losses reversed in net income	-	-	-	-	-	-
Foreign exchange differences	(18.5)	(10.7)	(26.9)	(10.2)	(2.0)	(68.3)
Reclassification and other	0.4	2.4	91.9	(89.0)	(6.9)	(1.2)
Closing balance: June 2008						
Gross amount	511.4	448.1	2,504.7	157.6	172.6	3,794.4
Depreciation	(133.5)	(183.0)	(1,711.4)	(0.1)	(131.2)	(2,159.2)
Carrying amount	**377.9**	**265.1**	**793.3**	**157.5**	**41.4**	**1,635.2**

18. IMPAIRMENT LOSSES

For each annual closing, Imerys carries out impairment tests on all Cash Generating Units (CGUs) according to the terms of the note on accounting principles and policies of the 2007 annual report *(Note 3.13)*. This approach is applied systematically for the annual closing insofar as goodwill is present in all the Group's CGUs. For the 1st half closing, these annual tests are updated for the CGUs for which an impairment indicator has been identified. The recoverable amount of a CGU or an individual asset is the higher between the fair value net of disposal costs and the value in use. However, it is generally justified by its value in use. The future cash flows used for the calculation of the assets' value in use are measured after income taxes and are based on the last update of the Five-Year Plan validated by the General Management. The discount rates used amount to 8% after income taxes on average. They are based on a weighted average cost of capital of 7.5%, adjusted by a country-market risk premium ranging by 100 basis points depending on the CGUs. The results obtained from this calculation after income taxes are identical to those which would have been obtained with cash flows and rates before income taxes as required by IAS 36 on impairment of assets.

As of June 30, 2008, no impairment loss indicator has been identified at CGUs level. The 2007 annual test had not resulted either in the recognition of any impairment loss at CGUs level.

However an impairment loss of €1.6 million was recognized as of June 30, 2008 at the level of individual assets, mainly in relation to the restructuring of the industrial facilities of the Pigments for Paper business group for an amount of €1.5 million. As of December 31, 2007, an impairment loss of €27.7 million had been recognized, mainly on the industrial facilities of the Performance Minerals & Pigments business group in North America for an amount of €18.7 million.

19. INVENTORIES

	June 30, 2008			June 30, 2007			2007		
(€ millions)	Gross amount	Write down	Carrying amount	Gross amount	Write down	Carrying amount	Gross amount	Write down	Carrying amount
Raw materials	203.9	(10.4)	193.5	185.6	(8.9)	176.7	195.7	(11.4)	184.3
Work in progress	45.6	(0.1)	45.5	46.1	(0.2)	45.9	45.3	(0.1)	45.2
Finished goods	238.5	(7.4)	231.1	256.7	(7.1)	249.6	241.5	(7.8)	233.7
Merchandises	60.9	(0.6)	60.3	33.8	(0.4)	33.4	39.2	(0.4)	38.8
Total	**548.9**	**(18.5)**	**530.4**	**522.2**	**(16.6)**	**505.6**	**521.7**	**(19.7)**	**502.0**

20. FINANCIAL ASSETS

The tables hereafter enable to evaluate the significance of financial instruments for the Group's consolidated assets. The categories used in the following disclosures to present the carrying amounts of the financial instruments are explained in *Note 10*. In the tables hereafter, the carrying amounts of the financial assets are representative of fair value.

As of June 30, 2008

		Financial assets within the scope of standard IAS 39 on financial instruments						Assets excluded from the scope of standard IAS 39 on financial instruments
			Financial assets at fair value through profit or loss					
(€ millions)	June 30, 2008	Available for sale financial assets	Marketable securities	Fair value hedge derivatives	Derivatives Not eligible to hedge accounting	Loans and receivables	Cash flow hedge derivatives	
NON-CURRENT ASSETS								
Available-for-sale financial assets	6.5	6.5	-	-	-	-	-	-
Other financial assets	14.0	-	-	-	-	7.3	-	6.7
Other receivables	47.0	-	-	-	-	46.4		0.6
Derivative financial assets	4.6	-	-	(0.3)	2.6	-	2.3	-
CURRENT ASSETS								
Trade receivables	676.1	-	-	-	-	676.1	-	-
Other receivables	151.8	-	-	-	-	111.6	-	40.2
Derivative financial assets	13.5	-	-	-	(0.5)	-	14.0	-
Marketable securities and other financial assets	6.5	-	6.5	-	-	-	-	-
Cash and cash equivalents	155.4	-	-	-	-	155.4	-	-

As of June 30, 2007

(€ millions)	June 30, 2007	Financial assets within the scope of standard IAS 39 on financial instruments: Available for sale financial assets	Financial assets at fair value through profit or loss: Marketable securities	Financial assets at fair value through profit or loss: Fair value hedge derivatives	Financial assets at fair value through profit or loss: Derivatives not eligible to hedge accounting	Loans and receivables	Cash flow hedge derivatives	Assets excluded from the scope of standard IAS 39 on financial instruments
NON-CURRENT ASSETS								
Available-for-sale financial assets	44.9	44.9	-	-	-	-	-	-
Other financial assets	12.3	-	-	-	-	10.7	-	1.6
Other receivables	29.3	-	-	-	-	28.3	-	1.0
Derivative financial assets	6.0	-	-	1.7	0.5	-	3.8	-
CURRENT ASSETS								
Trade receivables	672.8	-	-	-	-	672.8	-	-
Other receivables	137.5	-	-	-	-	97.5	-	40.0
Derivative financial assets	(0.1)	-	-	-	-	-	(0.1)	-
Marketable securities and other financial assets	3.5	-	3.5	-	-	-	-	-
Cash and cash equivalents	154.7	-	-	-	-	154.7	-	-

As of December 31, 2007

(€ millions)	2007	Financial assets within the scope of standard IAS 39 on financial instruments: Available for sale financial assets	Financial assets at fair value through profit or loss: Marketable securities	Financial assets at fair value through profit or loss: Fair value hedge derivatives	Financial assets at fair value through profit or loss: Derivatives not eligible to hedge accounting	Loans and receivables	Cash flow hedge derivatives	Assets excluded from the scope of standard IAS 39 on financial instruments
NON-CURRENT ASSETS								
Available-for-sale financial assets	9.0	9.0	-	-	-	-	-	-
Other financial assets	11.3	-	-	-	-	4.3	-	7.0
Other receivables	46.8	-	-	-	-	45.7	-	1.1
Derivative financial assets	5.6	-	-	0.2	0.1	-	5.3	-
CURRENT ASSETS								
Trade receivables	623.4	-	-	-	-	623.4	-	-
Other receivables	133.3	-	-	-	-	99.3	-	34.0
Derivative financial assets	(0.6)	-	-		(0.5)	-	(0.1)	-
Marketable securities and other financial assets	5.3	-	5.3	-	-	-	-	-
Cash and cash equivalents	173.4	-	-	-	-	173.4	-	-

21. OTHER PROVISIONS

(€ millions)	June 30, 2008	June 30, 2007	2007
Other non-current provisions	153.8	146.2	150.5
Other current provisions	13.9	22.3	13.5
Total	**167.7**	**168.5**	**164.0**

The other provisions can be broken down as follows:

(€ millions)	Provisions for management risks	Environmental provisions and provisions for site restoration	Other provisions	Total
Opening balance: January 2007	**45.0**	**98.7**	**37.1**	**180.8**
Increases	13.0	(4.0)	9.7	18.7
Utilizations	(9.1)	(7.0)	(11.4)	(27.5)
Non-utilized decreases	(6.3)	(0.2)	(7.7)	(14.2)
Changes in the scope of consolidation	0.6	1.1	2.3	4.0
Unwinding expense	-	3.7	-	3.7
Exchange rate differences	(1.7)	(5.4)	(1.8)	(8.9)
Reclassification and other	(1.6)	4.2	4.8	7.4
Opening balance: January 2008	**39.9**	**91.1**	**33.0**	**164.0**
Increases	1.7	3.7	9.4	14.8
Utilizations	(4.4)	(3.7)	(11.7)	(19.8)
Non-utilized decreases	-	-	(1.9)	(1.9)
Changes in the scope of consolidation	1.9	2.3	10.7	14.9
Unwinding expense	-	1.3	-	1.3
Exchange rate differences	(0.9)	(4.4)	(1.8)	(7.1)
Reclassification and other	-	(0.7)	2.2	1.5
Opening balance: June 2008	**38.2**	**89.6**	**39.9**	**167.7**

The Group is exposed to litigation and claims arising from its ordinary activities. These risks relate to allegations of personal or financial injury caused by third parties implicating the civil liability of the Group's entities, the potential breach of some of their contractual obligations or employee, property and environmental legal issues. The Group also has certain contractual indemnity obligations attributable to disposals of assets in the past. The provisions recognized with respect to such management risks amount to €38.2 million as of June 30, 2008 (€38.7 million as of June 30, 2007).

22. FINANCIAL LIABILITIES

22.1 Categories of financial liabilities

The tables hereafter enable to evaluate the significance of financial instruments for the Group's consolidated liabilities. The categories used in the following disclosures to present the carrying amounts of the financial instruments are explained in *Note 10*.

As of June 30, 2008

(€ millions)	June 30, 2008	Financial liabilities within the scope of standard IAS 39 on financial instruments				Liabilities excluded from the scope of standard IAS 39 on financial instruments
		Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss: Fair value hedge derivatives	Financial liabilities at fair value through profit or loss: Derivatives not eligible to hedge accounting	Cash flow hedge derivatives	
Non-current liabilities						
Loans and financial debts	997.0	1,013.2	(22.6)	1.9	-	4.5
Other debts	15.6	9.9	-	-	-	5.7
Derivative financial liabilities	25.1	-	35.2	2.8	(12.9)	-
Current liabilities						
Trade payables	323.9	323.9	-	-	-	-
Other debts	215.0	118.8	-	-	-	96.2
Derivative financial liabilities	2.4	-	0.5	2.1	(0.2)	-
Loans and financial debts	662.2	658.9	0.1	-	2.3	0.9
Bank overdrafts	98.5	98.5	-	-	-	-

In the table above, the carrying amount of financial liabilities is representative of fair value except for the bonds included in the loans and financial debts whose market value is inferior to their carrying amount by €53.4 million. For listed bonds, the fair value is equal to the market value at the balance sheet date. For unlisted bonds, the market value is obtained by discounting the future flows at risk-free market rates. The measurement presented hereafter includes accrued interest.

(€ millions) Description of the bond					listed / unlisted	Effective tax rate	Market value in €	Carrying amount
Bond	JPY7 billion	3.40%	maturity	9/16/2033	unlisted	3.47%	50.2	42.5
Bond	USD140 million	4.88%	maturity	8/6/2013	unlisted	4.98%	93.0	90.5
Bond	USD30 million	5.28%	maturity	8/6/2018	unlisted	5.38%	20.4	19.4
Bond	€300 million	5.13%	maturity	4/25/2014	listed	5.42%	289.9	302.8
Bond	€500 million	5.00%	maturity	4/18/2017	listed	5.09%	453.4	505.1

As of June 30, 2007

(€ millions)	June 30, 2007	Financial liabilities within the scope of standard IAS 39 on financial instruments				Liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial liabilities at fair value through profit or loss			
		Financial liabilities at amortized cost	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Cash flow hedge derivatives	
Non-current liabilities						
Loans and financial debts	1,004.9	1,018.2	(20.4)	-	-	7.1
Other debts	27.3	20.2	-	-	-	7.1
Derivative financial liabilities	21.6	-	24.1	-	(2.5)	-
Current liabilities						
Trade payables	296.3	296.3	-	-	-	-
Other debts	224.8	128.6	-	-	-	96.2
Derivative financial liabilities	1.5	-	0.4	-	1.1	-
Loans and financial debts	398.7	395.8	-	-	1.1	1.8
Bank overdrafts	19.4	19.4	-	-	-	-

In the table above, the carrying amount of financial liabilities is representative of fair value except for the bonds included in the loans and financial debts whose market value is inferior to their carrying amount by €15.3 million. For listed bonds, the fair value is equal to the market value at the balance sheet date. For unlisted bonds, the market value is obtained by discounting the future flows at risk-free market rates. The measurement presented hereafter includes accrued interest.

(€ millions) Description of the bond					listed / unlisted	Effective tax rate	Market value in €	Carrying amount
Bond	JPY7 billion	3.40%	maturity	9/16/2033	unlisted	3.47%	48.9	42.4
Bond	USD140 million	4.88%	maturity	8/6/2013	unlisted	4.98%	102.2	105.7
Bond	USD30 million	5.28%	maturity	8/6/2018	unlisted	5.38%	21.9	22.7
Bond	€300 million	5.13%	maturity	4/25/2014	listed	5.42%	298.8	302.8
Bond	€500 million	5.00%	maturity	4/18/2017	listed	5.09%	491.6	505.1

As of December 31, 2007

(€ millions)	2007	Financial liabilities within the scope of standard IAS 39 on financial instruments				Liabilities Excluded from the scope of standard IAS 39 on Financial Instruments
			Financial liabilities at fair value through profit or loss			
		Financial liabilities at amortized cost	Fair value hedge derivatives	Derivatives not eligible to hedge accounting	Cash flow hedge derivatives	
Non-current liabilities						
Loans and financial debts	1,021.1	1,023.3	(10.3)	2.0	-	6.1
Other debts	23.0	17.1	-	-	-	5.9
Derivative financial liabilities	12.5	-	12.7	0.1	(0.3)	-
Current liabilities						
Trade payables	321.5	321.5	-	-	-	-
Other debts	240.3	130.7	-	-	-	109.6
Derivative financial liabilities	2.8	-	0.5	(0.4)	2.7	-
Loans and financial debts	388.0	389.6	0.1	-	(3.5)	1.8
Bank overdrafts	102.6	102.6	-	-	-	-

In the table above, the carrying amount of financial liabilities is representative of fair value except for the bonds included in the loans and financial debts whose market value is inferior to their carrying amount by €29.8 million. For listed bonds, the fair value is equal to the market value at the balance sheet date. For unlisted bonds, the market value is obtained by discounting the future flows at risk-free market rates. The measurement presented hereafter includes accrued interest.

(€ millions) Description of the bond					listed / unlisted	Effective tax rate	Market value in €	Carrying amount
Bond	JPY7 billion	3.40%	maturity	9/16/2033	unlisted	3.47%	51.4	42.9
Bond	USD140 million	4.88%	maturity	8/6/2013	unlisted	4.98%	98.2	97.0
Bond	USD30 million	5.28%	maturity	8/6/2018	unlisted	5.38%	21.5	20.8
Bond	€300 million	5.13%	maturity	4/25/2014	listed	5.42%	307.3	310.6
Bond	€500 million	5.00%	maturity	4/18/2017	listed	5.09%	480.8	517.7

22.2 Financial debt

The net financial debt is an indicator used in the management of the Group's financial resources. 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 22.4)*. The link between this indicator and the consolidated balance sheet is the following:

(€ millions)	June 30, 2008	June 30, 2007	2007
Derivative financial assets	(18.1)	(5.9)	(5.0)
- less hedging instruments on energy	11.8	1.2	0.5
Marketable securities and other financial assets	(6.5)	(3.5)	(5.3)
Cash and cash equivalents	(155.4)	(154.7)	(173.4)
Loans and financial debts - non-current	997.0	1,004.9	1,021.1
Derivative financial liabilities	27.5	23.1	15.3
- less hedging instruments on energy	(0.9)	(2.5)	(0.8)
Loans and financial debts - current	662.2	398.7	388.0
Bank overdrafts	98.5	19.4	102.6
Net financial debt	**1,616.1**	**1,280.7**	**1,343.0**

22.3 Derivative instruments

As of June 30, 2008, all hedging derivative instruments were measured on the basis prices at the balance sheet date provided by third parties active on financial markets. The fair value by type of derivative is as follows:

	Balance sheet market value including accrued interest								
	June 30, 2008			June 30, 2007			2007		
(€ millions)	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate instruments									
Forward contracts	2.0	23.4	(21.4)	6.0	22.5	(16.5)	5.5	14.1	(8.6)
Options	2.6	1.7	0.9	-	(0.9)	0.9	0.1	(1.6)	1.7
Foreign exchange instruments									
Forward contracts	2.5	-	2.5	(1.3)	(1.1)	(0.2)	(0.2)	3.5	(3.7)
Options	(0.8)	1.5	(2.3)	-	0.1	(0.1)	(0.9)	(1.5)	0.6
Energy risk instruments									
Forward contracts	1.4	-	1.4	0.8	-	0.8	-	0.5	(0.5)
Options	10.4	0.9	9.5	0.4	2.5	(2.1)	0.5	0.3	0.2
Total	**18.1**	**27.5**	**(9.4)**	**5.9**	**23.1**	**(17.2)**	**5.0**	**15.3**	**(10.3)**
of which:									
- non-current	*4.6*	*25.1*	*(20.5)*	*6.0*	*21.6*	*(15.6)*	*5.6*	*12.5*	*(6.9)*
- current	*13.5*	*2.4*	*11.1*	*(0.1)*	*1.5*	*(1.6)*	*(0.6)*	*2.8*	*(3.4)*

Fair value hedges

As of June 30, 2008, the Group holds interest rate swaps intended to hedge the exposure to changes in fair value of the different loans. These swaps hedge the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the issuer. The hedged loans as well as the interest rate swaps 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	4,29%	Euribor 3 months
Euro	75	4,30%	Euribor 3 months
Euro	75	4,30%	Euribor 3 months
Euro	200	4,32%	Euribor 3 months
Euro	100	4,33%	Euribor 3 months
US Dollar	140	4,88%	Libor USD 3 months
US Dollar	30	5,28%	Libor USD 3 months

Cash flow hedges

As of June 30, 2008, the Group holds a certain number of derivative instruments intended to hedge some of its future purchases or sales, a portion of its debt at floating rate and its gas consumption in the United States, in Great Britain and in France. The following table discloses the cash flow hedges recognized in equity as well as those reclassified to the income statement.

(€ millions)	Exchange rate risk	Interest rate risk	Energy risk	Total
Opening balance: January 2007	**(0.5)**	**4.8**	**(3.2)**	**1.1**
Revenue and expenses recognized in shareholders' equity	0.9	(0.1)	6.7	7.5
Revenue and expenses recycled to the income statement	(0.3)	(1.3)	(4.2)	(5.8)
Opening balance: June 2007	**0.1**	**3.4**	**(0.7)**	**2.8**
Revenue and expenses recognized in shareholders' equity	1.8	2.4	(2.2)	2.0
Revenue and expenses recycled to the income statement	(0.1)	(3.9)	3.1	(0.9)
Opening balance: January 2008	**1.8**	**1.9**	**0.2**	**3.9**
Revenue and expenses recognized in shareholders' equity	4.1	0.6	3.6	8.3
Revenue and expenses recycled to the income statement	(1.8)	(2.9)	5.1	0.4
Closing balance: June 2008	**4.1**	**(0.4)**	**8.9**	**12.6**
of which reclassification to profit or loss expected 12 months after closing date	*4.1*	*(0.4)*	*8.9*	*12.6*

Net investment hedging in foreign entities

Imerys hedges part of its net investments in foreign entities by loans or exchange rate swaps. These transactions aim at hedging the Group's exposure to the exchange rate risks on these investments. Exchange rate gains or losses on these transactions are recognized in shareholders' equity together with exchange rate gains or losses of net investments in these entities. As of June 30, 2008, the main loans and exchange rate swaps hedging net investments in foreign entities are the following: USD524.6 million, JPY2,182.3 million and CHF45.0 million.

22.4 Management of risks arising from financial liabilities

Liquidity risk

- **Borrower's liquidity**

As a borrower, the Group faces a liquidity risk to that extent that it has to meet the repayment obligations of its financial liabilities. To date, Imerys did not legally update its Euro Medium Term Note program (EMTN). Imerys intends to update this program in 2008. The total amount of the program is €1.0 billion. Subject to its legal update, it would be used to issue notes considered as ordinary bonds under French law of a minimum maturity of 1 month and a maximum maturity of 30 years. As of June 30, 2008, outstanding securities total €454.3 million.

As of June 30, 2008, Imerys also has a French commercial paper program limited to €800.0 million. The program is rated P-2 by Moody's. As of June 30, 2008, outstanding securities total €300.5 million. As of June 30, 2008, Imerys has access to €1,318.7 million of available bank facilities, part of which secures the €300.5 million commercial paper issue in accordance with the financial policy of the Group.

The various bilateral bank credit facilities, the June 2004 syndicated credit as well as certain bond issues in the form of private placements contain the following main terms and conditions:

- purpose: general corporate financing requirements;
- obligations in terms of financial ratio compliance:
  - the ratio consolidated net financial debt / consolidated shareholders' equity shall be, at each half-year closing of consolidated financial statements, inferior to 1.75 for bond issues under private placements and to 1.60 for bilateral bank credit facilities and the syndicated credit of July 2005. As of June 30, 2008, the ratio amounts to 1.02;
  - the ratio consolidated net financial debt / consolidated EBITDA of the last 12 months shall be, at each half-year closing of consolidated financial statements, inferior to 3.80. As of June 30, 2008, the ratio amounts to 2.55.
- absence of any lien in favor of lenders.

The failure to comply with the obligations of each loan would lead to the cancellation of its available amount and make outstanding advances and bonds under the contract immediately callable.

Medium-term financial resources provided by bilateral or syndicated bank credit facilities may be used for very short drawing periods (3 months) while remaining available for longer maturities (5 years). As a consequence, the Group is exposed to the market liquidity risk.

- **Market liquidity**

Financial resources are the main adjustment variable of the financing capacities available to the Group. These capacities exist either as drawn financial debt or as financing commitments granted by first rank banking institutions. The tables below list resources by maturity date and nature.

(€ millions)	June 30, 2008	June 30, 2007	2007
Maturity less than one year	-	-	-
Maturity from one to five years	618.7	364.0	621.0
Maturity beyond five years	1,699.9	1,977.9	1,707.9
Total financial resources	**2,318.6**	**2,341.9**	**2,328.9**
Average life span (years)	*5.9*	*6.9*	*6.4*

(€ millions)	June 30, 2008	June 30, 2007	2007
Eurobond / EMTN	800.0	800.0	800.0
Private placements (EMTN and others)	199.9	217.9	207.9
Bond resources	**999.9**	**1,017.9**	**1,007.9**
Average life span (years)	*7.9*	*8.9*	*8.4*
June 2004 / July 2005 syndicated credit	750.0	750.0	750.0
Miscellaneous bilateral facilities	568.7	574.0	571.0
Bank resources	**1,318.7**	**1,324.0**	**1,321.0**
Average life span (years)	*4.4*	*5.3*	*4.9*
Total financial resources	**2,318.6**	**2,341.9**	**2,328.9**
Average life span (years)	*5.9*	*6.9*	*6.4*

Over the past three years, Imerys has sought to maintain the amount of its financial resources at approximately €2.0 billion (€2,318.6 million as of June 30, 2008, €2,328.9 million as of December 31, 2007, €2,208.4 million as of December 31, 2006 and €2,233.6 million as of December 31, 2005) and to lengthen their maturity. As of June 30, 2008, Imerys has a long-term rating of Baa2 by Moody's (Baa2 as of December 31, 2007). 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. The table below measures the amount of available financial resources after the repayment of financing from uncommitted resources. It measures the Group's real exposure to an illiquidity crisis on both financial and banking markets.

	June 30, 2008			June 30, 2007			2007		
(€ millions)	Resources	Utilization	Available	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	999.9	999.9	-	1,017.9	1,017.9	-	1,007.9	1,007.9	-
Commercial papers	-	300.5	(300.5)	-	326.0	(326.0)	-	365.8	(365.8)
Committed bank facilities	1,318.7	335.9	982.8	1,324.0	-	1,324.0	1,321.0	-	1,321.0
Bank facilities and accrued interests	-	12.9	(12.9)	-	69.1	(69.1)	-	33.9	(33.9)
Other debts an availabilities	-	30.3	(30.3)	-	-	-	-	11.5	(11.5)
Resources, utilizations and available amounts	**2,318.6**	**1,679.5**	**639.1**	**2,341.9**	**1,413.0**	**928.9**	**2,328.9**	**1,419.1**	**909.8**

As of June 30, 2008, available financial resources, after repayment of uncommitted resources, total €639.1 million (€909.8 million as of December 31, 2007), which gives the Group substantial room to maneuver and is a guarantee of financial stability.

Balance sheet currency risk

The balance sheet currency risk is the risk generated by the conversion in Euro of assets and liabilities of entities in foreign currencies, mainly in US Dollar and Brazilian Real. The objective of Imerys is to manage the balance sheet currency risk through the proportion of its financial debts stated in foreign currencies. To that extent, any exchange rate fluctuation affecting net assets in foreign currencies is, to a certain extent, offset by a symmetrical effect resulting from the exchange rate fluctuation concerning its financial debts in the corresponding foreign currencies.

In that framework, Imerys carried out foreign currencies swaps for a notional amount remeasured at €247.1 million as of June 30, 2008. The table below describes the financial debt before and after the impact of these rate swaps:

	June 30, 2008			June 30, 2007			2007		
(€ millions)	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap
Euro	1,351.0	(247.1)	1,103.9	1,229.3	(89.0)	1,140.3	1,219.2	(261.5)	957.7
US Dollar	261.9	150.7	412.6	132.1	20.7	152.8	122.8	(90.6)	32.2
Japanese Yen	47.9	(19.9)	28.0	9.0	11.2	20.2	53.1	9.8	62.9
Other foreign currencies	18.7	116.3	135.0	49.1	57.1	106.2	24.0	342.3	366.3
Total	**1,679.5**	**-**	**1,679.5**	**1,419.5**	**-**	**1,419.5**	**1,419.1**	**-**	**1,419.1**

As of June 30, 2008, the portion of the financial debt in each foreign currency, before swaps, is as follows:

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Gross financial debt	1,351.0	261.9	47.9	18.7	1,679.5
Net cash and cash equivalents	32.0	(33.9)	(6.7)	(54.8)	(63.4)
Net financial debt	**1,383.0**	**228.0**	**41.2**	**(36.1)**	**1,616.1**

Interest rate 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 interest rate risk is managed for the Group's consolidated net financial debt with the primary objective of guaranteeing its medium-term cost. To do so, Imerys manages this risk centrally, based on trends in the Group's consolidated net financial debt. Knowledge of this debt is provided by a regular reporting that describes the financial debt of each entity and indicates its various components and characteristics. Every year, the Group Treasury Department draws up a management policy document approved by the Financial Department and the Board of Directors. Reporting is reviewed monthly by the Financial Department and quarterly by the Board of Directors. This enables the situation to be monitored and the management policy to be adjusted as necessary. As part of that management process, the Group Treasury Department works with leading banks and obtains data from leading financial information providers.

The Group's policy 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. In the framework of its general management policy, the Group defined the various derivative instruments to be used solely to hedge risks on firm and highly probable commitments. These products include interest rate swaps, options - including caps, floors, swaptions and futures. The Group does not authorize the use of derivatives for speculative purposes. Finally, given anticipated trends in interest rates in 2008, the Group fixed the interest rate for part of its future financial debt (2009-2013) on various terms.

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of June 30, 2008.

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Debt at fixed rate on issue	858.8	115.8	47.9	18.7	1,041.2
Swap fixed rate into floating rate	(550.0)	(107.8)	(42.1)	-	(699.9)
Total debt at fixed rate	**308.8**	**8.0**	**5.8**	**18.7**	**341.3**
Debt at floating rate on issue	492.2	146.1	-	-	638.3
Net cash and cash equivalents	32.0	(33.9)	(6.7)	(54.8)	(63.4)
Swap fixed rate into floating rate	550.0	107.8	42.1	-	699.9
Exchange rate swap	(247.1)	150.7	(19.9)	116.3	-
Total debt at floating rate	**827.1**	**370.7**	**15.5**	**61.5**	**1,274.8**
Total net financial debt	**1,135.9**	**378.7**	**21.3**	**80.2**	**1,616.1**

The table hereafter provides a breakdown of interest rate hedging operations June 2008 - December 2009 by foreign currency.

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Exposure at floating rate before hedging	**827.1**	**370.7**	**15.5**	**61.5**	**1,274.8**
Fixed rate hedges	(50.0)	(171.3)	-	-	(221.3)
Swap at average rate of:	*4.99%*	*3.92%*	-	-	*4.16%*
Capped rate hedges	(430.0)	(13.6)	-	-	(443.6)
Cap at average rate of:	*3.99%*	*4.86%*	-	-	*4.02%*
Exposure at floating rate after hedging	**347.1**	**185.8**	**15.5**	**61.5**	**609.9**

The table hereafter provides a breakdown of interest rate hedging operations in 2008 and subsequently by maturity dates.

(€ millions)	2008	2009-2013	2014 and later
Total exposure before hedging	**1,274.8**	**1,274.8**	**1,274.8**
Fixed rate hedges	(221.3)	(221.3)	-
Swap at average rate of:	*4.16%*	*4.16%*	-
Capped rate hedges	(443.6)	(513.6)	-
Cap at average rate of:	*4.02%*	*4.45%*	-
Total exposure after hedging	**609.9**	**539.9**	**1,274.8**

Energy price risk

The energy price risk is the risk whereby the cash flow due by an entity in relation to an energy purchase may be subject to a deterioration caused by a rise in the market price of that energy source. 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. The Group's geographical locations and supply sources are diversified. However a change in energy prices has an impact on the operational profitability.

Confronted with the energy price risk, the Group makes important efforts 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. In May 2007, a Group Energy Supervisor was appointed to coordinate the analysis, monitoring and control programs on energy consumption. Since 2008, energy managers are designated at site level as well as at division and/or business unit levels. Each site has to prepare an energy savings plan and energy audits are carried out on the main facilities. The sharing of good practices is fostered by the implementation of appropriate systems.

In the United States, the Group consumes around 5.6 million MMBTU (BTU: British Thermal Unit) of natural gas with supply contracts based on the NYMEX Henry Hub index listed in New York. As part of the management of this risk, the Group has as of June 30, 2008 various hedging transactions covering 2008:

		Net notional amount in MMBTU	Maturity
Underlying position		2,830,000	< 6 months
Management transactions			
Options	Sales of Calls	2,800,000	< 6 months
	Purchases of Calls	2,830,000	< 6 months

In Great Britain, the Group consumes approximately 37.0 million therms each year with supply contracts based on the UK Natural Gas IPE index listed in London and electricity contracts. As part of the management of this risk, the Group has as of June 30, 2008 various hedging transactions covering 2008:

		Amount in therms	Maturity
Underlying position		53,969,000	< 18 months
Swap	Purchases of Swaps	16,274,000	< 18 months

In France, the Group consumes approximately 1,699.0 MWH of natural gas with supply contracts based on the barrel price of Brent listed in London (equivalent of 765,169 barrels). As part of the management of this risk, the Group has as of June 30, 2008 various hedging transactions covering 2008:

		Amount in Mwh	Maturity
Underlying position		815,652	< 6 months
Management transactions			
Swap	Purchases of Swaps	271,739	< 6 months
Options	Sales of Puts	541,758	< 6 months
	Purchases of Calls	541,758	< 6 months

23. INCOME TAXES

Breakdown of the net deferred tax position

(€ millions)	June 30, 2008	June 30, 2007	2007
Deferred tax assets	51.4	46.1	59.4
Deferred tax liabilities	(56.2)	(58.0)	(53.9)
Net deferred tax position	**(4.8)**	**(11.9)**	**5.5**

In the consolidated balance sheet of Imerys, deferred tax assets and liabilities are offset by tax entity (legal entity or tax consolidation group).

Change in deferred taxes

(€ millions)	June 30, 2007	Income	Translation	Scope	2007
Deferred tax assets	51.4	(1.7)	(8.1)	1.8	59.4
Deferred tax liabilities	(56.2)	(6.0)	5.4	(1.7)	(53.9)
Net deferred tax position	**(4.8)**	**(7.7)**	**(2.7)**	**0.1**	**5.5**

4. Notes to the consolidated cash flow statement

The following notes reconcile aggregates of the consolidated cash flow statement with operational management indicators used within the Group but not defined by IFRSs.

24. RECONCILIATION CURRENT OPERATING INCOME / CURRENT OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES

(€ millions)	June 30, 2008	June 30, 2007	2007
Current operating income, Group share	**159.8**	**154.8**	**316.7**
Operating amortization, depreciation and impairment losses	95.0	101.1	197.4
Net change in operating provisions	(10.6)	(11.6)	(29.0)
Provisions for mining assets	(0.2)	-	0.5
Financial impairment losses and unwinding of the discount	1.9	3.4	4.4
Current operating deferred taxes	8.4	7.0	(13.0)
Minority interests on current income	0.9	1.2	2.7
Share in net income of associates	(4.9)	(2.3)	(6.9)
Dividends received from associates and other	1.7	2.0	2.4
Current operating cash flow before working capital changes	**252.0**	**255.6**	**475.2**

25. OPERATING CASH FLOW BEFORE TAXES (EBITDA)

(€ millions)	June 30, 2008	June 30, 2007	2007
Current operating income	**236.2**	**242.9**	**478.3**
Operating amortization, depreciation and impairment losses	95.0	101.1	197.4
Net change in operating provisions	(10.6)	(11.6)	(29.0)
Operating cash flow before taxes (EBITDA)	**320.6**	**332.4**	**646.7**
Provisions for mining assets	(0.2)	-	0.5
Notional taxes on current operating income	(65.8)	(68.4)	(124.6)
Effective tax rate on current operating income	*27.9%*	*28.2%*	*26.0%*
Current net operating cash flow	**254.6**	**264.0**	**522.6**

26. CURRENT FREE OPERATING CASH FLOW

(€ millions)	June 30, 2008	June 30, 2007	2007
Current net operating cash flow *(Note 25)*	**254.6**	**264.0**	**522.6**
Intangible assets	(4.0)	(9.4)	(34.0)
Property, plant and equipment [(1)]	(95.8)	(111.3)	(299.4)
Overburden mining assets	(14.3)	(17.5)	(33.6)
Debts on acquisitions	(27.5)	(7.5)	14.4
Paid capital expenditures	**(141.6)**	**(145.7)**	**(352.6)**
Increases in asset amortization and depreciation	94.9	99.4	197.2
Recognized capital expenditures / asset depreciation ratio [(2)]	*120.2%*	139.0%	186.1%
Carrying amount of current asset disposals	**8.5**	**4.7**	**9.0**
Change in the operational working capital requirement	**(83.0)**	**(64.2)**	**(4.9)**
of which:			
- Inventories	*(22.7)*	*(9.6)*	*(21.2)*
- Trade accounts receivable, advances and down payments received	*(39.9)*	*(51.5)*	*(11.6)*
- Trade accounts payable, advances and down payments paid	*(20.4)*	*(3.1)*	*27.9*
Current free operating cash flow	**38.5**	**58.8**	**174.1**

[(1)] of which acquisition of assets under finance lease	*(0.2)*	*(0.1)*	*(0.7)*

[(2)] 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.

27. CURRENT FREE CASH FLOW

(€ millions)	June 30, 2008	June 30, 2007	2007
Current free operating cash flow	**38.5**	**58.8**	**174.1**
Financial income (loss)	(20.2)	(29.0)	(55.7)
Financial impairment losses and unwinding of the discount	1.9	3.4	4.4
Change in interest paid / received	(5.7)	(0.5)	5.2
Income taxes on financial income (loss)	5.6	8.2	14.5
Change in income tax debt	(13.1)	7.3	5.1
Change in deferred taxes on current operating income	8.4	7.0	(13.0)
Change in other items of working capital	(34.3)	(20.5)	(22.7)
Change in fair value	3.8	1.8	3.1
Dividends received from associates and other	1.7	2.0	2.4
Current free cash flow	**(13.4)**	**38.5**	**117.4**

(€ millions)	June 30, 2008	June 30, 2007	2007
Current operating cash flow before working capital changes *(Note 25)*	**252.0**	**255.6**	**475.2**
Paid capital expenditures *(Note 26)*	(141.6)	(145.7)	(352.6)
Change in the working capital requirement	*(117.3)*	*(84.7)*	*(27.6)*
Change in interest paid / received	*(5.7)*	*(0.5)*	*5.2*
Change in income tax debt	*(13.1)*	*7.3*	*5.1*
Working capital requirement sub-total	***(136.1)***	***(77.9)***	***(17.3)***
Change in fair value	3.8	1.8	3.1
Carrying amount of current asset disposals	8.5	4.7	9.0
Current free cash flow	**(13.4)**	**38.5**	**117.4**

5. Information by operating segments

28. CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENTS

Revenue from transactions of Imerys with each of its external customers never exceeds a threshold of 10% of the Group's revenue.

As of June 30, 2008

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Eliminations & Adjustments *(1)*	Total Imerys group
External sales	260.9	387.5	542.9	582.8	-	1,774.1
of which: Sales of goods	*226.0*	*324.7*	*500.3*	*532.1*	-	*1,583.1*
Rendering of services	*35.0*	*62.8*	*42.5*	*50.7*	-	*191,0*
Inter-segment sales	7.5	1.0	0.2	12.7	(21.4)	-
Revenue	**268.4**	**388.5**	**543.1**	**595.5**	**(21.4)**	**1,774.1**
Amortization, depreciation and impairment losses	(14.5)	(28.0)	(20.9)	(30.4)	(1.2)	(95.0)
Net operating provisions	0.2	(2.6)	(1.5)	6.1	0.2	2.4
Current operating income	**29.2**	**31.9**	**123.6**	**74.4**	(22.9)	**236.2**
Operating income	22.2	18.5	123.7	74.3	(25.3)	213.4
Financial income (loss)	1.6	3.6	(1.5)	(1.4)	(22.5)	(20.2)
of which: Interest revenue	*0.2*	*1.1*	*0.4*	*1.0*	*0.9*	*3,6*
Interest expenses	*2.6*	*4.6*	*(1.1)*	*1.2*	*(26.9)*	*(19,6)*
Share in net income of associates	-	3.1	0.8	1.0	-	4.9
Income taxes	(5.5)	(1.5)	(40.9)	(19.7)	14.8	(52.8)
Net income	**18.3**	**23.7**	**82.1**	**54.2**	**(33.0)**	**145.3**

(1) Inter-segment eliminations and aggregates of the holdings

As of June 30, 2007

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Eliminations & Adjustments *(1)*	Total Imerys group
External sales	286.3	398.5	510.8	509.2	0.1	1,704.9
of which: Sales of goods	*249.4*	*339.7*	*470.8*	*460.9*	-	*1,520.8*
Rendering of services	*36.9*	*58.8*	*40.0*	*48.3*	*0.1*	*184.1*
Inter-segment sales	5.7	1.6	0.2	11.3	(18.8)	-
Revenue	**292.0**	**400.1**	**511.0**	**520.5**	**(18.7)**	**1,704.9**
Amortization, depreciation and impairment losses	(18.0)	(33.6)	(19.6)	(28.7)	(1.2)	(101.1)
Net operating provisions	1.6	2.4	(4.6)	2.2	1.5	3.1
Current operating income	**26.3**	**44.1**	**115.0**	**74.4**	(16.9)	**242.9**
Operating income	21.6	50.2	113.4	71.8	(17.7)	239.3
Financial income (loss)	3.3	(1.5)	(0.6)	(0.4)	(29.8)	(29.0)
of which: Interest revenue	*0.2*	*1.9*	*0.2*	*1.4*	*2.2*	*5.9*
Interest expenses	*1.9*	*3.4*	*(0.9)*	*1.8*	*(29.7)*	*(23.5)*
Share in net income of associates	-	1.7	0.4	0.2	-	2.3
Income taxes	(6.6)	(10.1)	(37.3)	(22.8)	16.8	(60.0)
Net income	**18.3**	**40.3**	**75.9**	**48.8**	**(30.7)**	**152.6**

(1) Inter-segment eliminations and aggregates of the holdings

As of December 31, 2007

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Eliminations & Adjustments *(1)*	Total Imerys group
External sales	551.6	796.4	1,025.3	1,028.2	0.4	3,401.9
of which: Sales of goods	*484.5*	*674.4*	*935.4*	*933.2*	-	*3,027.5*
Rendering of services	*67.0*	*122.1*	*89.9*	*95.0*	*0.4*	*374,4*
Inter-segment sales	12.9	2.4	0.4	22.9	(38.6)	-
Revenue	**564.5**	**798.8**	**1,025.7**	**1,051.1**	**(38.2)**	**3,401.9**
Amortization, depreciation and impairment losses	(34.4)	(64.6)	(37.1)	(58.8)	(2.5)	(197.4)
Net operating provisions	3.1	5.9	(3.8)	4.4	1.1	10.7
Current operating income	**48.4**	**83.9**	**235.3**	**145.4**	(34.7)	**478.3**
Operating income	5.6	89.9	230.8	135.4	(29.4)	432.3
Financial income (loss)	5.3	(0.7)	(1.7)	0.4	(59.0)	(55.7)
of which: Interest revenue	*0.4*	*0.9*	*0.3*	*1.8*	*3.4*	*6,8*
Interest expenses	*3.2*	*6.7*	*(0.7)*	*4.5*	*(60.4)*	*(46,7)*
Share in net income of associates	-	3.8	1.2	1.9	-	6.9
Income taxes	1.4	(14.4)	(76.9)	(40.5)	33.8	(96.6)
Net income	**12.3**	**78.6**	**153.4**	**97.2**	**(54.6)**	**286.9**

(1) Inter-segment eliminations and aggregates of the holdings

29. CONSOLIDATED BALANCE SHEET BY OPERATING SEGMENTS

As of June 30, 2008

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Eliminations & Adjustments *(1)*	Total Imerys group
Goodwill	183.8	146.0	192.6	411.6	0.7	934.7
Property, plant and equipment and intangible assets	350.5	563.9	334.1	428.3	6.5	1,683.3
Inventories	60.5	104.1	139.4	226.4	-	530.4
Trade receivables	99.3	107.6	245.8	236.1	(12.7)	676.1
Other receivables - current and non-current	19.2	86.3	31.8	59.9	1.6	198.8
Capital employed - Assets	**713.3**	**1,007.9**	**943.7**	**1,362.3**	**(3.9)**	**4,023.3**
Investments in associates	-	33.7	6.4	7.2	-	47.3
Segment assets	**713.3**	**1,041.6**	**950.1**	**1,369.5**	**(3.9)**	**4,070.6**
Unallocated assets	-	-	-	-	-	251.9
Total assets						**4,322.5**
Trade payables	42.7	66.0	120.1	116.1	(21.1)	323.8
Other debts - current and non-current	29.5	39.1	216.8	78.9	(133.7)	230.6
Income taxes payable	5.0	(3.7)	3.4	23.9	(10.7)	17.9
Capital employed - Liabilities	**77.2**	**101.4**	**340.3**	**218.9**	**(165.5)**	**572.3**
Provisions	62.7	56.3	70.3	69.2	64.7	323.2
Segment liabilities	**139.9**	**157.7**	**410.6**	**288.1**	**(100.8)**	**895.5**
Unallocated liabilities	-	-	-	-	-	1,841.4
Total current and non-current liabilities						**2,736.9**
Total capital employed	**636.1**	**906.5**	**603.4**	**1,143.4**	**161.6**	**3,451.0**
Increases in goodwill	6.2	0.8	4.3	97.4	-	108.7
Acquisitions of property, plant and equipment and intangible assets	(30.7)	(44.9)	(27.8)	(36.8)	(1.2)	(141.4)

(1) Inter-segment eliminations and aggregates of the holdings

As of June 30, 2007

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Eliminations & Adjustments *(1)*	Total Imerys group
Goodwill	189.4	161.6	144.2	312.3	0.8	808.3
Property, plant and equipment and intangible assets	386.2	569.7	316.0	392.8	5.0	1,669.7
Inventories	65.1	107.3	121.1	212.1	-	505.6
Trade receivables	108.5	117.6	244.9	211.1	(9.3)	672.8
Other receivables - current and non-current	16.4	71.9	25.5	43.6	9.4	166.8
Capital employed - Assets	**765.6**	**1,028.1**	**851.7**	**1,171.9**	**5.9**	**3,823.2**
Investments in associates	-	27.4	4.9	2.6	-	34.9
Segment assets	**765.6**	**1,055.5**	**856.6**	**1,174.5**	**5.9**	**3,858.1**
Unallocated assets	-	-	-	-	-	267.4
Total assets						**4,125.5**
Trade payables	43.0	67.7	107.0	98.0	(19.4)	296.3
Other debts - current and non-current	47.5	56.4	202.3	63.1	(117.2)	252.1
Income taxes payable	1.5	5.0	5.2	22.6	(1.9)	32.4
Capital employed - Liabilities	**92.0**	**129.1**	**314.5**	**183.7**	**(138.5)**	**580.8**
Provisions	67.2	84.3	68.8	67.0	98.5	385.8
Segment liabilities	**159.2**	**213.4**	**383.3**	**250.7**	**(40.0)**	**966.6**
Unallocated liabilities	-	-	-	-	-	1,504.1
Total current and non-current liabilities						**2,470.7**
Total capital employed	**673.6**	**899.0**	**537.2**	**988.2**	**144.4**	**3,242.4**
Increases in goodwill	-	3.0	1.3	14.7	-	19.0
Acquisitions of property, plant and equipment and intangible assets	(21.9)	(72.1)	(21.2)	(31.6)	1.2	(145.6)

(1) Inter-segment eliminations and aggregates of the holdings

As of December 31, 2007

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Eliminations & Adjustments *(1)*	Total Imerys group
Goodwill	186.6	152.7	198.0	322.7	0.7	860.7
Property, plant and equipment and intangible assets	354.6	602.1	337.7	428.9	6.5	1,729.8
Inventories	63.4	102.4	118.8	217.4	-	502.0
Trade receivables	90.4	107.6	237.9	196.9	(9.4)	623.4
Other receivables - current and non-current	17.8	81.0	21.6	50.3	9.4	180.1
Capital employed - Assets	**712.8**	**1,045.8**	**914.0**	**1,216.2**	**7.2**	**3,896.0**
Investments in associates	-	30.7	5.5	6.7	-	42.9
Segment assets	**712.8**	**1,076.5**	**919.5**	**1,222.9**	**7.2**	**3,938.9**
Unallocated assets	-	-	-	-	-	263.4
Total assets						**4,202.3**
Trade payables	41.9	75.4	116.4	106.8	(19.0)	321.5
Other debts - current and non-current	43.4	62.8	103.8	60.4	(7.1)	263.3
Income taxes payable	3.6	(0.1)	3.1	29.4	(6.0)	30.0
Capital employed - Liabilities	**88.9**	**138.1**	**223.3**	**196.6**	**(32.1)**	**614.8**
Provisions	64.6	66.5	67.1	70.3	74.5	343.0
Segment liabilities	**153.5**	**204.6**	**290.4**	**266.9**	**42.4**	**957.8**
Unallocated liabilities	-	-	-	-	-	1,580.9
Total current and non-current liabilities						**2,538.7**
Total capital employed	**623.9**	**907.7**	**690.7**	**1,019.6**	**39.3**	**3,281.2**
Increases in goodwill	9.3	3.8	64.5	35.3	-	112.9
Acquisitions of property, plant and equipment and intangible assets	(51.5)	(167.4)	(54.3)	(78.9)	0.2	(351.9)

(1) Inter-segment eliminations and aggregates of the holdings

30. GEOGRAPHICAL INFORMATION

- **Revenue**

The revenue presented below is analyzed according to the customers' geographical location.

(€ millions)	June 30, 2008	June 30, 2007	2007
France	359.9	351.4	682.4
Other European countries	719.7	702.4	1,394.5
North America	344.1	374.3	727.8
Asia-Oceania	233.3	168.1	370.0
Other countries	117.1	108.7	227.2
Total	**1,774.1**	**1,704.9**	**3,401.9**

- **Assets by geographical location**

As of June 30, 2008

(€ millions)	Goodwill	Property, plant and equipment and intangible assets	Total
France	169.4	373.7	543.1
Other European countries	340.4	454.1	794.5
North America	155.5	441.5	597.0
Asia-Oceania	209.3	139.2	348.5
Other countries	60.1	274.8	334.9
Total	**934.7**	**1,683.3**	**2,618.0**

As of June 30, 2007

(€ millions)	Goodwill	Property, plant and equipment and intangible assets	Total
France	169.3	350.8	520.1
Other European countries	349.7	456.7	806.4
North America	181.5	488.3	669.8
Asia-Oceania	48.1	95.1	143.2
Other countries	59.7	278.8	338.5
Total	**808.3**	**1,669.7**	**2,478.0**

As of December 31, 2007

(€ millions)	Goodwill	Property, plant and equipment and intangible assets	Total
France	169.3	371.1	540.4
Other European countries	340.7	463.6	804.3
North America	166.6	468.2	634.8
Asia-Oceania	120.5	141.6	262.1
Other countries	63.6	285.3	348.9
Total	**860.7**	**1,729.8**	**2,590.5**

6. Other information

31. 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 and the Pargesa group terminated by mutual agreement effective January 1, 2008 the strategic consulting services agreement provided by the Pargesa group. The amount recognized as an expense in 2007 as a compensation for these services amounted to €0.8 million. The amount remaining as a liability as of December 31, 2007 amounted to €0.4 million.

Key management personnel of Imerys

The members of the key management personnel qualifying as related parties are the members of the Board of Directors and the 8 members of the Executive Committee, including the Chief Executive Officer who is also member of the Board of Directors. Remuneration and assimilated benefits granted to the main executives are presented in the 2007 annual report *(Note 34)*.

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 over the 1st half of 2008 totals €12.2 million (€31.3 million in 2007), of which €7.9 million (€24.7 million in 2007) to Imerys UK Pension Fund Trustees Ltd. / ECC Combined Investment Fund (Great Britain) and €2.0 million (€2.7 million in 2007) to Sun Trust Bank (United States).

FCPE Imerys Shares

The FCPE Imerys Relais 2006 was created to collect the employee subscriptions for the Employee Shareholding Plan 2006. The FCPE Imerys Relais 2006 was merged into the FCPE Imerys Actions on February 20, 2007. It is managed by BNP Paribas Asset Management SAS. The management of the FCPE Imerys Actions 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 for the FCPE Imerys Actions are insignificant.

4 Statutory auditors' report

ERNST & YOUNG Audit
Faubourg de l'Arche 11, allée de l'Arche
92037 Paris - La Défense Cedex
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de 1.723.040 euros

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

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

Period from January 1, 2008 to June 30, 2008

This is a free translation into English of the statutory auditor's review 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 and in accordance with articles L. 232-7 of the French Company Law (Code de commerce) and L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier) , we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of the Imerys Company, for the period January 1 to June 30, 2008,
- the verification of information contained in the half-year management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34- standard of the IFRSs as adopted by the European Union applicable to Interim financial information.

Without qualifying the conclusion expressed above, we draw attention to note 2 "Changes in accounting policies" of the condensed half-year consolidated financial statements which sets out the changes in accounting policies of the period.

2. Specific verification

We have also verified the information given in the interim half-year financial report commenting the condensed half-year consolidated financial statements subject to our review.

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

Paris - La Défense and Neuilly-sur-Seine, August 28, 2008
The Statutory Auditors

ERNST & YOUNG Audit
Jean-Roch VARON

Deloitte & Associés
Nicholas L. E. ROLT

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