

# The world leader in mineral-based specialty solutions for industry

FIRST-HALF FINANCIAL  
REPORT **2012**



**IMERYS**  
TRANSFORM TO PERFORM

# ▶ Profile



more than **240**  
industrial sites

**47**  
countries

## **The world leader in mineral-based specialty solutions for industry,**

Imerys transforms a unique range of minerals to deliver essential functions (heat resistance, mechanical strength, conductivity, coverage, barrier effect, etc.) that are essential to its customers' products and manufacturing processes.

Whether mineral components, functional additives, process enablers or finished products, Imerys' solutions contribute to the quality of a great number of applications in consumer goods, industrial equipment or construction. Combining expertise, creativity and attentiveness to customers' needs, the Group's international teams constantly identify new applications and develop high value-added solutions under a determined approach to responsible development. These strengths enable Imerys to develop through a sound, profitable business model.

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# 1 | Person responsible for the First-Half Financial Report

## **1 - Person responsible for the First-Half Financial Report**

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Gilles Michel, Chairman and Chief Executive Officer

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

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

Paris, July 26, 2012



Gilles Michel

Chairman and Chief Executive Officer



## 2 | First-Half Activity Report

After two years of economic upturn, the deterioration in the environment led to wide disparities by geography and sector from the second half of 2011, a trend that has been confirmed since then. In Europe, there is a definite slowdown in demand in construction and industrial production, with Northern European countries less affected overall; in North America, the improvement in the economy was particularly reflected in a rise in durable consumption (construction, automotive sectors, etc.); in main emerging countries, the growth outlook now appears more limited.

Over the first half, the euro continued to depreciate, while inflation in factor costs (raw materials, energy) was more moderate than in the same period the previous year.

In this context, the Group revenue increased + 9.8% compared to 1<sup>st</sup> half 2011 and the operating margin holds well to 13.4%. The net income from current operations increased + 5.5%.

In the 2<sup>nd</sup> half 2012, Imerys continued to implement its internal and external development strategy in order to increase its growth potential.

Production capacity at the Willebroek carbon plant (Belgium, Graphite & Carbon activity) was increased to serve the dynamic Lithium-ion battery market.

In Brazil, the Group strengthened its Performance Minerals offering with the acquisition of Itatex, a company that designs and markets kaolin and clay-based specialties for paint, polymers and rubber. In addition, Imerys also decided to value its Brazilian reserves of calcium carbonates by launching the construction of a lime processing plant. The Group will therefore expand its offering to iron and steel, paper, chemistry, environment, agriculture and construction sectors, in line with the sharp growth in local demand.

In the Middle-East, the project for the building of a fused alumina plant was launched in Bahrain following the incorporation of the joint-venture. This production unit, which should be in operation by the end of 2013, will be the Group's first industrial facility in the region.

(€ millions)	06.30.2012	06.30.2011	% current change
<b>CONSOLIDATED RESULTS</b>			
Revenue	1,986.2	1,807.3	+ 9.9%
Current operating income <sup>(1)</sup>	266.2	252.9	+ 5.3%
<i>Operating margin</i>	<i>13.4%</i>	<i>14.0 %</i>	
Net income from current operations, Group share <sup>(2)</sup>	165.6	157.0	- 0.6%
Net income, Group share	161.9	154.9	+ 4.6%
<b>FINANCING</b>			
Paid capital expenditure	116.1	99.2	+ 17.0%
Current free operating cash flow <sup>(3)</sup>	128.7	112.6	+ 14.3%
Net financial debt	1,039.8 <sup>(5)</sup>	873.8	+ 19.0%
<b>DATA PER SHARE</b>			
Net income from current operations, Group share, per share <sup>(2)/(4)</sup>	€2.20	€2.08	+ 5.9%

(1) Operating income, before other operating revenue and expenses, but including share of joint ventures and associates

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

(3) Current free operating cash flow: EBITDA minus notional tax, change in working capital requirements and paid capital expenditure.

(4) The weighted average number of outstanding shares decreased to 75,127,597, compared with 75,375,300 in the 1<sup>st</sup> half of 2011.

(5) Net financial debt as of June 30, 2012 following Luzenac Group acquisition completed in second half 2011.

## DETAILED COMMENTARY ON THE GROUP'S RESULTS

### REVENUE

	Revenue 2012 (€ millions)	Revenue 2011 (€ millions)	Change in revenue (% previous year)	Comparable change <sup>(1)</sup> (% previous year)	of which Volume	of which Price/Mix
1 <sup>st</sup> quarter <sup>(2)</sup>	974.4	882.7	+ 10.4%	+ 0.2%	- 4.0%	+ 4.2%
2 <sup>nd</sup> quarter <sup>(2)</sup>	1,011.8	924.7	+ 9.4%	- 3.1%	- 6.3%	+ 3.2%
<b>1<sup>st</sup> half</b>	<b>1,986.2</b>	<b>1,807.3</b>	<b>+ 9.9%</b>	<b>- 1.5%</b>	<b>- 5.2%</b>	<b>+ 3.7%</b>

Revenue for the 1<sup>st</sup> half of 2012 totaled €1,986.2, taking into account:

- A Group structure effect of +€156.8 million (divided equally between 1<sup>st</sup> and 2<sup>nd</sup> quarters 2012), mainly related to the acquisition of the Luzenac Group, completed on August 1, 2011;
- Favorable impact of exchange rates for +€48.6 million (+€10.8 million in 1<sup>st</sup> quarter; +€37.8 million in 2<sup>nd</sup> quarter). This particularly reflects the euro's depreciation against other currencies, in particular the US dollar.

Compared with the 1<sup>st</sup> half of 2011, the - 1.5% decrease at comparable Group structure and exchange rates takes into account a historically high basis of comparison. Last year, the Group's first half sales were up + 12.2% compared with 1<sup>st</sup> half 2010, thanks to a sharp upturn in business and favorable weather conditions.

In this context, sales decreased - 5.2% in the first half compared with the same period in 2011 (- €93.5 million). The basis of comparison was particularly unfavorable in the second quarter for the Minerals for Ceramics, Refractories, Abrasives & Foundry business group. The expected downturn on the French new housing market is now reflected in the Building Materials activity's sales volumes, which were also affected by poor weather conditions in 2012. The product price/mix improved + 3.7% (+ €67.0 million), reflecting the efforts made on this point in every business group.

Revenue in the second quarter of 2012 at comparable structure and exchange rates (€896 million) is slightly above revenue for the previous quarter (€885 million).

### Revenue by geographic zone of destination

(€ millions)	Revenue as of 06.30.2012	% change as of 06.30.2012 vs. 06.30.2011	% of consolidated revenue as of 06.30.2012	% of consolidated revenue as of 06.30.2011
Western Europe	930.0	+ 7.0%	47%	48%
<i>of which France</i>	321.5	- 1.0 %	16%	22%
United States / Canada	421.7	+ 22.1%	21%	19%
Emerging countries	529.7	+ 6.4%	27%	28%
Others (Japan / Australia)	104.8	+ 10.5%	5%	5%
<b>Total</b>	<b>1,986.2</b>	<b>+ 9.9%</b>	<b>100%</b>	<b>100%</b>

In the 1<sup>st</sup> half of 2012, the change in sales by geographic destination results from two main factors: a significant Group structure effect relating to the acquisition of the Luzenac Group (mainly present in Europe and North America) on one hand, and the depreciation of the euro, which was particularly significant in the second quarter, on the other hand. Excluding Group structure effect, sales in Western Europe decreased, while they picked up in North America and in emerging countries.

Revenue in Western Europe represents 47% of consolidated revenue, with a large majority in Northern countries, and an exposure to Southern European countries (Portugal, Italy, Greece, and Spain) below 7%.

(1) At comparable Group structure and exchange rates.

(2) Non-audited quarterly data.

**CURRENT OPERATING INCOME** <sup>(3)(4)</sup>

(€ millions)	06.30.2012	06.30.2011	% Change	% Comparable change <sup>(5)</sup>
1 <sup>st</sup> quarter	126.8	116.4	+ 8.9%	- 0.7%
<i>Operating margin</i>	<i>13.0%</i>	<i>13.2%</i>		
2 <sup>nd</sup> quarter	139.5	136.4	+ 2.2%	- 11.2%
<i>Operating margin</i>	<i>13.8%</i>	<i>14.8%</i>		
<b>1<sup>st</sup> half</b>	<b>266.2</b>	<b>252.9</b>	<b>+ 5.3%</b>	<b>- 6.4%</b>
<i>Operating margin</i>	<i>13.4%</i>	<i>14.0%</i>		

At €266.2 million, **current operating income** takes the following items into account:

- a + €21.0 million structure effect (+ 8.3%, of which €8.0 million in the 1<sup>st</sup> quarter and €13.0 million in the 2<sup>nd</sup> quarter), made up of the positive contribution of the Luzenac Group;
- a + €8.4 million foreign exchange effect (+ 3.3%, of which €3.2 million in the 1<sup>st</sup> quarter and €5.2 million in the 2<sup>nd</sup> quarter).

At comparable structure and exchange rates, the decrease in current operating income was limited to - 6.4% in relation to a high basis of comparison in the 1<sup>st</sup> half of 2011 (current operating income had increased + 20.8% vs. 1<sup>st</sup> half 2010).

The + €63.0 million improvement in product price and mix offsets the rise in variable costs (- €40.8 million vs. the same period the previous year), mainly due to inflation in some raw materials, energy factors (except gas in the USA) and freight. The impact of lower sales volumes totals - €44.0 million compared with the 1<sup>st</sup> half of 2011. While continuing its development program, Imerys kept its fixed costs at the same level as the 1<sup>st</sup> half of 2011.

Consequently, the Group's operating margin was 13.4%, despite the significant decrease in volumes, particularly in the Building Materials activity.

**NET INCOME FROM CURRENT OPERATIONS** <sup>(6)</sup>

**Net income from current operations** rose + 5.5% to €165.6 million (compared with €157.0 million in 1<sup>st</sup> half 2011). This increase reflects the rise in current operating income and factors in the following items:

- financial expense for - €34.0 million (compared with - €30.3 million in 1<sup>st</sup> half 2011) which includes in particular:
  - interest expense, which was stable compared with the same period in 2011 (- €29.2 million in the 1<sup>st</sup> half of 2012 compared with - €28.9 million in 1<sup>st</sup> half 2011);
  - the net impact of exchange rates, other financial income and expenses and financial instruments which amounted to a - €3.8 million expense (- €0.4 million in 1<sup>st</sup> half 2011).
- a - €65.1 million current tax charge (- €63.9 million in 1<sup>st</sup> half 2011), i.e. an effective tax rate of 28.0% (28.7% in 1<sup>st</sup> half 2011).

**NET INCOME**

The + €7.0 million increase in the **Group's share of net income** to €161.9 million takes into account **other operating revenue and expense**, net of tax (- €3.7 million).

<sup>(3)</sup> Operating income before other revenue and expenses.

<sup>(4)</sup> Non-audited quarterly data.

<sup>(5)</sup> At comparable Group structure and exchange rates.

<sup>(6)</sup> Group share of net income before other operating revenue and expenses, net.

## CASH FLOW

(€ millions)	06.30.2012	06.30.2011
<b>EBITDA</b>	<b>353.2</b>	<b>352.0</b>
Changes in operating working capital requirement	(36.5)	(69.9)
Paid capital expenditure	(116.1)	(99.2)
<b>Current free operating cash flow *</b>	<b>128.7</b>	<b>112.6</b>
Financial cash flow financier (net of tax)	(23.0)	(20.8)
Other working capital requirement items	26.2	(5.2)
<b>Current free cash flow</b>	<b>131.9</b>	<b>86.6</b>

\* including subsidies, value of divested assets and misc.

2.7

2.3

At 22.5% of annualized sales in the last quarter <sup>(7)</sup>, **operating working capital requirement** is under control.

The increase in **booked capital expenditure**, which amounts to €97.8 million in the 1<sup>st</sup> half 2012 (i.e. 89% of depreciation expense vs. 83% in 1<sup>st</sup> half 2011), reflects the Group's continuation of its development projects. Details of the main projects are given under each business group.

Thanks to the improvement in income, good control of working capital and targeted capital expenditure, Imerys generated a current **free operating cash flow** of €128.7 million in the 1<sup>st</sup> half of 2012, up + €16 million compared to 1<sup>st</sup> half 2011.

## FINANCIAL STRUCTURE

(€ millions)	06.30.2012	12.31.2011	06.30.2011
Paid dividends	(113.3)	(91.4)	(91.1)
Net financial debt	1,039.8	1 031.1	873.8
Shareholders' equity	2,236.5	2 210.9	2,118.6
EBITDA	353.2	686.0	352.0
Net debt/ Shareholders' equity	46.5%	46.6%	41.2%
Net debt/ EBITDA <sup>(8)</sup>	1.5x	1.5x	1.3x

The Group's consolidated **net financial debt** and financial ratios are stable compared with December 31, 2011. High generation of current free cash flow enabled it to fund the payout of €112.7 million in dividends on May 9, 2012, in addition to €0.6 million in dividends paid to minority shareholders of subsidiaries.

To increase and diversify its **financial resources** while extending their average maturity, in the second-half of 2011, the Group secured more approximately one billion euros in bilaterals through to 2015-2016. As of June 30, 2012, Imerys' total financial resources totaled €2.8 billion (of which €1.4 billion in non-cash available financial resources), with average maturity 3.3 years. The Group has therefore a sound financial structure and a greater financial flexibility.

(7) This ratio takes into account the Factoring contract signed on July 23, 2009 under which transferred receivables are deconsolidated, with the risks and benefits related to receivables transferred to the factor bank. €75 million in receivables were factored as of June 30, 2012.

(8) EBITDA on 12 rolling months.

## APPOINTMENTS

Olivier Hautin, previously in charge of the Pigments for Paper & Packaging business group, was tasked with managing the Minerals for Ceramics, Refractories, Abrasives & Foundry business group, which Gilles Michel had been running since July 1, 2011. The results of the Pigments for Paper & Packaging business group are now the responsibility of Dan Moncino, who continues to run the Performance & Filtration Minerals business group. This change will enable the two business groups to pool some common assets, resources and skills, in particular.

Imerys' operating organization and reporting in four business groups are unchanged, as is the composition of the Executive Committee.

## EVENTS AFTER THE END OF THE PERIOD

The half-year consolidated financial statements as of June 30, 2012 were closed by the Board of Directors at its meeting on July 26, 2012. No significant event is to be reported between the closing date and that of the Board of Directors.

## OUTLOOK

The trends observed in the 1<sup>st</sup> half of 2012 are likely to continue in the coming months with a macroeconomic and financial environment still marked by high disparities by both geography and sector:

- Activity should remain weak in the French single-family housing construction sector, with new housing sales in a slump for more than a year;
- Steel production decrease in Europe is likely to continue in the coming months;
- Given the rationalization of papermaking capacities in the United States and Europe, which began mid-2011, production is likely to stabilize at its current level in mature countries;
- In the United States, the positive momentum should continue, particularly in the construction and automotive sectors;
- Growth is likely to continue, at a more moderate pace, in emerging countries.

In the second half, the new proppant unit, which is now in operation, will contribute fully to the Group's performance. Imerys will also benefit from a gradually more favorable basis of comparison and the quality of its business model: greater resilience thanks to the diversity of its business portfolio, wider geographic presence, effectiveness of measures set up from autumn 2011 (targeted capital expenditure, management of costs and working capital requirements, soundness of its financial structure).

In this context, Imerys is confident in its ability to maintain, for full year 2012, a level of net income from current operations at least comparable to the previous year. The Group will keep up its development capital expenditure and research projects in order to support its future organic growth.

## COMMENTARY BY BUSINESS GROUP

### Minerals for Ceramics, Refractories, Abrasives & Foundry

(30% of consolidated revenue)

(€ millions) <i>Non-audited quarterly data.</i>	2012	2011	% Current change	% Comparable change <sup>(9)</sup>
1 <sup>st</sup> quarter revenue	297.8	284.9	+ 4.5%	+ 0.9%
2 <sup>nd</sup> quarter revenue	323.2	316.1	+ 2.3%	- 6.2%
<b>1<sup>st</sup> half revenue</b>	<b>621.1</b>	<b>601.1</b>	<b>+ 3.3%</b>	<b>- 2.8%</b>
Current operating income <sup>(10)</sup>	81.6	86.2	- 5.4%	- 11.4%
<i>Operating margin</i>	<i>13.1%</i>	<i>14.3%</i>		
Booked capital expenditure	40.6	32.9	+ 23.4%	
<i>as of % depreciation</i>	<i>135%</i>	<i>110%</i>		

In the 1<sup>st</sup> half 2012, demand from refractory industries dropped in Western Europe, following the decrease in steel production (- 4.6% compared with 1<sup>st</sup> half 2011 – source World Steel Association). This trend is translated in Minerals for Refractories activity and, in a lesser extent, into some Fused Minerals and Graphite & Carbon businesses. This slump has been partially compensated by the dynamism of domestic demand in North America (+ 7.6% increase in steel production). Activity in Graphite & Carbon segment was firm, particularly due to the growth of Lithium-ion batteries.

Conventional markets for Ceramics (sanitaryware, tiles) were also supported by strong demand in the United States, whereas activity remained weak in Southern Europe. Technical ceramics (specialty products for the automotive sector, etc.) continued to grow, while demand for high purity quartz was still slack along the first-half of 2012.

The business group continued to implement its internal development policy through new **capital projects**. Capacity doubling project at the carbon plant in Willebroek (Belgium) has been launched to support growing demand for Lithium-ion batteries. The project should come on stream by the end of 2013.

Geographic expansion continues with the launch of an industrial construction project in Bahrain for a fused alumina plant within the context of a joint venture. This unit should be in operation in late 2013. Fused alumina serves a wide range of applications: abrasives, refractories, sandblasting operations, thermal linings and various niche markets.

In the 1<sup>st</sup> half, the ceramic proppant plant built in Georgia (USA) in 2011 came on stream as planned and should progressively ramp up during the second half. Proppants are used to keep rock fractures open in non-conventional oil and gas field operation, which have substantial growth prospects in the United States.

The business group's **revenue** totaled €621.1 million for the 1<sup>st</sup> half of 2012, up + €20.0 million compared with the 1<sup>st</sup> half of 2011. An analysis of the variance shows:

- Foreign exchange effect of + €31.4 million (+€24.5 million for 2<sup>nd</sup> quarter 2012);
- Group structure effect of + €5.7 million (+€2.3 million for 2<sup>nd</sup> quarter 2012): the Luzenac Group's activities serving the business group's markets were, as announced, included in the business group's sales as of January 1, 2012.

At comparable Group structure and exchange rates, revenue decreased - 2.8% compared to the 1<sup>st</sup> half 2011, which benefited from an upturn in activity (+ 18.1% rise of business group's revenue at comparable Group structure and exchange rates effect between 1<sup>st</sup> half 2010 and 1<sup>st</sup> half 2011). The positive trend in product prices and mix partly offset the decrease in volumes, in particular in Minerals for Refractories and Fused Minerals. The other activities held better.

<sup>(9)</sup> At comparable structure and exchange rates.

<sup>(10)</sup> Operating income before other operating revenue and expenses.

**Current operating income** totaled €81.6 million. It factors in a +€4.5 million exchange rate effect and a +€0.6 million structure effect.

At comparable structure and exchange rates, the decrease in income reflects lower sales volumes, which were partly offset by a slight reduction in fixed costs. The improvement in the product price/mix component was greater than inflation in variable costs (in particular for zircon purchases: despite stabilization in 2012, zircon price was still higher compared to 1<sup>st</sup> half 2011). The ramp up of proppants unit during the 1<sup>st</sup> half 2012 weighed on the business group profitability.

## Performance & Filtration Minerals

**(23% of consolidated revenue)**

(€ millions)	2012	2011	% Current change	% Comparable change <sup>(11)</sup>
<i>Non-audited quarterly data.</i>				
1 <sup>st</sup> quarter revenue	221.7	148.6	+ 49.2%	+ 5.7%
2 <sup>nd</sup> quarter revenue	233.3	154.2	+ 51.3%	+ 3.5%
<b>1<sup>st</sup> half revenue</b>	<b>455.0</b>	<b>302.8</b>	<b>+ 50.3%</b>	<b>+ 4.6%</b>
Current operating income <sup>(12)</sup>	60.8	39.1	+ 55.5%	+ 2.8%
<i>Operating margin</i>	<i>13.4%</i>	<i>12.9%</i>		
Booked capital expenditure	14.6	14.9	- 2.0%	
<i>as of % depreciation</i>	<i>53%</i>	<i>75%</i>		

In the 1<sup>st</sup> half of 2012, trends varied widely on the markets served by the Performance & Filtration business group. Demand grew slightly in fast-moving consumer sectors (food, health, beauty, pharmaceuticals, etc.). In intermediate industries (polymers, rubber, filtration, catalysis, coatings, etc.), the momentum was positive overall in emerging countries. In North America, the continued economic upturn favored the automotive and construction sectors. New housing starts rose sharply (annualized trend in 2<sup>nd</sup> quarter 2012: +28% - source: Census Bureau) and renovation spending increased. In Northern Europe, activity was firm in the construction sector; automotive production held out well in Germany and grew significantly in Great Britain. Business remained slack in Southern Europe.

In that context, the business group continued its geographic expansion with the **acquisition** in Brazil of Itatex, a family firm specialized in processing and marketing industrial minerals (particularly kaolin). Itatex posted a 24 million Brazilian real in revenue for 2011 (€10 million) and employs 115 people in a production site in Campinas (Sao Paulo state). Through this acquisition, the Group is stepping up its presence in Brazil and developing its range for the paint, polymer and rubber sectors, for which local demand is growing sharply.

In 2012, **capital expenditure** for internal growth was allocated to the creation of a complete production line for Celite Cynergy™, which the market launch confirmed its great potential for brewers customers. This registered product is an innovative agent, which enables edible liquids such as beer to be filtered and stabilized in one production step. The new capacity, built on Lompoc site (California, United States), should be operational at the end of 2012.

In Malaysia, the business group launched a new production unit for Filmlink™, a registered specialty made of calcium carbonate, and which brings an improved strength and a controlled porosity to polymer films. Those properties are particularly useful in hygiene products for babies. Built on the Ipoh site, this production line will ramp up in the 3<sup>rd</sup> quarter to serve the dynamic Asian market.

The Talc activity is now integrated and has confirmed its growth and innovation potential on diverse markets (plastics & polymers, paint, paper, technical ceramics, personal care & beauty). As announced, sales have been assigned to each of the relevant business groups in 2012.

(11) At comparable structure and exchange rates.

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

**Revenue** totaled €455.0 million in the 1<sup>st</sup> half of 2012. The + €152.2 million increase takes into account:

- A + €122.1 million Group structure effect (equally divided between the first and second quarters), primarily composed of the acquisition of the Luzenac Group; Itatex is consolidated as of June 1, 2012 (+ €0.8 million);
- A favorable foreign exchange rate impact of + €16.2 million (of which €12.3 million in the 2<sup>nd</sup> quarter).

At comparable Group structure and exchange rates, the increase in revenue (+ €13.9 million) reflects growth in volumes, driven by demand in North America, and the significant rise in the product price/mix component.

**Current operating income**, at €60.8 million, increased by + €21.7 million. It includes a positive Group structure effect of + €17.8 million and a favorable foreign exchange effect of + €2.6 million. At comparable structure and exchange rates the rise was + 2.8%, with the price/mix component easily offsetting higher costs.

## Pigments for Paper & Packaging

(21% of consolidated revenue)

(€ millions)	2012	2011	% Current change	% Comparable change <sup>(13)</sup>
<i>Non-audited quarterly data.</i>				
1 <sup>st</sup> quarter revenue	213.2	203.5	+ 4.8%	- 3.8%
2 <sup>nd</sup> quarter revenue	216.3	202.1	+ 7.0%	- 2.4%
<b>1<sup>st</sup> half revenue</b>	<b>429.5</b>	<b>405.6</b>	<b>+ 5.9%</b>	<b>- 3.1%</b>
Current operating income <sup>(14)</sup>	42.5	41.0	+ 3.6%	- 5.9%
<i>Operating margin</i>	<i>9.9%</i>	<i>10.1%</i>		
Booked capital expenditure	32.1	29.3	+ 9.6%	
<i>as of % depreciation</i>	<i>90%</i>	<i>84%</i>		

Over the first six months of 2012, global production of printing and writing paper was stable (- 0.7% compared with the 1<sup>st</sup> half of 2011). The soundness of emerging countries (+ 4.3%) offsets the downturn observed in mature regions where shut-downs of paper-making capacities were carried out to adapt production levels to demand. In North America and to a lesser extent in Europe, these rationalizations, which suggest demand will stabilize at its current level, significantly affected output over the past 12 months. In packaging segments, the trend remained more favorable.

In addition to mine overburden and maintenance operations, **capital expenditure** particularly concerned the project to build a lime processing unit in Brazil. Produced from calcium carbonate reserves operated by the Group in the country (Desoropolis, Minas Geiras), lime is a mineral that is used in various forms in the steel, paper, chemistry, environment, agriculture and construction industries.

In that context, **revenue**, at €429.5 million in the 1<sup>st</sup> half of 2012, rose + €23.9 million compared with the 1<sup>st</sup> half of 2011. This change takes into account:

- A structure effect of + €28.6 million, corresponding to the acquisition of the Luzenac Group. As announced, sales of talc for paper markets were included in the business group's revenue as of January 1, 2012;
- Foreign exchange impact for + €8.0 million (+ €5.1 million in the 2<sup>nd</sup> quarter).

At comparable Group structure and exchange rates, revenue decreased - 3.1% compared with 1<sup>st</sup> half 2011. The improvement in product prices and mix did not offset the decrease in volumes.

**Current operating income** totaled €42.5 million in the 1<sup>st</sup> half of 2012 (+ €1.5 million compared with 1<sup>st</sup> half 2011) and takes into account a favorable foreign exchange effect of + €1.5 million. At comparable Group structure and exchange rates, the business group's income decrease (- 5.9%) reflects the slow-down in volumes.

(13) At comparable structure and exchange rates.

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

## Materials & Monolithics

(26% of consolidated revenue)

(€ millions) <i>Non-audited quarterly data.</i>	2012	2011	% Current change	% Comparable change <sup>(15)</sup>
1 <sup>st</sup> quarter revenue	255.9	258.0	- 0.8%	- 0.5%
2 <sup>nd</sup> quarter revenue	253.2	267.2	- 5.3%	- 5.4%
<b>1<sup>st</sup> half revenue</b>	<b>509.1</b>	<b>525.2</b>	<b>- 3.1%</b>	<b>- 3.0%</b>
Current operating income <sup>(16)</sup>	105.1	112.6	- 6.6%	- 6.7%
<i>Operating margin</i>	<i>20.7%</i>	<i>21.4%</i>		
Booked capital expenditure	5.8	7.0	- 17.2%	
<i>as of % depreciation</i>	<i>37%</i>	<i>42%</i>		

The Refractory Solutions activity (57% of the Materials & Monolithics business group's total sales) held out well in the 1<sup>st</sup> half of 2012 despite the slump in steelmaking in Europe. It benefited from the good performance of Asian markets and the robustness of other segments (foundry, petrochemicals, power generation, etc.) as well as project activity (revamping, capacity extensions or construction of new plants).

In the single-family housing construction and renovation sector in France, the slump in new house sales observed for almost a year gradually led to a decrease in building permits. It has now passed through to construction starts, which fell - 8% over 12 rolling months.

In that context, six-monthly sales of clay products for the trade as a whole <sup>(17)</sup> decreased - 13% for bricks and - 10% for roof tiles compared with the 1<sup>st</sup> half of 2011, which was a very high basis of comparison (catch-up effect). The renovation segment held well. It should be remembered that the entire trade was affected by adverse weather conditions in the 1<sup>st</sup> quarter of 2012.

In the 1<sup>st</sup> half of 2012, the business group's **capital expenditure** was limited to the maintenance of industrial assets.

At €509.1 million, the business group's **revenue** (- €16.1 million compared with 1<sup>st</sup> half 2011) includes the limited, negative effect of exchange rates (- €0.4 million). At comparable structure and exchange rates, revenue decreased - 3.0%, reflecting the downturn in Building Materials. Monolithic Refractories activity improved.

The Materials & Monolithics business group's **current operating income** was €105.1 million. Structure and exchange rates had negligible effect. The product price/mix effect covered the rise in variable costs (energy and some refractory materials) and the setup of cost control measures allowed the business group to maintain an operating margin above 20%.

The present *Chapter 2* - First-Half Activity Report 2012 draws on detailed information from the following chapters of the present First-Half Financial Report 2012:

- Related parties            Chapter 3 - Financial Statements - *Note 26*
- Risks                        Chapter 3 - Financial Statements - *Note 21.4*

Management considers that assessment of main risks and uncertainties for the last six months of the year 2012 is unchanged with respect to the description provided in chapter 4, section 1 of the 2011 Registration Document.

(15) At comparable structure and exchange rates.

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

(17) Source: *Fédération Française des Tuiles et Briques – Provisional data.*



# 3 | Condensed financial statements

## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Revenue</b>	4	<b>1,986.2</b>	<b>1,807.3</b>	<b>3,674.8</b>
<b>Current revenue and expenses</b>		<b>(1,720.0)</b>	<b>(1,554.4)</b>	<b>(3,187.8)</b>
Raw materials and consumables used	5	(697.6)	(642.2)	(1,294.5)
External expenses	6	(513.8)	(451.5)	(940.9)
Staff expenses	7	(391.9)	(334.1)	(695.1)
Taxes and duties		(26.5)	(23.1)	(45.1)
Amortization, depreciation and impairment losses		(109.6)	(102.1)	(210.9)
Other current revenue and expenses		16.3	(5.1)	(11.6)
Share in net income of joint ventures and associates		3.1	3.7	10.3
<b>Current operating income</b>		<b>266.2</b>	<b>252.9</b>	<b>487.0</b>
<b>Other operating revenue and expenses</b>	8	<b>(11.9)</b>	<b>(2.1)</b>	<b>(23.1)</b>
Gain or loss from obtaining or losing control		(3.4)	5.8	7.8
Other non-recurring items		(8.5)	(7.9)	(30.9)
<b>Operating income</b>		<b>254.3</b>	<b>250.8</b>	<b>463.9</b>
<b>Net financial debt expense</b>		<b>(29.2)</b>	<b>(28.9)</b>	<b>(56.1)</b>
Income from securities		1.4	1.2	3.0
Gross financial debt expense		(30.6)	(30.1)	(59.1)
<b>Other financial revenue and expenses</b>		<b>(4.8)</b>	<b>(1.4)</b>	<b>(1.1)</b>
Other financial revenue		70.6	98.5	178.7
Other financial expenses		(75.4)	(99.9)	(179.8)
<b>Financial income (loss)</b>	10	<b>(34.0)</b>	<b>(30.3)</b>	<b>(57.2)</b>
Income taxes	11	(56.9)	(63.9)	(121.2)
<b>Net income</b>		<b>163.4</b>	<b>156.6</b>	<b>285.5</b>
Net income, Group share <sup>(1) &amp; (2)</sup>	12	161.9	154.9	282.0
Net income, share of non-controlling interests		1.5	1.7	3.5

*(1) Net income per share*

*Basic net income per share (in €)* 13 2.16 2.05 3.75

*Diluted net income per share (in €)* 13 2.13 2.03 3.71

*(2) Net income from current operations, Group share* 12 165.6 157.0 303.1

*Basic net income from current operations per share (in €)* 13 2.20 2.08 4.03

*Diluted net income from current operations per share (in €)* 13 2.18 2.06 3.99

*Other net operating revenue and expenses, Group share* 8 (3.7) (2.1) (21.1)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Net income</b>		<b>163.4</b>	<b>156.6</b>	<b>285.5</b>
<b>Items never reclassified subsequently to profit or loss</b>				
<b>Post-employment employee benefits</b>		<b>(72.0)</b>	<b>29.4</b>	<b>(50.4)</b>
Actuarial gains and (losses) and assets limitation		(72.0)	29.4	(50.4)
<b>Income taxes on items never reclassified</b>	11	<b>18.0</b>	<b>(8.3)</b>	<b>12.4</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
<b>Cash flow hedges</b>		<b>7.5</b>	<b>3.0</b>	<b>(23.7)</b>
Recognition in equity	21.3	0.1	10.2	(12.6)
Reclassification in profit or loss	21.3	7.4	(7.2)	(11.1)
<b>Translation reserve</b>		<b>17.9</b>	<b>(94.6)</b>	<b>(64.0)</b>
Recognition in equity		15.7	(94.5)	(63.6)
Reclassification in profit or loss		2.2	(0.1)	(0.4)
<b>Income taxes on items that may be reclassified</b>	11	<b>0.7</b>	<b>(3.2)</b>	<b>21.6</b>
<b>Other comprehensive income</b>		<b>(27.9)</b>	<b>(73.7)</b>	<b>(104.0)</b>
<b>Total comprehensive income</b>		<b>135.5</b>	<b>82.9</b>	<b>181.5</b>
Total comprehensive income, Group share		133.8	83.4	178.9
Total comprehensive income, share of non-controlling interests		1.7	(0.5)	2.6

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Non-current assets</b>		<b>3,262.8</b>	<b>2,815.6</b>	<b>3,210.0</b>
Goodwill	14	1,039.2	916.6	1,019.7
Intangible assets	15	42.9	33.6	37.7
Mining assets	16	504.3	435.3	502.9
Property, plant and equipment	16	1,384.4	1,204.0	1,384.1
Joint ventures and associates		84.1	75.0	82.4
Available-for-sale financial assets	19	4.8	4.7	4.8
Other financial assets	19	21.8	19.1	18.5
Other receivables	19	77.7	49.6	74.6
Derivative financial assets	21.3	14.0	19.8	12.7
Deferred tax assets	22	89.6	57.9	72.6
<b>Current assets</b>		<b>1,758.5</b>	<b>1,732.2</b>	<b>1,746.4</b>
Inventories	18	676.4	556.2	645.9
Trade receivables	19	600.1	503.7	526.9
Other receivables	19	140.3	156.2	141.0
Derivative financial assets	21.3	1.3	12.0	2.0
Marketable securities and other financial assets	19	23.3	7.1	6.4
Cash and cash equivalents	19	317.1	497.0	424.2
<b>Consolidated assets</b>		<b>5,021.3</b>	<b>4,547.8</b>	<b>4,956.4</b>
<b>Equity, Group share</b>		<b>2,205.3</b>	<b>2,092.8</b>	<b>2,180.1</b>
Capital		150.5	151.3	150.3
Premiums		322.0	343.0	319.6
Reserves		1,570.9	1,443.6	1,428.2
Net income, Group share		161.9	154.9	282.0
<b>Equity, share of non-controlling interests</b>		<b>31.2</b>	<b>25.8</b>	<b>30.8</b>
<b>Equity</b>		<b>2,236.5</b>	<b>2,118.6</b>	<b>2,210.9</b>
<b>Non-current liabilities</b>		<b>1,711.6</b>	<b>1,411.3</b>	<b>1,641.2</b>
Provisions for employee benefits		300.6	127.5	231.3
Other provisions	20	266.7	187.1	265.2
Loans and financial debts	21.1	1,032.4	998.3	1,028.4
Other debts	21.1	11.8	8.3	12.2
Derivative financial liabilities	21.3	6.7	10.0	9.1
Deferred tax liabilities	22	93.4	80.1	95.0
<b>Current liabilities</b>		<b>1,073.2</b>	<b>1,017.9</b>	<b>1,104.3</b>
Other provisions	20	20.3	15.3	19.2
Trade payables	21.1	422.9	351.9	360.0
Income taxes payable		24.4	44.7	9.7
Other debts	21.1	240.8	216.6	261.7
Derivative financial liabilities	21.3	9.0	1.9	19.0
Loans and financial debts	21.1	348.2	381.0	422.0
Bank overdrafts	21.1	7.6	6.5	12.7
<b>Consolidated equity and liabilities</b>		<b>5,021.3</b>	<b>4,547.8</b>	<b>4,956.4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ millions)	Equity, Group share									Equity, share of non-controlling interests	Total
	Reserves							Net income, Group			
	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves	Subtotal	share	Subtotal		
<b>Equity as of January 1, 2011</b>	<b>151.0</b>	<b>338.4</b>	<b>(5.9)</b>	<b>(0.4)</b>	<b>(70.5)</b>	<b>1,448.7</b>	<b>1,371.9</b>	<b>243.7</b>	<b>2,105.0</b>	<b>26.8</b>	<b>2,131.8</b>
<b>Total comprehensive income</b>	-	-	-	1.9	(94.5)	21.1	(71.5)	154.9	83.4	(0.5)	<b>82.9</b>
<b>Transactions with shareholders</b>	<b>0.3</b>	<b>4.6</b>	<b>(14.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>157.2</b>	<b>143.2</b>	<b>(243.7)</b>	<b>(95.6)</b>	<b>(0.5)</b>	<b>(96.1)</b>
Allocation of 2010 net income	-	-	-	-	-	243.7	243.7	(243.7)	0.0	-	0.0
Dividend (€1.20 per share)	-	-	-	-	-	(90.6)	(90.6)	-	(90.6)	(0.5)	(91.1)
Capital increases	0.3	4.6	-	-	-	-	0.0	-	4.9	-	4.9
Transactions on treasury shares	-	-	(14.0)	-	-	-	(14.0)	-	(14.0)	-	(14.0)
Share-based payments	-	-	-	-	-	4.1	4.1	-	4.1	-	4.1
<b>Equity as of June 30, 2011</b>	<b>151.3</b>	<b>343.0</b>	<b>(19.9)</b>	<b>1.5</b>	<b>(165.0)</b>	<b>1,627.0</b>	<b>1,443.6</b>	<b>154.9</b>	<b>2,092.8</b>	<b>25.8</b>	<b>2,118.6</b>
<b>Total comprehensive income</b>	-	-	-	(17.7)	46.9	(60.8)	(31.6)	127.1	95.5	3.1	<b>98.6</b>
<b>Transactions with shareholders</b>	<b>(1.0)</b>	<b>(23.4)</b>	<b>17.8</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.6)</b>	<b>16.2</b>	<b>0.0</b>	<b>(8.2)</b>	<b>1.9</b>	<b>(6.3)</b>
Dividend (€1.20 per share)	-	-	-	-	-	-	0.0	-	0.0	(0.3)	(0.3)
Capital increases	0.1	0.4	-	-	-	-	0.0	-	0.5	-	0.5
Capital decreases	(1.1)	(23.8)	24.9	-	-	-	24.9	-	0.0	-	0.0
Transactions on treasury shares	-	-	(7.1)	-	-	(5.9)	(13.0)	-	(13.0)	-	(13.0)
Share-based payments	-	-	-	-	-	4.3	4.3	-	4.3	-	4.3
Transactions with non-controlling interests	-	-	-	-	-	-	0.0	-	0.0	2.2	2.2
<b>Equity as of December 31, 2011</b>	<b>150.3</b>	<b>319.6</b>	<b>(2.1)</b>	<b>(16.2)</b>	<b>(118.1)</b>	<b>1,564.6</b>	<b>1,428.2</b>	<b>282.0</b>	<b>2,180.1</b>	<b>30.8</b>	<b>2,210.9</b>
<b>Total comprehensive income</b>	-	-	-	4.9	20.8	(53.8)	(28.1)	161.9	133.8	1.7	<b>135.5</b>
<b>Transactions with shareholders</b>	<b>0.2</b>	<b>2.4</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>171.2</b>	<b>170.8</b>	<b>(282.0)</b>	<b>(108.6)</b>	<b>(1.3)</b>	<b>(109.9)</b>
Allocation of 2011 net income	-	-	-	-	-	282.0	282.0	(282.0)	0.0	-	0.0
Dividend (€1.50 per share)	-	-	-	-	-	(112.8)	(112.8)	-	(112.8)	(0.5)	(113.3)
Capital increases	0.2	2.4	-	-	-	-	0.0	-	2.6	0.9	3.5
Transactions on treasury shares	-	-	(0.4)	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Share-based payments	-	-	-	-	-	4.5	4.5	-	4.5	-	4.5
Transactions with non-controlling interests	-	-	-	-	-	(2.5)	(2.5)	-	(2.5)	(1.7)	(4.2)
<b>Equity as of June 30, 2012</b>	<b>150.5</b>	<b>322.0</b>	<b>(2.5)</b>	<b>(11.3)</b>	<b>(97.3)</b>	<b>1,682.0</b>	<b>1,570.9</b>	<b>161.9</b>	<b>2,205.3</b>	<b>31.2</b>	<b>2,236.5</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Cash flow from operating activities</b>		<b>210.9</b>	<b>158.7</b>	<b>447.4</b>
Cash flow generated by current operations	Appendix 1	293.5	268.4	638.7
Interests paid		(49.3)	(42.8)	(49.6)
Income taxes on current operating income and financial income (loss)		(28.9)	(58.2)	(124.9)
Dividends received from available-for-sale financial assets		-	0.1	0.6
Cash flow generated by other operating revenue and expenses	Appendix 2	(4.4)	(8.8)	(17.4)
<b>Cash flow from investing activities</b>		<b>(125.8)</b>	<b>(91.2)</b>	<b>(421.7)</b>
Acquisitions of intangible assets and property, plant and equipment		(116.1)	(99.2)	(227.0)
Acquisitions of investments in consolidated entities after deduction of cash acquired		(13.0)	(22.2)	(239.2)
Acquisitions of available-for-sale financial assets		-	(1.2)	(0.6)
Disposals of intangible assets and property, plant and equipment		7.0	4.1	8.3
Disposals of investments in consolidated entities after deduction of cash disposed of		-	25.5	33.0
Disposals of available-for-sale financial assets		-	0.9	0.9
Net change in financial assets		(4.7)	0.1	0.7
Paid-in interests		1.0	0.8	2.2
<b>Cash flow from financing activities</b>		<b>(191.1)</b>	<b>85.0</b>	<b>37.4</b>
Capital increases		3.5	4.9	5.4
Disposals (acquisitions) of treasury shares		(0.4)	(14.0)	(27.0)
Dividends paid to shareholders		(112.8)	(90.6)	(90.6)
Dividends paid to non-controlling interests		(0.5)	(0.5)	(0.8)
Acquisitions of investments in consolidated entities from non-controlling interests		(4.2)	-	(1.3)
Loan issues		4.0	96.9	117.3
Loan repayments		(77.5)	(14.1)	(2.4)
Net change in other debts		(3.2)	102.4	36.8
<b>Change in cash and cash equivalents</b>		<b>(106.0)</b>	<b>152.5</b>	<b>63.1</b>

(€ millions)	06.30.2012	06.30.2011	2011
<b>Opening cash and cash equivalents</b>	<b>411.5</b>	<b>347.4</b>	<b>347.4</b>
Change in cash and cash equivalents	(106.0)	152.5	63.1
Impact of changes due to exchange rate fluctuations	4.0	(9.4)	1.0
<b>Closing cash and cash equivalents</b>	<b>309.5</b>	<b>490.5</b>	<b>411.5</b>
Cash <sup>(1)</sup>	237.5	423.0	216.5
Cash equivalents <sup>(2)</sup>	79.6	74.0	207.7
Bank overdrafts	(7.6)	(6.5)	(12.7)

(1) As of June 30, 2012, cash comprises a balance of €3.6 million not available for Imerys SA and its subsidiaries (€7.2 million as of December 31, 2011), of which €1.1 million with respect to foreign exchange control legislations (€2.3 million as of December 31, 2011) and €2.5 million with respect to statutory requirements (€4.9 million as of December 31, 2011).

(2) Cash equivalents are investments with a maturity below three months, indexed on a monetary market rate and that may be disposed of at any time.

## Appendix 1: cash flow generated by current operations

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Net income</b>		<b>163.4</b>	<b>156.6</b>	<b>285.5</b>
<b>Adjustments</b>		<b>180.7</b>	<b>193.8</b>	<b>419.2</b>
Income taxes	11	56.9	63.9	121.2
Share in net income of joint ventures and associates		(3.1)	(3.7)	(10.3)
Dividends received from joint ventures and associates		1.9	2.0	2.1
Impairment losses on goodwill	8 & 14	1.1	1.2	0.7
Profits resulting from bargain purchases		-	-	(9.2)
Share in net income of associates out of the recurring business		-	-	1.7
Other operating revenue and expenses excluding impairment losses on goodwill		10.8	0.9	29.9
Net operating amortization and depreciation		109.5	101.8	210.3
Net operating impairment losses on assets		(6.4)	(0.3)	(1.8)
Net operating provisions		(13.1)	0.4	2.7
Dividends receivable from available-for-sale financial assets		-	(0.1)	(0.2)
Net interests of revenue and expenses		29.1	28.6	55.7
Share-based payments expense		4.5	4.1	8.4
Change in fair value of hedge instruments		(6.2)	(3.2)	11.0
Income from current disposals of intangible assets and property, plant and equipment		(4.3)	(1.8)	(3.0)
<b>Change in the working capital requirement</b>		<b>(50.6)</b>	<b>(82.0)</b>	<b>(66.0)</b>
Inventories		(24.8)	(34.2)	(49.6)
Trade accounts receivable, advances and down payments received		(68.1)	(78.2)	(28.9)
Trade accounts payable, advances and down payments paid		56.4	42.5	19.1
Other receivables and debts		(14.1)	(12.1)	(6.6)
<b>Cash flow generated by current operations</b>		<b>293.5</b>	<b>268.4</b>	<b>638.7</b>

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

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Other operating revenue and expenses</b>	8	<b>(11.9)</b>	<b>(2.1)</b>	<b>(23.1)</b>
<b>Adjustments</b>		<b>7.5</b>	<b>(6.7)</b>	<b>5.7</b>
Impairment losses on goodwill	8 & 14	1.1	1.2	0.7
Profits resulting from bargain purchases	8	-	-	(9.2)
Other net operating amortization and depreciation	8	(1.8)	-	18.6
Other net operating provisions	8	1.0	(1.2)	(3.1)
Income from non-recurring disposals of intangible assets and property, plant and equipment	8	4.3	-	0.5
Income from disposals of consolidated investments and available-for-sale financial assets	8	0.1	(8.7)	(6.9)
Changes in fair value related to obtaining or losing control	8	-	2.0	1.0
Share in net income of associates out of the recurring business		-	-	1.7
Income taxes paid on other operating revenue and expenses		2.8	-	2.4
<b>Cash flow generated by other operating revenue and expenses</b>		<b>(4.4)</b>	<b>(8.8)</b>	<b>(17.4)</b>

## RECONCILIATION OF THE NET FINANCIAL DEBT

The net financial debt is the net position of Imerys towards the market and the financial institutions, i.e. the total of financing liabilities subscribed towards the market and the financial institutions in the form of bonds, bank credits and finance leases, decreased by cash, cash equivalents and marketable securities. The net financial debt is used in the management of the financial resources of the Group. This indicator is used in particular in the calculation of financial ratios that Imerys has to comply with under financing agreements entered into with financial markets (*Note 21.4 - Borrower's liquidity risk*). The link between this indicator and the statement of financial position is presented in *Note 21.2*.

The following notes present the change in the net financial debt in two steps:

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

### Current free operating cash flow

The current free operating cash flow is the residual cash flow resulting from current operating business and remaining after payment of current operating income taxes and operating capital expenditure, receipt of the disposal proceeds of operating assets and adjustment from cash changes in operational working capital requirement.

(€ millions)	06.30.2012	06.30.2011	2011
Current operating income	266.2	252.9	487.0
Operating amortization, depreciation and impairment losses	109.7	102.1	210.9
Net change in operating provisions	(21.5)	(1.3)	(3.7)
Share in net income of joint ventures and associates	(3.1)	(3.7)	(10.3)
Dividends received from joint ventures and associates	1.9	2.0	2.1
<b>Operating cash flow before taxes (current EBITDA)</b>	<b>353.2</b>	<b>352.0</b>	<b>686.0</b>
Notional taxes on current operating income <sup>(1)</sup>	(74.6)	(72.6)	(139.6)
<b>Current net operating cash flow <sup>(1)</sup></b>	<b>278.6</b>	<b>279.4</b>	<b>546.4</b>
<b>Paid capital expenditures <sup>(2)</sup></b>	<b>(116.1)</b>	<b>(99.2)</b>	<b>(227.4)</b>
Intangible assets	(4.9)	(4.0)	(7.8)
Property, plant and equipment	(73.8)	(55.2)	(175.4)
Overburden mining assets <sup>(3)</sup>	(19.1)	(25.6)	(46.0)
Debts on acquisitions	(18.3)	(14.4)	1.8
<b>Carrying amount of current asset disposals</b>	<b>2.7</b>	<b>2.3</b>	<b>5.3</b>
<b>Change in the operational working capital requirement</b>	<b>(36.5)</b>	<b>(69.9)</b>	<b>(59.4)</b>
Inventories	(24.8)	(34.2)	(49.6)
Trade accounts receivable, advances and down payments received	(68.1)	(78.2)	(28.9)
Trade accounts payable, advances and down payments paid	56.4	42.5	19.1
<b>Current free operating cash flow</b>	<b>128.7</b>	<b>112.6</b>	<b>264.9</b>

(1) *Effective tax rate on current operating income* 28.0% 28.7% 28.7%

(2) *Recognized capital expenditures / asset depreciation ratio* 89.2% 83.1% 108.7%

*The recognized capital expenditures / asset depreciation ratio equals the paid capital expenditures (except for debts on acquisitions) divided by the increases in amortization and depreciation*

*Increases in asset amortization and depreciation* 109.6 102.0 210.9

(3) *Overburden mining assets* (19.1) (25.6) (46.0)

*Overburden mining assets - non-current* (19.0) (15.8) (40.0)

*Overburden mining assets - current* - (9.6) (5.3)

*Neutralization of activated restoration provisions* (0.1) (0.2) (0.7)

## Change in net financial debt

(€ millions)	06.30.2012	06.30.2011	2011
<b>Current free operating cash flow</b>	<b>128.7</b>	<b>112.6</b>	<b>264.9</b>
Financial income (loss)	(34.0)	(30.3)	(57.2)
Financial impairment losses and unwinding of the discount	1.5	0.8	3.5
Income taxes on financial income (loss)	9.5	8.7	16.4
Change in income tax debt	33.7	3.2	(19.8)
Change in deferred taxes on current operating income	2.4	2.4	18.2
Change in other items of working capital	(14.1)	(12.1)	(6.6)
Share-based payments expense	4.5	4.1	8.4
Change in fair value of operational hedge instruments	(0.3)	(2.8)	(1.6)
Change in dividends receivable from available-for-sale financial assets	-	-	0.4
<b>Current free cash flow</b>	<b>131.9</b>	<b>86.6</b>	<b>226.6</b>
<b>External growth</b>	<b>(20.5)</b>	<b>(23.3)</b>	<b>(246.9)</b>
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	(20.5)	(22.2)	(245.0)
Acquisitions of investments in consolidated entities from non-controlling interests	-	-	(1.3)
Acquisitions of available-for-sale financial assets	-	(1.1)	(0.6)
<b>Disposals</b>	<b>0.0</b>	<b>26.4</b>	<b>33.9</b>
Disposals of investments in consolidated entities after deduction of the net debt disposed of	-	25.5	33.0
Disposals of available-for-sale financial assets	-	0.9	0.9
<b>Cash flow from other operating revenue and expenses</b>	<b>(4.4)</b>	<b>(8.8)</b>	<b>(17.4)</b>
<b>Dividends paid to shareholders and non-controlling interests</b>	<b>(113.3)</b>	<b>(91.1)</b>	<b>(91.4)</b>
<b>Financing requirement</b>	<b>(6.3)</b>	<b>(10.2)</b>	<b>(95.2)</b>
Transactions on equity	3.1	(9.1)	(21.6)
Net change in financial assets	(4.6)	0.2	(0.1)
<b>Change in net financial debt</b>	<b>(7.8)</b>	<b>(19.1)</b>	<b>(116.9)</b>

(€ millions)	06.30.2012	06.30.2011	2011
<b>Opening net financial debt</b>	<b>(1,031.1)</b>	<b>(872.8)</b>	<b>(872.8)</b>
Change in net financial debt	(7.8)	(19.1)	(116.9)
Impact of changes due to exchange rate fluctuations	(2.3)	14.1	(45.4)
Impact of changes in fair value of interest rate hedges	1.4	4.0	4.0
<b>Closing net financial debt</b>	<b>(1,039.8)</b>	<b>(873.8)</b>	<b>(1,031.1)</b>

## INFORMATION BY SEGMENTS

The reported segments correspond to the four business groups of Imerys: Performance & Filtration Minerals (PFM); Pigments for Paper & Packaging (PPP); Materials & Monolithics (M&M) and Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). Each of these segments is engaged in the production and rendering of related goods and services presenting geological, industrial and commercial synergies and results from the aggregation of the Cash-Generating Units followed each month by the Executive Management in its business reporting. The Executive Management considers that the holding structures dedicated to the centralized financing of the Group are no segments. Their aggregates are thus presented in a reconciliation column with inter-segment eliminations (IS&H).

### Consolidated income statement

Revenue from transactions of Imerys with each of its external customers never exceeds a threshold of 10.0% of the Group's revenue.

#### As of June 30, 2012

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
<b>External revenue</b>	<b>604.8</b>	<b>448.4</b>	<b>427.8</b>	<b>509.0</b>	<b>(3.8)</b>	<b>1,986.2</b>
Sales of goods	564.0	396.1	363.4	410.4	(3.9)	1,730.0
Rendering of services	40.8	52.3	64.4	98.6	0.1	256.2
<b>Inter-segment revenue</b>	<b>16.2</b>	<b>6.6</b>	<b>1.7</b>	<b>0.1</b>	<b>(24.6)</b>	<b>0.0</b>
<b>Revenue</b>	<b>621.0</b>	<b>455.0</b>	<b>429.5</b>	<b>509.1</b>	<b>(28.4)</b>	<b>1,986.2</b>
<b>Current operating income</b>	<b>81.6</b>	<b>60.8</b>	<b>42.5</b>	<b>105.1</b>	<b>(23.8)</b>	<b>266.2</b>
of which share in net income of joint ventures and associates	0.9	(0.1)	2.0	0.3	-	3.1
of which amortization, depreciation and impairment losses	(30.0)	(27.3)	(35.7)	(15.8)	(0.8)	(109.6)
<b>Operating income</b>	<b>78.1</b>	<b>58.1</b>	<b>42.3</b>	<b>101.4</b>	<b>(25.6)</b>	<b>254.3</b>
<b>Financial income (loss)</b>	<b>(1.8)</b>	<b>(1.7)</b>	<b>1.7</b>	<b>0.2</b>	<b>(32.4)</b>	<b>(34.0)</b>
Interest revenue	0.2	0.2	0.5	-	0.5	1.4
Interest expenses	(1.3)	(0.2)	(0.3)	(0.6)	(27.9)	(30.3)
<b>Income taxes</b>	<b>(22.6)</b>	<b>(6.8)</b>	<b>(3.0)</b>	<b>(36.6)</b>	<b>12.1</b>	<b>(56.9)</b>
<b>Net income</b>	<b>53.7</b>	<b>49.6</b>	<b>41.0</b>	<b>65.0</b>	<b>(45.9)</b>	<b>163.4</b>

#### As of June 30, 2011

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
<b>External revenue</b>	<b>584.6</b>	<b>297.4</b>	<b>397.4</b>	<b>524.9</b>	<b>3.0</b>	<b>1,807.3</b>
Sales of goods	545.9	264.9	334.0	440.7	3.0	1,588.5
Rendering of services	38.7	32.5	63.4	84.2	-	218.8
<b>Inter-segment revenue</b>	<b>16.5</b>	<b>5.4</b>	<b>8.2</b>	<b>0.3</b>	<b>(30.4)</b>	<b>0.0</b>
<b>Revenue</b>	<b>601.1</b>	<b>302.8</b>	<b>405.6</b>	<b>525.2</b>	<b>(27.4)</b>	<b>1,807.3</b>
<b>Current operating income</b>	<b>86.2</b>	<b>39.1</b>	<b>41.0</b>	<b>112.6</b>	<b>(26.0)</b>	<b>252.9</b>
of which share in net income of joint ventures and associates	2.3	(0.1)	1.4	0.1	-	3.7
of which amortization, depreciation and impairment losses	(29.9)	(19.8)	(34.9)	(16.7)	(0.8)	(102.1)
<b>Operating income</b>	<b>81.3</b>	<b>40.6</b>	<b>39.4</b>	<b>111.5</b>	<b>(22.0)</b>	<b>250.8</b>
<b>Financial income (loss)</b>	<b>(3.3)</b>	<b>0.7</b>	<b>0.3</b>	<b>(1.8)</b>	<b>(26.2)</b>	<b>(30.3)</b>
Interest revenue	0.4	0.1	0.1	0.2	0.4	1.2
Interest expenses	(0.9)	(0.1)	(0.5)	(0.9)	(27.4)	(29.8)
<b>Income taxes</b>	<b>(23.5)</b>	<b>(11.5)</b>	<b>(7.7)</b>	<b>(36.5)</b>	<b>15.3</b>	<b>(63.9)</b>
<b>Net income</b>	<b>54.5</b>	<b>29.8</b>	<b>32.0</b>	<b>73.2</b>	<b>(32.9)</b>	<b>156.6</b>

## As of December 31, 2011

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
<b>External revenue</b>	<b>1,154.1</b>	<b>708.1</b>	<b>780.1</b>	<b>1,024.9</b>	<b>7.6</b>	<b>3,674.8</b>
Sales of goods	1,073.6	629.4	657.9	843.0	7.4	3,211.3
Rendering of services	80.5	78.7	122.2	181.9	0.2	463.5
<b>Inter-segment revenue</b>	<b>32.0</b>	<b>11.6</b>	<b>16.3</b>	<b>0.4</b>	<b>(60.3)</b>	<b>0.0</b>
<b>Revenue</b>	<b>1,186.1</b>	<b>719.7</b>	<b>796.4</b>	<b>1,025.3</b>	<b>(52.7)</b>	<b>3,674.8</b>
<b>Current operating income</b>	<b>156.8</b>	<b>83.4</b>	<b>83.2</b>	<b>209.5</b>	<b>(45.9)</b>	<b>487.0</b>
of which share in net income of joint ventures and associates	5.3	(0.2)	4.3	0.9	-	10.3
of which amortization, depreciation and impairment losses	(62.5)	(47.9)	(67.4)	(31.0)	(2.1)	(210.9)
<b>Operating income</b>	<b>143.1</b>	<b>83.4</b>	<b>76.2</b>	<b>204.3</b>	<b>(43.1)</b>	<b>463.9</b>
<b>Financial income (loss)</b>	<b>0.5</b>	<b>35.5</b>	<b>(6.8)</b>	<b>(0.1)</b>	<b>(86.3)</b>	<b>(57.2)</b>
Interest revenue	1.1	0.2	0.7	0.1	1.0	3.1
Interest expenses	(2.0)	(0.3)	(0.8)	(1.7)	(53.6)	(58.4)
<b>Income taxes</b>	<b>(46.4)</b>	<b>(29.2)</b>	<b>(15.6)</b>	<b>(70.1)</b>	<b>40.1</b>	<b>(121.2)</b>
<b>Net income</b>	<b>97.2</b>	<b>89.7</b>	<b>53.8</b>	<b>134.1</b>	<b>(89.3)</b>	<b>285.5</b>

## Consolidated statement of financial position

### As of June 30, 2012

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
<b>Capital employed - Assets</b>	<b>1,534.0</b>	<b>1,076.9</b>	<b>1,170.0</b>	<b>773.9</b>	<b>(5.0)</b>	<b>4,549.8</b>
Goodwill <sup>(1)</sup>	454.5	233.3	162.9	187.7	0.8	1,039.2
Intangible assets and property, plant and equipment <sup>(2)</sup>	450.4	539.8	632.6	294.4	14.4	1,931.6
Inventories	315.4	113.2	119.5	128.3	-	676.4
Trade receivables	215.7	150.2	114.8	127.3	(7.9)	600.1
Other receivables - non-current and current	63.8	37.7	103.4	28.8	(15.3)	218.4
Investments in associates	34.2	2.7	36.8	7.4	3.0	84.1
<b>Unallocated assets</b>						<b>471.5</b>
<b>Total assets</b>						<b>5,021.3</b>
<b>Capital employed - Liabilities</b>	<b>221.6</b>	<b>153.3</b>	<b>151.4</b>	<b>212.7</b>	<b>(39.3)</b>	<b>699.7</b>
Trade payables	142.7	86.9	86.7	124.0	(17.4)	422.9
Other debts - non-current and current	57.0	57.0	55.8	81.9	0.7	252.4
Income taxes payable	21.9	9.4	8.9	6.8	(22.6)	24.4
<b>Provisions</b>	<b>123.1</b>	<b>205.0</b>	<b>123.3</b>	<b>92.9</b>	<b>43.3</b>	<b>587.6</b>
<b>Unallocated liabilities</b>						<b>0.0</b>
<b>Total non-current and current liabilities</b>						<b>1,497.4</b>
<b>Total capital employed</b>	<b>1,312.4</b>	<b>923.6</b>	<b>1,018.6</b>	<b>561.2</b>	<b>34.3</b>	<b>3,850.1</b>

(1) Increases in goodwill - 8.6 1.3 - - 9.9

(2) Acquisitions of intangible assets and property, plant and equipment 46.3 16.9 37.2 10.9 4.8 116.1

**As of June 30, 2011**

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
<b>Capital employed - Assets</b>	<b>1,363.5</b>	<b>678.0</b>	<b>1,123.3</b>	<b>759.2</b>	<b>6.1</b>	<b>3,930.1</b>
Goodwill <sup>(1)</sup>	423.9	138.8	158.7	194.4	0.7	916.5
Intangible assets and property, plant and equipment <sup>(2)</sup>	390.6	357.0	614.2	305.0	6.1	1,672.9
Inventories	268.9	57.8	111.9	117.4	0.2	556.2
Trade receivables	198.1	100.0	102.1	111.8	(8.3)	503.7
Other receivables - non-current and current	54.6	21.6	101.1	23.8	4.7	205.8
Investments in associates	27.4	2.8	35.3	6.8	2.7	75.0
<b>Unallocated assets</b>						<b>617.7</b>
<b>Total assets</b>						<b>4,547.8</b>
<b>Capital employed - Liabilities</b>	<b>210.0</b>	<b>90.1</b>	<b>119.7</b>	<b>206.8</b>	<b>(5.1)</b>	<b>621.5</b>
Trade payables	128.1	57.3	71.4	114.6	(19.5)	351.9
Other debts - non-current and current	57.7	29.0	49.9	88.4	(0.1)	224.9
Income taxes payable	24.2	3.8	(1.6)	3.8	14.5	44.7
<b>Provisions</b>	<b>102.7</b>	<b>90.8</b>	<b>81.4</b>	<b>76.5</b>	<b>(21.5)</b>	<b>329.9</b>
<b>Unallocated liabilities</b>						<b>1,477.8</b>
<b>Total non-current and current liabilities</b>						<b>2,429.2</b>
<b>Total capital employed</b>	<b>1,153.5</b>	<b>587.9</b>	<b>1,003.6</b>	<b>552.4</b>	<b>11.2</b>	<b>3,308.6</b>

(1) Increases in goodwill 0.5 - - (0.5) - 0.0

(2) Acquisitions of intangible assets and property, plant and equipment 36.9 17.0 34.3 10.2 0.8 99.2

**As of December 31, 2011**

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
<b>Capital employed - Assets</b>	<b>1,443.8</b>	<b>1,052.7</b>	<b>1,166.4</b>	<b>748.8</b>	<b>3.5</b>	<b>4,415.2</b>
Goodwill <sup>(1)</sup>	448.4	221.9	161.5	187.1	0.8	1,019.7
Intangible assets and property, plant and equipment <sup>(2)</sup>	431.8	536.0	642.8	304.0	10.1	1,924.7
Inventories	292.2	120.7	113.4	119.6	-	645.9
Trade receivables	184.1	137.6	104.4	107.7	(6.9)	526.9
Other receivables - non-current and current	54.4	33.7	108.0	22.9	(3.4)	215.6
Joint ventures and associates	32.9	2.8	36.3	7.5	2.9	82.4
<b>Unallocated assets</b>						<b>541.2</b>
<b>Total assets</b>						<b>4,956.4</b>
<b>Capital employed - Liabilities</b>	<b>207.5</b>	<b>139.6</b>	<b>134.1</b>	<b>202.1</b>	<b>(39.7)</b>	<b>643.6</b>
Trade payables	123.2	76.9	75.6	103.5	(19.2)	360.0
Other debts - non-current and current	67.7	56.3	63.8	94.7	(8.6)	273.9
Income taxes payable	16.6	6.4	(5.3)	3.9	(11.9)	9.7
<b>Provisions</b>	<b>112.4</b>	<b>186.5</b>	<b>123.7</b>	<b>84.9</b>	<b>8.2</b>	<b>515.7</b>
<b>Unallocated liabilities</b>						<b>1,586.2</b>
<b>Total non-current and current liabilities</b>						<b>2,745.5</b>
<b>Total capital employed</b>	<b>1,236.3</b>	<b>913.1</b>	<b>1,032.3</b>	<b>546.7</b>	<b>43.2</b>	<b>3,771.6</b>

(1) Increases in goodwill 0.5 74.3 - (0.5) 0.8 75.1

(2) Acquisitions of intangible assets and property, plant and equipment 92.4 38.9 68.0 22.9 4.8 227.0

## Information by geographical location

The following table presents revenue by geographical location of the businesses of the Group:

(€ millions)	06.30.2012	06.30.2011	2011
France	391.7	393.6	782.5
Other European countries	736.3	664.4	1,358.8
North America	490.7	402.7	833.4
Asia - Oceania	273.7	252.5	512.8
Other countries	93.8	94.1	187.3
<b>Revenue by geographical location of the businesses of the Group</b>	<b>1,986.2</b>	<b>1,807.3</b>	<b>3,674.8</b>

The following table presents revenue by geographical location of the customers:

(€ millions)	06.30.2012	06.30.2011	2011
France	321.5	324.7	624.3
Other European countries	723.9	655.2	1,345.8
North America	449.4	368.0	770.3
Asia - Oceania	339.2	310.3	640.4
Other countries	152.2	149.1	294.0
<b>Revenue by geographical location of the customers</b>	<b>1,986.2</b>	<b>1,807.3</b>	<b>3,674.8</b>

The following tables present the carrying amount of goodwill and intangible assets and property, plant and equipment by geographical zone.

### As of June 30, 2012

(€ millions)	Goodwill	Intangible assets and property, plant and equipment	Total
France <sup>(1)</sup>	237.3	370.5	607.8
Other European countries	336.7	421.6	758.3
North America	138.2	574.7	712.9
Asia - Oceania	245.5	182.0	427.5
Other countries	81.5	382.8	464.3
<b>Total</b>	<b>1,039.2</b>	<b>1,931.6</b>	<b>2,970.8</b>

(1) Of which €72.7 million related to the provisional allocation of the goodwill of the Luzenac group (Note 14).

### As of June 30, 2011

(€ millions)	Goodwill	Intangible assets and property, plant and equipment	Total
France	166.1	341.5	507.6
Other European countries	326.7	357.9	684.6
North America	120.4	438.8	559.2
Asia - Oceania	225.9	145.3	371.2
Other countries	77.5	389.4	466.9
<b>Total</b>	<b>916.6</b>	<b>1,672.9</b>	<b>2,589.5</b>

### As of December 31, 2011

(€ millions)	Goodwill	Intangible assets and property, plant and equipment	Total
France <sup>(1)</sup>	240.0	390.0	630.0
Other European countries	329.3	399.3	728.6
North America	134.5	564.3	698.8
Asia - Oceania	242.3	181.8	424.1
Other countries	73.6	389.3	462.9
<b>Total</b>	<b>1,019.7</b>	<b>1,924.7</b>	<b>2,944.4</b>

(1) Of which €74.3 million related to the provisional allocation of the goodwill of the Luzenac group (Note 14).

## NOTES TO THE FINANCIAL STATEMENTS

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### ■ ACCOUNTING PRINCIPLES AND POLICIES

#### Note 1 Accounting principles

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The June 30, 2012 1<sup>st</sup> half financial statements are intended to provide an update on the complete set of annual financial statements as of December 31, 2011 compliant with IFRSs adopted within the European Union (hereafter "the Referential"). They are established in a condensed form in compliance with IAS 34 (interim financial information) and do not include all disclosures for a complete set of financial statements as published for the annual closing. They shall thus be reviewed in relation with the Group annual financial statements published as of December 31, 2011. The adoption process within the European Union may create temporary time-lags at the closing date between the Referential and IFRSs. However, in absence of temporary time-lags on texts concerning the Group as of June 30, 2012, there is for Imerys no difference at that date between the Referential and IFRSs. The financial statements have been closed on July 26, 2012 by the Board of Directors of Imerys SA, the Parent Company of the Group.

#### Note 2 Changes in accounting policies

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##### 2.1 Mandatory changes

###### Anticipated application

Imerys is not applying any text by anticipation in 2012. In 2011, the Group had applied by anticipation the amendments to IAS 1 on the presentation of other comprehensive income.

###### Application upon effective date

The following text does not concern the transactions, events or conditions existing within the Group: Amendments to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets.

##### 2.2 Voluntary changes

Imerys is not performing any voluntary change in accounting policies in 2012. In 2011, the Group had changed its recognition policy of post-employment employee benefits actuarial differences by the option, in the framework of the current standard, for the immediate recognition of the entire actuarial differences in equity with no subsequent reclassification in profit or loss.

#### Note 3 Texts effective after the closing date

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On the basis of the last projected adoption agenda of IFRSs within the European Union dated July 17, 2012 published by the EFRAG (European Financial Reporting Advisory Group), Imerys will apply the following texts after June 30, 2012.

##### 3.1 Application in 2012

The following texts, whose adoption process within the European Union is in progress as of June 30, 2012, do not concern the transactions, events or conditions existing within the Group: Amendments to IAS 12, Income Taxes: Deferred Tax - Recovery of Underlying Assets; Amendments to IFRS 1, First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters.

## 3.2 Application in 2013

**Amendments to IAS 19, Employee Benefits.** These retrospectively applicable amendments will bring three main changes to the recognition of post-employment employee benefits: immediate recognition of the entire actuarial differences in equity with no subsequent reclassification in profit or loss; immediate recognition in profit or loss, upon amendment of a plan, of the entire past service cost; and suppression of the notion of expected return on plan assets in profit or loss, replaced by a normative return whose rate will be equal, irrespective of the investment strategy, to the discount rate of the obligation, the excess of the actual return over this normative return being immediately credited in equity with no subsequent reclassification in profit or loss. Imerys will however be concerned only by the two last changes, the entire actuarial differences of post-employment employee benefits being immediately recognized in equity in accordance with the voluntary change in accounting method performed in 2011 (*Note 2.2*). On the basis of reasonably estimable information, the possible impact of the change in accounting policy on the consolidated equity of the first comparative period is presented hereafter. Debit adjustments are negative and credit adjustments are positive.

(€ millions)	2012	01.01.2012
<b>Income statement</b>	<b>(9.2)</b>	-
Staff expenses	(1.7)	-
Costs of administering benefit payments	(2.5)	-
Cancellation of past service cost amortization	0.8	-
Other financial revenue	(10.5)	-
Return on assets of defined benefit plans	(10.5)	-
Income taxes	3.0	-
Current operating and financial income (loss) deferred taxes	3.0	-
<b>Statement of comprehensive income</b>	<b>7.4</b>	<b>(2.3)</b>
Excess of the actual return over the normative return on assets	13.4	-
Costs of managing plan assets	(0.3)	-
Past service cost	(3.5)	(3.5)
Income taxes	(2.2)	1.2
<b>Statement of changes in equity</b>	<b>(1.8)</b>	<b>(2.3)</b>

On the basis of reasonably estimable information, the possible impact of the change in accounting policy on the statement of financial position of the first comparative period is presented hereafter. Debit adjustments are negative and credit adjustments are positive.

(€ millions)	2012	01.01.2012
Deferred tax assets	(0.9)	(1.2)
Provisions for employee benefits	2.7	3.5
Retirement plans	3.5	3.5
<b>Statement of financial position</b>	<b>1.8</b>	<b>2.3</b>

Besides, the adoption process of the following texts is in progress within the European Union as of June 30, 2012.

**IFRS 13, Fair Value Measurement.** This standard defines fair value as the exit price of an asset or liability and imposes the methodology applicable to its determination as well as disclosures (*Notes 21.1 and 21.3*). IFRS 13 is not defining the circumstances under which the use of fair value is required, this remaining provided by the applicable standards.

**Improvements to IFRSs (May 2012).** This continuous project provides amendments necessary to existing texts.

**IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.** This prospectively applicable interpretation, whose adoption process within the European Union is in progress as of June 30, 2012, clarifies the modes of recognition, measurement and presentation of overburden assets, i.e. of the accesses to a surface mine created by the removal of the top soil. This interpretation, that confirms the methods previously defined by the Executive Management in the absence of any applicable text (*Note 16*), will thus have no impact on the Group financial statements.

At last, the texts hereafter, whose adoption process within the European Union is in progress as of June 30, 2012, do not concern the transactions, events or conditions existing within the Group: Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards: Government Loans; Amendments to IFRS 7 Disclosures : Offsetting Financial Assets and Financial Liabilities.

### 3.3 Application in 2014

As of June 30, 2012, the adoption process of the following standards is in progress within the European Union.

**IFRS 10, Consolidated Financial Statements.** This retrospectively applicable standard will replace standard IAS 27, Consolidated and Separate Financial Statements and interpretation SIC 12, Consolidation - Special Purpose Entities and will confirm control as the basis for the scope of consolidation according to three components: power, exposure to the variability of returns and capacity to exercise that power to have an influence on these returns. This new standard will have no impact on the scope of consolidation. IAS 27, revised correlatively with the publication of IFRS 10, will only address separate financial statements and will thus no longer be applicable within the Group.

**IFRS 11, Joint Arrangements.** This retrospectively applicable standard will replace standard IAS 31, Interests in Joint Ventures and interpretation SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers and will suppress the current option provided by IAS 31 to recognize jointly controlled businesses either under the proportionate integration method, or under the equity method. In the new standard, only the equity method will be allowed. IAS 28 is revised correlatively with the publication of IFRS 11. These new rules will have no impact at Imerys where the proportionate integration method is not used.

**IFRS 12, Disclosure of Interests in Other Entities.** This standard is intended to improve the disclosures on the entities over which the Group exercises control, joint control or significant influence.

At last, the text hereafter, whose adoption process within the European Union is in progress as of June 30, 2012, does not concern the transactions, events or conditions existing within the Group: Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities.

### 3.4 Application in 2015

As of June 30, 2012, the adoption process of the following standard is in progress within the European Union.

**IFRS 9 (Phase 1), Financial Instruments: Classification and Measurement.** As of July 26, 2012, the date at which the financial statements are closed by the Board of Directors, the EFRAG has not communicated any indicative adoption date for this text. On its side the IASB has required in the amendment to IFRS 9 described hereafter a mandatory application as of January 1, 2015. Imerys shall thus apply this text at this date at the latest, on condition of its prior adoption within the European Union. On this same condition, the Group could decide to apply it by anticipation before January 1, 2015. This text represents the first step of a reform intended to simplify IAS 39. This first amendment reduces the number of categories of financial instruments by focusing on the two measurement bases that are fair value and amortized cost. This amendment shall modify the classification of information disclosed in [Notes 9, 10, 19 and 21.1](#) without impacting the recognition and measurement rules of financial instruments. These rules shall however be modified as part of an amendments project in progress as of June 30, 2012: impairment losses of financial assets measured at amortized cost (Phase 2) and hedge accounting (Phase 3).

**Amendments to IFRS 7, Financial Instruments: Disclosures.** These amendments state in particular the disclosures that enable to understand the bridge, at the adoption date of standard IFRS 9, between the old and new financial instruments categories and the old and new measurement rules for the financial instruments held at that date.

**Amendments to IFRS 9, Financial Instruments.** These amendments state in particular that the entities that will adopt IFRS 9 as of January 1, 2015 will not have to restate any comparative period. At that date, the bridge between the old and new financial instruments categories will be explained, as a result of the amendments to IFRS 7, by the disclosures provided in the notes and the difference, between the old and new valuations of the financial instruments held at that date, will be recognized as an adjustment of the consolidated equity as of January 1, 2015.

## ■ NOTES TO THE CONSOLIDATED INCOME STATEMENT

### Note 4 Revenue

(€ millions)	06.30.2012	06.30.2011	2011
Sales of goods	1,730.0	1,588.5	3,211.3
Rendering of services	256.2	218.8	463.5
<b>Total</b>	<b>1,986.2</b>	<b>1,807.3</b>	<b>3,674.8</b>

Revenue amounts to €1,986.2 million in the 1<sup>st</sup> half of 2012 (€1,807.3 million in the 1<sup>st</sup> half of 2011 and €3,674.8 million in 2011), i.e. an increase of + 9.9% (+ 11.4% in the 1<sup>st</sup> half of 2011 and + 9.8% in 2011), including a positive effect of + €48.5 million due to foreign currency changes (- €27.5 million in the 1<sup>st</sup> half of 2011 and - €67.1 million in 2011) and a positive structure impact of + €156.8 million (+ €14.5 million in the 1<sup>st</sup> half of 2011 and + €125.0 million in 2011). At comparable structure and foreign currency rates, it decreases by - 1.5% (+ 12.2% in the 1<sup>st</sup> half of 2011 and + 8.1% in 2011).

### Note 5 Raw materials and consumables used

(€ millions)	06.30.2012	06.30.2011	2011
Raw materials	(329.5)	(305.5)	(607.7)
Energy	(206.2)	(183.9)	(364.9)
Chemicals	(41.8)	(38.3)	(77.1)
Other raw materials	(94.8)	(87.7)	(177.7)
Merchandises	(55.9)	(64.5)	(124.1)
Change in inventories	24.8	34.2	49.7
Property, plant and equipment produced by the entity	5.8	3.5	7.3
<b>Total</b>	<b>(697.6)</b>	<b>(642.2)</b>	<b>(1,294.5)</b>

### Note 6 External expenses

(€ millions)	06.30.2012	06.30.2011	2011
Freight	(235.3)	(207.3)	(424.4)
Operating leases	(31.2)	(27.1)	(57.0)
Subcontracting	(60.1)	(57.4)	(125.5)
Maintenance and repair	(54.0)	(45.8)	(96.1)
Fees	(36.0)	(28.8)	(57.5)
Other external expenses	(97.2)	(85.1)	(180.4)
<b>Total</b>	<b>(513.8)</b>	<b>(451.5)</b>	<b>(940.9)</b>

## Note 7 Staff expenses

(€ millions)	06.30.2012	06.30.2011	2011
Salaries	(285.3)	(245.9)	(511.0)
Social contributions	(68.4)	(55.6)	(114.4)
Net change in the provisions for defined benefit plans	7.4	5.8	14.7
Contributions to defined benefit plans	(16.8)	(13.1)	(30.2)
Contributions to defined contribution plans	(11.6)	(10.0)	(19.9)
Profit-sharing	(11.2)	(10.5)	(24.0)
Other employee benefits	(6.0)	(4.8)	(10.3)
<b>Total</b>	<b>(391.9)</b>	<b>(334.1)</b>	<b>(695.1)</b>

## Note 8 Other operating revenue and expenses

(€ millions)	06.30.2012	06.30.2011	2011
<b>Gain or loss from obtaining or losing control</b>	<b>(3.4)</b>	<b>5.8</b>	<b>7.8</b>
Transaction costs	(4.0)	(0.9)	(6.8)
Changes in fair value related to obtaining or losing control	-	(2.0)	(1.0)
Profits resulting from bargain purchases	-	-	9.2
Changes in estimate of the contingent remuneration of the seller	0.7	-	(0.5)
Income from disposal of consolidated businesses	(0.1)	8.7	6.9
<b>Other non-recurring items</b>	<b>(8.5)</b>	<b>(7.9)</b>	<b>(30.9)</b>
Impairment losses on goodwill	(1.1)	(1.2)	(0.7)
Impairment losses on restructuring	1.8	-	(18.6)
Income on non-recurring asset disposals	-	-	(0.5)
Restructuring expenses paid	(8.2)	(7.9)	(12.5)
Change in provisions	(1.0)	1.2	3.1
Share in net income of associates out of the recurring business	-	-	(1.7)
<b>Other operating revenue and expenses - gross</b>	<b>(11.9)</b>	<b>(2.1)</b>	<b>(23.1)</b>
Revenue	7.9	32.3	57.8
Expenses	(19.8)	(34.4)	(80.9)
Income taxes	8.2	-	2.0
<b>Other operating revenue and expenses - net, Group share</b>	<b>(3.7)</b>	<b>(2.1)</b>	<b>(21.1)</b>

### Other operating revenue and expenses of 2012

The "Other operating revenue and expenses - gross" amount to -€11.9 million: -€3.5 million in the Minerals for Ceramics, Refractories, Abrasives & Foundry business group (of which mainly -€1.2 million of restructuring expenses paid); -€2.7 million in the Performance & Filtration Minerals business group (of which mainly -€5.2 million of restructuring expenses paid); -€0.2 million in the Pigments for Paper & Packaging business group (of which mainly -€1.4 million of restructuring expenses paid); -€3.7 million in the Materials & Monolithics business group (of which mainly -€1.5 million of restructuring expenses paid); and -€1.8 million in the holdings (of which mainly -€3.6 million of transaction costs on acquisitions of businesses). After +€8.2 million income taxes (of which mainly +€5.1 million of extinction of income taxes risks), the 2012 "Other operating revenue and expenses - net, Group share" amount to -€3.7 million, of which +€0.7 million with no cash impact and -€4.4 million in cash.

## Other operating revenue and expenses of 2011

The “Other operating revenue and expenses - gross” amounted to - €23.1 million: - €13.7 million in the Minerals for Ceramics, Refractories, Abrasives & Foundry business group (of which mainly - €8.4 million of impairment of assets and environmental provisions); - €7.0 million in the Pigments for Paper & Packaging business group (of which mainly + €9.1 million with respect to the finalization of the PPSA purchase accounting and - €13.8 million with respect to impairment of assets and provisions for restructuring); - €5.2 million in the Materials & Monolithics business group (of which mainly - €4.7 million of impairment of assets and provisions for restructuring); and + €2.8 million in the holdings (of which mainly + €7.5 million corresponding to the extinction of a purchase commitment of non-controlling interests and - €5.9 million of transaction costs on acquisitions of businesses). The latter mainly related to the acquisition of the Luzenac group (*Note 14*). The 2011 “Other operating revenue and expenses - net, Group share” amounted to - €21.1 million after income taxes, of which - €35.5 million with no cash impact and + €14.4 million in cash.

## Note 9 Financial instruments

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Financial instruments result from contracts whose execution symmetrically creates a financial asset of one party to the contract and a financial liability or an equity instrument of the other party. Financial instruments are related to one of the following categories: “Available-for-sale financial assets” (investments in non-consolidated entities), “Financial assets and liabilities at fair value through profit or loss” (marketable securities and derivatives not eligible to hedge accounting), “Loans and receivables” (trade receivables, cash and cash equivalents), or “Financial liabilities at amortized cost (bonds, bank loans, trade payables, bank overdrafts).

Hedge derivatives are disclosed in a separate column since the exceptional character of hedge accounting excludes any relation to one of the above categories. *Notes 9, 10, 19 and 21.1* present disclosures on financial instruments in accordance with these categories. The classification logic of financial instrument assets (*Note 19*) and liabilities (*Note 21.1*) transversally applies to their changes in profit or loss (*Notes 9 and 10*). For example, “Revenue” is attached to “Amortized cost” as its counterparts in “Trade receivables” or “Cash and cash equivalents” belong to that category in the assets. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column “Non IAS 39” that includes the following items:

- non IAS 39 financial assets and liabilities: short-term employee benefits assets and liabilities (IAS 19), share-based payments (IFRS 2), finance lease liabilities (IAS 17);
- non-financial assets and liabilities: intangible assets (IAS 38), property, plant and equipment (IAS 16), mining assets (IFRS 6), inventories (IAS 2), income taxes assets and liabilities (IAS 12), prepaid expenses (IAS 38), provisions (IAS 37), defined employee benefits assets and liabilities (IAS 19), grants (IAS 20).

The tables hereafter disclose the income and expenses before income taxes recognized in profit or loss and equity by categories of financial instruments. The balances of “Other financial revenue” and “Other financial expenses” are further analyzed in [Note 10](#).

### As of June 30, 2012

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total	
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39		
<b>Operating income</b>										
Revenue	-	-	-	1,990.1	-	-	(3.9)	-	1,986.2	
Raw materials and consumables used	-	-	-	-	(724.9)	-	(3.2)	30.5	(697.6)	
External expenses	-	-	-	-	(513.8)	-	-	-	(513.8)	
Taxes and duties	-	-	-	-	(26.5)	-	-	-	(26.5)	
Other operational revenue and expenses	-	-	-	26.2	(25.9)	-	0.7	15.3	16.3	
Gain or loss from obtaining or losing control	-	-	-	-	(3.2)	-	-	(0.2)	(3.4)	
<b>Financial income (loss)</b>										
Income from securities	-	1.4	-	-	-	-	-	-	1.4	
Gross financial debt expense	-	-	(0.4)	-	(30.2)	-	-	-	(30.6)	
Other financial revenue	0.2	-	3.0	14.8	25.5	1.3	-	25.8	70.6	
Other financial expenses	(0.2)	-	(1.3)	(0.2)	(45.2)	(1.3)	(0.2)	(27.0)	(75.4)	
<b>Equity</b>										
Recognition in equity	-	-	-	-	-	-	0.1	-	0.1	
Reclassification in profit or loss	-	-	-	-	-	-	7.4	-	7.4	
<b>Total financial instruments</b>	<b>0.0</b>	<b>1.4</b>	<b>1.3</b>	<b>2,030.9</b>	<b>(1,344.2)</b>	<b>0.0</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	
of which impairment losses in profit or loss	-	-	-	-	-	-	-	-	-	
of which reversals of impairment losses in profit or loss	-	-	-	-	-	-	-	-	-	

The columns “Hedge derivatives / Fair value” and “Hedge derivatives / Cash flow” of the above table are analyzed as follows:

(€ millions)	Fair value			Total	Cash flow		Total
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges		Effective portion of hedges	Ineffective portion of hedges	
<b>Operating income</b>							
Revenue	-	-	-	-	(3.9)	-	(3.9)
Raw materials and consumables used	-	-	-	-	(3.2)	-	(3.2)
Other operational revenue and expenses	-	-	-	-	(0.3)	1.0	0.7
<b>Financial income (loss)</b>							
Gross financial debt expense	-	-	-	-	-	-	0.0
Other financial revenue	-	1.3	-	1.3	-	-	0.0
Other financial expenses	(1.3)	-	-	(1.3)	-	(0.2)	(0.2)
<b>Profit or loss</b>	<b>(1.3)</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>(7.4)</b>	<b>0.8</b>	<b>(6.6)</b>
<b>Equity</b>							
Recognition in equity	-	-	-	-	0.1	-	0.1
Reclassification in profit or loss	-	-	-	-	7.4	-	7.4
<b>Total financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>0.9</b>

## As of June 30, 2011

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow		
<b>Operating income</b>									
Revenue	-	-	-	1,803.7	-	-	3.6	-	1,807.3
Raw materials and consumables used	-	-	-	-	(684.6)	-	3.7	38.7	(642.2)
External expenses	-	-	-	-	(451.5)	-	-	-	(451.5)
Taxes and duties	-	-	-	-	(23.1)	-	-	-	(23.1)
Other operational revenue and expenses	-	-	-	24.7	(28.9)	-	1.7	(2.6)	(5.1)
Gain or loss from obtaining or losing control	(1.2)	-	-	-	(0.8)	-	-	7.8	5.8
<b>Financial income (loss)</b>									
Income from securities	-	1.2	-	-	-	-	-	-	1.2
Gross financial debt expense	-	-	(0.6)	-	(29.0)	(0.5)	-	-	(30.1)
Other financial revenue	0.1	-	1.9	1.6	64.4	5.1	-	25.4	98.5
Other financial expenses	-	-	-	(0.1)	(68.7)	(5.0)	-	(26.1)	(99.9)
<b>Equity</b>									
Recognition in equity	-	-	-	-	-	-	10.2	-	10.2
Reclassification in profit or loss	-	-	-	-	-	-	(7.2)	-	(7.2)
<b>Total financial instruments</b>	<b>(1.1)</b>	<b>1.2</b>	<b>1.3</b>	<b>1,829.9</b>	<b>(1,222.2)</b>	<b>(0.4)</b>	<b>12.0</b>	<b>-</b>	<b>-</b>
of which impairment losses in profit or loss	-	-	-	(2.5)	-	-	-	(3.6)	-
of which reversals of impairment losses in profit or loss	-	-	-	4.0	-	-	-	3.0	-

The columns "Hedge derivatives / Fair value" and "Hedge derivatives / Cash flow" of the above table are analyzed as follows:

(€ millions)	Fair value			Total	Cash flow		Total
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges		Effective portion of hedges	Ineffective portion of hedges	
<b>Operating income</b>							
Revenue	-	-	-	-	3.6	-	3.6
Raw materials and consumables used	-	-	-	-	3.7	-	3.7
Other operational revenue and expenses	-	-	-	-	(0.1)	1.8	1.7
<b>Financial income (loss)</b>							
Gross financial debt expense	-	(0.5)	-	(0.5)	-	-	0.0
Other financial revenue	5.1	-	-	5.1	-	-	0.0
Other financial expenses	-	(5.0)	-	(5.0)	-	-	0.0
<b>Profit or loss</b>	<b>5.1</b>	<b>(5.5)</b>	<b>0.0</b>	<b>(0.4)</b>	<b>7.2</b>	<b>1.8</b>	<b>9.0</b>
<b>Equity</b>							
Recognition in equity	-	-	-	-	10.2	-	10.2
Reclassification in profit or loss	-	-	-	-	(7.2)	-	(7.2)
<b>Total financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.4)</b>	<b>-</b>	<b>-</b>	<b>12.0</b>

## As of December 31, 2011

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total	
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39		
<b>Operating income</b>										
Revenue	-	-	-	3,667.7	-	-	7.1	-	-	3,674.8
Raw materials and consumables used	-	-	-	-	(1,358.9)	-	5.3	59.1	-	(1,294.5)
External expenses	-	-	-	-	(940.9)	-	-	-	-	(940.9)
Other operational revenue and expenses	-	-	-	47.6	(51.2)	-	0.2	(8.2)	-	(11.6)
<b>Financial income (loss)</b>										
Income from securities	-	3.0	-	-	-	-	-	-	-	3.0
Gross financial debt expense	-	-	(0.3)	-	(58.7)	-	(0.1)	-	-	(59.1)
Other financial revenue	0.3	-	3.5	3.5	108.5	12.2	-	50.7	-	178.7
Other financial expenses	(0.1)	-	(1.0)	(0.3)	(112.2)	(12.2)	-	(54.0)	-	(179.8)
<b>Equity</b>										
Recognition in equity	-	-	-	-	-	-	(12.6)	-	-	(12.6)
Reclassification in profit or loss	-	-	-	-	-	-	(11.1)	-	-	(11.1)
<b>Total financial instruments</b>	<b>0.2</b>	<b>3.0</b>	<b>2.2</b>	<b>3,718.5</b>	<b>(2,413.4)</b>	<b>0.0</b>	<b>(11.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
of which impairment losses in profit or loss	(0.1)	-	-	(5.8)	-	-	-	(10.5)	-	-
of which reversals of impairment losses in profit or loss	-	-	-	9.1	-	-	-	10.1	-	-

The columns "Hedge derivatives / Fair value" and "Hedge derivatives / Cash flow" of the above table are analyzed as follows:

(€ millions)	Fair value			Total	Cash flow		Total
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges		Effective portion of hedges	Ineffective portion of hedges	
<b>Operating income</b>							
Revenue	-	-	-	-	7.1	-	7.1
Raw materials and consumables used	-	-	-	-	5.3	-	5.3
Other operational revenue and expenses	-	-	-	-	(1.2)	1.4	0.2
<b>Financial income (loss)</b>							
Gross financial debt expense	-	-	-	-	(0.1)	-	(0.1)
Other financial revenue	12.2	-	-	12.2	-	-	0.0
Other financial expenses	-	(12.2)	-	(12.2)	-	-	0.0
<b>Profit or loss</b>	<b>12.2</b>	<b>(12.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>11.1</b>	<b>1.4</b>	<b>12.5</b>
<b>Equity</b>							
Recognition in equity	-	-	-	-	(12.6)	-	(12.6)
Reclassification in profit or loss	-	-	-	-	(11.1)	-	(11.1)
<b>Total financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>(11.2)</b>

## Note 10 Financial income (loss)

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

### As of June 30, 2012

(€ millions)	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	
<b>Net financial debt expense</b>	<b>0.0</b>	<b>1.4</b>	<b>(0.4)</b>	<b>0.0</b>	<b>(30.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(29.2)</b>
Income from securities	-	1.4	-	-	-	-	-	-	1.4
Gross financial debt expense	-	-	(0.4)	-	(30.2)	-	-	-	(30.6)
<b>Other financial revenue and expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>1.7</b>	<b>14.6</b>	<b>(19.7)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>(4.8)</b>
Net exchange rate differences	-	-	-	-	(4.9)	-	-	(0.2)	(5.1)
Expense and revenue on derivative instruments	-	-	1.7	-	-	-	(0.1)	-	1.6
Expected return on assets for defined benefit plans	-	-	-	-	-	-	-	25.8	25.8
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(25.2)	(25.2)
Unwinding of other provisions	-	-	-	-	-	-	-	(1.6)	(1.6)
Other financial revenue and expenses	-	-	-	14.6	(14.8)	-	(0.1)	-	(0.3)
<b>Financial income (loss)</b>	<b>0.0</b>	<b>1.4</b>	<b>1.3</b>	<b>14.6</b>	<b>(49.9)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>(34.0)</b>
Revenue	0.2	1.4	(1.3)	14.8	29.8	1.3	-	25.8	72.0
Expenses	(0.2)	-	2.6	(0.2)	(79.7)	(1.3)	(0.2)	(27.0)	(106.0)

### As of June 30, 2011

(€ millions)	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	
<b>Net financial debt expense</b>	<b>0.0</b>	<b>1.2</b>	<b>(0.6)</b>	<b>0.0</b>	<b>(29.0)</b>	<b>(0.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(28.9)</b>
Income from securities	-	1.2	-	-	-	-	-	-	1.2
Gross financial debt expense	-	-	(0.6)	-	(29.0)	(0.5)	-	-	(30.1)
<b>Other financial revenue and expenses</b>	<b>0.1</b>	<b>0.0</b>	<b>1.9</b>	<b>1.5</b>	<b>(4.3)</b>	<b>0.1</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(1.4)</b>
Dividends	0.1	-	-	-	-	-	-	-	0.1
Net exchange rate differences	-	-	-	-	(2.6)	-	-	0.3	(2.3)
Expense and revenue on derivative instruments	-	-	1.9	-	-	0.1	-	-	2.0
Expected return on assets for defined benefit plans	-	-	-	-	-	-	-	25.1	25.1
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(24.8)	(24.8)
Unwinding of other provisions	-	-	-	-	-	-	-	(1.3)	(1.3)
Other financial revenue and expenses	-	-	-	1.5	(1.7)	-	-	-	(0.2)
<b>Financial income (loss)</b>	<b>0.1</b>	<b>1.2</b>	<b>1.3</b>	<b>1.5</b>	<b>(33.3)</b>	<b>(0.4)</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(30.3)</b>
Revenue	0.1	1.2	1.9	1.6	64.4	5.1	-	25.4	99.7
Expenses	-	-	(0.6)	(0.1)	(97.6)	(5.5)	-	(26.2)	(130.0)

## As of December 31, 2011

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives			Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow	Non IAS 39	
<b>Net financial debt expense</b>	<b>0.0</b>	<b>3.0</b>	<b>(0.3)</b>	<b>0.0</b>	<b>(58.7)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(56.1)</b>
Income from securities	-	3.0	-	-	-	-	-	-	3.0
Gross financial debt expense	-	-	(0.3)	-	(58.7)	-	(0.1)	-	(59.1)
<b>Other financial revenue and expenses</b>	<b>0.2</b>	<b>0.0</b>	<b>2.5</b>	<b>3.2</b>	<b>(3.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.3)</b>	<b>(1.1)</b>
Dividends	0.2	-	-	-	-	-	-	-	0.2
Net exchange rate differences	-	-	-	-	(0.3)	-	-	(0.3)	(0.6)
Expense and revenue on derivative instruments	-	-	2.5	-	-	-	-	-	2.5
Expected return on assets for defined benefit plans	-	-	-	-	-	-	-	50.7	50.7
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(50.6)	(50.6)
Unwinding of other provisions	-	-	-	-	-	-	-	(3.1)	(3.1)
Other financial revenue and expenses	-	-	-	3.2	(3.4)	-	-	-	(0.2)
<b>Financial income (loss)</b>	<b>0.2</b>	<b>3.0</b>	<b>2.2</b>	<b>3.2</b>	<b>(62.4)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(3.3)</b>	<b>(57.2)</b>
Revenue	0.3	3.0	3.5	3.5	108.5	12.2	-	50.7	181.7
Expenses	(0.1)	0.0	(1.3)	(0.3)	(170.9)	(12.2)	(0.1)	(54.0)	(238.9)

## Note 11 Income taxes

## Income taxes recognized in net income

(€ millions)	06.30.2012	06.30.2011	2011
<b>Payable and deferred income taxes</b>			
<b>Income taxes payable</b>	<b>(54.6)</b>	<b>(61.7)</b>	<b>(102.6)</b>
Income taxes payable for the period	(58.0)	(58.6)	(96.0)
Income taxes payable - Prior period adjustments	3.4	(3.1)	(6.6)
<b>Deferred taxes</b>	<b>(2.3)</b>	<b>(2.2)</b>	<b>(18.6)</b>
Deferred taxes due to changes in temporary differences	(2.1)	(2.1)	(18.4)
Deferred taxes due to changes in income tax rates	(0.2)	(0.1)	(0.2)
<b>Total</b>	<b>(56.9)</b>	<b>(63.9)</b>	<b>(121.2)</b>
<b>Income taxes by level of income</b>			
<b>Income taxes on current operating and financial income (loss)</b>	<b>(65.1)</b>	<b>(63.9)</b>	<b>(123.2)</b>
Current operating and financial income (loss) taxes payable	(62.5)	(61.7)	(105.0)
Current operating and financial income (loss) deferred taxes	(2.6)	(2.2)	(18.2)
<b>Income taxes on other operating revenue and expenses</b>	<b>8.2</b>	<b>0.0</b>	<b>2.0</b>
Income taxes payable on other operating revenue and expenses	7.9	-	2.4
Deferred taxes on other operating revenue and expenses	0.3	-	(0.4)
<b>Total</b>	<b>(56.9)</b>	<b>(63.9)</b>	<b>(121.2)</b>

## Income taxes recognized in equity

(€ millions)	06.30.2012	06.30.2011	2011
<b>Actuarial differences and limitations of post-employment employee benefits</b>	<b>18.0</b>	<b>(8.3)</b>	<b>12.4</b>
<b>Cash flow hedges</b>	<b>(2.5)</b>	<b>(1.0)</b>	<b>8.0</b>
Income taxes recognized in equity	-	(3.5)	4.2
Income taxes reclassified in profit or loss	(2.5)	2.5	3.8
<b>Translation reserve</b>	<b>3.2</b>	<b>(2.2)</b>	<b>13.6</b>
Income taxes recognized in equity	3.9	(2.2)	13.5
Income taxes reclassified in profit or loss	(0.7)	-	0.1
<b>Total</b>	<b>18.7</b>	<b>(11.5)</b>	<b>34.0</b>

## Income taxes paid

The amount of income taxes paid in the 1<sup>st</sup> half of 2012 amounts to €26.1 million (€58.2 million in the 1<sup>st</sup> half of 2011 and €122.5 million in 2011).

## Tax reconciliation excluding non-recurring items

	06.30.2012	06.30.2011	2011
<b>Legal tax rate in France <sup>(1)</sup></b>	<b>36.1%</b>	<b>34.4%</b>	<b>36.1%</b>
Impact of national rate differences	(8.9)%	(6.3)%	(8.0)%
Impact of permanent differences and tax incentives	(1.3)%	(1.0)%	(2.5)%
Impact of unrecognized tax losses utilized	(0.4)%	(2.1)%	(1.0)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.2%	1.3%	1.7%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	1.3%	2.4%	2.4%
<b>Effective tax rate on current operating and financial income (loss) <sup>(2)</sup></b>	<b>28.0%</b>	<b>28.7%</b>	<b>28.7%</b>

(1) Including, as of June 30, 2012 and December 31, 2011, social contribution and temporary additional contribution of 5.0% (rectificative law of finance for 2011).

(2) 28.0% = €65.1 million (income taxes on current operating income) / [€266.2 million (current operating income) - €34.0 million (financial income (loss))].

## Tax reconciliation including non-recurring items

	06.30.2012	06.30.2011	2011
<b>Legal tax rate in France <sup>(1)</sup></b>	<b>36.1%</b>	<b>34.4%</b>	<b>36.1%</b>
Impact of national rate differences	(9.0)%	(6.3)%	(8.0)%
Impact of permanent differences and tax incentives	(2.1)%	(1.4)%	(2.4)%
Impact of unrecognized tax losses utilized	(0.4)%	(2.2)%	(1.1)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.4%	1.6%	1.9%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	(0.2)%	2.9%	3.3%
<b>Effective tax rate on operating and financial income (loss)</b>	<b>25.8%</b>	<b>29.0%</b>	<b>29.8%</b>

(1) Including, as of June 30, 2012 and December 31, 2011, social contribution and temporary additional contribution of 5.0% (rectificative law of finance for 2011).

## Note 12 Net income, Group share

(€ millions)	06.30.2012	06.30.2011	2011
Current operating income	266.2	252.9	487.0
Financial income (loss)	(34.0)	(30.3)	(57.2)
Income taxes on current operating income	(65.1)	(63.9)	(123.2)
Non-controlling interests	(1.5)	(1.7)	(3.5)
<b>Net income from current operations, Group share</b>	<b>165.6</b>	<b>157.0</b>	<b>303.1</b>
Other operating revenue and expenses - gross	(11.9)	(2.1)	(23.1)
Income taxes	8.2	-	2.0
<b>Net income, Group share</b>	<b>161.9</b>	<b>154.9</b>	<b>282.0</b>

## Note 13 Earnings per share

(€ millions)	06.30.2012	06.30.2011	2011
<b>Numerator</b>			
Net income, Group share	161.9	154.9	282.0
Net income from current operations, Group share	165.6	157.0	303.1
<b>Denominator</b>			
Weighted average number of shares used for the calculation of the basic income per share	75,127,597	75,375,300	75,272,854
Impact of share option conversion	719,504	926,638	722,239
Weighted average number of shares used for the calculation of the diluted income per share	75,847,101	76,301,937	75,995,093
<b>Basic income per share, Group share (in €)</b>			
Basic net income per share	2.16	2.05	3.75
Basic net income from current operations per share	2.20	2.08	4.03
<b>Diluted income per share, Group share (in €)</b>			
Diluted net income per share	2.13	2.03	3.71
Diluted net income from current operations per share	2.18	2.06	3.99

The number of potential ordinary shares taken into account in the calculation of the diluted earnings per share excludes the share options out of the money, i.e. those whose exercise price increased by the fair value of services to be rendered is superior to the period average market price of the Imerys share (€41.76 in the 1<sup>st</sup> half of 2012). Potentially dilutive options of the plans of May 2004 to April 2008 as well as those of April 2010 to April 2012 are thus excluded from the calculation of the diluted earnings per share as of June 30, 2012. No significant transaction has changed the number of ordinary shares and potential ordinary shares between June 30, 2012 and July 26, 2012, date of authorization of issue of the financial statements by the Board of Directors.

## ■ NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Note 14 Goodwill

(€ millions)	06.30.2012	06.30.2011	2011
<b>Opening carrying amount</b>	<b>1,019.7</b>	<b>950.4</b>	<b>950.4</b>
Gross amount	1,021.0	956.3	956.3
Impairment losses	(1.3)	(5.9)	(5.9)
Incoming entities	10.0	-	75.1
Outgoing entities	-	-	(1.6)
Impairment losses	(1.1)	(1.2)	(0.7)
Exchange rate differences	10.6	(32.6)	(3.5)
<b>Closing carrying amount</b>	<b>1,039.2</b>	<b>916.6</b>	<b>1,019.7</b>
Gross amount	1,041.5	922.4	1,021.0
Impairment losses	(2.3)	(5.8)	(1.3)

The goodwill recognized upon acquisitions mainly represents development prospects of the acquired businesses within Imerys. On August 1, 2011, Imerys acquired 100.00% of the group Luzenac, world leader in talc processing. This acquisition was paid in cash to the Rio Tinto group for an amount of €220.0 million. The purchase accounting has not significantly evolved since December 31, 2011. After fair value measurement of mineral reserves, property, plant and equipment and main provisions, the provisional goodwill thus amounts to €72.7 million as of June 30, 2012. Furthermore, Imerys has acquired as of May 24, 2012 100.00% of the voting rights of the Brazilian company Itatex that produces and sells specialties based upon kaolin and clay for paints, polymers and rubbers. This acquisition, paid in cash for an amount of €9.7 million generates a provisional goodwill of €10.2 million.

### Note 15 Intangible assets

(€ millions)	Software	Trademarks, patents and licenses	Mining and use rights	Other	Total
<b>Carrying amount as of January 1, 2011</b>	<b>5.2</b>	<b>3.5</b>	<b>16.9</b>	<b>9.0</b>	<b>34.6</b>
Gross amount	55.4	13.5	20.8	33.7	123.4
Amortization and impairment losses	(50.2)	(10.0)	(3.9)	(24.7)	(88.8)
Incoming entities	0.7	-	-	2.1	2.8
Acquisitions	1.6	0.4	0.1	5.6	7.7
Increases in amortization	(3.0)	(0.4)	(0.6)	(1.2)	(5.2)
Reclassification and other	0.4	0.3	(0.1)	(1.0)	(0.4)
Exchange rate differences	-	(0.1)	(1.9)	0.2	(1.8)
<b>Carrying amount as of January 1, 2012</b>	<b>4.9</b>	<b>3.7</b>	<b>14.4</b>	<b>14.7</b>	<b>37.7</b>
Gross amount	62.4	14.1	15.8	41.0	133.3
Amortization and impairment losses	(57.5)	(10.4)	(1.4)	(26.3)	(95.6)
Incoming entities	-	3.1	-	(2.2)	0.9
Acquisitions	1.0	0.1	0.1	3.7	4.9
Increases in amortization	(1.1)	(1.0)	(0.2)	(0.4)	(2.7)
Impairment losses	-	(0.1)	-	-	(0.1)
Reclassification and other	1.3	-	(0.1)	(0.1)	1.1
Exchange rate differences	-	0.1	0.8	0.2	1.1
<b>Carrying amount as of June 30, 2012</b>	<b>6.1</b>	<b>5.9</b>	<b>15.0</b>	<b>15.9</b>	<b>42.9</b>
Gross amount	61.2	16.6	16.5	40.9	135.2
Amortization and impairment losses	(55.1)	(10.7)	(1.5)	(25.0)	(92.3)

## Note 16 Property, plant and equipment

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction		Total
				Other		
<b>Carrying amount as of January 1, 2011</b>	<b>453.5</b>	<b>285.1</b>	<b>894.5</b>	<b>69.9</b>	<b>38.1</b>	<b>1,741.1</b>
Gross amount	655.9	497.9	2,845.5	71.1	183.1	4,253.5
Depreciation and impairment losses	(202.4)	(212.8)	(1,951.0)	(1.2)	(145.0)	(2,512.4)
Incoming entities	42.5	25.2	96.6	3.4	10.2	177.9
Acquisitions	43.3	4.2	43.1	117.6	7.2	215.4
Disposals	(0.2)	(1.8)	(2.0)	(0.5)	(0.6)	(5.1)
Increases in depreciation	(36.4)	(14.4)	(135.3)	(0.7)	(11.2)	(198.0)
Impairment losses	-	-	(18.6)	-	-	(18.6)
Reclassification and other	2.5	0.4	48.2	(66.1)	(1.7)	(16.7)
Exchange rate differences	(2.3)	(2.8)	(7.1)	3.1	0.1	(9.0)
<b>Carrying amount as of January 1, 2012</b>	<b>502.9</b>	<b>295.9</b>	<b>919.4</b>	<b>126.7</b>	<b>42.1</b>	<b>1,887.0</b>
Gross amount	725.2	543.2	3,156.9	128.7	219.9	4,773.9
Depreciation and impairment losses	(222.3)	(247.3)	(2,237.5)	(2.0)	(177.8)	(2,886.9)
Incoming entities	-	2.3	(3.6)	0.4	9.1	8.2
Acquisitions	19.4	0.5	9.8	60.0	3.1	92.8
Disposals	-	(1.8)	0.3	-	(0.6)	(2.1)
Increases in depreciation	(22.1)	(6.9)	(72.8)	-	(6.7)	(108.5)
Impairment losses	-	(0.1)	1.8	-	(0.1)	1.6
Reversals of impairment losses	-	-	0.3	-	-	0.3
Reclassification and other	1.5	4.6	28.0	(38.3)	4.0	(0.2)
Exchange rate differences	2.6	1.0	3.2	2.3	0.6	9.7
<b>Carrying amount as of June 30, 2012</b>	<b>504.3</b>	<b>295.5</b>	<b>886.4</b>	<b>151.1</b>	<b>51.5</b>	<b>1,888.8</b>
Gross amount	742.5	519.1	3,019.1	153.1	208.7	4,642.5
Amortization and impairment losses	(238.2)	(223.6)	(2,132.7)	(2.0)	(157.2)	(2,753.7)

## Note 17 Impairment tests

The impairment test on the Cash Generating Units (CGUs) performed systematically on the annual closing is only renewed on the half-year closing where an impairment loss indicator is identified. Since no impairment loss indicator has been identified, the impairment test on the CGUs is not renewed as of June 30, 2012. As of December 31, 2011, this test had required the recognition of no impairment loss of the goodwill of CGUs. The sensitivity tests performed as of December 31, 2011 (*Note 19, Chapter 5 of the 2011 Registration Document*) evidenced that an unfavorable evolution of forecasted cash flows, discount rates or perpetual growth rates could require the recognition of a goodwill impairment on the Fused Zircona CGU of the Minerals for Ceramics, Refractories, Abrasives & Foundry business group. As of June 30, 2012, the evolution of these assumptions does not require the recognition of any impairment. However, this CGU continues to be subject to careful surveillance.

## Note 18 Inventories

(€ millions)	06.30.2012			06.30.2011			2011		
	Gross amount	Write-down	Carrying amount	Gross amount	Write-down	Carrying amount	Gross amount	Write-down	Carrying amount
Raw materials	287.5	(15.2)	272.3	214.6	(9.5)	205.1	287.5	(15.7)	271.8
Work in progress	68.5	(0.4)	68.1	64.1	(0.3)	63.8	64.9	(0.5)	64.4
Finished goods	302.6	(11.9)	290.7	246.7	(10.0)	236.7	278.2	(13.5)	264.7
Merchandises	47.2	(1.9)	45.3	52.2	(1.6)	50.6	46.8	(1.8)	45.0
<b>Total</b>	<b>705.8</b>	<b>(29.4)</b>	<b>676.4</b>	<b>577.6</b>	<b>(21.4)</b>	<b>556.2</b>	<b>677.4</b>	<b>(31.5)</b>	<b>645.9</b>

## Note 19 Financial assets

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in [Note 9](#). These carrying amounts are representative of fair value.

### As of June 30, 2012

(€ millions)	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge		Fair value	Cash flow		
<b>Non-current assets</b>								
Available-for-sale financial assets	4.8	-	-	-	-	-	-	4.8
Other financial assets	-	-	-	12.5	-	-	9.3	21.8
Other receivables	-	-	-	66.0	-	-	11.7	77.7
Derivative financial assets	-	-	-	-	14.0	-	-	14.0
<b>Current assets</b>								
Trade receivables	-	-	-	600.1	-	-	-	600.1
Other receivables	-	-	-	93.8	46.5	-	-	140.3
Derivative financial assets	-	-	1.2	-	-	0.1	-	1.3
Marketable securities and other financial assets	-	23.3	-	-	-	-	-	23.3
Cash and cash equivalents	-	-	-	317.1	-	-	-	317.1
<b>Total financial assets</b>	<b>4.8</b>	<b>23.3</b>	<b>1.2</b>	<b>1,089.5</b>	<b>60.5</b>	<b>0.1</b>	<b>-</b>	<b>-</b>

### As of June 30, 2011

(€ millions)	Available- for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge		Fair value	Cash flow		
<b>Non-current assets</b>								
Available-for-sale financial assets	4.7	-	-	-	-	-	-	4.7
Other financial assets	-	-	-	8.3	-	-	10.8	19.1
Other receivables	-	-	-	41.7	-	-	7.9	49.6
Derivative financial assets	-	-	-	-	19.8	-	-	19.8
<b>Current assets</b>								
Trade receivables	-	-	-	503.7	-	-	-	503.7
Other receivables	-	-	-	102.6	-	-	53.6	156.2
Derivative financial assets	-	-	-	-	-	12.0	-	12.0
Marketable securities and other financial assets	-	7.1	-	-	-	-	-	7.1
Cash and cash equivalents	-	-	-	497.0	-	-	-	497.0
<b>Total financial assets</b>	<b>4.7</b>	<b>7.1</b>	<b>0.0</b>	<b>1,153.3</b>	<b>19.8</b>	<b>12.0</b>	<b>-</b>	<b>-</b>

## As of December 31, 2011

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge		Fair value	Cash flow		
<b>Non-current assets</b>								
Available-for-sale financial assets	4.8	-	-	-	-	-	-	4.8
Other financial assets	-	-	-	8.0	-	-	10.5	18.5
Other receivables	-	-	-	63.0	-	-	11.6	74.6
Derivative financial assets	-	-	-	-	12.7	-	-	12.7
<b>Current assets</b>								
Trade receivables	-	-	-	526.9	-	-	-	526.9
Other receivables	-	-	-	92.7	-	-	48.3	141.0
Derivative financial assets	-	-	1.3	-	-	0.7	-	2.0
Marketable securities and other financial assets	-	6.4	-	-	-	-	-	6.4
Cash and cash equivalents	-	-	-	424.2	-	-	-	424.2
<b>Total financial assets</b>	<b>4.8</b>	<b>6.4</b>	<b>1.3</b>	<b>1,114.8</b>	<b>12.7</b>	<b>0.7</b>	<b>-</b>	<b>-</b>

## Note 20 Provisions

(€ millions)	06.30.2012	06.30.2011	2011
Other non-current provisions	266.7	187.1	265.2
Other current provisions	20.3	15.3	19.2
<b>Total</b>	<b>287.0</b>	<b>202.4</b>	<b>284.4</b>

Other provisions are analyzed as follows:

(€ millions)	Management risks	Environment, dismantling and restoration	Legal and social litigation	Total
<b>Balance as of January 1, 2011</b>	<b>32.3</b>	<b>123.9</b>	<b>47.8</b>	<b>204.0</b>
Changes in the scope of consolidation	12.7	31.3	11.9	55.9
Increases	21.7	5.8	26.6	54.1
Utilizations	(4.1)	(9.9)	(15.7)	(29.7)
Non-utilized decreases	(1.6)	(1.7)	(1.3)	(4.6)
Unwinding expense	-	3.1	-	3.1
Reclassification and other	(0.5)	1.6	(1.5)	(0.4)
Exchange rate differences	(0.5)	3.4	(0.9)	2.0
<b>Balance as of January 1, 2012</b>	<b>60.0</b>	<b>157.5</b>	<b>66.9</b>	<b>284.4</b>
Changes in the scope of consolidation	5.5	0.5	0.2	6.2
Increases	4.3	2.8	5.4	12.5
Utilizations	(5.1)	(5.1)	(6.2)	(16.4)
Non-utilized decreases	(6.0)	(0.8)	(0.7)	(7.5)
Unwinding expense	-	1.6	-	1.6
Reclassification and other	2.8	(0.1)	0.2	2.9
Exchange rate differences	0.4	3.0	(0.1)	3.3
<b>Balance as of June 30, 2012</b>	<b>61.9</b>	<b>159.4</b>	<b>65.7</b>	<b>287.0</b>

## Note 21 Financial liabilities

### 21.1. Categories of financial liabilities

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in [Note 9](#). These carrying amounts are representative of fair value for all instruments except for bonds.

The tables hereafter are followed by an analysis of the differences between carrying amount and fair value. For listed bonds, fair value qualifies as a directly observable data since it corresponds to the market value at the closing date (fair value of level 1). For unlisted bonds, fair value including accrued interests results from a model using observable data, i.e. a revaluation of discounted future contractual flows (fair value of level 2).

#### As of June 30, 2012

(€ millions)	Financial liabilities at amortized cost	Fair value through profit or loss		Hedge derivatives		Non IAS 39	Total
		Non hedge derivatives	Fair value	Cash flow			
<b>Non-current liabilities</b>							
Loans and financial debts	1,010.4	5.6	14.0	-	2.4		1,032.4
Other debts	4.0	-	-	-	7.8		11.8
Derivative financial liabilities	-	2.3	-	4.4	-		6.7
<b>Current liabilities</b>							
Trade payables	422.9	-	-	-	-		422.9
Other debts	117.1	-	-	-	123.7		240.8
Derivative financial liabilities	-	-	-	9.0	-		9.0
Loans and financial debts	348.2	-	-	(0.3)	0.3		348.2
Bank overdrafts	7.6	-	-	-	-		7.6
<b>Total financial liabilities</b>	<b>1,910.2</b>	<b>7.9</b>	<b>14.0</b>	<b>13.1</b>	<b>-</b>		<b>-</b>

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €89.1 million:

Nominal amount in millions	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	70.6	94.3	23.7
USD 140.0	8/6/2013	Unlisted	4.88%	4.98%	113.4	118.7	5.3
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	24.3	30.1	5.8
EUR 300.0	4/25/2014	Listed	5.13%	5.42%	302.8	318.5	15.7
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	505.1	543.6	38.5
<b>Total as of June 30, 2012 (€ millions)</b>					<b>1,016.2</b>	<b>1,105.3</b>	<b>89.1</b>

## As of June 30, 2011

(€ millions)	Financial liabilities at amortized cost	Fair value through profit or loss		Hedge derivatives		Non IAS 39	Total
		Non hedge derivatives	Fair value	Cash flow			
<b>Non-current liabilities</b>							
Loans and financial debts	982.4	(6.3)	19.8	-	2.4	998.3	
Other debts	5.1	-	-	-	3.2	8.3	
Derivative financial liabilities	-	4.2	-	5.8	-	10.0	
<b>Current liabilities</b>							
Trade payables	351.9	-	-	-	-	351.9	
Other debts	109.2	-	-	-	107.4	216.6	
Derivative financial liabilities	-	0.6	-	1.3	-	1.9	
Loans and financial debts	381.8	-	-	(1.2)	0.4	381.0	
Bank overdrafts	6.5	-	-	-	-	6.5	
<b>Total financial liabilities</b>	<b>1,836.9</b>	<b>(1.5)</b>	<b>19.8</b>	<b>5.9</b>	<b>-</b>	<b>-</b>	

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €66.6 million:

Nominal amount in millions	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	60.8	78.0	17.2
USD 140.0	8/6/2013	Unlisted	4.88%	4.98%	98.8	107.1	8.3
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	21.2	24.7	3.5
EUR 300.0	4/25/2014	Listed	5.13%	5.42%	302.8	317.4	14.6
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	505.1	528.1	23.0
<b>Total as of June 30, 2011 (€ millions)</b>					<b>988.7</b>	<b>1,055.3</b>	<b>66.6</b>

## As of December 31, 2011

(€ millions)	Financial liabilities at amortized cost	Fair value through profit or loss		Hedge derivatives		Non IAS 39	Total
		Non hedge derivatives	Fair value	Cash flow			
<b>Non-current liabilities</b>							
Loans and financial debts	1,005.4	8.0	12.7	-	2.3	1,028.4	
Other debts	5.1	-	-	-	7.1	12.2	
Derivative financial liabilities	-	3.3	-	5.8	-	9.1	
<b>Current liabilities</b>							
Trade payables	360.0	-	-	-	-	360.0	
Other debts	123.4	-	-	-	138.3	261.7	
Derivative financial liabilities	-	2.3	-	16.7	-	19.0	
Loans and financial debts	422.7	-	-	(1.1)	0.4	422.0	
Bank overdrafts	12.7	-	-	-	-	12.7	
<b>Total financial liabilities</b>	<b>1,929.3</b>	<b>13.6</b>	<b>12.7</b>	<b>21.4</b>	<b>-</b>	<b>-</b>	

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €81.0 million:

Nominal amount (in millions)	Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
			Nominal	Effective			
JPY 7,000.0	9/16/2033	Unlisted	3.40%	3.47%	70.6	93.1	22.5
USD 140.0	8/6/2013	Unlisted	4.88%	4.98%	110.3	117.5	7.2
USD 30.0	8/6/2018	Unlisted	5.28%	5.38%	23.7	29.1	5.4
EUR 300.0	4/25/2014	Listed	5.13%	5.42%	310.5	325.6	15.1
EUR 500.0	4/18/2017	Listed	5.00%	5.09%	517.6	548.4	30.8
<b>Total as of December 31, 2011 (€ millions)</b>					<b>1,032.7</b>	<b>1,113.7</b>	<b>81.0</b>

## 21.2. Financial debt

The net financial debt is used in the management of the financial resources of Imerys. This indicator is used in particular in the calculation of financial ratios that the Group has to comply with under financing agreements entered into with financial markets (*Note 21.4 - Borrower's liquidity risk*). The following table presents the link between the net financial debt and the consolidated statement of financial position with a distinction between non-derivative and derivative financial instruments. Derivative financial instruments included in the calculation of the net financial debt correspond to financing hedge instruments assets and liabilities since they are part of the future cash outflows of this aggregate (*Note 21.4 - Borrower's liquidity risk*). The operational hedge instruments (*Note 21.4 - Derivative instruments in the financial statements*) are not included in the calculation of the net financial debt.

(€ millions)	Notes	06.30.2012	06.30.2011	2011
<b>Non-derivative financial liabilities</b>		<b>1,388.2</b>	<b>1,385.8</b>	<b>1,463.1</b>
Loans and financial debts - non-current		1,032.4	998.3	1,028.4
Loans and financial debts - current		348.2	381.0	422.0
Bank overdrafts		7.6	6.5	12.7
<b>Non-derivative financial assets</b>		<b>(340.4)</b>	<b>(504.1)</b>	<b>(430.6)</b>
Marketable securities and other financial assets		(23.3)	(7.1)	(6.4)
Cash and cash equivalents		(317.1)	(497.0)	(424.2)
<b>Hedge derivatives</b>		<b>(8.0)</b>	<b>(7.9)</b>	<b>(1.4)</b>
Financing hedge instruments - liabilities	21.3	7.2	11.9	12.6
Financing hedge instruments - assets	21.3	(15.2)	(19.8)	(14.0)
<b>Net financial debt</b>		<b>1,039.8</b>	<b>873.8</b>	<b>1,031.1</b>

## 21.3. Derivative instruments

The following table presents the derivative instruments recognized in the assets and liabilities in accordance with the hedged risks: foreign exchange, interest rate and energy price risks. The total of this table distinguishes between on the one hand, non-current and current items and on the other hand, between hedge instruments related to operations (hedge of operating foreign exchange risk and energy price risk) and financing (financing foreign exchange risk and interest rate risk). The fair value including accrued interests of derivative instruments results from a model using observable data, i.e. prices at the closing date provided by third parties active on financial markets (fair value of level 2).

(€ millions)	06.30.2012			06.30.2011			2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>Foreign exchange risk</b>	<b>1.2</b>	<b>7.4</b>	<b>(6.2)</b>	<b>8.9</b>	<b>1.9</b>	<b>7.0</b>	<b>1.7</b>	<b>14.4</b>	<b>(12.7)</b>
Forward derivative instruments	-	5.3	(5.3)	8.6	1.3	7.3	0.2	12.1	(11.9)
Optional derivative instruments	1.2	2.1	(0.9)	0.3	0.6	(0.3)	1.5	2.3	(0.8)
<b>Interest rate risk</b>	<b>14.0</b>	<b>6.7</b>	<b>7.3</b>	<b>19.8</b>	<b>10.0</b>	<b>9.8</b>	<b>12.7</b>	<b>9.1</b>	<b>3.6</b>
Forward derivative instruments	14.0	4.4	9.6	19.8	5.8	14.0	12.7	5.8	6.9
Optional derivative instruments	-	2.3	(2.3)	-	4.2	(4.2)	-	3.3	(3.3)
<b>Energy price risk</b>	<b>0.1</b>	<b>1.6</b>	<b>(1.5)</b>	<b>3.1</b>	<b>0.0</b>	<b>3.1</b>	<b>0.3</b>	<b>4.6</b>	<b>(4.3)</b>
Forward derivative instruments	-	-	0.0	-	0.0	-	-	-	0.0
Optional derivative instruments	0.1	1.6	(1.5)	3.1	-	3.1	0.3	4.6	(4.3)
<b>Total</b>	<b>15.3</b>	<b>15.7</b>	<b>(0.4)</b>	<b>31.8</b>	<b>11.9</b>	<b>19.9</b>	<b>14.7</b>	<b>28.1</b>	<b>(13.4)</b>
Non-current	14.0	6.7	7.3	19.8	10.0	9.8	12.7	9.1	3.6
Current	1.3	9.0	(7.7)	12.0	1.9	10.1	2.0	19.0	(17.0)
Operational hedge instruments	0.1	8.5	(8.4)	12.0	-	12.0	0.7	15.5	(14.8)
Financing hedge instruments	15.2	7.2	8.0	19.8	11.9	7.9	14.0	12.6	1.4

As part of its policy of management of the foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments intended to hedge certain future purchases and sales in foreign currencies, a portion of its floating rate financing and part of its future energy consumption in the United States, in the United Kingdom and in France. These positions qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss. The detail of these reclassifications at the level of the underlying revenue and expenses is presented in [Note 9](#). These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in [Note 21.4](#).

(€ millions)	Foreign exchange rate risk	Interest rate risk	Energy price risk	Total
<b>Balance as of January 1, 2011</b>	<b>3.9</b>	<b>(9.8)</b>	<b>5.3</b>	<b>(0.6)</b>
Recognition in equity	4.9	4.0	1.3	10.2
Reclassification in profit or loss	(3.2)	-	(4.0)	(7.2)
<b>Balance as of June 30, 2011</b>	<b>5.6</b>	<b>(5.8)</b>	<b>2.6</b>	<b>2.4</b>
Recognition in equity	(16.8)	(0.1)	(5.9)	(22.8)
Reclassification in profit or loss	(2.8)	0.1	(1.2)	(3.9)
<b>Balance as of December 31, 2011</b>	<b>(14.0)</b>	<b>(5.8)</b>	<b>(4.5)</b>	<b>(24.3)</b>
Recognition in equity	(0.4)	1.5	(1.0)	0.1
Reclassification in profit or loss	3.4	-	4.0	7.4
<b>Balance as of June 30, 2012</b>	<b>(11.0)</b>	<b>(4.3)</b>	<b>(1.5)</b>	<b>(16.8)</b>
<a href="#">of which reclassification to profit or loss expected within 12 months</a>	<a href="#">(11.0)</a>	<a href="#">(4.3)</a>	<a href="#">(1.5)</a>	<a href="#">(16.8)</a>

## 21.4. Management of risks arising from financial liabilities

### Transactional currency risk

**Description of the risk.** The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency.

**Management of the risk.** Imerys recommends to its operating entities to perform, to the extent it is possible, their transactions in their functional currencies. Where this is not possible, the transactional currency risk may be hedged on an individual basis by currency forwards, currency swaps and foreign exchange options. These instruments are used as hedges of highly probable budget flows. The corresponding hedges qualify as cash flow hedges.

The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	06.30.2012	06.30.2011	2011
<b>Opening balance</b>	<b>(14.0)</b>	<b>3.9</b>	<b>3.9</b>
Recognition in equity	(0.4)	4.9	(11.9)
Reclassification in profit or loss	3.4	(3.2)	(6.0)
<b>Closing balance</b>	<b>(11.0)</b>	<b>5.6</b>	<b>(14.0)</b>
<a href="#">of which reclassification to profit or loss expected within 12 months</a>	<a href="#">(11.0)</a>	<a href="#">5.6</a>	<a href="#">(14.0)</a>

## Interest rate risk

**Description of the risk.** The interest rate risk is the risk whereby the interest flow due in relation to the financial debt is deteriorated by a rise in the market interest rates.

**Management of the risk.** The objective of the management of the interest rate risk consists in guaranteeing its medium-term cost. The net financial debt is known through a reporting that describes the financial debt of each entity and indicates its components and characteristics. This reporting, reviewed monthly by the Financial Department and quarterly by the Board of Directors, enables the situation to be monitored and the management policy to be adjusted as necessary. The management policy is drawn up by the Group Treasury Department and approved every year by the Financial Department and the Board of Directors. As part of this process, the Group Treasury Department works with first-rank banking institutions and obtains financial data and pricing from information providers. The policy of Imerys is to obtain financing mainly in Euro, the most accessible financial resource and at a fixed rate. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. Given anticipated trends in interest rates in 2012, the Group fixed the interest rate for part of its future financial debt on various terms.

As of June 30, 2012, Imerys holds a certain number of derivative instruments intended to hedge a portion of its debt at floating rate. These instruments include interest rate swaps, options - including caps, floors, swaptions and futures. These instruments qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	06.30.2012	06.30.2011	2011
<b>Opening balance</b>	<b>(5.8)</b>	<b>(9.8)</b>	<b>(9.8)</b>
Recognition in equity	1.5	4.0	3.9
Reclassification in profit or loss	-	-	0.1
<b>Closing balance</b>	<b>(4.3)</b>	<b>(5.8)</b>	<b>(5.8)</b>
of which reclassification to profit or loss expected within 12 months	(4.3)	(5.8)	(5.8)

Furthermore, Imerys holds as of June 30, 2012 interest rate swaps intended to hedge the exposure to changes in fair value of the different loans. These instruments qualify as fair value hedges. They hedge the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the Group. The hedged loans and the derivative instruments present the same characteristics.

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

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of June 30, 2012:

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
<b>Debt at fixed rate</b>	<b>807.9</b>	<b>26.5</b>	<b>0.7</b>	<b>0.0</b>	<b>835.1</b>
Debt at fixed rate on issue	807.9	137.7	70.6	-	1,016.2
Swap fixed rate into floating rate	-	(111.2)	(69.9)	-	(181.1)
<b>Debt at floating rate</b>	<b>(64.1)</b>	<b>449.3</b>	<b>29.1</b>	<b>(209.6)</b>	<b>204.7</b>
Debt at floating rate on issue	128.1	207.8	13.7	6.8	356.4
Net cash and marketable securities	(115.9)	(72.9)	(10.2)	(133.8)	(332.8)
Swap fixed rate into floating rate	-	111.2	69.9	-	181.1
Exchange rate swap	(76.3)	203.2	(44.3)	(82.6)	0.0
<b>Net financial debt as of June 30, 2012</b>	<b>743.8</b>	<b>475.8</b>	<b>29.8</b>	<b>(209.6)</b>	<b>1,039.8</b>

The following table provides a breakdown of interest rate hedging transactions by foreign currency as of June 30, 2012:

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
<b>Exposure at floating rate before hedging</b>	<b>(64.1)</b>	<b>449.3</b>	<b>29.1</b>	<b>(209.6)</b>	<b>204.7</b>
Fixed rate hedges	(100.0)	(174.7)	-	-	(274.7)
Swap at average rate of	4.99%	3.82%	-	-	-
<b>Exposure at floating rate after hedging</b>	<b>(164.1)</b>	<b>274.6</b>	<b>29.1</b>	<b>(209.6)</b>	<b>(70.0)</b>

The following table presents an evolution of interest rate hedging transactions as of June 30, 2012 and after by maturity dates:

(€ millions)	2012	2013-2017	2018 and later
<b>Total exposure before hedging</b>	<b>204.7</b>	<b>204.7</b>	<b>204.7</b>
Fixed rate hedges	(274.7)	(139.7)	-
Swap at average rate of	4.24%	4.68%	-
<b>Total exposure after hedging</b>	<b>(70.0)</b>	<b>65.0</b>	<b>204.7</b>

## Energy price risk

**Description of the risk.** The energy price risk is the risk whereby the cash flow due in relation to an energy purchase may be subject to a deterioration caused by a rise in its market price. Imerys is exposed to the price risk of the energies that enter into the production cycle of its activities, mainly natural gas, electricity and coal to a lesser extent.

**Management of the risk.** Confronted with the energy price risk, the geographical locations and supply sources of Imerys are diversified. The Group strives to pass on energy price increases to the selling price of its products. Furthermore, the management of the price risk of natural gas, both in Europe and the United States is centralized, the Group Treasury Department being responsible for implementing the framework and resources needed for the application of a common management policy, which includes appropriate use of the financial instruments available in those markets. Since 2006, the Group has strengthened its research programs on alternative energy sources as well as its projects on the reduction of energy consumption under the supervision of a Group Energy Supervisor. Since 2008, energy managers are designated at site level as well as at activity levels. The energy price risk is hedged by forward and option contracts. These instruments qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	06.30.2012	06.30.2011	2011
<b>Opening balance</b>	<b>(4.5)</b>	<b>5.3</b>	<b>5.3</b>
Recognition in equity	(1.0)	1.3	(4.6)
Reclassification in profit or loss	4.0	(4.0)	(5.2)
<b>Closing balance</b>	<b>(1.5)</b>	<b>2.6</b>	<b>(4.5)</b>
<i>of which reclassification to profit or loss expected within 12 months</i>	<i>(1.5)</i>	<i>2.6</i>	<i>(4.5)</i>

The following table summarizes the main positions taken as of June 30, 2012 to hedge the energy price risk.

	Net notional amounts (in MWh)	Maturities
Underlying position	5,968,396	< 12 months
Management transactions	1,372,536	< 12 months

## Borrower's liquidity risk

**Description of the risk.** The borrower's liquidity risk is the risk whereby Imerys would not be in a position to meet the repayment obligations of its financial liabilities. The maturity on issue as of June 30, 2012 presented hereafter enables to assess the exposure of the Group to this risk. In this table, the utilizations of the syndicated credit are posted in 2012 as well as the foreign exchange swaps included in the financing hedge instruments. It must be noted that the maturity of the syndicated credit is in July 2013.

(€ millions)	2012		2013 - 2017		2018 and later		Total
	Capital	Interests	Capital	Interests	Capital	Interests	
<b>Non-derivative financial liabilities</b>	<b>361.0</b>	<b>5.2</b>	<b>914.2</b>	<b>154.5</b>	<b>93.7</b>	<b>39.3</b>	<b>1,567.9</b>
Eurobond / EMTN	-	-	111.2	130.9	93.7	-	335.8
Private placements	-	5.2	803.0	23.6	0.0	39.3	871.1
Commercial paper issues	128.0	-	-	-	-	-	128.0
July 2013 syndicated credit	177.1	-	-	-	-	-	177.1
Bilateral facilities	-	-	-	-	-	-	0.0
Facilities due within one year	55.9	-	-	-	-	-	55.9
<b>Hedge derivatives</b>	<b>(8.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(8.0)</b>
Financing hedge instruments - liabilities	7.2	-	-	-	-	-	7.2
Financing hedge instruments - assets	(15.2)	-	-	-	-	-	(15.2)
<b>Future cash outflows with respect to gross financial debt</b>	<b>353.0</b>	<b>5.2</b>	<b>914.2</b>	<b>154.5</b>	<b>93.7</b>	<b>39.3</b>	<b>1,559.9</b>
<b>Non-derivative financial liabilities</b>	<b>7.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7.6</b>
Bank overdrafts	7.6	-	-	-	-	-	7.6
<b>Non-derivative financial assets</b>	<b>(340.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(340.4)</b>
Marketable securities and other financial assets	(23.3)	-	-	-	-	-	(23.3)
Cash and cash equivalents	(317.1)	-	-	-	-	-	(317.1)
<b>Future cash outflows with respect to net financial debt</b>	<b>20.2</b>	<b>5.2</b>	<b>914.2</b>	<b>154.5</b>	<b>93.7</b>	<b>39.3</b>	<b>1,227.1</b>
of which items recognized as of June 30, 2012 (net financial debt)	20.2	11.7	914.2	-	93.7	-	1,039.8
<b>Non-derivative financial liabilities</b>	<b>663.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>663.7</b>
Trade payables	422.9	-	-	-	-	-	422.9
Other debts	240.8	-	-	-	-	-	240.8
<b>Hedge derivatives</b>	<b>8.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.4</b>
Operational hedge instruments - liabilities	8.5	-	-	-	-	-	8.5
Operational hedge instruments - assets	(0.1)	-	-	-	-	-	(0.1)
<b>Future cash outflows</b>	<b>692.3</b>	<b>5.2</b>	<b>914.2</b>	<b>154.5</b>	<b>93.7</b>	<b>39.3</b>	<b>1,899.2</b>

In addition, a large part of the debt at fixed rate on issue being swapped into floating rate, the maturity of the net financial debt after interest rate swap is analyzed as follows:

(€ millions)	2012	2013 - 2017	2018 and later	Total
<b>Debt at fixed rate</b>	<b>11.3</b>	<b>800.0</b>	<b>23.8</b>	<b>835.1</b>
Debt at fixed rate on issue	11.3	911.2	93.7	1,016.2
Swap fixed rate into floating rate	-	(111.2)	(69.9)	(181.1)
<b>Debt at floating rate</b>	<b>20.6</b>	<b>114.2</b>	<b>69.9</b>	<b>204.7</b>
Debt at floating rate on issue	353.4	3.0	-	356.4
Net cash and marketable securities	(332.8)	-	-	(332.8)
Swap fixed rate into floating rate	-	111.2	69.9	181.1
<b>Net financial debt</b>	<b>31.9</b>	<b>914.2</b>	<b>93.7</b>	<b>1,039.8</b>

**Management of the risk.** For part of its financing, Imerys is required to comply with several covenants. The main restrictive terms and conditions attached to certain bilateral facilities, to part of the bond issues under private placements and to the syndicated credit are as follows:

- purpose: general corporate financing requirement;
- obligations in terms of financial ratio compliance:
  - the ratio consolidated net financial debt / consolidated equity shall, in accordance with the financing contracts concerned, be inferior or equal to 1.50 or 1.60 at each half-year or annual closing of consolidated financial statements. As of June 30, 2012, the ratio amounts to 0.46 (0.41 as of June 30, 2011 and 0.47 as of December 31, 2011);
  - the ratio consolidated net financial debt / consolidated EBITDA of the last 12 months shall, in accordance with the financing contracts concerned, be inferior or equal to 3.75 or 3.80 at each half-year or annual closing of consolidated financial statements. As of June 30, 2012, the ratio amounts to 1.51 (1.32 as of June 30, 2011 and 1.50 as of December 31, 2011).
- absence of any lien in favor of lenders.

The failure to comply with the above obligations on one of the financing contracts concerned could lead to the cancellation of its available amount and, upon demand of the creditor(s) concerned, make the amount of the corresponding financial debt immediately callable. Apart from two exceptions, the financing contracts of the Group do not provide for any cross default with each other in case of breach of a mandatory covenant applicable to one of these contracts. As of June 30, 2012, Imerys has a long-term rating of Baa2 Outlook Stable by Moody's (Baa2 Outlook Stable as of June 30, 2011 and Baa2 Outlook Stable as of December 31, 2011).

As of April 11, 2012, Imerys has updated its new Euro Medium Term Note program (EMTN) with the Commission de Surveillance du Secteur Financier (Luxemburg). The program amounts to €1.0 billion and enables the issue of notes considered as ordinary bonds of a maturity of one month to thirty years. As of June 30, 2012, outstanding securities total €69.9 million (€60.2 million as of June 30, 2011 and €69.9 million as of December 31, 2011). Imerys also has a French commercial paper program limited to €800.0 million (€800.0 million as of June 30, 2011 and €800.0 million as of December 31, 2011) rated P-2 by Moody's (P-2 as of June 30, 2011 and P-2 as of December 31, 2011). As of June 30, 2012, outstanding securities total €128.0 million (€100.0 million as of June 30, 2011 and €98.0 million as of December 31, 2011). As of June 30, 2012, Imerys has access to €1,577.9 million of bank facilities (€1,001.8 million as of June 30, 2011 and €1,505.4 million as of December 31, 2011) part of which secures the issued commercial paper in accordance with the financial policy of the Group.

## Market liquidity risk

**Description of the risk.** The market liquidity risk is the risk whereby a non-confirmed financial resource (commercial paper, bank facility and accrued interests, other debt and facilities) would not be renewed.

**Management of the risk.** Financial resources are the main adjustment variable of the financing capacities available to Imerys. These capacities exist either as drawn financial debt or as financing commitments granted by first-rank banking institutions. Medium-term financial resources provided by the bilateral facilities or the syndicated credit may be used over very short drawing periods (from 1 to 12 months) while remaining available over longer maturities (5 years). Over the second half of 2011, the Group has secured around €1.0 billion of bilateral bank facilities with a maturity towards 2015-2016, so as to increase and diversify its financial resources and lengthening their maturity. The financial resources of the Group amount to €2,762.9 million as of June 30, 2012 (€2,217.8 million as of June 30, 2011 and €2,759.2 million as of December 31, 2011). Imerys manages the amount of its financial resources by comparing it regularly with the amount of its utilizations in order to measure by difference the financial liquid borrowings to which the Group may have access.

The robustness of financial resources is assessed on the basis of their amounts and average maturity as analyzed hereafter:

(€ millions)	06.30.2012	06.30.2011	2011
<b>Financial resources by maturity (€ millions)</b>			
Maturity less than one year	50.0	167.0	50.0
Maturity from one to five years	2,619.2	1,466.9	2,116.2
Maturity beyond five years	93.7	583.9	593.0
<b>Total</b>	<b>2,762.9</b>	<b>2,217.8</b>	<b>2,759.2</b>
<b>Financial resources by nature (€ millions)</b>			
<b>Bond resources</b>	<b>1007.9</b>	<b>980.8</b>	<b>1004.2</b>
Eurobond / EMTN	803.0	803.0	803.0
Private placements	204.9	177.8	201.2
<b>Bank resources</b>	<b>1,755.0</b>	<b>1,237.0</b>	<b>1,755.0</b>
Syndicated credit	750.0	750.0	750.0
Miscellaneous bilateral facilities	1,005.0	487.0	1,005.0
<b>Total</b>	<b>2,762.9</b>	<b>2,217.8</b>	<b>2,759.2</b>
<b>Average maturity of financial resources (in years)</b>			
Bond resources	4.7	5.6	5.2
Bank resources	2.5	1.5	3.0
<b>Total</b>	<b>3.3</b>	<b>3.3</b>	<b>3.8</b>

The table below measures the available financial resources after the repayment of financing from uncommitted resources. It measures the real exposure of Imerys to an illiquidity crisis on both financial and banking markets. As of June 30, 2012, available financial resources, after repayment of uncommitted resources, total €1,390.3 million (€846.4 million as of December 31, 2011 and €1,310.2 million as of December 31, 2011), which gives the Group substantial room to maneuver and a guarantee of financial stability.

(€ millions)	06.30.2012			06.30.2011			2011		
	Resources	Utilization	Available	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	1,007.9	1,007.9	0.0	980.8	980.8	0.0	1,004.2	1,004.2	0.0
Commercial papers	-	128.0	(128.0)	-	100.0	(100.0)	-	98.0	(98.0)
Committed bank facilities	1,755.0	177.1	1,577.9	1,237.0	235.2	1,001.8	1,755.0	249.6	1,505.4
Bank facilities and accrued interests	-	20.1	(20.1)	-	14.5	(14.5)	-	34.4	(34.4)
Other debts and facilities	-	39.5	(39.5)	-	40.9	(40.9)	-	62.8	(62.8)
<b>Total</b>	<b>2,762.9</b>	<b>1,372.6</b>	<b>1,390.3</b>	<b>2,217.8</b>	<b>1,371.4</b>	<b>846.4</b>	<b>2,759.2</b>	<b>1,449.0</b>	<b>1,310.2</b>

## Conversion of financial statements risk

**Description of the risk.** The conversion of financial statements risk is a form of foreign exchange rate risk whereby the value in Euro of the financial statements of a foreign business may be subject to a deterioration caused by an unfavorable change in the foreign exchange rate of the functional currency of that business.

**Management of the risk.** Imerys hedges part of its net investments in foreign businesses through loans specifically allocated to their long term financing and by the proportion of its financial debt stated in foreign currencies. The foreign exchange differences generated by these loans and financings qualified as hedges of net investments in foreign entities, are recognized in equity so as to neutralize, to a certain extent, the gains or losses of translation of the hedged net investments. As of June 30, 2012, the loans and exchange rate swaps hedging net investments in foreign entities are the following: USD532.8 million, JPY1,000.0 million, CHF35.0 million, GBP34.3 million and SGD5.4 million (USD719.8 million, JPY1,000.0 million, CHF35.0 million, GBP0.0 million and SGD5.4 million as of June 30, 2011 and USD632.9 million, JPY1,000.0 million, CHF35.0 million, GBP34.3 million and SGD5.5 million as of December 31, 2011).

The table below describes the financial debt before and after the impact of these foreign currencies swaps.

(€ millions)	06.30.2012			06.30.2011			2011		
	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	936.0	(76.3)	859.7	916.6	(95.5)	821.1	933.4	(95.6)	837.8
US Dollar	345.5	203.2	548.7	369.9	156.0	525.9	405.2	152.0	557.2
Japanese Yen	84.3	(44.3)	40.0	64.7	(29.9)	34.8	85.8	(37.1)	48.7
Other foreign currencies	6.8	(82.6)	(75.8)	20.2	(30.6)	(10.4)	24.6	(19.3)	5.3
<b>Total</b>	<b>1,372.6</b>	<b>0.0</b>	<b>1,372.6</b>	<b>1,371.4</b>	<b>0.0</b>	<b>1,371.4</b>	<b>1,449.0</b>	<b>0.0</b>	<b>1,449.0</b>

As of June 30, 2012, the portion of the financial debt in each foreign currency, after swap, is as follows:

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Gross financial debt	859.7	548.7	40.0	(75.8)	1,372.6
Net cash and marketable securities	(115.9)	(72.9)	(10.2)	(133.8)	(332.8)
<b>Net financial debt as of June 30, 2012</b>	<b>743.8</b>	<b>475.8</b>	<b>29.8</b>	<b>(209.6)</b>	<b>1,039.8</b>

## Note 22 Deferred taxes

### As of June 30, 2012

(€ millions)	01.01.2012	Profit or loss	Translation, scope and reclassification	06.30.2012
Deferred tax assets	72.6	(6.1)	23.1	89.6
Deferred tax liabilities	(95.0)	3.8	(2.2)	(93.4)
<b>Net deferred tax position</b>	<b>(22.4)</b>	<b>(2.3)</b>	<b>20.9</b>	<b>(3.8)</b>

### As of June 30, 2011

(€ millions)	01.01.2011	Profit or loss	Translation, scope and reclassification	06.30.2011
Deferred tax assets	68.7	8.2	(19.0)	57.9
Deferred tax liabilities	(81.8)	(10.4)	12.1	(80.1)
<b>Net deferred tax position</b>	<b>(13.1)</b>	<b>(2.2)</b>	<b>(6.9)</b>	<b>(22.2)</b>

### As of December 31, 2011

(€ millions)	01.01.2011	Profit or loss	Translation, scope and reclassification	12.31.2011
Deferred tax assets	68.7	(35.1)	39.0	72.6
Deferred tax liabilities	(81.8)	16.5	(29.7)	(95.0)
<b>Net deferred tax position</b>	<b>(13.1)</b>	<b>(18.6)</b>	<b>9.3</b>	<b>(22.4)</b>

## ■ OTHER INFORMATION

### Note 23 Seasonality

Interim operations are globally not subject to seasonality or cyclicity.

### Note 24 Changes in the scope of consolidation

**Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF).** The Minerals for Ceramics, Refractories, Abrasives & Foundry have not known any significant change in their scope of consolidation since the deconsolidation, over the 1<sup>st</sup> half of 2011, of the American entity KT Feldspar Corporation, contributed to a joint-venture specialized in high purity quartz created with the Norwegian group Norsk Minerals and recognized under the equity method.

**Performance & Filtration Minerals (PFM).** The Performance & Filtration Minerals business group acquired over the 1<sup>st</sup> half of 2012 the Brazilian company Itatex that produces and sells specialties based upon kaolin and clay for paints, polymers and rubbers.

**Pigments for Paper & Packaging (PPP).** The last significant change in the scope of consolidation of the acquisition of the Pigments for Paper & Packaging business group was represented by the acquisition of the Brazilian group PPSA over the 2<sup>nd</sup> half of 2010.

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

### Note 25 Currency rates

(€)	Foreign currencies	06.30.2012		06.30.2011		2011	
		Closing	Average	Closing	Average	Closing	Average
Brazil	BRL	2.5448	2.4128	2.2563	2.2885	2.4271	2.3280
Canada	CAD	1.2871	1.3044	1.3951	1.3707	1.3215	1.3758
Chile	CLP (100)	6.4175	6.3882	6.7936	6.6741	6.7328	6.7267
China	CNY	7.9630	8.1771	9.3416	9.1790	8.1588	8.9935
Hungary	HUF (100)	2.8777	2.9549	2.6611	2.6940	3.1458	2.7941
India	INR	70.8930	67.5267	64.6630	63.1275	68.8252	64.8708
Indonesia	IDR (100)	118.7851	119.1819	123.9741	122.7196	117.3147	122.0615
Japan	JPY (100)	1.0013	1.0337	1.1625	1.1506	1.0020	1.1095
Malaysia	MYR	4.0122	4.0025	4.3626	4.2563	4.1055	4.2554
Mexico	MXN	16.8755	17.1810	16.9765	16.6934	18.0512	17.2913
Russia	RUB	41.3700	39.7057	40.4000	40.1425	41.7650	40.8906
Singapore	SGD	1.5974	1.6397	1.7761	1.7660	1.6819	1.7488
South Africa	ZAR	10.3669	10.2908	9.8569	9.6857	10.4830	10.0979
Sweden	SEK	8.7728	8.8796	9.1739	8.9394	8.9120	9.0292
Switzerland	CHF	1.2030	1.2049	1.2071	1.2702	1.2156	1.2331
Taiwan	TWD	37.7483	38.4975	41.8772	40.8503	39.2618	40.9176
Ukraine	UAH	10.2187	10.4358	11.5758	11.1865	10.3682	11.1150
United Kingdom	GBP	0.8068	0.8230	0.9026	0.8684	0.8353	0.8678
United States	USD	1.2590	1.2970	1.4453	1.4037	1.2939	1.3916

## Note 26 Related parties

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### External related parties of Imerys

The related parties of Imerys are the Canadian group Power and the Belgian group Frère-CNP. These groups are the ultimate controlling parties of Imerys. Through their joint venture Parjointco, they exercise joint control on the Swiss group Pargesa that controls Imerys through a direct investment in the Belgian group GBL. In this respect, Pargesa and GBL are related parties of Imerys. Imerys is not party to any contract with its external related parties.

### Key management personnel of Imerys

The managers qualifying as related parties as of June 30, 2012 are the sixteen members of the Board of Directors (sixteen members as of June 30, 2011 and sixteen members as of December 31, 2011) and the seven members of the Executive Committee (nine members as of June 30, 2011 and seven members as of December 31, 2011) (*Note 29, Chapter 5 of the 2011 Registration Document*).

### Post-employment benefits for Imerys employees

The post-employment benefit plans for the benefit of Imerys employees are related parties. The amount of the contributions to external funds recognized as an expense over the 1<sup>st</sup> half of 2012 amounts to €14.6 million (€10.5 million over the 1<sup>st</sup> half of 2012 and €24.8 million in 2011), of which mainly €5.6 million to Imerys UK Pension Fund Trustees Ltd., United Kingdom (€6.8 million over the 1<sup>st</sup> half of 2012 and €14.2 million in 2011) and €5.6 million to Sun Trust Bank, United States (€2.0 million over the 1<sup>st</sup> half of 2011 and €6.4 million in 2011).

### FCPE Imerys Actions

The FCPE Imerys Actions is managed by BNP Paribas Asset Management SAS. Its management is controlled by a Supervisory Board of 14 members, equally made up of shareholders' and Imerys representatives. As Imerys exercises together with the shareholders a joint control over the FCPE Imerys Actions, the FCPE Imerys Actions is a related party. The amounts recognized over the 1<sup>st</sup> half of 2012 (over the 1<sup>st</sup> half of 2011 and in 2011) for the FCPE Imerys Actions are insignificant.

## Note 27 Events after the end of the period

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The half-year consolidated financial statements as of June 30, 2012 were closed by the Board of Directors at its meeting on July 26, 2012. No significant event is to be reported between the closing date and that of the Board of Directors.



# 4 | Statutory auditors' review report

## **ERNST & YOUNG et Autres**

1/2, place des Saisons  
92400 Courbevoie - Paris–La Défense 1

S.A.S. with variable share capital

Statutory Auditor

Member of the Compagnie régionale de Versailles

## **Deloitte & Associés**

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

S.A. with share capital of € 1,723,040

Statutory Auditor

Member of the Compagnie régionale de Versailles

## **Statutory auditors' review report on the first half-yearly financial information**

Period from January 1 to June 30, 2012

*This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France. This report also includes information relating to the specific verification of information given in the group's interim management report.*

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article 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-yearly consolidated financial statements of Imerys, for the period from January 1 to June 30, 2012, and
- the verification of the information contained in the interim management report.

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

### **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical 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 condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standards of the IFRSs as adopted by the European Union applicable to interim financial information.

### **2. Specific verification**

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

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

Paris-La Défense and Neuilly-sur-Seine, July 26, 2012

The Statutory Auditors

French original signed by

**ERNST & YOUNG et Autres**

Jean-Roch Varon

**Deloitte & Associés**

Arnaud de Planta



**Imerys - French limited liability company (société anonyme)  
with Board of Directors**

Share capital €150,285,032

Trade register RCS Paris B 562 008 151

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