

2009 Reference Document

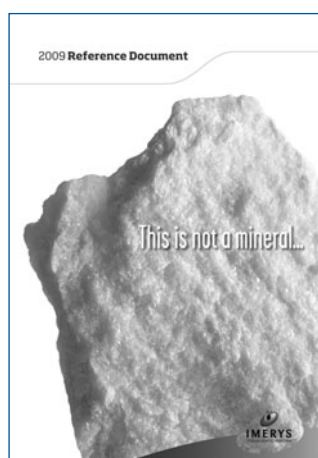
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IMERYS
TRANSFORM TO PERFORM

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...It's a technological product with a wealth of properties: elasticity, fluidity, strength and water content reduction. Used in paper, paint, plastic and cosmetics...
It's calcium carbonate.



2009 Reference Document including the Annual Financial Report

IMERYS

Limited Liability Company (Société Anonyme)
with a Board of Directors
with a share capital of €150,778,992

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The original document was filed with the AMF (French Securities Regulator) on April 1, 2010, in accordance with article 212-13 of the general regulations of the AMF. As such, it may be used to support a financial transaction if accompanied by a prospectus duly approved by the AMF. This document includes all information comprising the Annual Financial Report.

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

THE GROUP'S ACTIVITY

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1.1 MAIN KEY FIGURES

| (€ millions) | 2009 | 2008 ⁽¹⁾ | 2007 ⁽¹⁾ | 2006 ⁽¹⁾ | 2005 ⁽¹⁾ |
|---|---------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Consolidated results | | | | | |
| Revenue | 2,773.7 | 3,449.2 | 3,401.9 | 3,288.1 | 3,045.2 |
| Current operating income | 248.9 | 414.6 | 482.9 | 461.0 | 438.0 |
| Net income from current operations, Group's share | 119.3 | 267.1 | 316.7 | 308.3 | 287.6 |
| Net income, Group's share | 41.3 | 161.3 | 284.2 | 187.4 | 309.4 |
| Average weighted number of outstanding shares during the year (thousands) | 72,054 | 67,486 ⁽⁵⁾ | 68,055 ⁽⁵⁾ | 68,210 ⁽⁵⁾ | 68,158 ⁽⁵⁾ |
| Net income from current operations per share (€) | 1.66 | 3.96 ⁽⁵⁾ | 4.65 ⁽⁵⁾ | 4.52 ⁽⁵⁾ | 4.22 ⁽⁵⁾ |
| Dividend per share (€) | 1.00 | 0.93 ⁽⁵⁾ | 1.77 ⁽⁵⁾ | 1.68 ⁽⁵⁾ | 1.54 ⁽⁵⁾ |
| Consolidated balance sheet | | | | | |
| Shareholders' equity | 1,855.8 | 1,546.3 | 1,663.6 | 1,646.4 | 1,686.2 |
| Gross financial debt | 1,222.4 | 1,781.6 | 1,419.1 | 1,226.7 | 1,322.0 |
| Cash | 258.1 | 215.5 | 76.1 | 140.6 | 182.0 |
| Net financial debt | 964.3 | 1,566.1 | 1,343.0 | 1,086.1 | 1,140.0 |
| Financing | | | | | |
| EBITDA | 416.6 | 573.4 | 649.6 | 645.6 | 598.4 |
| Capital expenditure ⁽²⁾ | 132.1 | 237.3 | 343.4 | 209.5 | 242.3 |
| Acquisitions ⁽³⁾ | 11.0 | 155.8 | 232.8 | 33.0 | 439.6 |
| Financial resources | 2,345.3 | 2,353.6 | 2,328.9 | 2,208.4 | 2,233.6 |
| Average maturity of financial resources as on December 31 (years) | 4.5 | 5.5 | 6.4 | 4.5 | 5.5 |
| Net financial debt/EBITDA | 2.3 | 2.7 | 2.1 | 1.7 | 1.9 |
| Net financial debt/shareholders' equity (%) | 52.0% | 101.3% | 80.7% | 66.0% | 67.6% |
| ROCE ⁽⁴⁾ | 7.6% | 12.2% | 15.0% | 14.4% | 14.9% |
| Market capitalization as on December 31 | 3,166 | 2,041 | 3,550 | 4,269 | 3,909 |
| Employees as on December 31 | 14,592 | 17,016 | 17,552 | 15,776 | 15,934 |

(1) Results from 2005 to 2008 were restated following two changes in presentation applied as on January 1, 2009, of which details are given in note 2 to the consolidated financial statements.

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

(3) Paid acquisitions excluding divestments.

(4) Return on capital employed, i.e. current operating income divided by average invested capital. Average capital invested for a given financial year corresponds to the average between capital invested at the end of the financial year and capital invested at the close of the previous financial year. Capital invested at the end of the period is presented in the consolidated Balance Sheets by operating sector, in chapter 5 of the present Reference Document.

(5) The weighted average numbers of outstanding shares, net income from current operations per share and dividends per share from 2005 to 2008 were restated following the rights issue of June 2, 2009.

1.2 THE GROUP'S HISTORY, STRATEGY AND STRUCTURE

1.2.1 HISTORY

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

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

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

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

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

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

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

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

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

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

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

- **Performance Minerals** developed with the extension of calcium carbonate capacities in Central and South America (Quimbarra, chiefly Brazil – 2000), Asia (Honaik, mainly in Malaysia – 2000) and France (AGS-BMP's carbonates activities – 2000). The Group strengthened its positions in Southern Europe (Gran Bianco Carrara, Italy and Blancs Minéraux de Tunisie, Tunisia – 2005) and Turkey (Mikro Mineral – 2006, wholly-owned since 2008). In 2008, the acquisitions of Kings Mountain Minerals, Inc. (North Carolina, United States) and Suzorite Mining, Inc. (Quebec, Canada) added high quality mica to the minerals portfolio.
- In **Pigments for Paper**, development focused on ground and precipitated calcium carbonates, which now account for more than half the Group's sales to the paper industry. Eight new production units have been built since 2004, mainly in the Asia-Pacific zone (India, China, Indonesia and Japan). To support the development of activities in Asia, extensive reserves of high quality white marble have been acquired in Malaysia, China and Vietnam in recent years.
- The Group's **Building Materials** activity was strengthened in bricks in France with the acquisition of Marcel Rivereau (2004). Clay roof tiles and bricks activities in Spain and Portugal were divested in 2007. In late 2008, Imerys TC created Captelia™, a joint venture ⁽¹⁾ with EDF ENR (Énergies Renouvelables Réparties – distributed renewable energies), with the vocation of developing and manufacturing integrated photovoltaic roof tiles to spread energy generation on traditional roofing. In 2009, Planchers Fabre, an activity specializing in concrete joists, was sold to the French leader in the sector.
- In **Refractory Solutions**, the acquisition of Lafarge Refractories (2005) made Imerys the European leader in the sector and gave it a foothold in Asia. The merger of those activities with Plibrico led to the creation of a new entity, Calderys. ACE, the Indian leader in monolithic refractories, joined the Group in 2007, giving it a new dimension in this fast-growing country. Calderys developed in South Africa (B&B – 2007) and Scandinavia (Svenska Silika Verken AB – Sweden – 2008). These operations established Imerys as a world leader in monolithic refractories. In refractory Kiln Furniture, Imerys is also building front-rank positions in Asia (Siam Refractory Industry Co, Ltd, Thailand – 2002) and Europe (Burton Apta, Hungary – 2004).

1.2.2 STRATEGY

Imerys' strategy is based on disciplined management of its activities, reinvesting cash flow in development and sharing value creation with its shareholders.

Imerys' growth model is based on three development orientations: acquiring minerals that enhance its product portfolio, penetrating new markets with its existing range or through new minerals, and supporting customers in their international development in order to benefit from the vitality of high growth zones such as Asia. This model combines internal growth – based on the ability to create new products, optimize the existing base and selectively increase capacities – and external growth – through Imerys' ability to integrate new activities with a good business fit.

Since mid-2008, to address the unprecedented economic crisis, the Group has focused on reducing fixed costs and overheads and made cash flow generation the priority.

■ INTERNAL GROWTH

In addition to the capital expenditure needed to keep its production assets in perfect working order, the Group improves the industrial efficiency of its processes, increases capacities to meet demand, develops outlets in new countries and launches innovative products. In total, Imerys generally invests between 80% and 130% of its depreciation expense.

After several years given over to the implementation of major projects intended to ensure industrial facilities meet world-class technological standards, further improve their efficiency (kaolins for paper, minerals for filtration, clay roof tiles) and develop certain capacities selectively, in 2009 capital expenditure was limited to strictly necessary maintenance: booked industrial capital expenditure

totaled €118.7 million (i.e. 65% of depreciation expense), compared with €238.2 million in 2008 and €367.0 million in 2007.

In a context of sharp economic slowdown, from late 2008 onward the Group implemented several action plans to adjust its capacities to the long slump on volumes in some sectors. The production base was adapted in every business group, leading to the restructuring of industrial assets, together with capacity reductions and temporary or definitive production site shutdowns.

Research & Development efforts continued and lead to the design of new products in every business group. The launch of innovations developed in previous years enabled Imerys to achieve new successes and gain a foothold in the Oilfield Minerals market, as a result of work by the Innovation Department. For more information, [see section 1.8 of the present chapter 1 of the Reference Document](#).

■ EXTERNAL GROWTH

Imerys' development model is particularly based on its ability to integrate and capitalize on its acquisitions by mobilizing the Group's internal skills – whether in reserves appraisal and mining, mineral conversion, distribution or marketing – and improve their performance swiftly.

The Group implemented a particularly active acquisitions policy from 2004 to 2008, with 40 external growth operations completed – of which 20 in emerging countries – for a total amount of more than €900 million. The acquisitions made in 2007 and 2008 were integrated into the Group's activities, enabling it to bolster its presence in emerging countries which, in 2009, represented 24% of Imerys' sales.

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

FINANCIAL STRUCTURE

The same strict profitability criteria applied to capital expenditure and acquisitions enable Imerys to target value-creating projects. The selectiveness of new projects was increased: beyond the minimum profitability criterion required for an acquisition, assessment also includes its impact on the Group's financing and the speed of return on investment. In a context of economic crisis, since mid-2008 cash flow generation and working capital optimization have been the priority.

This organic debt reduction is in addition to the €251 million rights issue completed in the first half of 2009 with the support of existing shareholders. Net financial debt was reduced to €964 million as on December 31, 2009, i.e. a net debt/shareholders' equity ratio of 52.0% (€1,566 million and 101.3% ratio, a year earlier).

Imerys' financial resources totalled more than €2.3 billion (of which €1.4 billion in available financial resources) at year-end 2009. No significant repayment is due until the end of 2012 and Imerys' long-term Moody's rating is Baa3 stable. Imerys has a healthy financial structure and all the flexibility needed to take advantage of the upturn in growth when it occurs.

The Board of Directors will submit to the Shareholders' General Meeting on April 29, 2010 the maintaining of the dividend at €1.00 per share, despite the downturn in results. Payout would take place from May 11, 2010 for a total amount of approximately €75.4 million, which represents 63.2% of the Group's share of net current income.

1.2.3 THE GROUP'S GENERAL STRUCTURE

The Imerys group is organized into operating activities that are centered on clearly identified markets. Activities form the basic management units of Imerys' decentralized management method. Beyond legal structures, a market and business-focused rationale is favored. This customer-oriented approach fosters the implementation of consistent policies within each activity.

The completion of the industrial reorganization programs undertaken in 2006 led the Group to structure its operating organization around the four business groups described below.



| | |
|---|---|
| Minerals for Ceramics, Refractories, Abrasives & Foundry business group | Minerals for Ceramics |
| | Minerals for Refractories |
| | Fused Minerals |
| | Graphite & Carbon |
| | Oilfield Minerals |
| Performance & Filtration Minerals business group | Performance Minerals North America |
| | Minerals for Filtration North America |
| | Performance & Filtration Minerals Europe |
| | Performance & Filtration Minerals Asia Pacific |
| | Performance & Filtration Minerals South America |
| Pigments for Paper business group | Vermiculite |
| | Pigments for Paper North America |
| | Pigments for Paper South America |
| | Pigments for Paper Asia-Pacific |
| | Pigments for Paper Europe |
| Materials & Monolithics business group | Building Materials |
| | Refractory Solutions |

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

missions, composition and workings of the Executive Committee, see chapter 3, paragraph 3.2.4. of the Reference Document).

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

1.3 MINERAL RESERVES AND RESOURCES

In order to supply its processing plants with a broad range of raw materials to meet its customers' requirements, Imerys operates mines and quarries in various countries around the world. The Group actively pursues the replacement and growth in its mineral reserve and resource base and continually works to strengthen its technical expertise in geology, mine planning and mining expertise and sharing "best practices".

Since the implementation of [Mineral Reserves and Resources](#) reporting in 2002 and the external audit conducted in 2004 (fair value measurement of minerals reserves and resources as part of the first time adoption of IFRS standards), the procedures in force have been regularly enhanced. In line with Imerys internal policy, Mineral Reserves and Resources are audited on a regular basis, by internal and external Auditors. In 2009, an online reporting system was introduced, which streamlined and improved the reporting process. The mineral reserves and resources published in this Reference Document are prepared and verified in accordance with the relevant mining and processing practiced in each reporting entity.

■ IMERYS' PORTFOLIO OF MINERALS

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

Minerals mined by Imerys

Ball clays

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

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

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

Carbonates

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

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

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

Red clays

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

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

Feldspar

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

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

Kaolin

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

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

Mines are located in various regions around the world and Imerys is the only producer that is active in all three major high quality kaolin producing areas for paper. Each location offers its own unique and specific characteristics: United Kingdom (Cornwall) for filler kaolins; United States (Georgia) for paper and board coating applications and opacifying effects; and Brazil (the Amazon basin) for coating applications due to its fine, steep particle size distribution. For Performance Minerals and Ceramics, Imerys mines outstanding kaolin reserves located in Australia (Victoria), France (Brittany and Allier), New Zealand (Matauri Bay), Thailand (Ranong Province), Ukraine (Donetsk), United Kingdom (Cornwall) and in the United States (South Carolina and Georgia).

Minerals for Filtration

Diatomite is a special sedimentary silica mineral resulting from the accumulation of skeletal remains of microscopic freshwater or marine plants called diatoms.

Perlite, a volcanic rock, contains between 2% and 5% of natural combined water. When heated, the water converts instantaneously to steam and the perlite ore explodes like popcorn, expanding up to 20 times its original volume and creating a multi-cellular material with large surface area and corresponding low density.

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

Imerys' diatomaceous earth mines are located in Chile, China, France, Mexico, Peru, Spain, and the United States (California, Washington, Nevada). Perlite mines are located in Argentina, Chile and in the United States (New Mexico, Arizona, Utah).

Minerals for Refractories

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

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

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

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

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

Other minerals

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

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

"Grès de Thiviers" is a natural colored sandstone used as body stain for ceramics. This mineral pigment is mined by the Group in the French region of Dordogne. In recent years, a wide range of colors has been developed to broaden the market for the red pigment "Grès

de Thiviers". These include ranges of pinks and browns as well as grays available with or without a metallic effect.

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

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

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

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

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

Derived mineral products

Precipitated calcium carbonate (PCC)

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

Synthetic corundum and fused alumina

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

Silicon carbide

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

Synthetic graphite

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

Carbon black

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

Zirconia

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

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

Electrical Grade Magnesite

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

MINERAL REPORTING PRINCIPLES APPLIED BY IMERYS

Imerys mining organization and regulatory framework

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

Imerys' reporting on mineral reserves and resources is conducted by "Competent Persons" who are duly appointed and responsible for reporting in compliance with the PERC⁽¹⁾ Code. Applicable since January 1, 2009 by companies based in mainland Europe, the United Kingdom and Ireland, PERC replaces the 2001 Reporting Code⁽²⁾. This body factors in the recent improvements made to Australian,

South African, American and Canadian mining codes and forms the new international benchmark. In particular, reporting rules have been reviewed and adapted to the specificities of the industrial minerals business, establishing a reference framework for this sector.

Similar codes, including JORC (Australia), Samrec (South Africa), SME Industry Guide 7 (United States), the Canadian Institute of Mining's definitions as required under N143-101 and the Certification Code (Chile, Peru and the Philippines), all in compliance with CRIRSCO's⁽³⁾ International Reporting Template, form best practices and have been adopted as reporting standards by the mining industry in the Western world.

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

Audit

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

Definitions

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

Mineral Resource

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

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

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

(2) 2001 Reporting Code: Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves.

(3) CRIRSCO: Committee for Mineral Reserves International Reporting Standards.

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

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

Mineral Reserve

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

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

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

Risks and uncertainties

Mineral Reserves and Resources are estimates of the size and quality of ore deposits based on currently available technical, economic, market and other parameters. Due to unforeseen changes in these parameters and the uncertainty inherently associated with resource evaluation, no assurance can be given that the estimates of Mineral Reserves and Resources shown in the tables below will be recovered as anticipated by the Group.

With continued geological exploration and evaluation, Mineral Reserves and Resources may change significantly, either positively or negatively.

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

Please refer to *chapter 4, section 4.1.1 of the Reference Document*.

■ MINERAL RESERVES (ESTIMATES AS ON 12/31/2009 VS. 12/31/2008)

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

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

Reserves are quoted in addition to Resources as on December 31, 2009 and are stated on the basis of thousands of metric tons of dry sellable product. Estimates for 2008 are shown for the sake of comparison.

Ongoing exploration work, geological assessments and mining activities as well as changes in ownership of certain mineral rights due to acquisitions or sales are reflected in the movements of the estimates reported for 2009 against those reported for 2008.

■ MINERAL RESERVE ESTIMATES (AS ON 12/31/2009 VS. 12/31/2008)

| Product | Region | 2009 | | | 2008 | | |
|--|-------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| | | Proven (kt) | Probable (kt) | Total (kt) | Proven (kt) | Probable (kt) | Total (kt) |
| Ball Clays | Asia/Pacific | 1,133 | - | 1,133 | 1,174 | - | 1,174 |
| | Europe and Africa | 14,680 | 4,428 | 19,108 | 15,323 | 4,446 | 19,769 |
| | North America | 5,977 | 343 | 6,320 | 5,428 | 740 | 6,168 |
| | Total | 21,790 | 4,771 | 26,561 | 21,925 | 5,186 | 27,112 |
| Carbonates (Calcite, Marble, Chalk, Limestone, Dolomite & Dimension Stone) | Asia/Pacific | 2,608 | 14,839 | 17,447 | 2,691 | 11,955 | 14,646 |
| | Europe and Africa | 9,333 | 13,926 | 23,259 | 10,237 | 8,928 | 19,165 |
| | North America | 181,202 | 45,119 | 226,321 | 182,497 | 45,419 | 227,916 |
| | South America | 5,663 | - | 5,663 | 5,023 | 800 | 5,823 |
| | Total | 198,806 | 73,884 | 272,690 | 200,448 | 67,102 | 267,550 |
| Clays (Brick & Roof tile raw materials) | Europe | 66,664 | 23,834 | 90,498 | 67,602 | 22,660 | 90,262 |
| | Total | 66,664 | 23,834 | 90,498 | 67,602 | 22,660 | 90,262 |
| Feldspar (Feldspathic sand & Pegmatite) | Asia/Pacific | 259 | 120 | 379 | 349 | 120 | 469 |
| | Europe | 25,844 | 15,984 | 41,828 | 25,299 | 15,897 | 41,196 |
| | North America | 1,895 | - | 1,895 | 1,845 | - | 1,845 |
| | Total | 27,998 | 16,104 | 44,102 | 27,493 | 16,017 | 43,510 |
| Kaolin | Asia/Pacific | 465 | 3,400 | 3,865 | 473 | 3,435 | 3,907 |
| | Europe | 9,057 | 14,846 | 23,903 | 10,576 | 21,079 | 31,655 |
| | North America | 29,896 | 9,401 | 39,297 | 28,704 | 8,502 | 37,206 |
| | South America | 29,890 | - | 29,890 | 28,353 | - | 28,353 |
| | Total | 69,308 | 27,647 | 96,955 | 68,105 | 33,016 | 101,121 |
| Minerals for Filtration (Perlite & Diatomite) | Asia/Pacific | 7 | 129 | 136 | 29 | 138 | 167 |
| | Europe | 500 | 276 | 776 | 534 | 364 | 898 |
| | North America | 30,768 | 8,753 | 39,521 | 7,286 | 5,271 | 12,557 |
| | South America | 308 | 1,018 | 1,326 | - | 1,376 | 1,376 |
| | Total | 31,583 | 10,176 | 41,759 | 7,849 | 7,149 | 14,998 |
| Minerals for Refractories (Andalusite, Quartzite, Bauxite, Bauxitic kaolin, Ref clays & kaolin) | Asia/Pacific | - | 378 | 378 | - | 378 | 378 |
| | Europe and Africa | 4,516 | 2,641 | 7,157 | 3,432 | 3,364 | 6,796 |
| | North America | 5,464 | - | 5,464 | 5,562 | - | 5,562 |
| | South America | - | - | - | - | - | - |
| | Total | 9,980 | 3,019 | 12,999 | 8,994 | 3,742 | 12,736 |
| Other Minerals (Bentonite, Grès de Thiviers, Vermiculite, Quartz, Slate, Graphite) | Total | 3,077 | 931 | 4,008 | 2,229 | 1,716 | 3,945 |

Notes:

In addition to the normal activities involving exploration, production and transfers from resources, significant changes in reserves result from major re-evaluations on operations in Greece (Carbonates), United States (Perlite), first time reporting of certain areas in Turkey (Feldspar) and in the United States (Mica) and a write down in reserves due to mine closure in Devon, United Kingdom (Kaolin).

All estimates are quoted in dry metric tons final product equivalent. Clays are quoted in dry processable metric tons.

■ MINERAL RESOURCE ESTIMATES (AS ON 12/31/2009 VS. 12/31/2008)

| Product | Region | 2009 | | | | 2008 | | | |
|--|-------------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|
| | | Measured (kt) | Indicated (kt) | Inferred (kt) | Total (kt) | Measured (kt) | Indicated (kt) | Inferred (kt) | Total (kt) |
| Ball Clays | Asia/Pacific | 183 | - | - | 183 | 184 | - | - | 184 |
| | Europe and Africa | 5,205 | 1,944 | 2,502 | 9,651 | 2,004 | 3,875 | 3,450 | 9,329 |
| | North America | 6,561 | 18,983 | 9,668 | 35,212 | 10,438 | 15,779 | 9,519 | 35,736 |
| | Total | 11,949 | 20,927 | 12,170 | 45,046 | 12,626 | 19,654 | 12,969 | 45,249 |
| Carbonates (Calcite, Marble, Chalk, Limestone, Dolomite & Dimension Stone) | Asia/Pacific | - | 13,894 | 28,956 | 42,850 | - | 17,893 | 28,956 | 46,849 |
| | Europe and Africa | - | 5,254 | 68,738 | 73,992 | 927 | 4,845 | 68,800 | 74,572 |
| | North America | 56,925 | 102,551 | 128,544 | 288,020 | 69,359 | 101,807 | 139,224 | 310,390 |
| | South America | 11,085 | 10,900 | 22,983 | 44,968 | 11,085 | 10,900 | 22,983 | 44,968 |
| | Total | 68,010 | 132,599 | 249,221 | 449,830 | 81,371 | 135,445 | 259,963 | 476,779 |
| Clays (Brick & Roof Tile Raw Materials) | Europe | 22,095 | 21,112 | - | 43,207 | 23,683 | 14,372 | 757 | 38,812 |
| | Total | 22,095 | 21,112 | - | 43,207 | 23,683 | 14,372 | 757 | 38,812 |
| Feldspar (Feldspathic sand & Pegmatite) | Asia/Pacific | - | 565 | 20 | 585 | - | 565 | 20 | 585 |
| | Europe | 5,826 | 22,482 | 37,460 | 65,768 | 2,641 | 16,923 | 35,960 | 55,524 |
| | North America | 3,382 | 14,280 | 106 | 17,768 | 2,996 | 14,280 | 2,536 | 19,812 |
| | Total | 9,208 | 37,327 | 37,586 | 84,121 | 5,637 | 31,768 | 38,516 | 75,921 |
| Kaolin | Asia/Pacific | - | 5,241 | 3,178 | 8,419 | - | 5,241 | 3,178 | 8,419 |
| | Europe | 3,308 | 6,039 | 43,041 | 52,388 | 3,047 | 4,443 | 51,076 | 58,567 |
| | North America | 16,781 | 18,837 | 34,648 | 70,266 | 15,022 | 15,527 | 35,537 | 66,105 |
| | South America | 2,472 | - | 7,008 | 9,480 | 3,493 | 2,007 | 8,740 | 14,240 |
| | Total | 22,561 | 30,117 | 87,875 | 140,553 | 21,562 | 27,239 | 98,530 | 147,331 |
| Minerals for Filtration (Perlite & Diatomite) | Asia/Pacific | 90 | - | - | 90 | - | - | 322 | 322 |
| | Europe | 322 | 3,736 | 324,157 | 328,215 | 313 | 3,793 | 324,157 | 328,263 |
| | North America | 20,607 | 32,594 | 30,001 | 83,202 | 1,558 | 37,070 | 51,185 | 89,814 |
| | South America | - | 30 | 74,402 | 74,432 | - | 30 | 74,402 | 74,432 |
| | Total | 21,019 | 36,360 | 428,560 | 485,939 | 1,872 | 40,893 | 450,066 | 492,831 |
| Minerals for Refractories (Andalusite, Quartzite, Bauxite, Bauxitic kaolin, Ref clays & kaolin) | Asia/Pacific | - | 980 | 2,072 | 3,052 | - | 980 | 2,072 | 3,052 |
| | Europe and Africa | 2,335 | 2,056 | 4,670 | 9,061 | 1,633 | 1,676 | 5,579 | 8,888 |
| | North America | 12,454 | 246 | 137 | 12,837 | 11,498 | - | - | 11,498 |
| | South America | - | 1,539 | - | 1,539 | - | 1,539 | - | 1,539 |
| | Total | 14,789 | 4,821 | 6,879 | 26,489 | 13,131 | 4,195 | 7,651 | 24,977 |
| Other Minerals (Bentonite, Grès de Thiviers, Vermiculite, Quartz, Slate, Graphite) | | | | | | | | | |
| | Total | 1,473 | 6,487 | 4,464 | 12,424 | 1,260 | 2,143 | 887 | 4,290 |

Notes:

In addition to the normal activities of exploration, transfers to reserves and re-evaluations, significant changes were the result of major re-valuations on operations in Greece and United States (Carbonates), Turkey and United States (Feldspar), Brazil (Kaolin), Canada (Mica); land acquisition in France (Clays) and in the United States (Refractories); mine closures in France (Clays) and Devon, United Kingdom (Kaolin).

All estimates are quoted in dry metric tons final product equivalent. Clays are quoted in dry processable metric tons.

1.4 MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

In 2009, the business group is organized around the 5 following activities:

- Minerals for Ceramics;
- Minerals for Refractories;
- Fused Minerals;
- Graphite & Carbon;
- Oilfield Minerals, created at the beginning of the year to address in a coordinated way the markets of minerals used in oil and gas fields.

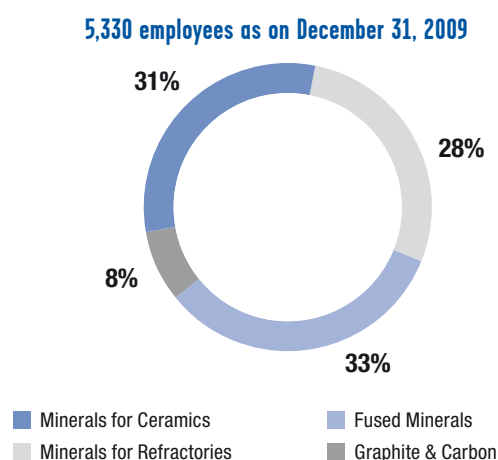
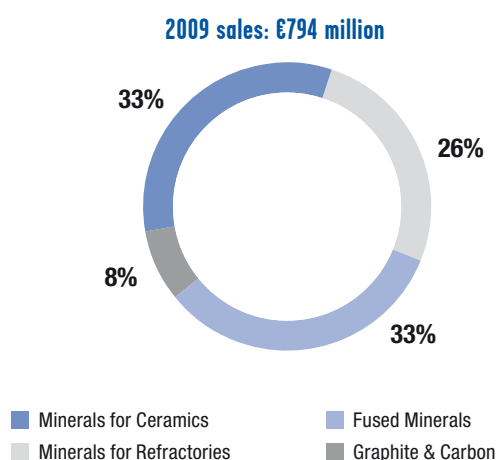
The business group has a wide range of extensive and high quality mineral reserves. With expertise in all the processing techniques required, it offers a great variety of products that meet the specific requirements of the industries it serves, especially in terms of chemical composition, mechanical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

In 2009, the business group was strongly affected by the economic environment and related de-stocking, and each activity suffered from a huge sales volumes drop. To face this economic turmoil, actions have been implemented to restructure the business group's operations, through plant mothballing, shut-downs, or by reducing the production and rationalizing it.

The business group relies on its innovation centers such as the Center for Abrasives and Refractories Research and Development (C.A.R.R.D, Austria) and the Graphite & Carbon R&D center in Bodio (Switzerland). In addition, the new Ceramic Centre was inaugurated in Limoges (France) in April 2009.

Minerals for Ceramics, Refractories, Abrasives & Foundry sales to December 31, 2009 totaled €794 million, which represents 28% of Imerys consolidated sales.

The business group has 102 industrial sites in 24 countries.



1.4.1 BUSINESS GROUP OVERVIEW

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

(1) Imerys estimates.

1.4.2 MINERALS FOR CERAMICS

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

Imerys Ceramic Centre, the Group's research center in ceramics, was inaugurated in April 2009 in Limoges (France) to focus on finding new mineral solutions either for existing applications or for developing new ones. For more information on R&D and innovation, please refer to [chapter 1, section 1.8 of the Reference Document](#).

PRODUCTS

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

Raw materials & ceramic bodies

The main raw materials produced and marketed by the Minerals for Ceramics activity are ball clays, kaolin, feldspar, quartz, halloysite and natural pigments (Grès de Thiviers). For a detailed presentation of these minerals, please refer to [chapter 1, section 1.3 of the Reference document](#).

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

Applications

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

Applications include:

Tableware

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

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

Sanitaryware

Imerys Sanitaryware's complete package of mineral products is the largest offer available to the global sanitaryware market. The ball clay portfolio includes the English clays renowned for their unique properties, thanks to active organics, as well as local products from three continents. The chamotte range includes standard, refined and high dilatometry options while the kaolin portfolio covers the broadest range of casting properties for sanitaryware. For prepared bodies, Imerys Sanitaryware has three dedicated plants including fine fireclay

specialists based in the Civita Castellana region of Italy. Finally, the feldspar portfolio consists of products from three continents.

The applications for Imerys Sanitaryware products include vitreous china and fine fireclay, produced by conventional or pressure casting techniques. Ongoing investment into product development is key to maintaining Imerys Sanitaryware's leadership in the market for both raw materials and full prepared bodies. Likewise, ongoing investment into the asset base helps to further consolidate Imerys leadership position through improved customer service, a tailored commercial approach and a wider geographical reach.

Tiles Minerals

Imerys Tiles Minerals offers a large range of raw materials for tile bodies, frits⁽²⁾, glazes and engobes.

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

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

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

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

In addition to supplying raw materials, Imerys Tiles Minerals also offers grinding solutions for industrial minerals processing at its European production sites: in France and Spain for hard and soft minerals.

(1) Slurry: A mixture of water ceramic powder and various additives (e.g., dispersant) used in the processing of ceramics.

(2) Frits: A ceramic composition that has been fused, quenched to form a glass, and granulated. The heat welds the grains together, making the piece cohesive.

(3) Fluxes: Feldspar family product.

Quartz

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

MARKETS

Market trends

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

Ceramics markets are mostly construction-related (new-build and renovation) and exposed to the United States and Europe. Both

areas suffered in 2009 from an extended slow-down of the activity: new-build reached an historically low level in the United States while Europe was affected by an activity decrease, coupled with some substantial over capacities (Southern Europe). Emerging economies remained growing regions.

Customers faced major difficulties and announced along the year short-time-working and downsizing scenarios, in Tableware activities mainly. This has been further compounded by a number of manufacturers going bankrupt.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Minerals for Ceramics has 61 industrial facilities located as follows:

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

Quality

The activity is firmly committed to quality improvement: 26 industrial sites out of 61 are certified ISO 9001:2000.

Sales organization

The Minerals for Ceramics activity has strategic bases worldwide and its products are marketed either by its own sales teams or by its networks of independent agents or distributors.

1.4.3 MINERALS FOR REFRACTORIES

The Minerals for Refractories activity results from a series of acquisitions made by Imerys over the past 20 years in this field. It is comprised of all the activities in the production and conversion of raw materials for acid and basic refractories, in which the Group has a front-rank global position.

Through the acquisition of a high-alumina clay deposit in the United States in the first quarter of 2009, the activity increased significantly its long-term reserves of products with high alumina content.

The Mineral for Refractories activity also improved its operations with the commissioning of a new kiln in the United States (CE-Minerals) and with the completion of a new plant in China for delivering the local andalusite market (Yilong). In addition, two projects started in 2009 to improve andalusite's industrial efficiency in South Africa.

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

■ PRODUCTS

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

Raw materials and derived mineral products

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

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

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

For a detailed presentation of these minerals, please refer to [chapter 1, section 1.3 of the Reference Document](#).

Applications

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

The main applications for refractory minerals are:

- refractories for the steel, glass, cement and aluminium industries;
- kiln furniture for the ceramics industry;
- investment casting ⁽¹⁾;
- electronic components.

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

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

- **C-E Minerals, Inc.** (United States) is the world leader in the production and supply of industrial refractory minerals, including Mulcoa®, a mullite with high alumina content; white fused alumina; Teco-Sil® fused silica; Teco-Sphere® spherical silica; Alpha Star®,

a high density refractory bauxite; brown fused alumina, silicon carbide and tabular alumina for refractory products; electronic components and investment casting.

- **European Chamottes** is the business unit consolidating the following activities:

- **AGS** (France), the European leader in calcined clay production. The wealth and variety of Charentes basin clays (France), together with conversion processes, result in a wide product range (clays, pulverized clays, calcined clays, metakaolins and chamottes) sold to many sectors of business, including refractories, sanitaryware, floor tiles, glue, rubber, fertilizer and concrete;
- **Vatutinsky** (Ukraine) is the specialist in low and medium alumina content chamottes (calcined clays) for refractory sectors, serving mainly Eastern European markets (including Ukraine and Russia);
- Molochite™, produced by **Imerys Minerals Ltd** (United Kingdom), is a unique abrasion-resistant alumino-silicate refractory aggregate obtained by calcining specially selected kaolins. Molochite™ is used predominantly in kiln furniture, investment casting and special refractory products.

- **Damrec** (France), with mineral deposits in France, South Africa and China, is the world's largest producer of andalusite, a silico-aluminous mineral used primarily in steelmaking but also in the aluminum, glass and cement industries. Damrec offers a complete line of products under the brands Durandal™, Kerphalite™, Kersand™, Krugerite™, Purusite™ and Randalusite™.

- **Ecce Holdings (Pty) Ltd** and **Cape Bentonite (Pty) Ltd** are South African producers of chamottes, ceramic clays and bentonite. Bentonite is used primarily in the casting, pelletizing, drilling mud and environmental fields. Ceramic clays are sold to the local South African market, chiefly for floor tiles.

■ MARKETS

Market trends

Minerals for Refractories serves customers based all around the world, with an increasing presence in emerging countries (China, India, Russia, Ukraine, etc.).

Refractory markets have been strongly affected by the sharp decrease of the steel production in Western Europe and North America all over the year (respectively - 30% and - 34%, source IISI ⁽²⁾) amplified by a destocking effect throughout the value chain. Projects related to other segments such as aluminium, glass and cement industries have been postponed.

(1) *Investment casting: metal-forming technique used for very small or highly complex components which offers an extremely good surface finish. Molds are made from refractory products.*

(2) *IISI: International Iron & Steel Institute.*

Main competitors

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

■ INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Minerals for Refractories activity has 20 industrial facilities as follows:

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

In 2009, heavy restructuring has been implemented in all operations in order to adapt production capacities and costs to the recent market trend.

Quality

11 plants are certified ISO 9001:2000.

Sales organization

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

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

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

Special attention is currently being given to emerging markets (Commonwealth of Independent States (CIS), Asia, South America). The commercial organizations of the recently acquired companies in China and Ukraine are used as a base to set up a common sales network serving refractory producers in those countries. In India, an internal dedicated sales structure, Imerys Refractory Minerals India (IRMI), has been set up in January 1, 2009.

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

1.4.4 FUSED MINERALS

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

In 2009, the integration of the zirconia activities between UCM and Imerys Astron China has been completed. Year after year, the unique know-how and Research & Development capabilities, within the C.A.R.R.D., allow for the development of new mineral solutions and innovations. For more information, please refer to [chapter 1, section 1.8 of the Reference Document](#).

■ PRODUCTS

Raw materials and derived mineral products

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

Fused aluminum oxide

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

Fused zirconia and zircon related products

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

Fused magnesia

Through UCM, Fused magnesia business converts magnesite into high purity fused magnesium oxide, to meet the specific requirements of the electrical heating element and, to a lesser extent, automotive and refractory industries.

Calcined magnesite is blended with selected additives and then fused to produce materials with characteristics that ensure low electrical leakage, good thermal performance and good physical properties for filling heating elements. During fusion, the physical characteristics of magnesite are transformed, resulting in higher density and an optimum crystal structure.

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

Applications

Fused aluminum oxide

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

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

Fused zirconia and zircon related products

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

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

Fused magnesia

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

MARKETS

Market trends

All markets and applications have suffered from a sudden drop in demand since the end of 2008, in particular due to the low level of steel and automotive/machinery production, as well as reduced construction activities. After a significant destocking period, markets started to gradually recover in the second half. China was the first market to start growing after the recession, in particular thanks to the government stimulus package. Imerys Astron China, being focused on the domestic market, mostly profit from this situation.

Main competitors

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

■ INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Fused Minerals has 14 industrial facilities located as follows:

| | Europe | Americas | Asia-Pacific |
|----------------------|--------|----------|--------------|
| Fused Aluminum Oxide | 5 | 2 | 2 |
| Zircon Products | | 1 | 2 |
| Fused Magnesite | 1 | 1 | |

In fused aluminum oxide operations, production has been severely constrained and industrial lay-out has been adapted to a very low level of activity.

Quality

Most industrial sites are certified ISO 9001:2000, as well as the Center for Abrasives and Refractories Research and Development (C.A.R.R.D.). The C.A.R.R.D. is a high technology certified center in Austria.

Sales organization

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

1.4.5 GRAPHITE & CARBON

Through Timcal, Imerys' Graphite & Carbon activity is a world leader in technical applications for high-performance graphite and carbon black, providing its global markets with a full range of carbon-based solutions and related services.

■ PRODUCTS

Timcal's main product families are:

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

For a detailed presentation of these minerals and derived mineral products, please refer to [chapter 1, section 1.3 of the Reference Document](#).

Applications

The Graphite & Carbon activities are strictly market-driven, ensuring high-quality products and services for their customers in every application field. Research & Development is key in the Graphite & Carbon activity in order to provide customers with new innovative solutions. More details are given in [chapter 1, section 1.8 of the Reference Document](#).

- **Mobile energy:** this sector covers alkaline batteries, Zn-C batteries, Lithium-Ion rechargeable batteries (for mobile electronic

devices), fuel cells (systems for converting chemical energy into electricity through a continuous fuel supply), super-capacitors and can coatings. In the fiercely contested portable energy market, Timcal is the world leader due to the variety of its products, which range from graphite and carbon black powders to conductor coatings for battery cans. The use of an electrode containing graphite or carbon black makes Lithium-Ion batteries safer and more efficient. Fuel cells are still requiring new graphites, carbon blacks and technically advanced graphite dispersions.

- **Engineering materials:** thanks to unique combinations of synthetic and natural graphite, tailor-made solutions are provided by cutting-edge graphite processing facilities that deliver the required physical and chemical characteristics and a high standard of service. In the automotive industry, outlets are friction pads, clutch facings, seals, iron powder metallurgy, carbon brushes and foils. Other applications include sintered ceramics, hard metals, pencil leads, powders for lubricants, catalysts and synthetic diamonds.
- **Additives for polymers:** with the highly conductive carbon black and synthetic graphite product families, Timcal addresses the niche market of conductive polymers with applications in conductive coatings, plastics & resins, PTFE (Polytetrafluorethylene) elastomers, rubber, cables and flame retardants.
- **Hot metal forming:** in a sector that is heavily dependent on the oil drilling business, Timcal's leadership is based on its extensive knowledge of graphite dispersions for hot metal forming, descaling agents⁽¹⁾, casting and related application systems.
- **Refractories and metallurgy:** a significant outlet for natural graphite, with bricks, monolithics, carbon raisers and hot metal topping.

⁽¹⁾ Descaling agents: products used for treating scale in shell interiors (of hot metal forming processes). They reduce mandrel or plug wear, improve internal surface and avoid scaling.

MARKETS

Market trends

During the first half of 2009, markets were negatively affected by the global economic slowdown that has prevailed since the end of 2008. Substantial demand decline was intensified by continued inventory takedowns in major end-markets like automotive, consumer electronic and steel manufacturing and in most geographic areas. General demand levels in these markets recovered moderately in the second half of 2009, in all applications and geographic zones. Improvements were more sensitive in Asia-Pacific region and in Mobile Energy segment.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

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

| Europe | North America | Asia-Pacific |
|--------|---------------|--------------|
| 2 | 2 | 3 |

Quality

6 sites are certified ISO 9001:2000.

Sales organization

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

1.4.6 OILFIELD MINERALS

Taking advantage of the wide range of properties provided by the portfolio of Imerys' minerals, the Oilfield Minerals activity has been created in 2009. Its dual objectives are to better coordinate current sales activities of Imerys into this market, provided by a significant number of Imerys minerals, and to explore the potential for leveraging the Group's existing assets and technical know-how to grow new business.

PRODUCTS

Oilfield Minerals main product families are sourced by Imerys activities inside or outside the business group, locally or globally (in Europe, North America, Asia and Africa). They include bentonite, calcium carbonates, mica, metakaolins, graphite, diatomite, perlite.

For a detailed presentation of these minerals and derived mineral products, please refer to [chapter 1, section 1.3 of Reference Document](#).

Applications

The Oilfield Minerals application activities are market-driven with focus on two main areas.

- **Oilfield drilling fluids:** Imerys minerals are used for the specific technical and performance benefits that they bring. Bentonite is used to provide rheology modification and fluid loss control in drilling fluids where graphite is also used to provide lubricity. Mica is used in drilling fluids to control loss circulation. Calcium carbonates are used in drilling fluids as bridging materials and where their acid solubility is a key performance property. Diatomite and perlite are used in the filtration of completion fluids;
- **Oilfield cementing:** Metakaolins are used to extend oilwell cements, to increase their strength and reduce their permeability to liquids and gases. Perlite is used in oilwell cements to reduce the cement density.

■ MARKETS

Market trends

The activity is related to the oil and gas market and prices. During the first half of 2009, the activity in oilfield markets was sharply reduced compared to 2008 with significant reductions in oil pricing. A slight recovery occurred in the second half of 2009.

Main competitors

No mineral producing competitor is able to match Imerys portfolio for oilfield applications but Oilfield Minerals competes with various companies in each mineral.

■ INDUSTRIAL FACILITIES AND SALES ORGANIZATION

Industrial facilities

Oilfield Minerals are sourced from businesses across the Imerys group to optimize product selection in order to meet customer needs and to minimise logistics costs.

Sales organization

Oilfield Minerals employs its own sales highly specialised staff and then also works closely with the other Imerys businesses' sales organization around the world. This approach ensures regular contact with customers and provides them with constant support.

1.5 PERFORMANCE & FILTRATION MINERALS

The Performance & Filtration Minerals business group comprises two main activities, presented in the sections hereafter:

- Performance Minerals;
- Minerals for Filtration.

In order to adapt to the economic downturn, the business group restructured in 2009 in order to align production capacity with the reduced demand in many markets and to bring organization closer to our customer needs. Actions were taken everywhere to reduce fixed and administration costs. The management and reporting structure was consequently reorganized in 6 activities as follows:

- Minerals for Filtration North America;
- Performance Minerals North America;
- Performance & Filtration Minerals Europe;
- Performance & Filtration Minerals Asia Pacific;
- Performance & Filtration Minerals South America;
- Vermiculite.

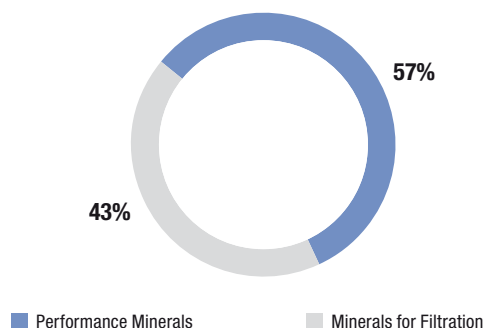
The global Performance & Filtration Minerals business group provides customers with tailor-made solutions in highly technical fields where chemical composition, morphology, mechanical properties, thermal and chemical resistance, but also food and pharmaceutical grade processing are key requirements.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

The development of strong relationships with customers is essential on Performance & Filtration Minerals' value-added markets, i.e. food & beverage, paints, plastics, rubber, coatings, adhesives, caulks & sealants, health & beauty, pharmaceutical & nutraceuticals and building materials. Thanks to the often complementary properties of minerals from both activities, the business group is well poised to serve its common customers. Collaboration and resource-sharing take place across these activities on a case-by-case basis, leveraging synergies to deliver unique product offerings.

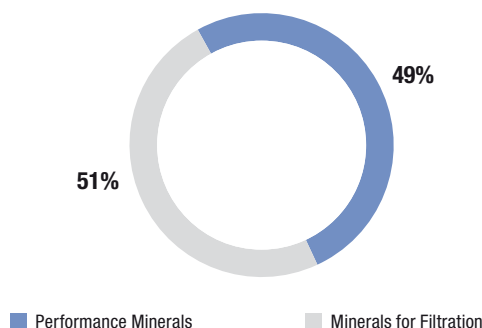
Performance & Filtration Minerals's sales for the year ending December 31, 2009 totalled €501 million, which represents 18% of Imerys' consolidated sales.

The business group has 55 industrial sites in 17 countries.

2009 sales: €501 million



2,865 employees as on December 31, 2009



1.5.1 BUSINESS GROUP OVERVIEW

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

(1) Imerys estimates.

1.5.2 PERFORMANCE MINERALS

■ PRODUCTS

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

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

Raw materials

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

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

For a detailed presentation of these minerals and products, please refer to [chapter 1, section 1.3 of the Reference Document](#).

Applications

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

Applications include:

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

MARKETS

Market trends

Market trends by geographic zone were as follows:

- **Europe:** The Performance Minerals business in Europe is substantially linked to activity in the construction markets. The whole sector entered into a slump in the second half of 2008, that continued throughout 2009;
- **North America:** Since the end of 2006, a significant downturn affected new residential construction with a negative impact on a number of key markets (joint compound, roofing and PVC ⁽¹⁾ siding, paints and coatings). Activity remained poor throughout 2009 with a further decrease in new housing compared with 2008 but with signs of stabilization at historically low level;
- **South America:** Activity in Brazil recovered quickly from the steep drop of late 2008;
- **Asia Pacific:** Strong positions in polymers and specialty rubber applications have provided growth in Asia.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Performance Minerals activity has 29 industrial facilities:

| | Europe | Americas | Asia-Pacific & Africa |
|--------|--------|----------|-----------------------|
| Kaolin | 2 | 1 | 1 |
| GCC | 6 | 9 | 4 |
| PCC | | 4 | |
| Mica | | 2 | |

In 2009, certain activities in Asia and South America were transferred from Pigments for Paper to Performance & Filtration Minerals business group.

(1) PVC: Polyvinyl Chloride.

Quality

The Performance Minerals activity is firmly committed to quality improvement with 16 plants certified ISO 9001:2000.

Sales organization

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

1.5.3 MINERALS FOR FILTRATION

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

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

The Minerals for Filtration activity is very involved in R&D and innovation which is detailed in [chapter 1, section 1.8 of the Reference Document](#).

■ PRODUCTS

Raw materials

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

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

For a detailed presentation of these minerals, please refer to [chapter 1, section 1.3 of the Reference Document](#).

Applications

- **Food & Beverages:** diatomite and expanded perlite have ideal shape, structure and density to be used as filtration aids in beer, sweeteners, water, wine and edible oils. Calcium silicate-based and magnesium silicate-based products have valuable properties for converting liquid, semi-solid or sticky ingredients into dry, free-flowing powders used to make sweeteners and flavorings due to their high surface area and absorption capabilities.

- **Pharmaceutical & Chemicals:** diatomite is used for its filtration capabilities and as a functional filler in cosmetics, pharmaceuticals and chemicals. Diatomite is a key component of the blood fractionation process worldwide. Perlite is used as filler in dentistry. Diatomite and expanded perlite are both used as filtration aids in bio diesel.
- **Construction:** perlite and expanded perlite products contain unique properties that make them suitable for heat and cryogenic insulation, soundproofing, Building Materials, coatings (e.g. for swimming pools) and roofing. Vermiculite is sold to the insulation, soundproofing, fire protection and construction industries for its light weight, heat resistance, high absorption and low density.
- **Other industries:** diatomite is used in the paint, plastic film, agriculture, polish and rubber sectors. Perlite and expanded perlite are suitable for horticulture and lightweight refractories. Calcium silicate-based and magnesium silicate-based products are used to make rubber and pesticides.

■ MARKETS

Market

Minerals for Filtration are sold worldwide to a wide range of global and local customers. Activity was contrasted by segments:

Filter aid demand dropped temporarily at the end of 2008 and beginning of 2009 reflecting inventory reduction by customers and distributors. Levels rebounded in the second half of 2009, as the demand for filtration of food and beverage products remained overall stable.

Functional fillers markets were more diverse but overall suffered of a de-stocking in the supply chain and drop in demand of construction related applications.

Main competitors

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

■ INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

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

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

Quality

The global quality organization focuses on improving product quality and consistency at each plant around the world. 19 facilities are certified ISO 9001:2000.

Sales organization

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

1.6 PIGMENTS FOR PAPER

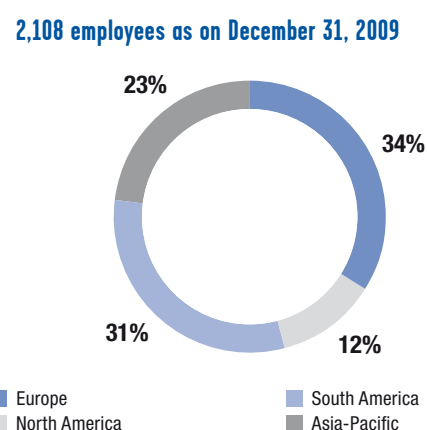
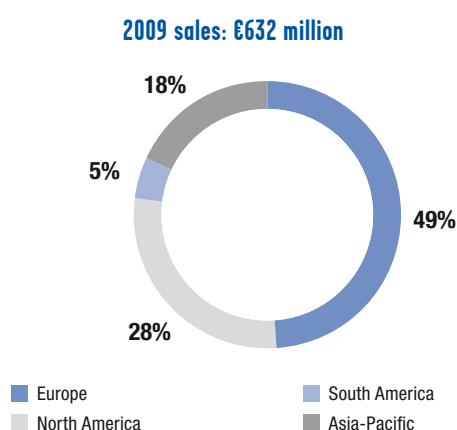
The Pigments for Paper business group supplies the paper industry with kaolin and calcium carbonates, the two main processed minerals for the paper industry. The business group has extensive, high-quality mineral reserves of these two essential minerals for papermaking, combined with expertise in processing techniques. Its structure is designed to serve the needs of the changing global paper market. Pigments for Paper serves more than 360 paper mills worldwide. 23% of these are in North America, 45% in Europe and 32% in the rest of the world, mainly Asia-Pacific, the region driving growth in the paper industry. To provide the most relevant products

for local specificities in paper manufacturing, the business group is organized into 4 geographic regions.

In 2009, industrial lay-out was adapted to difficult economic conditions; at the same time, 2 new operations were commissioned in India to supply new paper mills of local or global customers.

Pigments for Paper sales for the year ending December 31, 2009 totalled €632 million, which represents 23% of Imerys' consolidated sales.

The Business Group has 45 industrial sites in 19 countries.



BUSINESS GROUP OVERVIEW

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

(1) Imerys estimates.

■ PRODUCTS

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

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

Raw materials

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

For a detailed presentation of these minerals, please refer to [chapter 1, section 1.3 of the Reference Document](#).

Applications

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

- calcination transforms kaolin at high temperature, resulting in a more inert mineral that imparts different qualities to end applications such as whiteness and opacity as well as gloss, smoothness and printability;
- GCC pigment is especially renowned for its high whiteness and good rheology, and improves the physical characteristics of finished paper & packaging products;
- PCC, produced artificially from natural limestone, delivers a pigment with well-defined shape and size and excellent optical properties.

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

- **fillers** are added to the paper fiber at the beginning of the papermaking process, just prior to the formation of the paper web. Mineral fillers are designed to impart texture, opacity, whiteness and printability. Filler pigments have an increasingly important role in the success of uncoated woodfree, newsprint and supercalendered papers, as expectations in terms of print performance are constantly rising. The high cost of papermaking fiber further highlights the need for filler kaolin, for both its technical benefits and as a cost-saving measure. Facilities in the United Kingdom (Cornwall) provide filler kaolins that are especially suited to European supercalendered paper production;
- **coating products** are used in sophisticated formulations containing different pigments and chemical components to achieve high levels of brightness, gloss and print performance. They are applied to the paper surface in a thin, even film to produce opaque, white, smooth and glossy paper with no increase in weight. Brazilian Capim™ (Amazon Delta) kaolins deliver outstanding whiteness and opacity, due to their particle size distribution; they also give excellent printability and runnability for lightweight coated (LWC) papers. United States (Georgia) kaolins are predominantly used for coating applications requiring high gloss and printability in the global paper market.

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

■ MARKETS ⁽¹⁾

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

Due to the impact of the global economic downturn on demand, global production of printing and writing paper declined by an estimated - 10.7% in 2009, reflecting lower advertising expenditure in mature economies. The overall economic situation has led to a decline in demand particularly in the European and North American markets, both of which have continued to restructure with selected paper machine or mill closures. Conversely, printing and writing paper markets remained buoyant in Asian emerging countries and South America.

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

■ MAIN COMPETITORS

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

■ INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The business group totals 45 industrial facilities as follows:

| | Europe | Americas | Asia-Pacific |
|------------------|--------|----------|--------------|
| Kaolin | 1 | 3 | 1 |
| GCC | 8 | 2 | 15 |
| PCC | 1 | 8 | 2 |
| Slurry make-down | 4 | | |

In 2009, certain activities in Asia and South America were transferred from Pigments for Paper to Performance & Filtration Minerals business group.

Production capacities were reduced with temporary idling measures, plant closure and restructuring of facilities implemented in Europe, North America and Brazil.

Quality

The business group is involved in quality certification with 26 plants ISO 9001:2000 certified.

Sales organization

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

1.7 MATERIALS & MONOLITHICS

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

- Building Materials;
- Refractory Solutions.

In both these activities, the Materials & Monolithics business group has strong market positions that it continues to develop through an active innovation policy and selective capital expenditure.

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

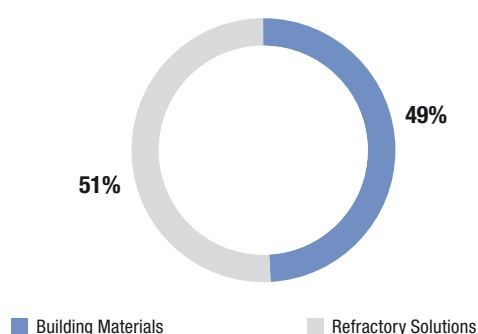
Through Calderys, the world leader in alumino-silicate monolithic refractories, the Refractory Solutions activity provides services and products to the "Liquid metal" (steelmaking, foundry, aluminum) and "Thermal" industries (cement, power generation, petrochemicals and incineration). The Kiln Furniture activity's products are mainly used to make ceramics and clay tiles.

Both of business group's activities were affected by a downturn in the economic environment that has been ongoing since mid-2008. In 2009, industrial capacities in bricks and roof tiles were gradually adjusted to demand levels, and Monolithic Refractories production was slowed down in most countries where the Group operates, except for India.

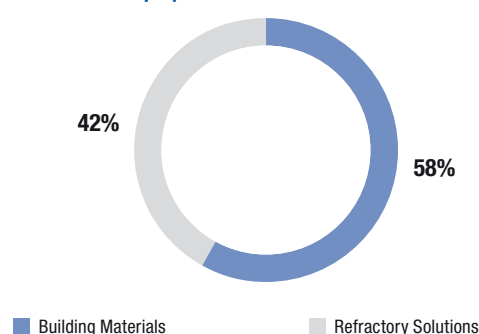
The Materials & Monolithics business group's sales in 2009 totaled €876 million, which represents 31% of the Group's consolidated sales.

The business group has 42 industrial sites in 16 countries.

2009 Sales: €876 million



4,048 employees as on December 31, 2009



1.7.1 BUSINESS GROUP OVERVIEW

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

(1) Imerys estimates.

1.7.2 BUILDING MATERIALS

The Building Materials activity makes clay products (bricks and roof tiles through a single legal entity, Imerys TC) and slates (Ardoisières d'Angers) for the French construction market, chiefly the building and renovation of single-family housing. The activity's customers and partners are mainly French Building Material distributors.

In late 2008, Imerys TC also created Captelia™, a 50/50 joint venture with EDF ENR (Energies Renouvelables Réparties, distributed renewable energies). Its vocation is to develop and manufacture efficient and innovative integrated photovoltaic roof tiles. The new entity, which aims to make electricity generation widespread on conventional roofs, continued to grow rapidly in 2009.

In late May 2009, Planchers Fabre, a concrete beam and joist manufacturing and marketing activity, was divested.

■ PRODUCTS

Raw materials

The Building Materials activity includes substantial clay reserves located in France, near its processing units. To ensure durable operations, the activity strives to develop its reserves, particularly through land purchases and exchanges, and plans future site

restoration and remediation. In 2009, new authorizations were obtained near the La Boissière-du-Doré site (Loire-Atlantique, France) for the renewal of the Moulin Bondu quarry and the opening of the Maisonneuve and Leppo (Maine-et-Loire, France) quarries. The renewal of the Chalain quarry near the Saint-Marcellin plant (Loire, France) was also authorized.

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

For more information about clay and slate reserves, [see chapter 1, section 1.3 of the Reference Document](#).

Applications

Terre Cuite

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

The benefits of clay products were recently confirmed by the findings of the Grenelle de l'Environnement ⁽¹⁾ on housing: healthy constructions, meeting HQE standards ⁽²⁾, robust, durable and with heat inertia and airtightness qualities. As an example, for the same size, clay bricks provide three times more heat insulation than concrete blocks.

In 2009, the Building Materials activity kept up its innovation effort to improve the value added for customers and offer integrated construction solutions that improve buildings' environmental qualities. For more information on innovations, *see chapter 1, section 1.8 of the Reference Document*.

Roof tiles and accessories

The umbrella brand Imerys Terre Cuite™ covers the entire product range, comprised of flat tiles, Roman tiles and large and small interlocking tiles. 59 models and 69 colors of [clay roof tiles](#) that meet local traditions and specificities are now marketed under the brand. Seven regional labels with high customer awareness distinguish between tile models: Gélis™, Huguenot™, Jacob™, Phalempin™, Poudrenx™, Sans™ and Ste Foy™. Imerys Terre Cuite™ has also developed roofing accessories that help to free the roofer from finishing work as they can be fitted without mortar or sealant. With [thermal and photovoltaic tiles](#), Imerys Terre Cuite™ has a comprehensive, integrated roof offering that is healthy, visually appealing and energy-efficient.

Structure bricks

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

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

Slate

Angers Trélazé® natural slate enjoys almost 90% unassisted awareness with roofing professionals, through the Company's long history and its presence on the finest buildings in France's architectural heritage. Historical monuments are an outstanding showcase for the Company and their prestige reflects on all marketed ranges.

In 2009, Ardoisières d'Angers developed its sourcing internationally and broadened its product range to address all market types. Natural

slates from Spain, Brazil and China are supplied from its new storage platform in Saint-Nazaire (Loire-Atlantique, France).

Moreover, Ardoisières d'Angers expanded its offering for landscapers (paving, curbing).

MARKETS

Market trends

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

Clay roof tiles & bricks

The French single-family housing construction market slumped significantly in 2009, with an approximately - 20% fall in new single-family housing starts compared with 2008.

As the renovation sector, which generates more than half of sales, held out relatively well (- 3.5%), the clay roof tile market only recorded a - 13% drop.

The clay brick segment, which is of course directly linked to new housing trends, logically fell - 20% over 2009. Clay bricks' market share now exceeds 30%. Technical clay bricks are growing steadily because of their ease of fitting and high environmental quality (H.Q.E.). Since the recent launch of products that meet the specific needs of multi-family housing and tertiary buildings, clay bricks have gradually penetrated these new segments.

Slate

The French natural slate market is characterized by abundant supply and competition from Spanish slate on the single-family housing segment. In 2009, the market fell by - 19%. Uprange segments (public buildings, monuments) continue to favor superior quality French slate, particularly for renovation.

Main competitors

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

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

(2) Haute Qualité Environnementale (H.Q.E.): construction label recognizing the integration of Sustainable Development principles, as defined in the program adopted at the Earth Summit in Rio de Janeiro (Brazil) attended by more than 100 heads of state in June 1992. HQE is a registered trademark in France.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

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

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

In 2009, industrial assets were adjusted in line with the slump on the French single-family housing market, with temporary and definitive production line shutdowns.

Quality

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

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

All industrial sites and the headquarters of Imerys TC in Limonest (Rhône, France) are certified ISO 14001 with respect to an environmental management system. The La Boissière-du-Doré (Loire-Atlantique, France) site, consolidated in January 2008, obtained ISO 9001 and ISO 14001 certifications in June 2009.

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

Sales organization

Clay Roof Tiles & Bricks

The Clay Roof Tiles & Bricks activity is structured into six sales regions for each product range – roof tiles, bricks and chimney blocks – in order to meet its customers' needs.

Every customer has a single sales contact in charge of all processes from order through to delivery. In parallel, Imerys Terre Cuite offers services that are adapted to the needs of customers and users. Imerys Terre Cuite also implements a communication strategy that is relevant to each group through Encyclopedias (Roof Tile Encyclopedia, Brick Encyclopedia) and dedicated websites (www.e-toiture.com and www.imerys-toiture.com for roofing, as well as www.imerys-solaire.com for solar products; www.imerys-structure.com; www.mamaison-terre-cuite.com for the general public).

Trade networks are facilitated to promote every product range ("Négoce Expert Terre Cuite" with more than 500 partner clay product traders contributing to the spread of the narrow-join technique, "Le Club Poseurs" comprising 400 brick specialists and Réseau Imerys Solaire, a network launched in 2009 to increase prescription of photovoltaic solutions).

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

Imerys Terre Cuite supports many good citizenship initiatives through partnerships with Architectes de l'Urgence (emergency architects) and the Sylvain Augier Foundation, which campaigns for the preservation of landscape beauty.

Slate

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

In 2009, Ardoisières d'Angers continued its efforts to win the loyalty of roofing firms within "Club de la Bleue", which has more than 250 partners. Simpler product offering and pricing, as well as an overhaul of the website www.ardoise-angers.com (also accessible via the portal www.e-toiture.com), improve access to information.

1.7.3 REFRACTORY SOLUTIONS

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

Calderys

Calderys is the world leader in alumino-silicate monolithic refractories. Monolithic refractories are materials used for building

or repairing refractory linings and which withstand high temperatures and severe operating conditions. In addition, they are used to make prefabricated refractories, also called ready shapes. The division's technical expertise enables it to offer complete Refractory Solutions (products, engineering and supervision).

Kiln Furniture

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

Its products are mainly intended for roof tile and fine ceramics (tableware, sanitaryware and floor tiles) producers. They are also used in other thermal applications such as metal sintering⁽¹⁾ and ferrites⁽²⁾, etc.

■ PRODUCTS

Raw materials

Calderys

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

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

Calderys innovation efforts are focused on improving the performance, easing the usage and reducing the environmental impacts of its products. In the difficult context of 2009, during which customers also expressed the need for economical, yet performing refractory solutions, Calderys successfully developed and launched new ranges of reliable and performing products that meet the cost requirements of the customers. For more information on R&D and innovation, please refer to [chapter 1, section 1.8 of the Reference Document](#).

Kiln Furniture

The activity's products are comprised of refractory materials (cordierite, mullite, silicon carbide) with the following characteristics:

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

Applications

Calderys

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

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

Kiln furniture

The very broad product range covers the specificities required by customers in terms of shape and use conditions, i.e. temperature, firing cycles, loading and handling systems. The design unit has a CAD system that simulates the furniture's thermal and mechanical performance, behavior and mechanical shock and vibration resistance. This crucial state in the development process enables the activity to meet the most demanding customers' needs:

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

(1) Sintering: parts manufacturing process consisting of heating powder without melting it. The heat welds the grains together, making the part cohesive.

(2) Ferrite: ferromagnetic ceramic derived from iron oxide.

MARKETS

Market trends

Calderys

Calderys monolithic refractories products are sold all around the world, mainly in Europe and Asia. In 2009, Calderys had to face a sharp drop of the demand coming from the Iron & Steel industry as crude steel production decreased by - 30% in average in the markets served by the activity, with many production stoppages. This trend has been observed everywhere but India; production started to pick-up in Q4 2009. The foundry segment experienced a similar drop. The Thermal segment (cement, glass, incineration, petrochemicals, etc.) held out better due to the recurring maintenance activity and the delivery, mainly during the first half of the year, of furnace construction projects booked in 2008. This positive impact had since diminished with the decline in incoming project orders.

Kiln Furniture

The Kiln Furniture activity mainly concerns roof tile and fine ceramics manufacturers in Europe, Asia, the Middle East and North Africa.

In 2009, the economic crisis was reflected in a sharp slowdown in the construction sector. Capital expenditure on roof tile production lines was very low in Europe. Business slumped heavily for roof tile, sanitaryware and fine ceramics manufacturers, who drastically limited their renewals of kiln furniture, especially in the second half. In emerging countries (Eastern Europe, Asia), the decrease in local demand and the fall in exports to mature economies weighed on kiln furniture sales.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Refractory Solutions activity totals 21 industrial facilities in 16 countries, located as follows:

| | Europe | Americas | Asia-Pacific & Africa |
|----------------|--------|----------|-----------------------|
| Calderys | 9 | 1 | 7 |
| Kiln Furniture | 3 | | 1 |

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

Quality

Calderys works to deliver the same manufactured quality everywhere in the world. To do so, Calderys uses a benchmarking system and a scientific database that enables it to select local raw materials that are compliant with the required quality level. 13 Calderys facilities and all Kiln Furniture activities are certified ISO 9001:2000.

Sales organization

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

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

1.8 INNOVATION

1.8.1 RESEARCH, TECHNOLOGY & INNOVATION

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

■ A ROBUST STRUCTURE

Imerys keeps up steady innovation efforts, supported by the work of 270 scientists and technicians. In a difficult economic environment, allocation to research remained stable in 2009.

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

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

Moreover, 18 regional laboratories develop solutions that meet customers' needs.

■ IMPLEMENTING BEST PRACTICES

Innovation at Imerys is a decentralized process. The Group's operations are in charge of generating new products and processes within its business. The Innovation Department coordinates this work, disseminates best practices and facilitates projects that require the pooling of skills from different backgrounds.

A "knowledge & skills" database gives the Group's scientific and technical personnel access to the research reports written in the past 20 years. An annual meeting gives the opportunity to all laboratory heads to meet and share information on their business, latest developments, technological breakthroughs and best practices in Research, Development & Innovation.

- Research & Development projects are periodically reviewed to define their technical orientations and the resources to be allocated (approximately 70% of the Group's R&D budget is given

over to projects, the remainder going into technical support for plants and customers). R&D teams are forging more and more links with universities in the form of support for thesis work and contracting analysis facilities or whole sections of research projects.

- A key aspect of the Group's innovation process is the close involvement of marketing departments in the various stages of innovation projects to support scientific and technical teams. In the initial stage, marketing teams contribute to the search for attractive markets in which Imerys products can be used. They also take part in assessing the market relevance of a new idea, and their contribution helps to guide research in progress. Finally, their support is essential for product launches (production of technical documentation, sales force training, relevant market segmentation for identifying customers likely to accept the proposed innovation).
- Innovation in the Group is supported by a constant interface between Marketing/R&D and Industry teams. The industrialization of new products also plays a major role. Imerys has several pilot units where laboratory processes are tested on a large scale in near-industrial conditions. This stage is used to finalize process design before the construction of a specialized manufacturing line.

Finally, the Innovation Department identifies opportunities that can be turned into new business for the Group. Since its creation, dozens of potential avenues have been spotted in this way. After 24 months of tests, the Oilfield Minerals activity was launched in 2009, drawing on the Group's broad range of raw materials for applications at various stages in the oil extraction process.

■ PRODUCT DEVELOPMENT AND SOLUTION PORTFOLIO

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

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

The many new items launched in 2009 include many products with an environmental, health or safety advantage.

Minerals for Ceramics, Refractories, Abrasives & Foundry

Minerals for Ceramics

The Ceramic Centre, inaugurated in Limoges, France in April 2009, brings together an entire set of previously dispersed skills. A team of 20, including six doctors of science specializing in geology, mineral characterization and processing, ceramic know-how and market knowledge, focuses its work on developing new mineral solutions for existing, as well as new, applications and products.

The Ceramic Centre's work focuses particularly on reducing thermal requirements when firing ceramics and developing lighter products to save raw materials and energy. With that aim in mind, a new tableware porcelain body was marketed in 2009 that significantly reduces firing temperature and saves on setting refractories.

Among the year's innovations, Minerals for Ceramics teams launched a mineral additive used as an adjuvant in thermal power stations or incinerators. The additive reacts with ash to make it less chemically aggressive. This limits corrosion and prevents solid concretions from forming in heat exchangers and hot gas ducts. In sum, it reduces facility maintenance needs and improves heat recovery.

Minerals for Refractories

In 2008, C.A.R.R.D. (Center for Abrasive & Refractory Research – Villach, Austria) developed new, electrofused alumina-based stable suspensions for manufacturing shell molds for high-performance applications in investment casting (titanium or cobalt/nickel alloys). They were successfully tested on an industrial scale in 2009. The suspensions, used to manufacture parts such as large-size turbine blade molds, make substantial savings possible. The performance achieved should enable foundry operators to replace conventional yttrium oxide-based shell molds with cheaper alumina solutions. The fully aqueous suspensions also eliminate the health and environmental issues raised by manufacturers' use of organic solvents.

Fused Minerals

The market welcomed the new products launched by C.A.R.R.D.:

- new sintered abrasives Alodur™ Rod 92 and 96 are used for ingot slab molds on exiting steelmaking furnaces. The abrasive grains' microcrystalline structure improves the lifespan and performance of grinding wheels. Significant tonnage was sold in 2009;
- the new FRSK AFC abrasive grain is coated with a mineral additive that improves heat exchange between molds and machined parts. This grain treatment improves abrasive yield by 40-80%, leading to significant productivity gains;
- in magnesia, technical cooperation with a major customer began on improving thermal conductivity at high temperature in the electrofused magnesia used for the heating element application.

An important part of C.A.R.R.D.'s research activities are given over to Innovation Department programs on technical ceramics, in close cooperation with the Group's other R&D teams. This in-house partnership led to two new applications currently in the industrial test phase.

Graphite & Carbon

The activity's R&D teams developed new graphite and carbon black grades for innovative applications:

- C-THERM™ carbons enhance the range of carbons for heat-conductive polymers. Thanks to their superior thermal conductivity this new-generation of products is used to manufacture heat-conductive polymer pipes. In the geothermal industry, these polymer pipes replace copper, which is more expensive and more difficult to shape. C-THERM™ carbons are also used to manufacture new bodies for light-emitting diodes (LED), where their heat dissipation properties enable them to replace conventional aluminum solutions with heat-conductive polymers;
- C-ERGY™ is a range of very high purity graphite and carbon black-based additives. They are used for their electrical conductivity in the production of electrodes for new-generation Lithium Ion batteries for the automotive industry.

Performance & Filtration Minerals

There were many innovations in functional additives for a vast range of applications, including filtration, paint, plastics and rubber, the oil industry, cement & concrete and cosmetics. Many of these product innovations give customer industries a clear environmental and commercial benefit.

- Imercure™X10, an additive for ultraviolet-cured wood coatings, was launched in 2009. Tightly controlled particle size and shape can improve the coating's strength and hardness, while delivering transparency and clarity.
- The FiberLink™ calcium carbonate range for nonwoven fabric production was broadened. The new carbonates, used to make disposable wipes for cosmetics and personal care or household detergents, improve productivity and reduce environmental impact.
- A new catalyst carrier was developed for the oil industry. The natural silica and alumina-based product replaces synthetic technical solutions.
- The product portfolio was also extended with the supply of slurries for paint. The new products meet the needs of manufacturers with restricted dry production capacity or a limited number of formulations. Aqueous slurries also help to address health & safety and logistical issues.
- Sales of ImerFill® 15 and 20 (United States), launched in 2008, have seen strong growth. These calcium carbonates, used as fillers in cement applications, improve the physical properties of ready-to-use concrete, while reducing the amount of water needed to prepare it. ImerFill® requires less energy for its production than cement, improving the overall carbon footprint of the finished product significantly.
- Efforts to reduce our products' environmental footprint also led to the use of calcium carbonate tailings from the Sylacauga plant (Alabama) in the market for LEED-certified building materials. The US label recognizes environmentally innovative products, the first of which was developed for the sheet resin flooring market. Further development opportunities on this promising market are being examined, including floor slabs, carpet and drywalls.

The following innovations were launched in filtration markets in 2009:

- for the brewing industries, Cynergy® offers stabilization and filtration Functions in a single product for higher performance. The new filtration aid lets brewers replace a product, which, when used as a stabilizer, impairs mechanical filtration properties;
- precise particle size control of natural aluminosilicate products for use in cosmetics offers multiple functional benefits as well as simplifying formulation;
- a new expanded perlite for filtration that requires less energy in its production was also developed.

Pigments for Paper

Imerys' technical expertise and R&D capabilities, combined with a very broad range of pigments, make the Group an ideal partner for paper and packaging makers worldwide. The increasingly stringent technical requirements demanded by papermakers means that pigments must meet criteria not only in terms of paper or packaging medium quality, but also in order to improve operational efficiency of the paper machine and coater. The choice of pigment or pigment blend has a major impact on paper quality and machine efficiency.

Extensive technical work is being done to replace paper fiber with less costly pigments in a variety of paper grades. In addition to the direct cost savings, replacing fiber with mineral filler makes substantial energy savings possible. Minerals retain less water than paper fiber, so the paper dries faster and less energy is required. FibreLean™, a full range of carbonates and kaolins for filler or size press applications, has been developed by Imerys' research teams and can replace up to 5% fiber.

Our technical teams have also developed the E-Type™ product line, which is a new range of hyper-platy kaolins that draw on the unique characteristics of the Group's mineral resources in Georgia, USA. These high coverage kaolins are designed for a wide range of paper applications, depending on the particle size and plate diameter. They are especially suited for coating lightweight paper. When blended with blocky pigments like calcium carbonate, they improve pre-coating properties for premium coated paper.

Materials & Monolithics

Building Materials

Innovation efforts primarily concern the development of increasingly functional and attractive products that combine technical performance with swift fitting, as well as the improvement of customer services. Moreover, Imerys Terre Cuite regularly extends and enhances its product range to provide a global offering that is compatible with new standards on saving energy and protecting the environment and anticipates changes in those standards.

In roof tiles, new models and colors were marketed in 2009 as every year. The new generation of roof tiles is designed for single-family house builders and is well suited to the renovation market, thanks to models that comply with local architectural specificities.

- The range of roof tiles designed for Northern France was extended with the Panne S model, which comes in eight colors. The Double Panne S, a "2-in-1" tile, substantially cuts fitting time. This range's appearance also respects regional traditions.

- More generally, a range of double tiles was created with Double HP 20, Artoise, Auxoise and Double Panne S. These new models combine the advantages of large 10 per m² roof tiles (quick fitting, very good value for money) with the appearance of conventional small tiles (22 per m²).

In bricks, optimized thermal performance, ease and speed of fitting, simplified solutions and improved working conditions and productivity on building sites are the main focuses for clay structure bricks and partitions.

The many innovative solutions marketed in 2009 include:

- Optibric PV 4G: with a 40% insulation gain over concrete blocks, the new product is becoming the thermal benchmark for added-insulation walls. It provides an economic offering for low-consumption houses that already meet the thermal regulations that will apply in France from 2012. The brick won the bronze medal at the 2009 Batimat innovation awards;
- 20 cm clay mechanical shutter half-case: this new accessory in the wall brick range facilitates the integration of mechanical shutters into the thickness of masonry. It cuts heat losses around shutter cases threefold by controlled airtightness and insulation added to the rear of the shutter mechanism.

Both these products reflect Imerys Terre Cuite's desire to offer solutions that foster a more energy-efficient habitat by working on thermal bridges on every level (walls, floors and openings).

In partition bricks, a new building system, Intuitys®, combines the advantages of universal frame fitting with the qualities of clay. Thin clay faces are fastened onto a standard metal frame. Highly intuitive assembly makes it quick and easy to install. The innovative system significantly improves both acoustic performance and thermal inertia compared with plasterboard.

Refractory Solutions

In 2009, Calderys's innovation efforts particularly concerned the development and launch of Refractory Solutions combining several advantages for its customers:

- technical innovation to respond to changes in customer processes and the emergence of new markets, or to significantly improve performance;
- cost reduction;
- greater equipment availability, with the emphasis on fast installation and reducing the frequency and duration of downtime to replace refractory linings;
- reducing environmental impacts by using recycled materials and achieving energy savings when installing the refractories and operating the equipment.

Finally, improving local product ranges (mainly for the Indian subsidiary ACE Calderys) through the development of solutions combining Calderys's technologies with constraints on local material supply was also a major avenue for the scientific and technical teams' work.

Among the many developments or launches during the year, the following innovations should be noted:

- the new "Quick Dry-out No Cement Castable" (QDNCC) range for the steel, casting and aluminum markets makes the installation easier and safer. It cuts on-site drying time for the new lining by up to 50% thanks to a new mineral binder. In total, the new product range saves energy, improves safety and reduces customers' overall costs;
- used in foundry cupolas, CALDE™ RAM CC 60 S25 can extend refractory lining life by 50% and reduce downtime for replacement. This new technical solution makes the customer process much simpler;
- designed for thermal markets, CALDE™ CAST HR 45 AR is the first 100% monolithic refractory solution that meets the demands of sectors such as incineration and power generation in terms of acid resistance. All gas washing towers (or quench towers for incinerators) can now be lined with a monolithic refractory instead of previous solutions combining refractory bricks and castables, enabling manufacturers to comply with new emission regulations.

On the same market, Calderys also developed two thin layer products. CALDE™ GUN LF 52 A G3 is used in municipal waste incineration and can cut the full cost of refractory linings fourfold (particularly through lower amounts of installed refractories and quicker implementation) while improving performance. CALDE™ PATCH PT 90 HR protects walls that undergo high abrasion by installing a thin layer of castable material.

■ PROCESS

The Group has begun making an inventory of its industrial processes and has set up a dedicated team, Imerys Minerals Processing Group (IMP). This inventory, now completed for approximately 40 Group sites, describes every plant using the same framework, regardless of country, mineral or process. It is also intended to list equipment suppliers and identify in-house experts. Moreover, the team has an advisory role and helps line engineers optimize how their equipment runs. Process performance indicators are set up to measure the improvement potential of production lines.

1.8.2 INTELLECTUAL PROPERTY

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

The Legal Department's in-house experts actively campaign to raise employee awareness of the need to keep the work and information stemming from research and technical assistance teams strictly confidential. The Group's intellectual property policy consists of continually enhancing and extending the protection of its essential assets. Imerys, therefore, has a broad portfolio of trademarks and current and pending patents. Imerys holds more than 3,300 registered or pending trademarks, more than 810 current and pending patents and more than 190 industrial and utility models.

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

The Group continues to assess and optimize the cost/benefit ratio of its intellectual property rights portfolio. It regularly rationalizes its

portfolio of patents, industrial designs or models and trademarks in order to ensure that value-generating technologies, models and trademarks are efficiently protected. The number of Group patents was reduced in 2009. The more relevant and economically suitable means of protection with respect to the technology in question are selected to draw maximum competitive advantage from innovations (patent filing, publication, secrecy, etc.).

Imerys also intends to defend its intellectual property rights actively to maintain the competitive advantages they give. The Group strives to protect industrial property in all areas and on all continents whenever relevant.

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

1.9 SUSTAINABLE DEVELOPMENT

1.9.1 IMERYS' SUSTAINABLE DEVELOPMENT APPROACH

■ STRATEGY AND APPLICATION

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

- Environment: to manage activities with respect for the environment, which implies using mineral reserves responsibly;
- Health & Safety: to promote employees' health and safety in the workplace;
- Human Resources: to enable employees to develop professionally and to provide satisfactory social benefits;
- Community Relations: to act as a full member of the communities where the Group is based;
- Innovation: to develop high quality, environment-friendly products and technologies;
- Governance: to constantly apply and improve the Group's Corporate Governance.

Meeting these expectations is now a crucial condition for Imerys to continue operating its mineral deposits. Environmental and social performance is a key component of the Group's results.

Imerys' Sustainable Development strategy is defined by the Sustainable Development Steering Committee, which meets quarterly. Three members of Imerys' Executive Committee have seats on this Committee. Since 2009 the Steering Committee has also included a line manager with extensive experience on the Group and its activities. The Steering Committee is supported by the Sustainable Development Working Group, composed of Environment, Health & Safety, Sustainable Development and Human Resources professionals. The Working Group represents the different operating units and the geographic zones where the Group operates. The Working Group drafted Imerys' medium-term (2009-2011) Sustainable Development objectives, which were later approved by the Steering Committee. The Environment, Health & Safety (EHS) Vice-President is the chair person for the Working Group. The Board of Directors is increasingly attentive to Sustainable Development risks and issues. The Audit Committee is entrusted with the annual review of structures, policies, objectives and results in this respect.

Through ongoing dialogue, the Group remains attentive to the observations of ranking agencies that appraise the risk of non-profitability in relation to Sustainable Development criteria. In particular, it draws on their remarks to adjust its action plans. Imerys

meets socially responsible investors regularly and makes substantial communication efforts on the Group's website, as well as through the overview given in its Sustainable Development Report, published every two years.

■ REPORTING INDICATORS AND SCOPE

Since 2005, the Group's Sustainable Development reporting has covered all activities over which it exerts operating control. Every published indicator was selected in relation to its key action area and its relevance to the Group's activities. The indicators are defined internally in consultation with the competent managers and are consistent with the GRI⁽¹⁾ guidelines and the Greenhouse Gas Protocol for reporting energy and CO₂ emissions. (The methodology adopted for the definition of each indicator is given on the website www.imerys.com/Sustainable_Development_section.)

The 2007 and 2008 data regarding the Environment, Health & Safety presented in this section are different from those published in the 2008 Annual Report. The main sources of difference are allowance for some changes in Group structure, and the correction of some minor reporting errors.

The processes used to accumulate the data were verified by the Group's Statutory Auditors (Ernst & Young Audit and Deloitte & Associés) for 2007 data, and by the Group's Internal Control Department for 2008 and 2009 data.

Imerys publishes its Sustainable Development Report every two years. The 2009 edition can be found on the Group's website (www.imerys.com). This document provides complementary information on the Group's Sustainable Development strategy, action plans and achievements.

■ HUMAN RIGHTS

Acquisitions in developing countries can change the risk level in terms of Environment, Health & Safety and human rights issues. To ensure that recently-acquired companies in these countries are rapidly aligned with the standards we apply in these essential areas, orientation seminars are organized systematically within the first year following an acquisition. These seminars are also used to identify areas that need improvement and define any action plans required. In 2009, the focus was on the possibility that contractors could bring child laborers onto Asia-Pacific sites. Line managers from every Imerys site in the region received training on child labor standards. The sites' largest suppliers were asked to certify that they complied with the International Labour Organization convention on child labor. Finally, teams of internal auditors now check that the protocol is

(1) The Global Report Initiative (GRI) is intended to encourage an environment in which "reporting on economic, environmental, and social performance by all organizations becomes as routine and comparable as financial reporting".

followed when conducting audit assignments in sensitive countries. No cases of non-compliance were found in the Group in 2009. The program will continue on Group sites in Africa and Latin America in 2010.

More generally, the Group intends to involve its suppliers in its Sustainable Development process, particularly through its supplier qualification system. The system was set up in 2008, and it is designed to keep supply risks to a minimum and to qualify suppliers. The implementation of the program, which included the training of the Group's purchasing managers in 2008, continues.

■ WATER CONSUMPTION

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

Since 2007, Imerys has tracked its water consumption (excluding underground water pumped to keep quarries in good condition). Every year, the accuracy of collected data improves. The table below shows the trend for the past three years.

| (millions of liters) | 2009 | 2008 | 2007 |
|---|---------------|---------------|---------------|
| Total water consumption, of which: | 50,515 | 62,660 | 76,991 |
| Water obtained from water suppliers | 12.0% | 12.1% | 11.9% |
| Water withdrawn from groundwater | 56.6% | 50.0% | 51.3% |
| Water withdrawn from surface water | 21.4% | 22.3% | 23.8% |
| Water obtained from other sources | 10.0% | 15.6% | 13.1% |

In 2009, Imerys conducted a study confirming that none of its sites consuming large quantities of water are located in areas suffering from water shortages⁽¹⁾. The objective for 2010 is to favor the exchange of good practices between the Group's sites that consume the most water to improve the recycling of water when possible. To support this latter objective, Imerys has decided to add a new indicator in 2010 for recycled water.

■ WASTE

The Group's processes separate minerals with value for customers from those with no market value. The latter are usually stored on or nearby the Group's sites. As a result of technological progress or new market opportunities, these materials may be used in the future. In many cases, these minerals are used as fill material for the restoration of sites at the end of their operational lives. Thus, they are not recorded as waste.

■ ENVIRONMENTAL ACTION PLAN

Since 2008, Imerys has focused its action on the five protocols related to the highest potential environmental impacts: control of air emissions, management of water quality, management of chemicals, post-mining restoration and stability of dams and stockpiles. In 2008 and 2009, a self-assessment of the implementation of these protocols was presented quarterly to top management by each of the Group's operations. In 2010, the development of management systems will be the environmental focus of the Group.

Since 2007, Imerys has collected data on waste generation and recycling, excluding these unused materials. These data demonstrate that the Group's activities produce relatively small quantities of industrial waste. This is because minerals are mainly converted by mechanical (e.g. grinding) and physical (e.g. density separation) processes. The accuracy of collected data is improved every year. The table below sets out the trends for the past three years.

| (metric tons) | 2009 | 2008 | 2007 |
|---|----------------|----------------|----------------|
| Total waste, of which: | 330,706 | 437,920 | 348,774 |
| Hazardous industrial waste | 3.2% | 0.4% | 0.6% |
| Recycled hazardous industrial waste | 0.1% | 0.1% | 1.0% |
| Non-hazardous industrial waste | 35.6% | 37.7% | 44.2% |
| Recycled non-hazardous industrial waste | 61.1% | 61.8% | 54.2% |

(1) Based on mapping provided by the WBCSD (World Business Council for Sustainable Development).

■ SITE RESTORATION

Mining only entails temporary occupation of the surface. To manage the environmental impact of the extraction activity, Group's entities prepare a restoration plan. This plan describes the remediation methods applied during the site's operation and at the time of its closure. In late December 2009, the self-assessment of the priority environmental protocols showed that approximately 75% of the Group's sites have a formal restoration plan.

Imerys strives to reduce the negative impact on biodiversity by reducing the affected surface, continuously restoring it whenever possible. The biodiversity study conducted in 2009 on all European sites shows that approximately 20% of them are located in or within 10 km zones considered of interest in terms of biodiversity. In 2010, the assessment will be extended to the United States and Brazil to create the conditions for enhanced sharing of best practices.

■ ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS)

After an emphasis on compliance programs in 2008 and 2009, the Group's aims for all the activities to have an Environmental Management System (EMS) that enables them to address environmental risks and issues in 2010. A self-assessment procedure centered on the eight pillars of an effective EMS has been developed. This procedure gave rise to a new environmental protocol (E8) that has been integrated into the EHS audit program since 2008. Failure to fulfill any of the eight aspects of the protocol has been indicated in audit reports since mid-2009 and will be more strictly monitored as of 2010. In addition to the eight pillars, obtaining ISO 14001 or EMAS certification is also considered an outstanding achievement at Imerys but it is not mandatory.

The table below sets out the number of Imerys sites with an Environmental Management System (EMS).

| (number of plants) | 2009 | 2008 | 2007 |
|--|------------|------------|-----------|
| ISO 14001 or EMAS certified ⁽¹⁾ | 59 | 61 | 54 |
| Sites with the 8 pillars of an effective EMS | 48 | 42 | 37 |
| Total | 107 | 103 | 91 |

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

■ ENERGY CONSUMPTION AND AIR EMISSIONS

Energy is used for the transformation of raw materials or products (crushing, heating, drying, classifying, refining, melting, sintering, calcining, etc.). When fuel is consumed in the processes, greenhouse gases are emitted. In addition, some processes liberate carbon from the minerals themselves resulting in CO₂ emissions.

Around 20 Imerys industrial sites take part in the greenhouse gas quota trading scheme set up in the European Union. For the second year of Phase 2 of the trading system (2008-2012), emissions from those industrial sites were lower than their assigned emission quotas. They were also lower than in the previous year.

Imerys set itself the goal of improving its energy efficiency by 3% per year and carbon efficiency by 4% per year. The Group plans to achieve these goals through coordinated energy management and the development of energy and carbon action plans by our operational entities.

After improving recorded energy efficiency for the 2006-2008 period by 6.3%, the Group did not achieve its target in 2009. The Group experienced a 2.6% deterioration in performance due to the mechanical impact of lower production capacity utilization on energy yield. This deterioration was, however, alleviated by the efforts made in the past two years to implement more energy-efficient processes and equipment.

At the same time, specific CO₂ emissions from fossil fuels rose 3.1% compared to 2008 (- 9.3% in the previous 2 years), reflecting a deterioration in the energy mix. The relative share of biomass consumed increased (4.2% of total energy consumption vs. 4.0% in 2008), but the decrease in energy consumption was more consequential for gas than for electricity and the other primary sources of energy which emit CO₂.

Energy Consumption

Total energy consumption ⁽¹⁾ by the Group over three years (net of resold electricity)

| thousands of GJ | 2009 | 2008 | 2007 |
|-----------------|---------------|---------------|---------------|
| Total | 27,582 | 40,512 | 43,359 |

Breakdown by energy source

| (in %) | 2009 |
|--------------------|-------------|
| Electricity | 30% |
| Natural gas | 39% |
| Other fossil fuels | 27% |
| Biomass | 4% |
| Total | 100% |

CO₂ Emissions

Total CO₂ emissions related to energy consumption, including biomass and production processes ⁽¹⁾

| thousands of metric tons | 2009 | 2008 | 2007 |
|--------------------------|--------------|--------------|--------------|
| Total | 2,340 | 3,429 | 3,605 |

Breakdown by emission source

| (in %) | 2009 |
|-----------------------|---------------|
| Energy ⁽²⁾ | 90.0% |
| Process | 5.8% |
| Biomass | 4.2% |
| Total | 100.0% |

(2) Excluding biomass.

■ SO_x AND NO_x EMISSIONS

The Group's sulfur dioxide (SO_x) and oxides of nitrogen (NO_x) emissions have evolved as follows:

| metric tons ⁽³⁾ | 2009 | 2008 | 2007 |
|---------------------------------------|-------|-------|-------|
| Sulfur dioxide (SO _x) | 3,193 | 4,709 | 4,984 |
| Oxides of nitrogen (NO _x) | 4,613 | 6,687 | 7,201 |

(3) SO_x and NO_x emissions are estimated by applying specific conversion factors to each source of fuel consumed. Process-related SO_x and NO_x emissions are not yet included.

(1) In terms of energy consumption and CO₂ emission reporting:

- Only the Group's production sites come under the perimeter. Commercial activities, sales office and administrative offices, to which most of the selected indicators would not be relevant, were excluded from the scope of application. This exclusion constitutes a minor impact on energy consumption and CO₂ emissions.
- On a few sites, Imerys subcontracts some activities, chiefly transportation and mining. When data on fuel are available, particularly when Imerys buys that fuel, this has been taken into account. On the other hand, in the event that fuel is bought by contractors, the corresponding data have not been taken into account as they could not have been recorded with the required accuracy. Only data concerning companies over which Imerys has operating control have been taken into account.
- GHG Protocol methodology was applied to 2008 and 2007 data for the sake of comparison with 2009 perimeter. For the United States, electricity emission factors are those of the e-grid.

1.9.2 SAFETY

Mining and mineral processing require a strong safety culture in order to prevent accidents. Imerys' industrial units have always recognized the importance of safety and implemented safety performance improvement programs. Since 2005, a series of strategic safety

initiatives have been implemented to support these efforts and provide operations with the tools and training needed to ensure workplace safety. Since the launch of these programs, the Group's lost-time accident rate has decreased by more than 75%.

The table below shows the annual frequency and severity rates for the last three years.

| | 2009 | 2008 | 2007 |
|---|------|------|------|
| Lost-time accident rate ⁽¹⁾ | | | |
| Imerys employees | 2.88 | 4.68 | 5.67 |
| Other employees ⁽²⁾ | 3.97 | 4.22 | 8.10 |
| Severity rate ⁽³⁾ | | | |
| Imerys employees | 0.19 | 0.20 | 0.18 |
| Other employees ⁽²⁾ | 0.04 | 0.11 | 0.14 |

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

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

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

2009 was marked by a sharp improvement in the workplace accident rate. Moreover, no fatal accidents occurred among the Group's employees or contractors. For 2010, the aim is to repeat this performance and implement the actions needed to drive down the severity rate. To prevent fatal accidents, the "Six Critical Protocols" were launched in 2007. They cover the activities associated with the highest risk of serious injury or death in mining operations: electrical safety, control of hazardous energy, machine and conveyor safety and protection, work at heights, mobile equipment (bulldozers, forklifts, hoisting equipment, etc.) and ground control. All Imerys activities have been asked to assess their compliance with the standards defined in these protocols and to take corrective measures. Since 2008, a Safety Challenge program, an initiative to increase Serious Six Protocols compliance, has been implemented in Asia-Pacific and Latin America.

■ HEALTH

Imerys implements measures to continually improve the working environment for its employees. The comprehensive industrial hygiene program undertaken in 2005 to check compliance with applicable local regulations continues.

Many Group employees are exposed to mineral dust and chemicals. Consequently, the Group has set up a protocol to identify, assess, and control or eliminate potential sources of exposure to dangerous products in the work environment.

Since 2006, most of the Group's European facilities have taken part in the Agreement on workers' health protection through the good handling and use of crystalline silica. The second report on the agreement's application will be published in June 2010. Moreover, on the initiative of the European Industrial Minerals Association (IMA-Europe), Imerys has contributed to the building of a job/exposure database based on measuring the respirable fractions of mineral dust particles. The goal now is to draw up indicators to help define priorities for action. Preventing exposure to noise and vibrations, as well as improving ergonomics and overall working conditions, is also part of the Group's workplace health goals.

■ REACH⁽¹⁾

Imerys is involved in the identification and management of its products' impact on health throughout their lifecycle. The Group abides by the European Community regulation on chemicals, REACH. "Minerals which occur in nature" are exempt from registration, which significantly reduces the impact of these new regulations on Imerys. However, a small number of the Group's products remain subject to registration and the procedures needed to comply with the regulations have been undertaken. Furthermore, the Group carefully monitors and is preparing for the implementation of the Globally Harmonized System (GHS), which is intended to harmonize international hazard classification and notification systems.

(1) European Community regulation on chemicals (Registration, Evaluation, Authorisation and Restriction of Chemical substances).

1.9.3 REGULATORY COMPLIANCE AND AUDITING

In every country where it operates, Imerys is subject to various environmental, health and safety regulations. To ensure compliance, Imerys' operations are audited at intervals. The EHS audit plan is defined according to a risk matrix that factors in criteria such as size of the site, existence of mineral solids storage facilities, occurrence of environmental incidents, or lost-time accident rates. The number of audits decreased in 2009, partly because of the economic climate. 31 EHS audits were completed compared to 37 in the previous year.

The table below shows the number of cases brought against the Group in recent years and the amount of fines (in euros):

| | Number of prosecutions | | | Fines (€) | | |
|--------------|------------------------|-----------|---------------------|---------------|---------------|---------------------|
| | 2009 | 2008 | 2007 ⁽¹⁾ | 2009 | 2008 | 2007 ⁽¹⁾ |
| Total | 32 | 15 | 16 | 20,172 | 45,496 | 64,483 |

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

1.9.4 COMMUNITY RELATIONS

Taking into consideration the expectations of communities around the Group's industrial and mining sites is a crucial factor for the long-term sustainability of Imerys' activities. Worldwide, Imerys seeks to increase the positive effects of its activities and reduce any negative aspects. This entails constructive dialogue with local stakeholders, leading to greater involvement in local economic development.

The communities in which the Group is based are extremely diverse. Consequently, the Group's decentralized management method is appropriate for dealing with community relations. This flexibility enables each entity to adapt to the values, local constraints and possibilities of the community where it is based. Under a new "Community Relations" protocol adopted in 2007, Imerys formally

delegates responsibility for community relations to the most senior employee with responsibility for day-to-day oversight of each facility. At all mining and production locations, this senior manager is specified as the plant manager, mine manager or equivalent. Under the community relations protocol, he or she is required to draw up a stakeholder inventory and create a plan for continuous improvement of stakeholder relations.

Assessment of the protocol's deployment on the Group's 20 main sites shows the importance that line managers give to the quality of their relations with stakeholders and to taking their expectations into consideration.

1.9.5 HUMAN RESOURCES

The Human Resources Department's mission is to ensure that the Group has the people with the skills it needs for its growth and to allow its organization to improve on an efficient, coordinated basis.

Within that framework, it defines and implements principles and processes in line with the Group's decentralized management style and in accordance with the various national regulations.

Human Resources professionals are responsible for the entire HR Function within their entity and report to the entity's line manager. The Function is also coordinated at a national or regional level for questions related to employment or industrial relations, as well as for the implementation of Group programs.

■ HUMAN RESOURCES PRINCIPLES & MAIN AREAS OF ACTION

The Group has defined a Human Resources policy centered on the following principles:

- commitment to its employees, particularly with regards to working conditions and safety, benefits and professional development;
- providing managers with management rules that comply with the Group's spirit and ethics, especially in terms of behavior, standards, dialogue and respect for other people;
- fostering the harmonious integration of its activities into their environment through active involvement with local communities.

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

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

- **recruitment:** attracting the most suitable candidates, both to support organic growth and to deploy new activities. The economic downturn in 2009 reduced the number of vacancies. However, the Group carried out several targeted recruitments and, towards the end of the year, launched an initiative with the aim of bringing on over 100 student interns from leading schools and universities;
- **mobility:** encouraging promotion and movement from within. With this objective, Imerys has set up common tools and processes for all activities and functions, including annual performance reviews and succession plans for its principal managers. Internal mobility is a priority for Human Resources, so specialized Committees meet regularly on the issue;
- **training:** enabling every employee to develop his or her talent and fostering the sharing of best practices. In parallel to the initiatives taken by operations, the Group carries out more targeted actions to develop senior managers, and to strengthen professional expertise in selected fields (e.g. finance, geology, marketing, etc.);
- **compensation and benefits:** developing coordinated, competitive systems that take into account both the results of the entity where employees work and their individual performance. While national market competitiveness is favored, some of the systems set up are designed as the basis for a standard approach to performance, especially for executives and senior managers (bonus system with identical choice and weighting of financial criteria across all activities). Finally, projects such as changing the benefit system are carried out on the initiative of the Group Human Resources Department;
- **industrial relations:** the Group aims to build constructive relationships with its employees and their representatives in accordance with local regulations.

Created in 2001, the European Works Council (EWC) meets once a year in plenary session. 15 European countries (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Portugal, Slovenia, Spain, Sweden and United Kingdom) are represented by a 15-member employee delegation. The EWC's five officers meet at least twice a year. 2009 ended with a favorable opinion by EWC representatives

on a new agreement concerning, in particular, its territorial scope, appointment of its members, and its powers, duties and operations. It will come into force upon ratification by the Council's current members.

The need to improve the efficiency and productivity of the Group's activities may sometimes lead to internal restructuring plans and job cuts. In such situations, the Group's policy is for operations to give priority to finding solutions within Imerys and through internal transfers, or to retraining programs that provide the help needed to look for a job or undertake a personal project.

- **Internal Communications:** the Internal Communications Department strives to provide all employees with information that can help them understand the Group's environment and activities. A network of local Internal Communication correspondents passes on information and circulates Group news:
 - induction sessions are regularly organized for managers;
 - appointment or organizational announcements up to a certain level in the chain of command are made by the Internal Communications Department through the Group intranet;
 - the Company newspaper, "Imerys News", is mainly designed to develop a feeling of belonging, share experience and provide information. Special issues may be produced in line with major events such as the Sustainable Development Challenge;
 - the Group also published brochures on specific topics, such as the "Code of Business Conduct and Ethics" or "Crisis Management & Communication".
- **Human Resources reporting:** monthly reporting has covered the entire scope of the Group since June 2005. It includes highly detailed indicators (translated into five languages) concerning workforce by country, contract type and activity, professional training, disability, age pyramid and seniority.

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

The Human Resources Department set up a "Managers" database, built in late 2008 in compliance with regulations on sharing and protecting personal data. There are now more than 1,000 profiles of executive and senior managers on this database. This tool gives fast access to Group employees' career paths and the components of their compensation, and clearly supports internal mobility.

HUMAN RESOURCES KEY PERFORMANCE INDICATORS

Employee Headcount

| | 2009 | 2008 |
|--------------------------|--------|--------|
| Total Group on 12/31 | 14,592 | 17,016 |
| Average annual headcount | 15,368 | 17,913 |

- As of December 31, 2009, the Group had 14,592 employees directly on its payroll, of which 512 were on short-term contracts, i.e. 3.5% of the total workforce. The employee headcount was 17,016 as of December 31, 2008, of which 903 were short-term contracts (i.e. 5%).
- To estimate the Group's total workforce, on-site agency workers and "trade" contractors should be added (2,387 people as of December 31, 2009). The countries that make the most use of external manpower are India (766), the USA (418), Brazil (349), France and Vietnam. In addition, there were 88 interns as of December 31, 2009 (whereas, there were 81 as of December 31, 2008). In total, Imerys' overall headcount (including, agency workers, on-site contractors and interns) works out to be 17,067 as of December 31, 2009, compared to 19,171 as of December 31, 2008.

In 2009, the headcount decreased steadily as a result of reorganization in activities affected by the global economic crisis. At first, these reductions primarily concerned manpower such as agency workers or short-term contracts. Temporary activity reduction measures were then set up (working part-time, paid vacation balance, etc.), particularly in Western Europe. In addition to these measures, economic dismissals affected 2,000 employees across the Group.

The Group's headcount in 2009 averaged 15,368 employees for the year, compared to 17,913 in 2008 (of which 649 and 1,150 on short-term contracts, respectively).

Employees per Business Group

| | 12/31/2009 | 12/31/2008 |
|--|---------------|---------------|
| Minerals for Ceramics, Refractories, Abrasives & Foundry | 5,330 | 6,471 |
| Performance & Filtration Minerals | 2,865 | 3,157 |
| Pigments for Paper | 2,108 | 2,517 |
| Materials & Monolithics | 4,048 | 4,627 |
| Holding | 241 | 244 |
| Total | 14,592 | 17,016 |

The distribution of employees among business groups was stable from 2008 to 2009. Minerals for Ceramics, Refractories, Abrasives & Foundry remains the business group that employs the most people (36.5% of the Group's employees).

Employees by Geographic Zone

| | 12/31/2009 | 12/31/2008 |
|-----------------------------|---------------|---------------|
| Western Europe | 6,207 | 7,055 |
| of which France | 3,078 | 3,429 |
| of which United Kingdom | 1,215 | 1,431 |
| Central Europe | 1,119 | 1,422 |
| North America (Inc. Mexico) | 2,387 | 2,726 |
| of which United States | 2,014 | 2,345 |
| South America | 1,237 | 1,306 |
| of which Brazil | 806 | 855 |
| Asia-Pacific | 2,934 | 3,623 |
| of which China | 1,592 | 2,227 |
| of which India | 636 | 626 |
| Africa | 708 | 884 |
| Total | 14,592 | 17,016 |

The geographic distribution of the workforce was stable from 2008 to 2009; 50% of employees are located in Europe (43% in Western Europe) and 20% in Asia Pacific.

The countries that were most affected by restructuring were China, with a 29% decrease in employee numbers (635 jobs), and the United States, with the decrease of 14% of the workforce (i.e. 331 employees).

Employees by Function

| | 12/31/2009 | | 12/31/2008 | |
|---|---------------|---------------|---------------|---------------|
| Operations – Production – Manufacturing | 10,198 | 69.9% | 12,131 | 71.3% |
| Logistics – Purchasing | 654 | 4.5% | 723 | 4.3% |
| Research & Development – Geology | 458 | 3.1% | 514 | 3.0% |
| Sales & Marketing | 1,152 | 7.9% | 1,294 | 7.6% |
| Support & Administration | 2,130 | 14.6% | 2,354 | 13.8% |
| Total | 14,592 | 100.0% | 17,016 | 100.0% |

The distribution of employees by Function is very stable over time in the Group.

Turnover

Turnover as indicated is analyzed based on the number of voluntary departures in the year (excluding dismissals), compared with the previous year (as of 12/31/2008), for long-term contracts only.

In 2009, turnover amounted to 4.6% for the entire scope of the Group (9.0% in 2008). Due to the impact of the economic crisis on the job market, this rate is low in 2009 for all regions and all Imerys' business groups.

For all causes of departure, excluding the end of short-term contracts, 3,235 people left the Group in 2009 – of which 62% were economic dismissals, 13% resignations and 8% retirements – compared with 2,998 in 2008 (of which 43% were economic dismissals and 35% resignations).

Recruitment and Internal Mobility

The recruitment effort in 2009 resulted in 1,581 new hires (2,431 in 2008), 806 of whom were on long-term contracts, and 775 on short-term contracts. The countries that recruited the most employees on long-term contracts were China (198 jobs) and the United States (119 jobs). China and Sweden recruited the most employees on short-term contracts (168 and 128, respectively). The business groups that made the biggest contribution to that recruitment effort were Minerals for Ceramics, Refractories, Abrasives & Foundry with 731 jobs (of which 345 long-term contracts) and Materials & Monolithics with 426 positions (of which 134 long-term contracts).

In parallel, 362 internal moves filled vacancies in the Group, of which 197 in Western Europe and 70 in line or support management positions.

Diversity

Percentage of women by geographic zone

| | 12/31/2009 | | 12/31/2008 | |
|----------------|---------------|--------------------|---------------|--------------------|
| | All employees | Salaried employees | All employees | Salaried employees |
| Western Europe | 15.5% | 29.5% | 15.2% | 29.5% |
| Central Europe | 19.3% | 36.0% | 19.6% | 35.9% |
| North America | 14.2% | 33.8% | 14.3% | 33.6% |
| South America | 11.0% | 31.4% | 11.1% | 31.9% |
| Asia-Pacific | 15.4% | 26.5% | 17.1% | 28.5% |
| Africa | 8.3% | 10.3% | 8.1% | 14.8% |
| Total | 14.8% | 29.8% | 15.1% | 30.2% |

The proportion of women in the Group's total workforce decreased slightly compared to 2008, particularly in Asia-Pacific. However, the proportion of women senior managers (members of support or line management teams) increased to 9.2% in 2009 compared with 8% in 2008. The nature of the Group's industrial activities explains the marginal proportion of women in the "workers" category.

Number of disabled employees

According to the definition used in the Group ⁽¹⁾, Imerys employs 209 workers who have declared themselves as disabled with their Human Resources Department (242 in 2008).

Age and seniority

While 61% of Group's employees are in the "40 and over" bracket, from a geographic perspective, there is significant disparity. Activities in regions where the Group is developing or only established bases recently (South America, Asia-Pacific and Africa) primarily employ people aged 30-39 (36% of employees).

Overall distribution of seniority is balanced (29% of employees have 4-10 years' seniority, 28% more than 20 years). Nevertheless, there are, again, significant differences in terms of geography. In South America, 43% of employees have less than three years' service. Seniority is also low in Asia-Pacific and in Africa, where 67% of employees have less than 10 years' service. On the other hand, in North America and Europe, more than one-third of the workforce has more than 20 years' service and 60% more than 10 years.

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

Industrial relations

In 2009, 4,872 working hours were lost due to strikes (5,019 in 2008 and 12,065 in 2007).

In 2009, 147 agreements were signed with the various employee representative bodies or unions within Imerys (158 in 2008, 146 in 2007).

Training

More than 197,000 actual training hours (corresponding to a precise program and content) took place in 2009 compared to 250,000 in 2008. This fall is naturally due to the decrease in the Group's average headcount. Awareness training on health & safety procedures and measures accounts for 47% of all training hours, technical expertise 44% and management training 9%.

9,300 employees received training at least once in 2009, i.e. 61% of the Group's annual average workforce. This rate was higher than in 2008 (58%), showing that despite economic difficulties priority given to training incumbent teams.

Employee Shareholding

Imerys did not offer an employee shareholding program in 2009. However, Imerys did set up a specific communication system to enable its employee shareholders to participate in the rights issue in May 2009. All holders of "Imerys Actions" mutual fund shares were offered the opportunity to take part in the initiative in direct proportion to their rights. Registered employee shareholders received specific communication at home and exercised their rights in 36.8% of the case.

As of December 31, 2009, there were 2,924 employee shareholders – i.e. 20% of the Group's workforce – in 23 countries. In 2008, they numbered 3,375, i.e. 19.8%.

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2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

2.1.1 FINANCIAL YEAR 2009

In 2009, the Group's markets continued to decline after the sharp fall recorded since November 2008; the second half of 2009 showed a slow improvement. The inventory reduction trend, which had intensified the slump in industrial output in mature countries, slowed down in the second half; some industries benefited from an early inventory rebuilding by their customers towards the end of the year. Business remained firm in emerging countries, which represent 24% of the Group's outlets.

The slowdown in investment and capital goods consumption weighed on industrial markets; steel production in Europe and North America (29% of global steel) slumped - 26% in 2009. In the last few months of 2009, the decrease was only - 15% from the healthy levels recorded in the third quarter of 2008 on both zones, signaling the gradual end of inventory reduction.

Global production of printing and writing paper, driven by the demand from emerging economies, is still affected by the downturn in advertising and the continued restructuring intended to reduce overcapacities in Europe and North America. In 2009, it decreased - 11%.

In France, the number of single-family housing starts fell approximately - 20% in 2009. The end of the year, however, shows a downward trend in the number of permits granted. Roofing renovation is holding out better. In North America, housing starts remain at historically low levels.

After an inventory reduction period, fast-moving consumer good sectors returned to late 2008 levels.

From 2008, Imerys made free cash flow generation its priority and undertook action plans to cope with the swift downturn in the global economic climate. These efforts were stepped up in 2009, with results that exceeded the Group's expectations:

- inventory was reduced by - €171 million and working capital represents, on a comparable basis (excluding factoring) 24.9% of annualized sales for the fourth quarter of 2009;
- industrial assets were adjusted to demand; fixed production costs and overheads fell by - €157.8 million (the cash portion for fixed production expenses and overheads being reduced by - 15%). The operating margin amounted to 9.0% (vs. 12% in 2008), whereas volumes fell - 23.8%;
- booked capital expenditure was down - 50% to €118.7 million, mainly with respect to maintenance operations.

Imerys achieved exceptionally high current free operating cash flow of €450.3 million, compared with €257.8 million in 2008, making substantial organic debt reduction possible. As on December 31, 2009, net financial debt was below €1 billion at €964.3 million, compared with €1,566.1 million a year earlier. This one-third decrease also results from the deconsolidating factoring program set up in the third quarter of 2009 (€83 million in receivables transferred on December 31, 2009) and the €251 million capital increase that was successfully completed in June.

| (€ millions) | 2009 | 2008 ⁽⁶⁾ | % current change |
|--|------------|---------------------|------------------|
| Consolidated Results | | | |
| Revenue | 2,773.7 | 3,449.2 | - 19.6% |
| Current operating income ⁽¹⁾ | 248.9 | 414.6 | - 40.0% |
| Operating margin | 9.0% | 12.0% | - 3.0 points |
| Net current income, Group's share ⁽²⁾ | 119.3 | 267.1 | - 55.3% |
| Net income, Group's share | 41.3 | 161.3 | n.s. |
| Financing | | | |
| Current operating cash flow ⁽³⁾ | 347.1 | 462.8 | - 25.1% |
| Current free operating cash flow ⁽⁴⁾ | 450.3 | 257.8 | + 74.6% |
| Booked capital expenditure | 118.7 | 238.1 | - 50.5% |
| Shareholders' equity | 1,855.8 | 1,546.3 | + 20.3% |
| Net financial debt | 964.3 | 1,566.1 | - 38.4% |
| Data per share ⁽⁵⁾ | | | |
| Weighted average number of outstanding shares | 72,054,523 | 67,486,365 | + 6.8% |
| Net income from current operations, Group's share ⁽²⁾ | €1.66 | €3.96 | - 58.3% |
| Proposed dividend | €1.00 | €1.00 | Stable |

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

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

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

(4) Current operating cash flow after changes in working capital (including €83 million in factoring) and paid capital expenditure.

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

(6) 2008 results were reprocessed following the two presentation changes applied as on January 1, 2009, details of which are given in note 2 to consolidated financial accounts.

2.1.2 DETAILED COMMENTARY ON THE GROUP'S RESULTS

■ SALES

At €2,773.7 million in 2009, **sales** fell - 19.6% compared with 2008.

This decrease takes into account:

- a positive exchange rate effect of + €17.4 million, mainly reflecting the US dollar's appreciation against the euro. Exchange rates had a favorable effect for the first nine months of the year, before having impact of - €25.9 million in the fourth quarter;
- - €5.7 million impact of changes in Group structure ⁽¹⁾.

The collapse in volumes (- 23.8%) was intensified by further inventory reduction in many value chains that include the Group's products, particularly in the first half of the year. Sales at comparable Group structure and exchange rates rose + 7.4% in the second half, from the previous six months.

Price effect and product mix, improving in all business groups, increased + 3.9% for the Group as a whole.

■ CURRENT OPERATING INCOME

Current operating income totaled €248.9 million in 2009 (- 40.0%), taking into account:

- positive exchange rate effect (+ €5.7 million), with an adverse impact in the fourth quarter of 2009;
- limited impact of changes in Group structure ⁽¹⁾ (- €1.6 million).

At comparable Group structure and exchange rates, the - €169.8 million fall compared with 2008 is due to lower volumes (- €372.1 million) and was heightened by the decrease in in-process and finished product inventory.

The cost reduction plans carried out since late 2008 led to a - €157.8 million decrease in fixed production costs and overheads. They particularly focused on:

- capacity reductions or temporary unit idlings, with the short-term use of part-time working measures;
- production site closures;
- the significant, temporary reduction in expenditure not deemed as necessary (maintenance, travel, overheads).

(1) Acquisitions made in 2008: Astron China (China, February 2008), Svenska Silika Verken AB (Sweden, April 2008), Kings Mountain Minerals, Inc. (USA, October 2008) and Suzorite Mining, Inc. (Canada, October 2008), deconsolidation of Xinlong (China, January 2009) and divestments made in 2009, primarily Planchers Fabre (France, May 2009).

The improvement in the product price and mix amounts to €129.2 million and easily offsets the limited increase in variable costs observed in the first half.

The Group's operating margin works out at 9.0%.

■ NET INCOME FROM CURRENT OPERATIONS

Net income from current operations totaled €119.3 million (- 55.3% compared with 2008). This trend reflects the decrease in operating income and takes the following items into account:

- an increase in financial expense to - €83.4 million (vs. - €47.1 million as on December 31, 2008), due to the factors below:
 - in 2008, financial expense benefited from non-recurrent gains on exchange and interest rate instruments (for a total of approx. €25 million). In 2009, negative exchange result amounts to - €5.8 million,
 - the net financial expense of pensions rose + €6.0 million during the year;
- a - €46.2 million (- €98.0 million in 2008) tax charge, i.e. an effective tax rate of 27.9%.

■ CASH FLOW

| (€ millions) | 2009 | 2008 |
|--|--------------|--------------|
| EBITDA | 416.6 | 573.4 |
| Current operating cash flow | 347.1 | 462.8 |
| Change in operating working capital | 235.3 | 32.3 |
| Paid capital expenditures | (138.4) | (248.8) |
| Current free operating cash flow [*] | 450.3 | 257.8 |
| Financial expense (cash net of tax) | (50.4) | (29.7) |
| Other working capital items | 42.1 | (48.3) |
| Current free cash flow | 442.0 | 179.8 |
| <i>* including subsidies, value of divested assets and miscellaneous</i> | <i>6.3</i> | <i>11.5</i> |

In line with efforts to optimize costs and financial structure, a factoring contract was signed on July 23, 2009. As on December 31, 2009, €83 million in trade receivables were divested and deconsolidated in this way, with the related risks and benefits transferred to the factoring bank. In 2009, the decrease of receivables, amplified by factoring and the substantial €171.0 million reduction in inventory together improved operating working capital by €235.3 million.

As on December 31, 2009, operating working capital represented 21.9% of annualized sales for the fourth quarter (excluding factoring, the ratio would be 24.9%).

■ NET INCOME

Other operating income and expense, net of tax, totaled - €78.0 million.

The gross amount (- €87.1 million) can be broken down into:

- cash expense of - €53.0 million with respect to restructuring expenses related to the cost reduction plans undertaken during the period, particularly site closures;
- a non-cash amount of - €45.4 million (depreciation of industrial assets on restructured sites and goodwill impairment);
- net capital gains on divestments for €11.3 million (mainly, gains on divestment, in May 2009, of Planchers Fabre, a reinforced and pre-stressed concrete beam and joist manufacturing and marketing activity).

After allowing for other operating income and expense, net, **the Group's share of net income** for the year totals €41.3 million (€161.3 million in 2008).

Booked capital expenditure was reduced by more than 50.2% compared with the previous year. Primarily related to maintenance operations, it totaled €118.7 million and was equivalent to 65% of depreciation expense ⁽¹⁾ (compared with 123% in 2008).

Taking factoring into account, **current free operating cash flow** ⁽²⁾ works out at €450.3 million, compared with the €257.8 million recorded in 2008.

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

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

FINANCIAL STRUCTURE

| (€ millions) | December 31, 2009 | June 30, 2009 | December 31, 2008 |
|-------------------------------|-------------------|---------------|-------------------|
| Net debt | 964.3 | 1,148.2 | 1,566.1 |
| Shareholders' equity | 1,855.8 | 1,808.1 | 1,546.3 |
| EBITDA | 416.6 | 204.1 | 573.4 |
| Net debt/shareholders' equity | 52.0% | 63.5% | 101.3% |
| Net debt/EBITDA | 2.3 | 2.5 | 2.7 |

Consolidated **net financial debt** decreased sharply to €964.3 million as on December 31, 2009. This debt reduction of above €600 million in one year results from:

- the current free operating cash flows of €450.3 million, generated by the Group's activities, including factoring;
- the €251.2 million revenue from the rights issue (i.e. €247.5 million after deducting issue fees) received on June 2, which was assigned in full to debt reduction;
- the dividend payment of €62.8 million in the second half 2009, for year 2008.

As on December 31, 2009, Imerys' financial resources total more than €2.3 billion (of which €1.4 billion in available financial resources); no significant repayment is due until late 2012. Imerys now has all the financial flexibility it needs to resume its development and seize any growth opportunities.

2.1.3 COMMENTARIES BY BUSINESS GROUP

MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

(28% of the Group's consolidated sales)

| (€ millions) | 2009 | 2008 ⁽¹⁾ | Current change | Comparable change ⁽²⁾ |
|---|-------|---------------------|----------------|----------------------------------|
| Revenue | 794.5 | 1,159.8 | - 31.5% | - 32.2% |
| Current operating income ⁽³⁾ | 44.0 | 127.8 | - 65.6% | - 67.0% |
| Operating margin | 5.5% | 11.0% | | |
| Booked capital expenditure | 46.0 | 70.4 | - 34.6% | |

(1) 2008 results were reprocessed following the two presentation changes applied as on January 1, 2009, details of which are given in note 2 to consolidated financial accounts.

(2) At comparable Group structure and exchange rates.

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

Markets

Since the fourth quarter of 2008, the drop in demand for industrial equipment, automobiles and infrastructure has caused a significant slump in the main outlets for Minerals for Refractories, Fused Minerals and Graphite & Carbon. The inventory reduction trend which intensified that downturn in mature economies faded away in the second half of 2009; an inventory building effect was even observed towards the end of the year in the most badly hit businesses. Steel production has slowly picked up in Europe since the third quarter of 2009; recovery is a little firmer in North America. In other sectors of business (aluminum, glass, cement), several projects for new facilities were postponed.

Business remains healthy in emerging countries and the Chinese market, in particular, has benefited from national stimulus plans.

Minerals for Ceramics markets, affected all year long by the decline in new construction and renovation in the United States and Europe, recorded a further slump in those zones that was heightened by production stoppages towards the end of the year.

Highlights

All the business group's activities reduced their output in order to cut inventory and adjust to demand. Part-time working and shorter working hours were primarily used; the periodical or even definitive idling of several production lines or sites led to substantial workforce reductions in the countries where the business group is active.

A number of development projects were finalized. Minerals for Refractories enhanced its mineral reserves portfolio in the first half with the acquisition of high-quality assets in the United States and continued to invest in andalusite production assets in South Africa and China. Imerys Technologie Limoges (Haute-Vienne, France), a research center dedicated to minerals for uprange and specialty ceramics, was opened in the second quarter with the aim of designing and developing new generation ceramics.

Performance

Sales, at €794.5 million for 2009, fell - 31.5%, factoring in:

- a limited structure effect ⁽¹⁾ of - €5.5 million;
- positive exchange rate effect (US dollar) of + €13.7 million.

Current operating income, at €44.0 million, decreased - €83.8 million compared with 2008. This takes into account a structure effect of - €3.0 million and a favorable exchange rate effect of + €4.8 million.

The impact of lower sales volumes, intensified by the reduction in inventory of in-process and finished products, was only partly offset by the result of the energetic actions on fixed production costs and overheads and by a positive trend in the price/mix component.

■ PERFORMANCE & FILTRATION MINERALS

(18% of the Group's consolidated sales)

| (€ millions) | 2009 | 2008 ^{(1) (2)} | Current change | Comparable change ⁽³⁾ |
|---|-------|-------------------------|----------------|----------------------------------|
| Revenue | 500.7 | 571.5 | - 12.4% | - 14.5% |
| Current operating income ⁽⁴⁾ | 26.9 | 46.1 | - 41.7% | - 48.9% |
| Operating margin | 5.4% | 8.1% | | |
| Booked capital expenditure | 10.7 | 47.7 | - 77.6% | |

(1) 2008 results were reprocessed following the two presentation changes applied as on January 1, 2009, details of which are given in note 2 to consolidated financial accounts.

(2) Transfer of some activities in Asia and South America from Pigments for Paper to Performance & Filtration Minerals.

(3) At comparable Group structure and exchange rates.

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

Markets

Markets for Performance Minerals – intended for paint, coatings, polymers, plastics and adhesives, etc. – continue following construction sector trends. In Europe, the drop observed in the second half of 2008 continued in 2009. In the United States, 2009 saw a further slump in the market, with signs of bottoming out at the lowest ever levels. Growth kept up in South America and Asia.

Demand for filtration products fell temporarily in late 2008 and early 2009, reflecting inventory reductions carried out by the Group's customers and by distributors. The trend picked up in the second half in a stable overall market.

Highlights

Efforts to adapt the cost base continued throughout 2009. The decrease in input came with the stoppage of mining programs and extended closures of industrial sites. The geographic reorganization of Performance Minerals & Filtration Minerals activities in Europe, Asia-Pacific and South America led to savings on overheads.

Performance

Sales, at €500.7 million, were down - 12.4%. This trend takes into account:

- a structure effect ⁽²⁾ of + €5.3 million;
- exchange rate impact of + €7.0 million.

Current operating income totaled €26.9 million, down - €19.2 million. It factors in a structure effect of + €2.8 million in addition to favorable exchange rate impact of + €0.5 million. At comparable Group structure and exchange rates, the decrease is - €22.5 million, with cost savings and the improvement in the price-mix component insufficient to make up for the fall in sales volumes.

(1) Acquisition of Astron China (China, February 2008) and divestment of Iberpasta (Spain, January 2009).

(2) Acquisitions of Kings Mountain Minerals, Inc. (USA, October 2008) and Suzorite Mining, Inc. (Canada, October 2008) and deconsolidation of Xinlong (China, January 2009).

■ PIGMENTS FOR PAPER

(23% of the Group's consolidated sales)

| (€ millions) | 2009 | 2008 ^{(1) (2)} | Current change | Comparable change ⁽³⁾ |
|---|-------|-------------------------|----------------|----------------------------------|
| Revenue | 631.9 | 719.2 | - 12.1% | - 14.0% |
| Current operating income ⁽⁴⁾ | 41.6 | 60.2 | - 30.9% | - 34.2% |
| Operating margin | 6.6% | 8.4% | | |
| Booked capital expenditure | 32.5 | 63.5 | - 48.8% | |

(1) 2008 results were reprocessed following the two presentation changes applied as on January 1, 2009, details of which are given in note 2 to consolidated financial accounts.

(2) Transfer of some activities in Asia and South America from Pigments for Paper to Performance & Filtration Minerals.

(3) At comparable Group structure and exchange rates.

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

Markets

Since the low observed in early 2009, production of printing and writing paper has slowly rebounded, quarter after quarter. Over the year, it fell - 11%, with the robustness of emerging countries failing to offset the downturn in developed economies. The sector was affected by the slump in advertising expenditure in Europe and North America, which was made worse by the inventory reduction trend early in the year, and continued to restructure in order to limit overcapacity.

Highlights

In response to lower production, the business group temporarily idled facilities in most of its production units in Europe, North America and Brazil. In parallel, capacities were reduced in the Sandersville (United States) kaolin plant and the calcium carbonate site in Salisbury (United Kingdom) was closed.

The business group continued its strategic development in Asia with the commissioning of two new plants in India (Amritsar and Bhadrachalam) which will enable it to take advantage of calcium carbonates growth in this area, by accompanying major domestic customers.

Performance

Sales, at €631.9 million as on December 31, 2009, were down - 12.1%. This decrease takes into account a + €13.7 million exchange rate effect.

Current operating income totaled €41.6 million in 2009, a - €18.6 million decrease. This factors in a + €2.0 million exchange rate effect. At comparable Group structure and exchange rates, the business group's operating performance decreased - €20.6 million. Cost reduction efforts enabled it to limit the drop in operating margin. A provision for bad debt was recorded following the bankruptcy of a major North-American customer. This allowance affects approximately - 0.5% of the business group's margin in 2009.

■ MATERIALS & MONOLITHICS

(31% of the Group's consolidated sales)

| (€ millions) | 2009 | 2008 ⁽¹⁾ | Current change | Comparable change ⁽²⁾ |
|---|-------|---------------------|----------------|----------------------------------|
| Revenue | 875.6 | 1,041.4 | - 15.9% | - 13.9% |
| Current operating income ⁽³⁾ | 168.0 | 228.3 | - 26.4% | - 25.5% |
| Operating income | 19.2% | 21.9% | | |
| Booked capital expenditure | 27.3 | 52.0 | - 47.5% | |

(1) 2008 results were reprocessed following the two presentation changes applied as on January 1, 2009, details of which are given in note 2 to consolidated financial accounts.

(2) At comparable Group structure and exchange rates.

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

Markets

In 2009, single-family housing starts in France fell approximately - 20% ⁽¹⁾ compared with 2008. In that context, the clay roof tile segment held out better (- 11%), due to the firm renovation market, which accounts for more than half the sector's outlets. The clay brick segment was, of course, more directly affected by the market

downturn, clay bricks addressing mainly the new single-family housing market. In this segment, their market share is now more than 30% and is growing steadily because of their ease of laying and high environmental qualities (H.Q.E.). Besides, clay bricks are being used in the construction of multi-dwelling and in tertiary buildings, following the recent launch of products suited to those buildings' specific needs.

(1) Single-family housing starts (individual and grouped), excluding constructions on existing buildings. Sources: Ministry of Ecology, Environment, Sustainable Development and Sea: new single-family housing starts; Imerys: reprocessed to allow for constructions on existing buildings.

In Monolithic Refractories, 2009 was marked by the heavy slump in demand in the steel sector, with many production stoppages. However, output has picked up since mid-year, leading to specific maintenance operations prior to the restart of blast furnaces. Business remained buoyant in Asia all year long. The foundry segment recorded similar trends. High temperature industries (cement, glass, incineration, petrochemicals) held out better, mainly in the first half, because of the recurrent maintenance and commissioning of furnace construction projects launched in 2008. The positive effect of those projects has since then gradually disappeared, with a decrease in new orders.

Highlights

In Building Materials, production capacities were gradually adjusted to lower demand with temporary production stoppages, together with the closure of production lines (in roof tiles at Pargny sur Saulx – Marne and bricks at Colomiers – Haute-Garonne) and the Bessens (Tarn-et-Garonne) brick unit. Modernization of the Wardrecques (Nord) roof tile plant and optimization of the La Boissière-du-Doré (Loire-Atlantique) brick plant were completed in 2009 to improve manufacturing efficiency.

In late May 2009, the concrete beam and joist manufacturing and marketing activity Planchers Fabre, located in Pibrac (Haute-Garonne), was sold. In 2008, it posted sales of almost €20 million.

In Monolithic Refractories, adaptation meant regrouping German production onto the Neuwied site and closing the Hangelar site in the second half of the year. During the first three quarters, output was slowed on all sites, with the notable exception of India, where business remained brisk.

Performance

At €875.6 million, the business group's **sales** were - 15.9% down from 2008, taking into account:

- structure effect ⁽¹⁾ of - €5.5 million;
- negative exchange rate impact of - €15.7 million.

Current operating income, at €168.0 million, decreased - €60.3 million compared with 2008. Reprocessed to allow for Group structure (- €1.4 million) and exchange rate (- €0.8 million) effects, the business group's operating performance was down - €58.1 million. The reduction in output levels, intended to speed up inventory reduction, and tight control of the fixed cost base enabled very good profitability to be maintained despite lower volumes.

2.1.4 2010 OUTLOOK

The unprecedented scope of the economic crisis the world has been going through, since late 2008, led the Group to take difficult measures to adapt its production assets to the collapse of sales volumes. The results of the actions have exceeded expectations. In extreme market conditions, Imerys proved its responsiveness and the soundness of its business model, which enable it to forecast a

return to a double-digit operating margin and to draw on a stronger balance sheet. With a 9.9% operating margin in the second half of 2009, Imerys is on track to meet its 10% operating margin objective for early 2010. In an uncertain economic environment, the Group maintains its priorities in terms of tight operating management.

2.1.5 THE COMPANY'S BUSINESS AND RESULTS IN 2009

The Company made a net profit of €71.9 million in 2009, a - €15.2 million decrease compared to the previous period.

An operating loss of - €32.5 million was recorded, a + €3.3 million change compared to the previous year. This trend is due to a slight increase in operating expenses of + €0.6 to €62.4 million. At the same time, operating revenue increases by + €3.9 million and reaches €29.9 million.

A financial income of €73.6 million was posted in 2009, compared with a financial income of €68.8 million in 2008. Indeed, the Company collected €102.6 million in dividends in 2009, the latter reached €171.2 million in 2008. The Company also recorded a net exchange rate gain of + €69.2 million in 2009, against a loss of - €38.1 million recognized in 2008. Finally, the net financial expenses decrease slightly by - €0.4 million.

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

The current income amounts to €41.1 million in 2009, against €32.9 million in 2008.

The exceptional income reached - €2.1 million in 2008. For the 2009 period, it amounts to + €0.1 million.

With respect to 2009, Imerys SA recorded a tax revenue of + €30.8 million, as a result of the tax consolidation of the Group of French companies headed by Imerys SA.

Further to the capital increase of Imerys of a total net amount of €247.5 million, the financial debts decrease by €344.2 million.

(1) Acquisition of Svenska Silika Verken AB (Sweden, April 2008); divestment of Planchers Fabre (France, May 2009).

At the same time loans related to investments and other subsidiaries decrease by - €125.8 million.

The Board of Directors will propose maintaining a dividend of €1.00 per share at the Annual General Meeting of April 29, 2010, despite lower consolidated earnings. This dividend should be paid out from

May 11, 2010 for a total of approximately €75.4 million, i.e. 63.2% of the Group's share of consolidated net current income (for information related to allocation of earnings, *see note 34 of the statutory financial statements*).

As of December 31, 2009, the Company's financial debt was made up of the following items:

| (€ thousands) | Amount | Maturity less than one year | Maturity from one to five years | Maturity beyond five years |
|--------------------------------|------------------|-----------------------------|---------------------------------|----------------------------|
| Financial debts | 1,986,001 | 1,012,445 | 397,182 | 576,374 |
| Other debts | 29,516 | 29,516 | - | - |
| Deferred revenue | - | - | - | - |
| Unrealized exchange rate gains | 40,842 | 40,842 | - | - |
| Total | 2,056,359 | 1,082,803 | 397,182 | 576,374 |

■ INVENTORY OF SUBSIDIARIES AND EQUITY INTERESTS AND MARKETABLE SECURITIES

Information concerning subsidiaries and equity interests as of December 31, 2009 can be found in *note 35 of the statutory financial statements*.

Information concerning marketable securities as of December 31, 2009 can be found in *note 18 of the statutory financial statements*.

■ INFORMATION ON CAPITAL AND DISTRIBUTIONS OF DIVIDENDS DURING THE PAST THREE PERIODS

Information concerning share capital as of December 31, 2009 can be found in *notes 19 and 29 of the statutory financial statements*, as well as in *paragraph 6.3.1, chapter 6 of the Reference Document*.

As of December 31, 2009, the Company's share capital was made up as follows:

| | Number of shares | % of interest | % of voting rights ⁽¹⁾ |
|--|-------------------|----------------|-----------------------------------|
| Pargesa Netherlands BV | 19,702,842 | 26.14% | 33.64% |
| Belgian Securities BV ⁽²⁾ | 23,114,711 | 30.66% | 36.33% |
| M&G Investment Management Ltd ⁽³⁾ | 4,402,883 | 5.84% | 4.01% |
| Vanguard Precious Metals and Mining Funds ⁽⁴⁾ | 3,380,000 | 4.48% | 3.08% |
| Group employees | 223,793 | 0.30% | 0.29% |
| Self-holding | 250 | insignificant | - |
| Public | 24,565,017 | 32.58% | 22.65% |
| Total as of December 31, 2009 | 75,389,496 | 100.00% | 100.00% |

⁽¹⁾ Total net voting rights: 109,709,020.

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

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

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

On June 2, 2009, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on April 29, 2009, noted that 12,557,518 new shares had been created on the occasion of the Company's capital increase decided on May 4, 2009, thus increasing the Company's capital by a nominal amount of €25,115,036.

In addition as of December 31, 2009, the Company holds 250 treasury shares at the average unit price of €22.22.

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

| | 2009 For the 2008 period | 2008 For the 2007 period | 2007 For the 2006 period |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Gross dividend per share | €1.00 | €1.90 | €1.80 |
| Net dividend per share | €1.00 | €1.90 | €1.80 |
| Total net distribution | €62.8 million | €118.9 million | €114.2 million |

■ CAPITAL, OTHER SECURITIES, INCOME AND OTHER KEY INDICATORS OF THE COMPANY FOR THE PAST FIVE PERIODS

| Type of indicators (€) | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|---------------------|-------------|-------------|-------------|-------------|
| I - Capital and other shares at the end of the period | | | | | |
| Share capital | 150,778,992 | 125,573,180 | 126,253,712 | 126,669,240 | 127,943,730 |
| Number of ordinary shares at the end of the period | 75,389,496 | 62,786,590 | 63,126,856 | 63,334,620 | 63,971,865 |
| Nominal per share | €2 | €2 | €2 | €2 | €2 |
| Number of preferred shares (without voting rights) | - | - | - | - | - |
| Maximum number of potential ordinary shares by exercise of options | 3,953,269 | 3,448,082 | 3,103,391 | 2,989,870 | 2,987,703 |
| II - Transactions and income for the period | | | | | |
| Pre-tax sales | 19,196,891 | 23,164,643 | 23,535,868 | 25,059,348 | 25,664,553 |
| Income before income taxes, legal profit-sharing and amortization, depreciation and provisions | 83,085,219 | 43,655,864 | 37,035,044 | 92,329,448 | 67,707,841 |
| Income taxes | 30,755,302 | 56,232,494 | 27,399,525 | 22,162,068 | 24,236,094 |
| Legal employee profit-sharing payable for the period | - | - | - | - | - |
| Income after income taxes, legal profit-sharing and amortization, depreciation and provisions | 71,934,964 | 87,063,223 | 50,239,678 | 113,398,743 | 99,995,690 |
| Distributed income (excluding withholding tax) | 62,787,810 | 118,974,880 | 114,185,084 | 104,823,279 | 94,961,064 |
| III - Earnings per share ⁽¹⁾ | | | | | |
| Income after income taxes, legal profit-sharing and before amortization, depreciation and provisions | 1.51 | 1.59 | 1.02 | 1.81 | 1.44 |
| Income after income taxes, legal profit-sharing and amortization, depreciation and provisions | 0.95 | 1.39 | 0.80 | 1.79 | 1.56 |
| Net dividend per share | 1.00 ⁽²⁾ | 1.00 | 1.90 | 1.80 | 1.65 |
| IV - Employees | | | | | |
| Average number of employees for the period | 125.58 | 130.33 | 105.33 | 98.83 | 87.50 |
| Payroll for the period | 11,839,442 | 11,619,474 | 10,525,905 | 8,564,526 | 7,616,359 |
| Amount paid as social contribution for the period | 7,335,249 | 5,782,541 | 5,926,112 | 5,030,033 | 5,212,818 |
| of which profit-sharing | 356,971 | 900,000 | 1,128,996 | 1,010,532 | 882,542 |

(1) Based on the number of shares at the end of each period.

(2) Proposed for the approval of the Shareholders' General Meeting of April 29, 2010.

■ OTHER INFORMATION

In 2009, no change in accounting methods occurred.

■ 2009 POST CLOSING EVENTS AND BUSINESS FORECASTS FOR 2010

In 2010, the Company will continue its activity of providing services to its subsidiaries and continue to manage financial risks for the entire Group.

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

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

| (€ thousands) | Payables as of December 31, 2009 | < 30 days | from 31 to 60 days | > 61 days |
|-----------------------|-------------------------------------|--------------|--------------------|------------|
| Group suppliers | 2,447 | 2,159 | 42 | 246 |
| Non Group suppliers | 1,202 | 1,155 | 18 | 28 |
| Trade payables | 3,649 | 3,314 | 61 | 274 |

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

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

2.2 STATUTORY AUDITOR'S REPORTS

ERNST & YOUNG Audit
Faubourg de l'Arche - 11, allée de l'Arche
92037 Paris-La Défense Cedex

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

2.2.1 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended December 31, 2009

(This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.)

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France).

Dear Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2009 on:

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

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

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2009 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

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

II. JUSTIFICATION OF OUR ASSESSMENTS

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

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

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

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

III. SPECIFIC VERIFICATION

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

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

Paris - La Défense and Neuilly-sur-Seine, March 30, 2010

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit

Jean-Roch VARON

Deloitte & Associés

Arnaud de PLANTA

2.2.2 STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Fiscal year ended December 31, 2009

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

Dear Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2009 on:

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

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

I. OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Imerys at December 31, 2009 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

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

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

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

III. SPECIFIC VERIFICATIONS AND INFORMATION

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

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

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

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

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

Paris – La Défense and Neuilly-sur-Seine, March 30, 2010

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit

Jean-Roch VARON

Deloitte & Associés

Arnaud de PLANTA

2.2.3 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Fiscal year ended December 31, 2009

(This is a free translation of the original text in French for information purposes only.

It should be understood that the agreements reported on are only those provided by the French Company Law (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.)

Dear Shareholders,

In our capacity as statutory auditors of your Company, we hereby report on the agreements and commitments with related parties.

RELATED PARTY AGREEMENTS AND COMMITMENTS AUTHORIZED IN THE YEAR

In accordance with article L. 225-40 of the French Company Law (*Code de commerce*) we have been advised of certain related party agreements and commitments which were authorized by your Board of Directors.

We are not required to ascertain whether any other agreements and commitments exist but to inform you, based on information provided to us, of the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Company Law (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors relating to this engagement. These procedures consisted in verifying the consistency of the information we were provided with the source documents.:

Amendments to the Group defined retirement benefit plan:

In 1985, your Company set up a defined benefit retirement plan, the current beneficiaries of which are Mr. Gérard Buffière, Director and Chief Executive Officer and Mr. Jérôme Pecresse, Deputy Chief Executive.

After an initial amendment on March 7, 2008, this latter was amended a second time on October 1st, 2009, further to approval by the Board of Directors during its meeting dated July 29, 2009, in order to bring from 8 to 22 annual Social Security caps, the reference salary cap used to calculate the maximum amount of the life annuity, the cap for payment of this annuity remaining fixed at 25% of the reference salary referred to hereabove. The Board of Directors also approved the option to pay over 60% of the annuity to the surviving spouse(s), pro-rated for the length of the union.

The total amount of the estimated commitment for Gérard Buffière and Jérôme Pecresse amounted to EUR4 857.2 thousand as at December 31, 2009.

Institution of a pension plan with fixed contributions:

Further to approval by the Board of Directors on July 29, 2009, your Company has set up, as from October 1st, 2009, a supplementary fixed-contribution pension plan, from which Mr Jérôme Pecresse, Deputy Chief Executive, benefits in his capacity as employee of the company.

This plan, which is pre-funded, was set up in order to:

- provide its beneficiaries with a supplement to the retirement pensions paid by the mandatory social security and supplementary pension plan regimes, and;
- reduce the accounting burden generated by the fixed-services pension plan.

It provides for a contribution of 8% of the remuneration of eligible employees, capped at 8 annual Social Security caps and paid into jointly by the employee for 3% and by the company for 5%. Management of the plan has been entrusted to an external insurance company.

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS AND WHICH REMAINED CURRENT DURING THE YEAR

However, in accordance with the French Company Law (*Code de commerce*) we have been advised that the following commitment, which was already approved by your General Meeting of Shareholders, remained current during the year 2009.

Amendment to the employment agreement of Mr. Gérard Buffière, Director and Chief Executive Officer:

This amendment, concluded in order to bring it into compliance with Law no. 2007-1223 dated August 21, 2007 for the promotion of labor, employment and purchasing power ("TEPA") provides notably that the grant of an end-of-contract payment be made conditional upon a performance criterion in the event of a departure at the initiative of the company; this payment is equal to two years of gross salary. The criterion used is the year-over-year growth of Imerys' net current income during the period of the successive terms of Mr Gérard Buffière since his appointment as Chairman of the Executive Committee, with two possible exceptions per year.

Paris - La Défense and Neuilly-sur-Seine, March 30, 2010

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit

Jean-Roch VARON

Deloitte & Associés

Arnaud de PLANTA



CORPORATE GOVERNANCE

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Since May 3, 2005, the Company has been organized as a Limited Liability Company (Société Anonyme) with a Board of Directors. On that date, it also opted to dissociate the duties of Chairman of the Board of Directors and of Chief Executive Officer, performed by Mr. Aimery Langlois-Meurinne and Mr. Gérard Buffière, respectively. This structure keeps supervisory and management bodies separate and enables the Company to continue applying best practices in terms of Corporate Governance, while simplifying the structure and internal workings of its management bodies.

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

The AFEF-MEDEF Corporate Governance Code, with the addition of the new recommendations of October 6, 2008 on the compensation of executive corporate officers of stock market-listed companies, is used by the Company as a reference in drawing up the report provided for in article L. 225-37 of the French Code of Commerce, pursuant to the law of July 3, 2008 transposing the European directive 2006/46/EC of June 14, 2006 (this code is available on the website www.imerys.com, in the "Sustainable Development/ Corporate Governance" section).

3.1 BOARD OF DIRECTORS

3.1.1 POWERS

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

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

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

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

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

- the strategic orientations of the Company and Group and any operations likely to significantly influence such orientations; it also

periodically examines the long-term strategic plan (multiyear plan) drawn up or revised by the Chief Executive Officer;

- the following operations, for which the amount per operation is greater than the threshold of €75 million set by the Board of Directors:
 - any operations likely to modify the financial structure and scope of business of the Company and the Group, and any commercial or industrial agreements that bind the future of the Company or the Group,
 - the acquisition of an interest in, takeover or disposal – and any operation that may be considered, from an economic point of view, as the acquisition of an interest, takeover or disposal – of any fixed asset;
- as the case may be, the allocation of management tasks between the various Delegate Chief Executive officers, as proposed by the Chief Executive Officer;
- the permanent delegation by the Chief Executive Officer of part of his or her powers in favor of a third party (i.e. not being a Director) with a view to carrying out one or more defined transactions;
- more generally, any commitment by the Company or the Group that may constitute a regulated agreement, in accordance with the law.

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

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

3.1.2 COMPOSITION

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

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

■ CHANGES IN 2009

The Company's shareholders, at their Ordinary and Extraordinary General Meeting of April 29, 2009, approved the renewal for a further period of three years of the terms of office as Directors of Mr. Jacques Drijard, Mr. Jocelyn Lefebvre, Mr. Eric Le Moyne de Sérigny and Mr. Gilbert Milan. On the same date, the Board of Directors decided to maintain the dissociation of the duties of Chairman of the Board and of Chief Executive Officer and renewed the term of office as Chairman of the Board of Mr. Langlois-Meurinne and as Chief Executive Officer of Mr. Buffière.

■ COMPOSITION

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

| Name | Age | Nationality | Position | Date of 1 st appointment | Year of renewal of term of office ⁽¹⁾ | Number of shares owned as on December 31, 2009 | Independent member |
|------------------------------|-----|-----------------|--------------------------------------|-------------------------------------|--|--|-----------------------|
| Aimery LANGLOIS-MEURINNE | 66 | French | Chairman | 09/22/1987 | 2011 | 80,000 | No ⁽²⁾ |
| Gérard BUFFIÈRE | 65 | French | Director and Chief Executive Officer | 05/03/2005 | 2011 | 35,902 ⁽³⁾ | No ⁽⁴⁾ |
| Aldo CARDOSO | 54 | French | Director | 05/03/2005 | 2011 | 1,680 | Yes |
| Jacques DRIJARD | 67 | French | Director | 09/25/1996 | 2012 | 720 | No ^{(2) (5)} |
| Jocelyn LEFEBVRE | 52 | Franco-Canadian | Director | 06/16/1994 | 2012 | 1,080 | No ⁽²⁾ |
| Eric LE MOYNE de SÉRIGNY | 63 | French | Director | 06/12/1996 | 2012 | 795 | No |
| Maximilien de LIMBURG STIRUM | 38 | Franco-Belgian | Director | 05/03/2005 | 2011 | 720 | No ⁽²⁾ |
| Gilbert MILAN | 57 | French | Director | 05/02/2006 | 2012 | 720 | Yes |
| Jean MONVILLE | 65 | French | Director | 05/02/2007 | 2010 | 720 | Yes |
| Robert PEUGEOT | 59 | French | Director | 11/04/2002 | 2010 | 704 | Yes |
| Thierry de RUDDER | 60 | Franco-Belgian | Director | 03/13/2000 | 2010 | 1,200 | No ⁽²⁾ |
| Amaury de SÈZE | 64 | French | Director | 07/30/2008 | 2010 | 8,016 | No ⁽²⁾ |
| Jacques VEYRAT | 47 | French | Director | 05/03/2005 | 2011 | 600 | Yes |
| Total of members 13 | | | | | | 132,857 ⁽⁶⁾ | |

(1) The exact date of the renewal will be the date of the General Meeting called to rule on the Company's financial statements for the previous year.

(2) Director representing a majority shareholder in the Company.

(3) Gérard Buffière also holds 56,287 units in FCPE Imerys Actions, created under employee shareholder plans (see chapter 6, paragraph 6.2.5 of the Reference Document); the assets of these funds are mainly invested in Imerys shares.

(4) Chief Executive Officer of the Company.

(5) Former executive of the Company.

(6) i.e. 0.18% of capital and 0.18% of voting rights as on December 31, 2009.

The minimum number of shares required to be a member of the Board of Directors is set at 100 by the by-laws. The Board's Internal Charter increased that number to 600. In that respect, the Company's controlling shareholder groups, which are represented on the Board of Directors by six members, together hold 42,817,553 shares as of December 31, 2009 (see chapter 6, paragraph 6.3.1 of the Reference Document).

Pursuant to statutory provisions, the terms of office of Chairman, Vice-Chairman and Member of the Board of Directors end ipso jure following the General Meeting that rules on the financial statements

and management for the financial year during which the incumbent of either position reaches the age of 70.

Furthermore, as on the date of the present Reference Document, three members of the Board of Directors are not solely French nationals and five are considered "independent". This proportion of independent members in the composition of the Board of Directors (5 out of 13) is greater than the one-third recommended by the AFEP-MEDEF Corporate Governance Code for companies with controlling shareholders.

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

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

■ CHANGES PLANNED IN 2010

After the examination and opinion given by the Appointments & Compensation Committee, the Board will put to the Shareholders at the General Meeting of April 29, 2010 to:

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

Information on new applicants:

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

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

- an engineering graduate of Ecole de Commerce Solvay of the Université Libre de Bruxelles, **Olivier Pirotte** began his career in 1989 at Arthur Andersen, where he held management positions for both the Business Consulting and Audit divisions. In 1995 he joined Groupe Bruxelles Lambert where, since 2000, he has been Director of Equity Interests and Investments. Olivier Pirotte is also a Director of Suez Environnement and a member of the Investment Committee of Sagard Equity Partners. Furthermore, he holds various offices in companies controlled by Groupe Bruxelles Lambert;

- a graduate of the Ecole Supérieure des Sciences Economiques (ESSEC) Paris, **Pierre-Jean Sivignon** began his career in 1979 with the firm Peat Marwick Mitchell. In 1982, he joined the Schlumberger group, where he held various positions in the Financial Department of the Dowell Schlumberger Oilfield Services division (in Europe and Africa), then became General Manager of the Bank and Industry division (in Paris) and, finally, Group Treasurer in Paris and New York. From 2001 to 2005, he was Chief Financial Officer of Faurecia. Pierre-Jean Sivignon joined the Philips group on May 1, 2005, since when he has held the positions of Chief Financial Officer and member of the Executive Committee of the Philips group.

In accordance with the principles used by the Company with respect to the qualification of its Directors as independent, and after examination of their personal situation, the Appointments & Compensation Committee recognized that status to Ms. Layt and to Messrs. Monville, Peugeot and Sivignon but not to Mr. Gallienne, as a related person to a controlling shareholder in the Company, nor to Messrs. Pirotte and de Sèze as representatives of a controlling shareholder.

* For its application, the Board decided that their being in one or more of the following situations was likely to affect that freedom of judgment:

- an employee, corporate officer or Director (or similar) of a subsidiary of Imerys, of its controlling shareholders or major shareholders (i.e. with a share of over 10% of its capital) or having been one in the past five years;
- a corporate officer or Director (or similar) of a company in which Imerys, one of its employees or another corporate officer of Imerys (now or in the past five years) is a Director (or similar);
- a significant customer, supplier or banker of Imerys or its Group;
- a close relation of a corporate officer of Imerys;
- an auditor of Imerys in the past five years;
- a Director (or similar) of Imerys for more than 12 years.

3.1.3 INFORMATION ON THE DIRECTORS*

■ MAIN ACTIVITY AND OTHER RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS IN 2009

AIMERY LANGLOIS-MEURINNE

■ Chairman of the Board of Directors

Born on May 27, 1943

Work address:

Pargesa Holding S.A. – 11, Grand-Rue – 1204 Geneva (Switzerland)

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

List of activities and other responsibilities in French and foreign companies in 2009:

Main activities:

- Director-Chief Executive Officer: Pargesa Holding S.A. (Holding company – Switzerland);
- Chairman of the Board of Directors: Imerys.

Other responsibilities:

- Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg); Pargesa Netherlands BV (Netherlands).
- Director: Groupe Bruxelles Lambert S.A. (Belgium); Club Méditerranée – until July 2009, IDI, Société Française Percier Gestion "SFPG", Société de la Tour Eiffel – since October 2009 (France).

GÉRARD BUFFIÈRE

Director and Chief Executive Officer

Born on March 28, 1945

Work address:

Imerys – 154, rue de l'Université – 75007 Paris (France)

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

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Director and Chief Executive Officer: Imerys.

Other responsibilities:

- Chairman of the Board of Directors: Financière du Parc Duquesne (France).
- Manager: Société Immobilière Buffière (France).

ALDO CARDOSO

Director

Born on March 7, 1956

Address:

45, boulevard de Beauséjour – 75016 Paris (France)

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

* As notified individually to the Company by each of the Board of Directors members concerned, in function as of December 31, 2009.

List of activities and other responsibilities in French and foreign companies in 2009:

Responsibilities:

- Director: Mobistar (Belgium); Accor – until February 2009, Bureau Veritas – since June 2009, GDF Suez, Gecina, Imerys, Rhodia (France).
- Censor: Axa Investment Managers (France).

JACQUES DRIJARD

Director

Born on March 29, 1943

Work address:

PGB S.A.1, Rond-Point des Champs-Élysées – 75008 Paris (France)

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

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Deputy Chief Executive Officer: Pargesa Holding S.A. (Holding company – Switzerland).

Other responsibilities:

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

JOCELYN LEFEBVRE

Director

Born on December 22, 1957

Work address:

Power Corporation du Canada – 751, Square Victoria – Montréal (Québec) – Canada H2Y 2J3

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

one of its main subsidiaries (Vickers Inc.) until 1991. In 1992, Jocelyn Lefebvre joined the Power Corporation du Canada group, where he has held various positions in Europe.

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

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

Other responsibilities:

- Chief Executive Officer: Sagard S.A.S. (France).
- Member of the Managing Board: Partjointco N.V., Power Financial Europe B.V. (Netherlands).
- Director: Suez-Tractebel S.A. (Belgium); Imerys (France).

ERIC LE MOYNE DE SÉRIGNY

Director

Born on April 7, 1946

Work address:

Alternative Leaders France

43, avenue Marceau – 75116 Paris (France)

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

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Chairman of the Managing Board: Alternative Leaders France S.A. (Portfolio management company – France).
- Senior Advisor: KBL Richelieu (Bank – France).

Other responsibilities:

- Director: Imerys (France).

MAXIMILIEN DE LIMBURG STIRUM

Director

Born on April 29, 1971

Work address:

Compagnie Nationale à Portefeuille – 12, rue de la Blanche Borne – 6280 Loverval (Belgium)

A graduate of Ecole de Commerce Solvay of the Université Libre de Bruxelles, Maximilien de Limburg Stirum began his career in 1995 with Compagnie Nationale à Portefeuille, where he has been Vice-

President Investments and Member of the Executive Management since 2003.

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

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

Other responsibilities:

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

GILBERT MILAN

Director

Born on April 19, 1952

Work address:

Fnac Eveils & Jeux – 2, rue Alfred de Vigny – 78112 Fourqueux (France)

A civil engineering graduate of Ecole Nationale des Ponts et Chaussées (France) with an MBA from Harvard Business School (United States), Gilbert Milan began his career at Boston Consulting Group in 1979 where he performed various consulting assignments before becoming Managing Partner from 1984 to 1994. In 1995, he created Eveil et Jeux with his wife and was the Company's Chief Executive Officer until its sale to FNAC in 2001. In 2003, he founded Deventis Conseil and Milinvest Ventures, for which he is general manager and performs consulting assignments to private equity funds and co-investments. Since 2007, Gilbert Milan has been Chief Executive Officer of Fnac Eveil & Jeux.

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Chief Executive Officer of Fnac Eveil & Jeux SAS (Toys, games & creative leisure – France).

Other responsibilities:

- Chief Executive Officer: Milinvest Ventures SAS (France).
- Managing Director: Deventis Conseil (France).
- Director: Imerys (France).
- Manager: Milinvest (France).

JEAN MONVILLE

Director

Born on November 7, 1944

Work address:

SPIE SA – Parc Saint-Christophe – 95863 Cergy Pontoise Cedex (France)

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

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Chairman of the Board of Directors: SPIE (Electric engineering group – France).

Other responsibilities:

- Chairman of the Board of Directors: Spie 4 (France).
- Manager: Spie Management (France).
- Permanent representative of Spie Management: Chairman of Euro Spie, Spie 12, Spie CDF, Spie OPS (France).
- Member of the Supervisory Board: Financière Atalian (France).
- Director: Imerys, SBTP, Spie International (France).
- Vice Chairman: Fédération Nationale des Travaux Publics (FNTP), Groupement des Industries de l'équipement électrique, du contrôle commande et des services associés (GIMELEC) (France).
- Chairman: MEDEF Committee "Déontologie internationale et principes directeurs".

ROBERT PEUGEOT

Director

Born on April 25, 1950

Work address:

PSA Peugeot Citroën – 75, avenue de la Grande Armée – 75116 Paris (France)

A graduate of Ecole Centrale de Paris engineering school and holder of an MBA from INSEAD, Fontainebleau (France), Robert Peugeot began his career in 1975 with Peugeot, where he held several positions both in France and abroad. In 1985 he joined Citroën becoming Vice-President Quality and Organization from 1993 to 1998, when he was appointed Vice-President Innovation & Quality of PSA Peugeot Citroën and Member of the Executive Committee, before being appointed in February 2007, Member of the Supervisory Board of Peugeot S.A. and Member of the Strategic Committee and the Audit Committee of PSA Peugeot Citroën group. Since 2002, he has been Chairman & Chief Executive Officer of FFP.

List of activities and other responsibilities in French and foreign companies in 2009:

Main activities:

- Chairman & Chief Executive Officer: F.F.P. (Société Foncière, Financière et de Participations – Real estate, financial and holding company – France).
- Member of the Supervisory Board: Peugeot S.A. (Automotive manufacturer – France); IDI Emerging Markets SA (Luxembourg).
- Member of the Strategic Committee and Audit Committee: PSA Peugeot Citroën group.

Other responsibilities:

- Chairman & Chief Executive Officer: Simante, SL (Spain).
- Member of the Supervisory Board: Hermès International (France).
- Director: Alpine Holding (Austria); Sofina SA (Belgium); E.P.F. (Etablissements Peugeot Frères), Faurecia, Holding Reinier, Imerys, Immeubles et Participations de l'Est, L.F.P.F. (La Française de Participations Financières), Sanef (France); Waste Recycling Group Limited (Great Britain); B-1998, SL, Fomentos de Construcciones y Contratas, SA "FCC", FCC Construcción, SA (Spain); DKSH Holding AG (Switzerland).
- Manager: CHP Gestion, Rodom (France).
- Permanent representative of F.F.P.: Member of the Supervisory Board of Zodiac (France).
- Statutory representative of F.F.P.: Chairman of Financière Guiraud SAS (France).

THIERRY DE RUDDER

Director

Born on September 3, 1949

Work address:

Groupe Bruxelles Lambert – 24, avenue Marnix – 1000 Bruxelles (Belgium)

With degrees in mathematics from Geneva University and mathematics applied to business management from Brussels Université Libre and an MBA from the Wharton School, Philadelphia, Thierry de Rudder began his career in the United States with First National Bank of Chicago before joining Citibank in 1975, where he held several positions in New York then in Europe. In 1986, he joined Groupe Bruxelles Lambert, becoming Delegate Director in 1993.

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Delegate Director: Groupe Bruxelles Lambert (Holding company – Belgium).

Other responsibilities:

- Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); GDF Suez, Imerys, Lafarge, Total (France).

AMAURY DE SÈZE

Director

Born on May 7, 1946

Work address:

PGB S.A. – 1, Rond-Point des Champs-Élysées – 75008 Paris (France)

A graduate of Centre de Perfectionnement dans l'Administration des Affaires and Stanford Graduate School of Business (USA), Amaury de Sèze began his career in 1968 at Bull General Electric. In 1978, he joined the Volvo group where he held various positions before becoming the Chairman & CEO of Volvo France in 1986, then Chairman of Volvo Europe and a member of the Group's Executive Committee in 1990. In 1993, he joined the Paribas group as a member of the Managing Board of Compagnie Financière de Paribas and Banque Paribas in charge of holdings and industrial affairs. From 2002 to October 2007, he was Chairman of PAI Partners. In April 2008, he was appointed Vice-President of Power Corporation du Canada, in charge of European investments.

List of activities and other responsibilities in French and foreign companies in 2009:

Main activity:

- Vice-President: Power Corporation du Canada (Holding company – Canada).

Other responsibilities:

- Chairman of the Board of Directors: Carrefour SA (France).
- Member of the Supervisory Board: Gras Savoye SCA, Publicis Group (France).
- Director: BW Group, Erbe SA, Groupe Bruxelles Lambert (Belgium); Groupe Industriel Marcel Dassault SAS, Imerys, Suez Environnement, Thales (France); Pargesa Holding SA (Switzerland).

JACQUES VEYRAT**Director**

Born on November 4, 1962

Work address:

Louis Dreyfus SAS – 7, rue Képler – 75116 Paris (France)

A graduate of Ecole Polytechnique and Ecole des Ponts et Chaussées, Paris engineering schools, Jacques Veyrat began his career at the French Treasury Department then held various positions on ministers' staffs. In 1995, he joined the Louis Dreyfus group, where he held several management positions, particularly with Louis Dreyfus Armateurs. From 1998 to 2005, Jacques Veyrat was Chairman & Chief Executive Officer of Neuf Telecom before becoming Chairman & Chief Executive Officer of the Neuf Cegetel group (resulting from the merger of Neuf Telecom and Cegetel) until April 2008 when he took over the management of Louis Dreyfus group.

List of activities and other responsibilities in French and foreign companies in 2009:**Main activity:**

- Chairman & Chief Executive Officer: Louis Dreyfus SAS (Processing, trading and merchandizing of agricultural and energy commodities – France).

Other responsibilities:

- Chief Executive Officer: Kurosawa BV (Netherlands).
- Director: Direct Energie, Neoen – since April 2009, HSBC France – since May 2009, Imerys (France).
- Member of the Supervisory Board: Eurazeo (France).

■ LIST OF RESPONSIBILITIES HELD BY THE MEMBERS OF THE BOARD, 2005-2008

| | 2008 | 2007 | 2006 | 2005 |
|---------------------------------|--|--|---|---|
| Aimery LANGLOIS-MEURINNE | <ul style="list-style-type: none"> ■ Director-Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman of the Board of Directors: Imerys. ■ Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg); Pargesa Netherlands BV (Netherlands). ■ Director: Groupe Bruxelles Lambert S.A. (Belgium); Club Méditerranée, IDI (France). | <ul style="list-style-type: none"> ■ Director-Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman of the Board of Directors: Imerys. ■ Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg); Pargesa Netherlands BV (Netherlands). ■ Director: Groupe Bruxelles Lambert S.A. (Belgium); Club Méditerranée, Eiffage (France). | <ul style="list-style-type: none"> ■ Director-Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman of the Board of Directors: Imerys. ■ Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg); Pargesa Netherlands BV (Netherlands). ■ Director and Vice-Chairman of Investment Committee and Management Committee: Sagard Private Equity Partners (France). ■ Director: Groupe Bruxelles Lambert S.A. (Belgium); Club Méditerranée, Eiffage, PAI Management (France); Pascal Investment Advisers SA (Switzerland). | <ul style="list-style-type: none"> ■ Director-Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman of the Board of Directors: Imerys. ■ Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg); Pargesa Netherlands BV (Netherlands). ■ Director and Vice-Chairman of Investment Committee and Management Committee: Sagard Private Equity Partners (France). ■ Director: Groupe Bruxelles Lambert S.A. (Belgium); Eiffage, PAI Management (France). |
| Gérard BUFFIÈRE | <ul style="list-style-type: none"> ■ Director and Chief Executive Officer: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France). | <ul style="list-style-type: none"> ■ Director and Chief Executive Officer: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France). | <ul style="list-style-type: none"> ■ Director and Chief Executive Officer: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France). | <ul style="list-style-type: none"> ■ Chairman of the Managing Board: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France). |
| Aldo CARDOSO | <ul style="list-style-type: none"> ■ Director: Mobistar (Belgium); Accor, GDF Suez, Gecina, Imerys, Rhodia (France). ■ Censor: Axa Investment Managers, Bureau Veritas (France). | <ul style="list-style-type: none"> ■ Director: Mobistar (Belgium); Accor, Gaz de France, Imerys, Orange, Rhodia (France). ■ Censor: Axa Investment Managers, Bureau Veritas (France). | <ul style="list-style-type: none"> ■ Director: Mobistar (Belgium); Accor, Gaz de France, Imerys, Orange, Rhodia (France). ■ Censor: Axa Investment Managers, Bureau Veritas (France). | <ul style="list-style-type: none"> ■ Lecturer, Institut d'Etudes Politiques de Paris. ■ Director: Mobistar (Belgium); Axa Investment Managers, Gaz de France, Imerys, Orange, Rhodia (France). ■ Censor: Bureau Veritas (France). |
| Jacques DRIJARD | <ul style="list-style-type: none"> ■ Deputy Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman & Chief Executive Officer: P.G.B. S.A. (France). ■ Chairman of the Board of Directors: Société Française Percier Gestion "SFPG" (France). ■ Delegate Director: Pargesa Compagnie S.A. (Switzerland). ■ Director: Imerys (France); Pargesa Netherlands BV (Netherlands). | <ul style="list-style-type: none"> ■ Deputy Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman & Chief Executive Officer: P.G.B. S.A. (France). ■ Chairman of the Board of Directors: Société Française Percier Gestion "SFPG" (France). ■ Delegate Director: Pargesa Compagnie S.A. (Switzerland). ■ Director: Imerys (France); Pargesa Netherlands BV (Netherlands). | <ul style="list-style-type: none"> ■ Deputy Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman & Chief Executive Officer: P.G.B. S.A. (France). ■ Chairman of the Board of Directors: Société Française Percier Gestion "SFPG" (France). ■ Delegate Director: Pargesa Compagnie S.A. (Switzerland). ■ Director: Imerys (France); Pargesa Netherlands BV (Netherlands). | <ul style="list-style-type: none"> ■ Deputy Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman & Chief Executive Officer: P.G.B. S.A. (France). ■ Chairman of the Board of Directors: Société Française Percier Gestion "SFPG" (France). ■ Delegate Director: Orion Holding S.A. (Switzerland). ■ Director: Imerys (France); Pargesa Netherlands BV (Netherlands); Orion Food S.A. (Switzerland). |

| | 2008 | 2007 | 2006 | 2005 |
|-------------------------------------|--|---|---|--|
| Jocelyn LEFEBVRE | <ul style="list-style-type: none"> ■ Director: Power Corporation du Canada (Canada). ■ Chief Executive Officer: Sagard S.A.S. (France). ■ Member of the Managing Board: Partjoinco N.V., Power Financial Europe B.V. (Netherlands). ■ Director: Suez-Tractebel S.A. (Belgium); Imerys (France). | <ul style="list-style-type: none"> ■ Director: Power Corporation du Canada (Canada). ■ Chief Executive Officer: Sagard S.A.S. (France). ■ Member of the Managing Board: Partjoinco N.V., Power Financial Europe B.V. (Netherlands). ■ Director: Suez-Tractebel S.A. (Belgium); Imerys (France). | <ul style="list-style-type: none"> ■ Director: Power Corporation du Canada (Canada). ■ Chief Executive Officer: Sagard S.A.S. (France). ■ Member of the Managing Board: Partjoinco N.V., Power Financial Europe B.V. (Netherlands). ■ Director: Suez-Tractebel S.A. (Belgium); Imerys (France). | <ul style="list-style-type: none"> ■ Director: Power Corporation du Canada (Canada). ■ Chief Executive Officer: Sagard S.A.S. (France). ■ Member of the Managing Board: Partjoinco N.V., Power Financial Europe B.V. (Netherlands). ■ Director: Suez-Tractebel S.A. (Belgium), AFE, Imerys (France); RTL Group (Luxembourg); Project Sloane (Great Britain). |
| Eric LE MOYNE de SÉRIGNY | <ul style="list-style-type: none"> ■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Richelieu Finance (France). | <ul style="list-style-type: none"> ■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Istac S.A., Richelieu Finance (France). | <ul style="list-style-type: none"> ■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Istac S.A., Richelieu Finance (France). | <ul style="list-style-type: none"> ■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Istac S.A., Richelieu Finance (France). |
| Maximilien de LIMBURG STIRUM | <ul style="list-style-type: none"> ■ Vice-President Investments and Member of the Executive Management: Compagnie Nationale à Portefeuille (Belgium). ■ Director-Chairman: Distriplus (Belgium). ■ Director: Corn2 OPrt Royal, Distripar, Distriplus, Fidentia Real Estate Investments, Financière Trasys, GB-INNO-BM, Goinvest, Solvay Business School Alumni, Trasys (Belgium); Entremont Alliance, Financière Flo, Imerys, Lyparis, Tikehau Capital Advisors, Unifem (France); Erbe Finance, Swifin (Luxembourg). ■ Member of the Supervisory Board: Groupe Flo (France). ■ Permanent representative of Compagnie Immobilière de Roumont (Belgium) on the Board of Directors of: Belgian Icecream Group "BIG", Belgian Sky Shops, GIB Corporate Services, Starco Tielen (Belgium). | <ul style="list-style-type: none"> ■ Vice-President Investments and Member of the Executive Management: Compagnie Nationale à Portefeuille (Belgium). ■ Director: Distripar, Distriplus, Fidentia Real Estate Investments, Financière Trasys, GB-INNO-BM, Giunvest, MESA (Molignée Energie), Solvay Business School Alumni, Trasys (Belgium); Entremont Alliance, Financière Flo, Imerys, Lyparis, Tikehau Capital Advisors, Unifem (France); Erbe Finance, Swifin (Luxembourg). ■ Member of the Supervisory Board: Groupe Flo (France). ■ Permanent representative of Compagnie Immobilière de Roumont (Belgium) on the Board of Directors of: Belgian Sky Shops, GIB Corporate Services, Ijsboerke Ice Cream International, Starco Tielen (Belgium). ■ Permanent representative of Fibelpar (Belgium) on the Board of Directors of: Château Rieussec (France). | <ul style="list-style-type: none"> ■ Vice-President Investments and Member of the Executive Management: Compagnie Nationale à Portefeuille (Belgium). ■ Director: Distripar, Financière Trasys, GB-INNO-BM, MESA (Molignée Energie), Quick Restaurants, Solvay Business School Alumni, Trasys (Belgium); Entremont Alliance, Financière Flo, Imerys, Tikehau Capital Advisors, Unifem (France); Erbe Finance, Swifin (Luxembourg). ■ Member of the Supervisory Board: Groupe Flo (France). ■ Permanent representative of Compagnie Immobilière de Roumont (Belgium) on the Board of Directors of: Belgian Sky Shops, GIB Corporate Services, Ijsboerke Ice Cream International, Starco Tielen (Belgium). ■ Permanent representative of Fibelpar (Belgium) on the Board of Directors of: Château Rieussec (France). | <ul style="list-style-type: none"> ■ Vice-President Investments: Compagnie Nationale à Portefeuille (Belgium). ■ Director: Distripar, GB-INNO-BM, MESA (Molignée Energie), Quick Restaurants, Safe Insurance, Solvay Business School Alumni (Belgium); Imerys, Société du Louvre, Unifem (France); Swifin (Luxembourg). ■ Member of the Supervisory Board: Groupe Entremont (France). ■ Permanent representative of Compagnie Immobilière de Roumont (Belgium) on the Board of Directors of: Belgian Sky Shops, GIB Corporate Services, Ijsboerke Ice Cream International, Starco Tielen (Belgium). ■ Permanent representative of Fibelpar (Belgium) on the Board of Directors of: Château Rieussec (France). |
| Gilbert MILAN | <ul style="list-style-type: none"> ■ Chief Executive Officer: Fnac Eveil & Jeux, Milinvest Ventures (France). ■ Director: Imerys (France). ■ Manager: Milinvest (France). | <ul style="list-style-type: none"> ■ Chief Executive Officer: Fnac Eveil & Jeux, Milinvest Ventures (France). ■ Director: Imerys (France). ■ Manager: Milinvest (France). | <ul style="list-style-type: none"> ■ Chief Executive Officer: Milinvest Ventures (France). ■ Director: Imerys (France). ■ Manager: Milinvest (France). | <ul style="list-style-type: none"> ■ Chief Executive Officer: Deventis Conseil, Milinvest Ventures (France). ■ Manager: Milinvest (France). |

| | 2008 | 2007 | 2006 | 2005 |
|-----------------------|---|---|---|--|
| Jean MONVILLE | <ul style="list-style-type: none"> Chairman of the Board of Directors: Spie, Spie 4 (France). Manager: Spie Management (France). Permanent representative of Spie Management: Chairman of Euro Spie, Spie 12, Spie CDF, Spie OPS (France). Director: Imerys, SBTP, Spie International (France). Vice-Chairman: FNTP, GIMELEC (France). Chairman: MEDEF Committee "Internationalisation de l'Entreprise" (France). | <ul style="list-style-type: none"> Chairman of the Board of Directors: Financière Spie, Spie 4 (France). Manager: Spie Management (France). Permanent representative of Spie Management: Chairman of Euro Spie, Spie 12, Spie CDF, Spie OPS (France). Director: Financière Spie, Imerys, SBTP, Spie International, Spie Rail (France). Vice-Chairman: FNTP, GIMELEC (France). Chairman: MEDEF Committee "Internationalisation de l'Entreprise" (France). | <ul style="list-style-type: none"> Chairman of the Board of Directors: Financière Spie, Spie (France). Manager: Spie Management (France). Permanent representative of Spie Management: Chairman of Euro Spie, Spie 12, Spie CDF, Spie OPS (France). Director: Spie International, Spie Rail (France). Vice-Chairman: FNTP, GIMELEC (France). | <ul style="list-style-type: none"> Chairman of the Board of Directors: Amec Spie (France). Director-Chief Executive Officer: Amec (Great Britain). |
| Robert PEUGEOT | <ul style="list-style-type: none"> Chairman & Chief Executive Officer: F.F.P. (France). Member of the Strategic Committee and Audit Committee: PSA Peugeot Citroën (France). Chairman & Chief Executive Officer: Simante, SL (Spain). Member of the Supervisory Board: Hermès International, Peugeot S.A. (France). Director: Alpine Holding (Austria); Sofina SA (Belgium); E.P.F. (Etablissements Peugeot Frères), Faurecia, Holding Reinier, Imerys, Immeubles et Participations de l'Est, L.F.P.F. (La Française de Participations Financières), Sanef (France); Waste Recycling Group Limited (Great Britain); B-1998, SL, Fomentos de Construcciones y Contratas, S.A. "FCC", FCC Construcción, S.A. (Spain); DKSH Holding AG (Switzerland). Manager: CHP Gestion, Rodom (France). Permanent representative of F.F.P.: member of the Supervisory Board of Zodiac (France). Statutory representative of F.F.P.: Chairman of Financière Guiraud (France). | <ul style="list-style-type: none"> Chairman & Chief Executive Officer: F.F.P. (France). Member of the Strategic Committee and Audit Committee: PSA Peugeot Citroën (France). Chairman & Chief Executive Officer: Simante, SL (Spain). Member of the Supervisory Board: Hermès International, Peugeot S.A. (France). Director: Alpine Holding (Austria); E.P.F. (Etablissements Peugeot Frères), Faurecia, Holding Reinier, Imerys, Immeubles et Participations de l'Est, L.F.P.F. (La Française de Participations Financières), Sanef (France); Waste Recycling Group Limited (Great Britain); B-1998, SL, Fomentos de Construcciones y Contratas, S.A. "FCC", FCC Construcción, S.A. (Spain). Manager: CHP Gestion, Rodom (France). Permanent representative of F.F.P.: member of the Supervisory Board of Zodiac (France). Statutory representative of F.F.P.: Chairman of Financière Guiraud (France). | <ul style="list-style-type: none"> Chairman & Chief Executive Officer: F.F.P. (France). Member of the Executive Committee and Vice-President Innovation & Quality: PSA Peugeot Citroën (France). Chairman & Chief Executive Officer: Simante, SL (Spain). Member of the Supervisory Board: Aviva France (France); Citroën Deutschland AG (Germany). Director: Citroën Danemark A/S (Denmark); Aviva Participations, E.P.F. (Etablissements Peugeot Frères), GIE Recherches et Etudes PSA Renault, Imerys, Immeubles et Participations de l'Est, L.F.P.F. (La Française de Participations Financières), Sanef (France); Citroën UK Ltd (Great Britain); B-1998, SL, Fomentos de Construcciones y Contratas, S.A. "FCC", FCC Construcción, S.A. (Spain). Manager: CHP Gestion, Rodom (France). Permanent representative of F.F.P.: member of the Supervisory Board of Zodiac (France). Statutory representative of F.F.P.: Chairman of Financière Guiraud (France). | <ul style="list-style-type: none"> Chairman & Chief Executive Officer: F.F.P. (France). Member of the Executive Committee and Vice-President Innovation & Quality: PSA Peugeot Citroën (France). Chairman of the Board of Directors: Simante, SL (Spain). Member of the Supervisory Board: Aviva France, Groupe Taittinger (France); Citroën Deutschland AG (Germany). Director: Citroën Danemark A/S (Denmark); Aviva Participations, E.P.F. (Etablissements Peugeot Frères), GIE Recherches et Etudes PSA Renault, Imerys, Immeubles et Participations de l'Est, I.F.P. (Institut Français du Pétrole), L.F.P.F. (La Française de Participations Financières), Société du Louvre (France); Citroën UK Ltd, Peugeot Automobiles United Kingdom Limited (Great Britain); B-1998, SL, Fomentos de Construcciones y Contratas, S.A. "FCC", FCC Construcción, S.A. (Spain). Manager: CHP Gestion, Rodom (France). |

| | 2008 | 2007 | 2006 | 2005 |
|--------------------------|--|--|---|--|
| Thierry de RUDDER | <ul style="list-style-type: none"> ■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); GDF Suez, Imerys, Lafarge, Total (France). | <ul style="list-style-type: none"> ■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); Imerys, Suez, Total (France). | <ul style="list-style-type: none"> ■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); Imerys, Suez, Total (France). | <ul style="list-style-type: none"> ■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); Imerys, Suez, Total (France). |
| Amaury de SÈZE | <ul style="list-style-type: none"> ■ Vice-Chairman of the Board of Directors: Power Corporation of Canada (Canada). ■ Chairman of the Board of Directors: Carrefour SA (France). ■ Member of the Supervisory Board: Gras Savoye, Publicis Groupe (France). ■ Director: BW Group, Erbe SA, Groupe Bruxelles Lambert (Belgium); Imerys, Suez Environnement (France); Pargesa Holding SA (Switzerland). | <ul style="list-style-type: none"> ■ Chairman of the Supervisory Board: PAI Partner SAS (France). ■ Chairman of the Board of Directors: PAI Partners UK Ltd (Great-Britain). ■ Vice-Chairman of the Supervisory Board: Carrefour SA (France). ■ Director: Erbe SA, Groupe Bruxelles Lambert (Belgium); Power Corporation du Canada (Canada); Eiffage, Groupe Industriel Marcel Dassault (France); PAI Europe IV UK General Partner Ltd (Great-Britain); PAI Europe III General Partner N.C., PAI Europe IV General Partner N.C., PAI Europe V General Partner N.C. (Guernsey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France). | <ul style="list-style-type: none"> ■ Chairman of the Supervisory Board: PAI Partner SAS (France). ■ Chairman of the Board of Directors: PAI Partners UK Ltd (Great-Britain). ■ Vice-Chairman of the Supervisory Board: Carrefour SA (France). ■ Director: Erbe SA, Gepeco SA, Groupe Bruxelles Lambert (Belgium); Power Corporation du Canada (Canada); Eiffage, Groupe Industriel Marcel Dassault, Novalis SAS, Vivarte SA (France); PAI Europe IV UK General Partner Ltd (Great-Britain); PAI Europe III General Partner N.C., PAI Europe IV General Partner N.C. (Guernsey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France). | <ul style="list-style-type: none"> ■ Chief Executive Officer: Financière PAI Partners SAS, Financière PAI SAS, PAI Partner SAS (France). ■ Chairman of the Board of Directors: PAI Partners UK Ltd (Great-Britain). ■ Director: Erbe SA, Gepeco SA, Groupe Bruxelles Lambert (Belgium); Power Corporation du Canada (Canada); Carrefour SA, Eiffage, Groupe Industriel Marcel Dassault, Novalis SAS, Novasaur SAS, Vivarte SA (France); PAI Europe IV UK General Partner Ltd (Great-Britain); PAI Europe III General Partner N.C., PAI Europe IV General Partner N.C. (Guernsey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France). |
| Jacques VEYRAT | <ul style="list-style-type: none"> ■ Chairman & Chief Executive Officer: Neuf Cegetel (France). ■ Chief Executive Officer: Louis Dreyfus SAS (France). ■ Managing Director: Louis Dreyfus Technologies (France); Kurosawa BV (Netherlands). ■ Director: Direct Energie, Imerys, Tajan (France). ■ Member of the Supervisory Board: Altair, Amboise, Eurazeo (France). | <ul style="list-style-type: none"> ■ Chairman & Chief Executive Officer: Neuf Cegetel (France). ■ Chief Executive Officer: Louis Dreyfus SAS, Louis Dreyfus Technologies (France); Kurosawa BV (Netherlands). ■ Director: Imerys, Irise, SHD, Tajan (France). ■ Member of the Supervisory Board: Amboise Investissement, Jet Multimedia (France). ■ Permanent representative of Neuf Cegetel: Chief Executive Officer of Wengo, Director of LD Collectivités (France). | <ul style="list-style-type: none"> ■ Chairman & Chief Executive Officer: Neuf Telecom (France). ■ Chief Executive Officer: Louis Dreyfus Technologies (France). ■ Director: Imerys, Irise, SHD, Tajan (France). ■ Member of the Supervisory Board: Amboise Investissement, Jet Multimedia (France). ■ Permanent representative of Neuf Telecom: Chief Executive Officer of Wengo, Director of LD Collectivités (France). | <ul style="list-style-type: none"> ■ Chairman & Chief Executive Officer: Neuf Telecom (France). ■ Chief Executive Officer: Louis Dreyfus Technologies (France). ■ Vice-Chairman of the Supervisory Board: Tajan (France). ■ Director: Imerys, Irise (France); Louis Dreyfus Communications Italie SpA (Italy). ■ Member of the Supervisory Board: Jet Multimedia (France). ■ Permanent representative of Neuf Telecom: Chief Executive Officer of Wengo (France). ■ Permanent representative of Louis Dreyfus Communications: Director of Louis Dreyfus Collectivités (France). |

Management expertise and experience of the members of the Board of Directors

The criteria used to select Directors include their management expertise and experience. The member Directors of the Audit Committee are also chosen for their financial competence. The Appointments and Compensation Committee pays particular attention, together with the Board of Directors, to assessing these criteria.

The activities and responsibilities of the Directors (*see paragraph 3.1.3 of the present chapter*) attest to their individual expertise and experience in different areas such as finance, industry or services, which contributes to the quality of Board's work and to its correctly balanced composition.

Family ties between the members of the Board of Directors

To the best of the Company's knowledge, there are no family ties between the members of the Board of Directors.

Potential conflicts of interest between the members of the Board of Directors

To the best of the Company's knowledge, no potential conflicts of interest exist between the duties of the Directors with respect to the Company and their private interests and/or other duties. It is specified that some Directors of the Company also have executive responsibilities with the Company's controlling shareholders (*see paragraph 3.1.3 of the present chapter*).

No Director has been selected pursuant to any arrangement or agreement entered into with the main shareholders, customers, suppliers or other parties.

Service contracts between the Company and its Directors

To the best of the Company's knowledge, there is no service contract entered into by the Directors and the Company or any of its subsidiaries providing for the granting of advantages upon expiry of such contract.

No sentence for fraud

To the best of the Company's knowledge, no sentence for fraud has been pronounced against any member of the Board of Directors during the past five years.

Bankruptcy, sequestration or liquidation of companies in which a Director has been involved as executive during the past five years

To the best of the Company's knowledge, no Directors have been involved as executives in any bankruptcy, receivership or liquidation of any company in the past five years.

Incrimination of and/or public sanction of the law against a Director by statutory or regulatory authorities during the past five years

To the best of the Company's knowledge, no official incrimination and/or public sanction of the law has been pronounced against any member of the Board of Directors in the past five years.

3.1.4 FUNCTIONING

The Board of Directors meets as often as the interests of the Group require and at least three times a year. It is convened by its Chairman by any written means with at least five days' notice, unless the members of the Board unanimously decide otherwise.

2009

| | |
|---|-----|
| Number of meetings | 6 |
| Average actual attendance rate of members | 76% |

2010

| | |
|-----------------------------|---|
| Expected number of meetings | 5 |
|-----------------------------|---|

The provisional schedule of Board of Directors' meetings for the year to come is set, at the latest, in the last meeting of each year. The Chairman of the Board of Directors usually sets the agenda of each Board meeting after gathering the suggestions of the Chief Executive Officer and the opinion of the Secretary of the Board. He runs meetings, facilitates debates and reports on meetings in accordance with the law, the by-laws of the Company and the Corporate Governance principles and practices that the Board has itself adopted, as set out in the following paragraph.

Notices of meeting are sent to every Director with the draft minutes of the previous meeting, drawn up by the Secretary and approved by the Chairman of the Board, and all information and documents concerning the points on the agenda that are necessary for members' effective participation in debates. Such information and documents may also include, as the case may be, the Group's quarterly, semi-annual or annual (provisional or definitive) financial statements and the presentation of the various business groups' markets or any other specific items to be raised. Certain additional documents may also be handed to the Directors in meetings: for example, draft press releases on the Group's regular financial statements or information on trends in the price of the Company's shares.

In order to allow them to carry out their duties in appropriate conditions, the Chairman and, on his request, the Chief Executive Officer also send the Directors the following between Board meetings: any important information published, including critical items, concerning the Group (particularly in the form of press articles and financial analysis reports) and, if sufficiently important or urgent, any other relevant information on the Group's situation, projects, and economic or market environment.

The work done by each of the specialized Committees since the previous meetings is regularly presented in a report to the Board by its Chairman or, in his or her absence, another member of the Committee in question.

The Secretary of the Board is the Group General Counsel. His appointment and dismissal, as the case may be, are within the sole competence of the Board. All the members of the Board may consult the General Counsel and benefit from his services. He assists the Board and makes any useful recommendations on the procedures and rules that apply to its functioning, and on their implementation and observance. The Secretary is empowered to certify copies or extracts of minutes of Board meetings.

3.1.5 IMPLEMENTATION OF BEST CORPORATE GOVERNANCE PRACTICES

Internal Charter of the Board of Directors

In the context of compliance with best Corporate Governance practices, the Board has adopted an Internal Charter that contains all the principles for its members' conduct and the functioning of the Board and its specialized Committees. The Charter, of which the first version was adopted in 2002, is regularly updated in order to incorporate: legal and regulatory developments that apply to the Company; recommendations on Corporate Governance by AMF as well as trade and associations bodies that represent French stock market-listed companies (AFEP, MEDEF, ANSA, etc.); and, finally, the amendments made by the Board following the annual assessments of its own functioning carried out to comply with best practices.

Each Director of the Company is given a copy of the "Directors' Vade-Mecum", a collection of the main texts and provisions governing their duties and obligations, including the Company's by-laws, the Internal Charter of the Board of Directors, the Procedure for the prevention of use or disclosure of insider information within the Group and other useful documents and forms enabling the Directors to comply with their obligations.

The latest version of the Internal Charter of the Board of Directors is available on the Group's website (www.imerys.com), in the section "Sustainable Development/Corporate Governance".

Self-assessment by the Board of Directors

In accordance with the Internal Charter, "every year the Board of Directors reviews and appraises its working methods and activity during the previous financial year. The findings of that examination are intended to appear in the Board's report in the Group's Reference Document. In addition, at intervals determined by its Chairman, the Board of Directors conducts a formal self-assessment using a questionnaire sent to the Directors beforehand".

In order to comply with best practices, the Board of Directors decided henceforth to assess its functioning and that of its Committees formally on an annual basis. Accordingly, each of its members was given earlier this year an individual questionnaire on the role and performance of the Board and its Committees, their composition and functioning, the organization and holding of their meetings and, finally, the information provided to Directors. The conclusions of the assessment were presented and discussed at the Board of Directors meeting on February 15, 2010.

Generally speaking, the workings of the Board and its Committees were judged very satisfactory by their members. The Directors particularly appreciate the quality of the information provided at each of their meetings and the quality and efficiency of debates among the Board and its Committees. The Directors were satisfied to note that the main recommendations arising from the Board's self-assessment in February 2009, intended to improve its workings and performance and those of its Committees, had been applied. In particular: the Audit Committee examined the Group's Sustainable Development policy, it presented to the Board; the Company also continued its efforts to improve the content and quality of the information provided to the members of the Board and its Committees when convening their meetings.

To improve its efficiency and that of its Committees further, the Board also judged that it would be useful in the future to retain and implement the following suggestions made by its members as part of that assessment:

- promote the appointment of women as future member(s) of the Board, in order to comply in advance with the provisions of the recent French bill intended to ensure more balanced representation of women and men on the Board of Directors of stock market-listed companies;
- as part of the periodical presentations to the Board of the Group's Sustainable Development policy, address environmental challenges more specifically;
- for the Directors who so wish, encourage them to ask the Chief Executive Officer to accompany him (or a member of the Executive Committee) on one of his regular visits of the Group's key sites in order to grasp its activities better.

The Board also judged that the terms of its Charter still complied, after a few slight adjustments to take into account regulatory or market developments, with the best Corporate Governance practices of French stock market-listed companies. Those terms include in particular the recommendations resulting from the AFEP-MEDEF Corporate Governance Code. The Directors' Vade-Mecum is going to be revised on those basis and given to each of the Company's Directors at the next Board's meeting.

■ SPECIALIZED COMMITTEES

On May 3, 2005, the date on which the Company's management structure was changed to a Board of Directors, the Board confirmed the usefulness of the three specialized Committees previously formed by the Supervisory Board, which carry out their activities under the responsibility of the Board and for which the Board defines the missions, composition and compensation.

The members of the specialized Committees are chosen from among the members of the Board. The Chief Executive Officer and, as the case may be, any Delegate Chief Executive Officers that are also Directors of the Company, may not be members of any of the Committees. The term of the duties of Committee members is the same as their term of office as Director.

The specialized Committees only have an advisory role and do not have any power of decision.

Each Committee determines the internal rules that apply to the performance of its work.

The Committees' meetings give rise to minutes. These are provided to the members of the Committee concerned and, on request to the Chairman of the Committee, to the other members of the Board of Directors. The Chairman of the Committee concerned, or a member of the Committee appointed for that purpose, reports to the Board of Directors on the work of the Committee.

Furthermore, each of the Committees reviews its activity and assesses its composition and its functioning during the previous year; the results of such review and assessment are intended to appear in the Group's Reference Document.

■ STRATEGIC COMMITTEE

(created on June 17, 1993 with the name Standing Committee)

Mission

The Internal Charter of the Board of Directors defines the Committee's missions as follows:

"The mission of the Strategic Committee is, in particular, to examine and provide the Board of Directors with its opinions and recommendations in the following areas:

1. Strategy

- drafting and setting orientations for the Group's industrial, commercial and financial strategy;
- ensuring that the strategy implemented by the Executive Management complies with the orientations set by the Board of Directors.

For that purpose, it examines in depth and, as the case may be, makes recommendations to the Board on:

- the Group budget drawn up by the Executive Management, and
- all the major Group projects that:
 - are likely to modify its financial structure or consolidation structure,
 - concern investment or divestiture transactions, or
 - relate to the conclusion or carrying out of commercial or industrial agreements that bind the future of the Group.

The above-mentioned projects are considered as "major" if their implementation by the Executive Management requires the prior approval of the Board of Directors ([see paragraph 3.1.1 of the present chapter](#)) or those, because they are greater than the €20 million threshold set by the Board, must be brought to the prior knowledge of the Committee.

Every year, the Committee presents to the Board its expected schedule for the examination of major strategic issues for the future of the Group for the current year.

2. Risks

- questions relating to the identification, measurement and monitoring by the Executive Management of the main possible risks for the Group in the following areas:
 - external environment: investor relations, the Group's market positions,
 - internal processes: management of financial resources, human resources potential, new product development, potential of mineral reserves and resources, dependence and continuity of key industrial or commercial activities, pricing policy,
 - management information: financial control and reporting, control of investment projects after completion."

Composition

The Strategic Committee is made up of the following eight members, which must include the Chairman of the Board of Directors, who is also Chairman of the Committee:

| Name | Date of 1 st appointment to the Committee | Independent member status |
|------------------------------------|--|---------------------------|
| Aimery LANGLOIS-MEURINNE, Chairman | June 17, 1993 | No |
| Jacques DRIJARD, Vice-Chairman | March 26, 1998 | No |
| Aldo CARDOSO | May 2, 2007 | Yes |
| Jocelyn LEFEBVRE | March 27, 1996 | No |
| Eric LE MOYNE de SÉRIGNY | July 26, 2004 | No |
| Jean MONVILLE * | February 12, 2009 | Yes |
| Thierry de RUDDER | May 9, 2000 | No |
| Amaury de SÈZE | July 30, 2008 | No |
| Number of members: 8 | | 2 |

* Mr. Jean Monville was appointed on February 12, 2009 in succession of Mr. Gilbert Milan.

Functioning

The Committee debates with the majority of its members present and meets as often as its Chairman sees fit or at the request of the Executive Management. In principle, it dedicates one meeting per year to the Group's strategy and market environment, to which all the Directors are invited.

| 2009 | |
|---|-----|
| Number of meetings | 7 |
| Average actual attendance rate of members | 84% |
| 2010 | |
| Expected number of meetings | 8 |

To carry out its mission, the Committee hears the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Strategy & Development Manager and, on the initiative of the Chief Executive Officer or at the Committee's request to the Chief Executive Officer, depending on the items on the agenda for the Committee meeting, the relevant corporate department or line managers. The Committee may also make visits or hear any of the Group's line managers, as it judges useful for the performance of its mission.

The Secretary of the Committee is the Group Strategy & Development Manager, who drafts the minutes of its meetings.

Activity in 2009

The Strategic Committee first reviewed at the start of the year, as usual, the initial closing items for the closing of the Group's consolidated financial statements for 2008 and particularly examined the financial and operating consequences in 2009 of a significant, sharp fall in end demand on the markets served.

Throughout the year, it worked to monitor in great detail the Group's business as well as its ability to set up suitable measures to adapt to the sales volumes that have been significantly deteriorated since the fourth quarter 2008. The Committee was thus able to appreciate the scale and swiftness of the operating measures taken by Imerys to reduce its fixed costs and maintain its ability of free cash flow generation.

The Strategic Committee also analyzed the Group's financial structure to make sure it is sound. The Committee examined in detail available financing opportunities, particularly the appropriateness, expected benefits and terms of a possible share capital increase in order to optimize its financial structure and maintain its room to maneuver. The Committee then examined and monitored in detail the terms for the implementation of the share capital increase with preemptive subscription right, that was decided by the Board of Directors, as well as its realization in June 2009, and appraised its success.

The Committee also monitored with interest the "Clay Vision" project for the reconversion of the Group's former industrial sites in Cornwall (UK) through a joint venture to be created with the international group Orascom Holding AG (specialized in similar long-term real estate projects). The planned project is just one of four that obtained the "Eco-Town" label from the UK government in July 2009.

The Committee also carried out an initial review of Imerys' portfolio of activities in order to assess future growth potential on the related markets and consider possible strategies according to those outlooks. During the second half of the year, the Strategic Committee also examined a number of potential opportunities for external growth.

Finally, the Strategic Committee reviewed, at its last session of the year, the Group's 2010 budget, supported by a detailed presentation of the budget of each of the Group's four business groups by their respective managers.

■ APPOINTMENTS AND COMPENSATION COMMITTEE

(created on November 3, 1987 with the name *Special Options Committee*)

Mission

The Internal Charter of the Board of Directors defines the Committee's missions as follows:

"The Appointments and Compensation Committee's mission is to examine and provide the Board of Directors with its opinions and any recommendations in the following areas:

1. Appointments

- the selection of candidates for Director positions and appointment proposals of the Chairman of the Board of Directors, the Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers and Committee Chairmen when they are renewed;
- the presentation of a succession plan for Directors and the Chief Executive Officer in the event of unforeseeable vacancies;
- the independent status of each of its members according to the definition of "independence" adopted by the Board of Directors, and any changes (or explanation of criteria) to be made to that definition.

Composition

The Appointments and Compensation Committee is composed of the following three members, which must include the Chairman of the Board of Directors who is also Chairman of the Committee:

| Name | Date of 1 st appointment to the Committee | Independent member status |
|------------------------------------|--|---------------------------|
| Aimery LANGLOIS-MEURINNE, Chairman | November 3, 1987 | No |
| Robert PEUGEOT | May 3, 2005 | Yes |
| Jacques VEYRAT | February 14, 2007 | Yes |
| Number of members: 3 | | 2 |

The composition of the Committee comply with the proportion of 2/3 independent members recommended by the AFEP-MEDEF Corporate Governance Code.

Functioning

The Committee debates with at least two of its members present and meets as often as its Chairman sees fit or on the request of the Chief Executive Officer.

| 2009 | |
|---|------|
| Number of meetings | 4 |
| Average actual attendance rate of members | 100% |
| 2010 | |
| Expected number of meetings | 3 |

To carry out its mission, the Committee hears the Chief Executive Officer and the Group Vice-President Human Resources; it also has recourse to independent experts.

2. Compensation

- the individual compensation of the Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers and their ancillary income (such as pension and healthcare plans or fringe benefits), as well as on any other provisions relating to their status and/or employment contract;
- general compensation policy for the Group's executives;
- general policy for granting options to subscribe to or purchase Imerys shares, the fixing of individual allotments for the Executive Management and of the beneficiaries of the option plan proposed by the Chief Executive Officer;
- the Group's employee shareholder policy and the terms of its implementation as proposed by the Executive Management;
- the amount and allotment of attendance fees (fixed and variable parts) for the Directors."

The Secretary of the Committee is the Group Vice-President Human Resources, who draws up the minutes of its meetings.

Activity in 2009

The Appointments and Compensation Committee was first consulted in its first two meetings of the year on the composition of the Board of Directors and its Committees, particularly with respect to the Directors' terms of office that expire following the next Shareholders' General Meeting and proposed applications. On that occasion, the Committee examined the situation of each of the members of the Board in relation to the definition of "independence" adopted by the Board at its May 3, 2005 meeting. The Committee checked that the compositions of the Audit Committee and the Appointments and Compensation Committee complied with the 2/3 proportion of independent members, in accordance with the AFEP-MEDEF Corporate Governance Code.

As usual, the Appointments & Compensation Committee assessed the performance of the Chief Executive Officer and the Chief Operating Officer. In that respect, it set the amount of the variable part of their individual compensation owed in relation to financial 2008 and payable in 2009, according to the goals, particularly financial ones, that they had been given. It also made recommendations on the setting of quantitative and qualitative goals for the Chief Executive Officer and Chief Operating Officer in order to determine the variable share of their compensation for 2009.

The Committee also undertook an in-depth examination of the recommendations resulting from the AFEP-MEDEF Corporate Governance Code in terms of compensation for corporate officers, to which the Company declared it intended to refer on December 18, 2008. It was thus able to observe that Imerys complied with the vast majority of those recommendations. Moreover, it gave its opinion to the Board as to the quantity of shares to be held by its executive corporate officers with respect to grants of stock options and performance shares.

Furthermore, the Appointments and Compensation Committee presented to the Board the findings of the study begun in 2008, with the support of external consultants, on the positioning of Imerys top managers' pensions in relation to market practices. On that basis, the Committee made proposals for improving the competitiveness of Imerys' collective supplementary pension plan.

Finally, the Appointments and Compensation Committee examined and made recommendations concerning, on one hand, the individual retention program for the Chief Executive Officer and Chief Operating Officer, and, on the other hand, the general program applicable to the Group's other key managers, with the emphasis for the latter on a balanced distribution between stock subscription options and performance shares. Given the completion of the share capital increase of the Company completed in June 2009, the Committee recommended postponing to August the grants of stock options and performance shares on the planned terms and examined the terms for adjusting the stock options and performance shares previously granted by the Company.

■ AUDIT COMMITTEE

(created on March 27, 1996)

Mission

The Internal Charter of the Board of Directors defines the Committee's missions as follows:

"The Audit Committee's mission is to examine and give the Board of Directors its opinion and any recommendations on the following:

1. Financial Statements

- the Company and consolidated annual financial statements to be drawn up by the Board of Directors, together with a note from the Group's Chief Financial Officer, and the estimated and definitive half-yearly consolidated financial statements;
- the scope of consolidation;

- the relevance and consistency of accounting methods, by verifying, in particular, the reliability of internal information-gathering and information-control procedures, with the aim of ensuring that financial statements are fairly presented and that they give an accurate image of the financial situation of the Company and the Group;
- the method and estimates used for the impairment tests carried out by the Group;
- the Group's debt position, including structure and interest and currency rate hedging policy and its outcome;
- significant off-balance sheet disputes and commitments, and their impact on the Group's accounts;
- the production and dissemination process for accounting and financial information, ensuring that it complies with legal requirements, regulatory authorities' recommendations and internal procedures.

2. Financial information

- policy and applicable procedures for financial information intended to ensure the Group's compliance with its regulatory obligations;
- the main financial communication items relating to the Group and Company financial statements, in particular:
 - concordance between those financial statements and reports on them in financial communications,
 - relevance of items used in that communication.

3. External control

- proposals to appoint or renew the Statutory Auditors. It examines and approves the contents of the requirements, the schedule and the organization for the invitation to bid, with a view to the appointment and, as the case may be, renewal of the Statutory Auditors, and checks that the invitation to bid proceeds correctly;
- the Statutory Auditors' work program and any additional assignments that they or other members of their network may be given, as well as the amount of the corresponding compensation, while ensuring that such assignments are compatible with their obligations of independence;
- recommendations of Statutory Auditors and follow-up actions;
- conclusions of diligence work by Statutory Auditors;
- supervision of the rules for the use of the Statutory Auditors for work other than auditing the financial statements and, more generally, compliance with the principles guaranteeing the independence of the Statutory Auditors.

4. Risks & Internal control

- annual internal audit and internal control assessment programs and the resources for their implementation;
- the results of the work of the internal and external Auditors and internal control Function, the monitoring of any recommendations they make, particularly in regard to the analysis and control of significant risks and off-balance sheet commitments, as well as the organization of the internal audit teams;

- the drafting and content of the Annual Report of the Chairman of the Board of Directors on the Group's internal control.

5. Risks

- the status of major disputes;
- the identification, measurement and monitoring by the Executive Management of the possible major risks for the Group in the following areas:
 - external environment: legal or regulatory developments, crisis management or occurrence of disasters,
 - internal processes: lawsuits and compliance with existing regulations (particularly Environment, Health & Safety and Sustainable Development), codes of conduct and ethics;

- the orientations and implementation by the Executive Management of the Group's general policy for Sustainable Development, internal control and risk prevention (organization, policies and procedures, systems, etc.) and insurance;
- the work programs and results of internal Auditors and any external experts that may be called upon to analyze, audit or measure the Group's performance in the above-mentioned areas;
- any other subject likely to have significant financial and accounting impact."

Composition

The Audit Committee is comprised of the following three members, who are chosen for their financial competence as described in their respective biography above. Its Chairman must be an independent Director.

| Name | Date of 1 st appointment to the Committee | Independent member status |
|-----------------------------|--|---------------------------|
| Aldo CARDOSO, Chairman | May 3, 2005 | Yes |
| Jocelyn LEFEBVRE | March 27, 1996 | No |
| Jean MONVILLE | May 2, 2007 | Yes |
| Number of members: 3 | | 2 |

The composition of the Audit Committee comply with the proportion of 2/3 independent members recommended by the AFEP-MEDEF Corporate Governance Code.

Functioning

The Committee debates with the majority of its members present and meets as often as its Chairman sees fit and, to the extent possible, at least two days before the Board of Directors draws up the definitive annual and half-yearly consolidated financial statements. It may also meet at the request of two of its members or of the Chairman of the Board of Directors.

| 2009 | |
|---|-----|
| Number of meetings | 6 |
| Average actual attendance rate of members | 89% |
| 2010 | |
| Expected number of meetings | 5 |

To carry out its mission, the Committee hears the Statutory Auditors and the Chief Financial Officer of the Group and, on the latter's initiative or at the Committee's request to him according to the items on the agenda for the Committee's meeting, other individuals who take part in drawing up and controlling the financial statements and in risk prevention or management (Finance & Strategy Department, Internal Audit Department, Sustainable Development and Environment, Health & Safety Department, Legal Department and Internal Control Department).

The Committee has unrestricted access to all available information on the Group. It may also make visits and hear any of the Group's

line managers or the relevant managers responsible for corporate or operating risks management. The Committee may also request that any internal or external audit be carried out on any subject that it judges within the scope of its mission. The Chairman of the Committee informs the Board of Directors of any such audit.

The Secretary of the Committee is the Group's Chief Financial Officer. He draws up the minutes of Committee meetings, which are kept available to the Statutory Auditors.

Activity in 2009

As in previous years, the Audit Committee conducted an in-depth review of the corporate and consolidated financial statements for 2008 and for first-half 2009. It also examined the main items ahead of the closure of the 2009 financial statements. As part of that work, it particularly looked into the various income statement items such as the composition of "Other income and expenses", the balance sheet and the statement of changes in financial position. On that occasion, it also made sure, after hearing the Statutory Auditors, of the relevance and consistency of the accounting methods used by the Group. The Committee expressed its satisfaction with the quality of the financial statements closing work and recommended that the Board approve the statements unreservedly.

As part of its periodical review of the accounting procedures applied by the Group, the Committee looked into the procedure for fixed assets.

Furthermore, the Audit Committee examined the Group's results in terms of Environment, Health & Safety and Sustainable Development, and welcomed the further reduction in CO2 emissions in 2008, as well as the further improvement in lost-time accidents frequency rate. The Committee also reviewed the main lawsuits or risks of lawsuits for the Group and examined the insurance policy, the main coverage programs taken out and the indemnity terms for the main claims made.

In addition to the detailed review of these different risks, the Committee examined the complete mapping of the main risks to which the Group is exposed, as well as the program of actions to be taken for 2009 in order to continue improving the efficiency of the Group's internal control system and its self-assessment process for the internal control mechanism on key processes. Finally, the Committee judged, in relation to the practices of groups of a similar size to Imerys, that the internal control policy implemented by the Group was suited to the goals to be achieved.

The Audit Committee also examined, from the point of view of their accounting treatment, the following projects: the 'Clay Vision' real estate development project on sites that have become non-operational in Cornwall (UK); and the project for factoring some trade receivables, with the aim of giving the Group a new source of financing.

The Committee examined the renewal proposal of the terms of office of the Company's current Statutory Auditors, which will expire at the 2010 Shareholders' General Meeting, with respect to both the improvement of their assignments (identified in a quality survey carried out inside the Group) and the reduction of their fees. The Committee made sure that the proposed qualitative measures would lead to an improvement in network facilitation in order to ensure better control of the technical treatment of closing issues in local offices, and greater transparency in the goals of local audit assignments. With respect to the proposed financial and qualitative efforts, the Committee was able to recommend to the Board not to go ahead with a more structured call for tenders and to submit the renewal of all those terms of office to the next Shareholders' General Meeting.

Early in the year, the Committee also reviewed, before its adoption by the Board of Directors, the draft report of the Chairman of the Board on internal control for financial 2008 and, for that purpose, heard the Statutory Auditors. Finally, the main events in 2009 with a potential impact on pension plans and other employee benefits were also reviewed by the Committee.

The examinations and reviews carried out by the Committee in 2009 enabled it to inform the Board of its observations and recommendations; they did not reveal any major cause for concern.

3.2 EXECUTIVE MANAGEMENT

3.2.1 POWERS

Pursuant to legal and statutory provisions, the Chief Executive Officer and the Chief Operating Officer are vested with the most extensive powers to act on behalf of the Company under any circumstances. They exercise their powers within the limits of the corporate purpose and subject to the powers expressly vested in the Shareholders' General Meeting and the Board of Directors; they represent the Company with respect to third parties.

Pursuant to article 18 of the by-laws, the Board of Directors may limit the powers of the Chief Executive Officer and the Chief Operating Officer. However, this limitation is void against third parties.

Paragraph 3.1.1 of the present chapter describes the internal functioning arrangements for the Board of Directors and, in particular, lists the operations that require the authorization of the Board of Directors prior to their implementation by the Executive Management.

3.2.2 COMPOSITION

As on the date of the present Reference Document, the Executive Management of the Company is composed of Gérard Buffière, Chief Executive Officer, assisted by Jérôme Pecresse, Chief Operating Officer, appointed to this function on the proposal of the Chief Executive Officer by the Board of Directors at its meeting of February 13, 2008.

Prior to this date, no Chief Operating Officer was appointed.

| Name | Age | Nationality | Position | Date of 1 st appointment | Year of renewal of term of office | Number of securities owned |
|-----------------|-----|-------------|--------------------------------------|-------------------------------------|-----------------------------------|---|
| Gérard BUFFIERE | 65 | French | Director and Chief Executive Officer | 05/03/2005 | 2011 | 35,902 56.287 units FCPE Imerys Actions * |
| Jérôme PECRESSE | 43 | French | Chief Operating Officer | 02/13/2008 | 2011 | 816 4.948 units FCPE Imerys Actions * |

* FCPE Imerys Actions, created under employee shareholder plans (see chapter 6, paragraph 6.2.5 of the Reference Document); the assets of these funds are mainly invested in Imerys shares.

3.2.3 OTHER INFORMATION AND OFFICES OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT

The other information on **Gérard Buffière** and the offices he holds or has held in the past five years appears in [paragraph 3.1.3 of the present chapter](#).

Jérôme Pecresse has not held any office outside of the Imerys group in the past five years.

A graduate of Ecole Polytechnique de Paris and Ponts & Chaussées engineering school, Jérôme Pecresse began his career by holding various responsibilities in London and Paris with the business bank

Credit Suisse First Boston (a subsidiary of the Credit Suisse group) of which he managed the Mergers & Acquisitions activities for the French market. He joined the Imerys group in September 1998 as Strategy and Development Manager and was appointed member of Imerys' Managing Board on July 25, 2002. On January 1, 2003, he took over the Group's Finance & Strategy Department until April 2006, when he became Vice-President, Minerals for Ceramics, Refractories, Abrasives & Foundry business group.

3.2.4 EXECUTIVE COMMITTEE

In 2005, the Chief Executive Officer decided, with the support of the Board of Directors, to set up an Executive Committee comprised of the Group's main line and support managers to assist him in the general management of the Group.

MISSION

The Executive Committee, under the responsibility of the Executive Management, is mainly in charge of:

- implementing the Group's strategy and all the measures determined by the Board of Directors;
- monitoring the operating activities of each business group and ensuring, by defining any necessary corrective measures, that they comply with their budgets and carry out the action plans approved by the Executive Management;
- defining and monitoring the Group's performance improvement goals for the protection and safety of individuals in the workplace, and defining any corrective measures;
- defining Group-wide policies and actions (Sustainable Development, including Environment, Health & Safety; Human Resources; Internal Communication; Internal Control and Risk Management; Innovation and Research & Technology; Purchasing) and overseeing their rollout;
- fostering the sharing and dissemination of best practices in all areas between the business groups; and,
- more generally, giving opinions and recommendations on all projects, operations or measures that may be submitted to it by the Executive Management, particularly with a view to their subsequent presentation to the Board of Directors or its specialized Committees.

■ COMPOSITION

As of December 31, 2009, the Executive Committee is comprised, in addition to the Chief Executive Officer, of the following 8 members:

| Line managers | Support managers |
|--|--|
| Jérôme Pecresse , Chief Operating Officer (Minerals for Ceramics, Refractories, Abrasives & Foundry) | Michel Delville * (Finance) |
| Christian Schenck , Deputy Chief Executive Officer (Materials & Monolithics) | Denis Musson (Legal & Corporate Support) |
| Olivier Hautin (Pigments for Paper) | Thierry Salmona (Innovation, Research & Technology & Business Support) |
| Daniel Moncino (Performance & Filtration Minerals) | Bernard Vilain (Human Resources) |

* As from October 12, 2009.

■ FUNCTIONING

The Executive Committee meets as often as the interests of the Group require or at the request of the Executive Management. It met 11 times in 2009.

3.3 COMPENSATION

3.3.1 BOARD OF DIRECTORS

■ AMOUNT

The maximum annual amount of attendance fees that may be allotted to the members of the Board of Directors, as determined by the Shareholders' General Meeting of May 3, 2005, is €800,000.

Payments are made semi-annually in arrears. Consequently, the gross amount of attendance fees effectively paid during a given financial year include (i) the amount of fees with respect to the second half of the previous year and (ii) the amount of fees with respect to the first half of said year.

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce, the gross individual amount paid to each of the Board members in office in 2009 was as follows:

| (€) | 2008 | 2009 |
|---|----------------|----------------|
| A. LANGLOIS-MEURINNE, Chairman | 208,500 | 214,000 |
| P. DESMARAIS, Jr., Vice-Chairman ⁽¹⁾ | 25,500 | 1,600 |
| G. BUFFIERE ⁽²⁾ | - | - |
| A. CARDOSO | 71,000 | 69,500 |
| J. DRIJARD | 44,500 | 42,500 |
| J. LEFEBVRE | 44,500 | 39,000 |
| E. Le MOYNE de SÉRIGNY | 41,000 | 36,500 |
| M. de LIMBURG STIRUM | 24,000 | 26,000 |
| G. MILAN | 28,000 | 31,000 |
| J. MONVILLE | 42,500 | 43,000 |
| G. OLIVIER ⁽³⁾ | 24,000 | 9,400 |
| R. PEUGEOT | 24,000 | 31,000 |
| T. de RUDDER | 33,000 | 33,000 |
| A. de SÈZE ⁽⁴⁾ | - | 33,900 |
| J. VEYRAT | 24,500 | 31,000 |
| Total | 635,000 | 641,400 |

(1) Director until July 30, 2008.

(2) Chief Executive Officer – does not receive attendance fees.

(3) Director until November 3, 2008.

(4) Director as from July 30, 2008.

It is specified that pursuant to the AMF Recommendation of December 22, 2008 and confirmed on December 10, 2009:

- these amounts represent the entirety of the compensation paid in 2009 by the Imerys group or by its controlling shareholders to each of the members of the Board of Directors with respect to the offices, responsibilities or other duties performed personally by those members within or on behalf of the Imerys group;
- details of the compensation paid to Gérard Buffière in his capacity as Chief Executive Officer of Imerys are given below (see paragraph 3.3.2 of this chapter).

In accordance with applicable tax regulations, the amounts paid to the non-French resident members of the Board of Directors give rise to withholding tax in France.

■ ALLOTMENT SCALE

The current allotment scale for attendance fees was determined by the Board of Directors at its meeting of February 14, 2007 on the proposal of the Appointments and Compensation Committee.

This new scale, applicable as from January 1, 2007, is as follows:

| Gross amounts (€) | | |
|---|---------------------------------|--|
| Board of Directors | Chairman | 150,000 fixed per year |
| | All members | 20,000 fixed per year – 1,000 per attended meeting |
| Strategic Committee | Chairman | 25,000 fixed per year |
| | All members and other Directors | 1,500 per attended meeting |
| Audit Committee | Chairman | 25,000 fixed per year |
| | All members | 2,000 per attended meeting |
| | Other Directors | 1,500 per attended meeting |
| Appointments and Compensation Committee | Chairman | 15,000 fixed per year |
| | All members and other Directors | 1,500 per attended meeting |

To encourage the participation of the Directors in the work of Committees of which they are not members, the Board decided to

award them a fixed attendance fee of €1,500 for each Committee meeting in which they take part.

3.3.2 EXECUTIVE MANAGEMENT

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce and the recommendations resulting from the AFEF-MEDEF Corporate Governance Code, the information given hereafter

concerns the compensation paid to executive corporate officers only. For the Company, this concerns the Chief Executive Officer and the Chief Operating Officer.

■ TABLE SUMMARIZING THE COMPENSATION ITEMS

| (€) | 2008 | 2009 |
|---|------------------|------------------|
| Executive corporate officers' name and position | | |
| Gérard Buffière, Chief Executive Officer | | |
| Compensation due in respect of the financial year | 720,624 | 632,661* |
| Valuation of the stock options awarded during the financial year | na | na |
| Valuation of the performance shares awarded during the financial year | 1,920,643 | 2,972,550 |
| Total | 2,641,267 | 3,605,211 |
| Jérôme Pecresse, Chief Operating Officer | | |
| Compensation due in respect of the financial year | 450,538 | 362,468* |
| Valuation of the stock options awarded during the financial year | 219,300 | na |
| Valuation of the performance shares awarded during the financial year | 93,990 | 563,220 |
| Total | 763,828 | 925,688 |

* These amounts do not include the variable compensation owed with respect to financial year 2009 which will be paid in 2010 once determined by the Board of Directors at its next meeting of April 29, 2010.

■ CRITERIA

The compensation of the Chief Executive Officer and the Chief Operating Officer is set by the Board of Directors on the proposal of the Appointments and Compensation Committee. This proposal is intended to ensure competitiveness with respect to the external market; in drafting its recommendations, the Committee draws on assessments and comparisons made periodically by specialized consultants.

The compensation of the Chief Executive Officer and the Chief Operating Officer includes a fixed part and a variable part.

The calculation of the variable part is based on economic performance criteria and personal goals set down by the Board of Directors on the recommendation of the Appointments and Compensation Committee. The achievement of those goals is measured and acknowledged annually by the Board of Directors on the recommendation of the Appointments and Compensation Committee. The variable part of compensation owed with respect to a financial year is paid the following year, when all the items for its calculation are known, in particular after the closing of the Group's definitive financial statements for the financial year in question.

For the Chief Executive Officer, these performance criteria were related in 2009 to the achievement of a goal of cash flow generated by the Group during the year and other more targeted goals. A coefficient ranging from 0.8 to 1.2 may be applied to the resulting amount according to the achievement of specific goals for the financial year in question, the confidential nature of which prevents their publication. A ceiling of 120% of the fixed amount of the Chief Executive Officer's compensation is set for the variable part of his compensation.

As previously stated, the Chief Executive Officer does not receive any attendance fees with respect to his office as Director of the Company.

For the Chief Operating Officer, criteria for determining his variable compensation in 2009 were related, on one hand, to the Group's financial goals for the year, which were identical to those set for the Chief Executive Officer (for 35%), and, on the other hand, the achievement of specific financial goals for the Minerals for Ceramics, Refractories, Abrasives & Foundry business group that he manages (for 35%), and, finally, the achievement of personal goals (for 30%) the confidential nature of which prevents their publication. A ceiling of 70% of the fixed amount of the Chief Operating Officer's compensation is set for the variable part of his compensation.

■ AMOUNTS

Amount paid in 2009 and 2008

The amounts and breakdown of compensation and benefits in kind owed (fixed and variable parts for the year in question) and paid (fixed part for the year in question and variable part for the previous year, paid during the year in question) by the Group to Executive Management with respect to financial years 2009 and 2008 are as follows:

| (€) | 2008 | | 2009 | |
|---|----------------|------------------|-------------------------------|----------------|
| Executive corporate officers' name and position | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Gérard Buffière, Chief Executive Officer | | | | |
| Fixed part | 630,000 | 630,000 | 630,000 | 630,000 |
| Variable part | 87,600 | 724,500 | nc ⁽³⁾ | 87,600 |
| Exceptional compensation | - | - | - | - |
| Attendance fees | - | - | - | - |
| Benefits ⁽¹⁾ | 3,024 | 3,024 | 2,661 | 2,661 |
| Employee profit sharing ⁽²⁾ | - | - | - | - |
| Total | 720,624 | 1,357,524 | 632,661 ⁽³⁾ | 720,261 |
| Jérôme Pecresse, Chief Operating Officer | | | | |
| Fixed part | 360,000 | 360,000 | 360,000 | 360,000 |
| Variable part | 78,120 | 160,000 | nc ⁽³⁾ | 78,120 |
| Exceptional compensation | - | - | - | - |
| Attendance fees | - | - | - | - |
| Benefits ⁽¹⁾ | 2,514 | 2,514 | 2,468 | 2,468 |
| Employee profit sharing ⁽²⁾ | 9,904 | 15,807 | nc | 9,904 |
| Total | 450,538 | 538,321 | 362,468 ⁽³⁾ | 450,492 |

(1) These benefits solely consist of the supply of a company car.

(2) Pursuant to the Employee Profit Sharing Agreement entered into by the Company.

(3) The amount of the variable compensation owed with respect to financial year 2009 which will be paid in 2010 is not determined yet; it is going to be determined by the Board of Directors at its next meeting of April 29, 2010.

The above amounts include all the compensation due or paid by the Group to Gérard Buffière and Jérôme Pecresse with respect to related financial years and the value of all the benefits in kind due or received with respect to the financial years in question.

All the compensation and assimilated benefits granted to the Group's top managers (Executive Committee, including the Chief Executive Officer and the Chief Operating Officer) and recorded as expenses during the years in question are given in [note 29 to the consolidated financial statements](#).

Moreover, the amount of the five highest compensations paid by the Company with respect to 2009 was certified by the Statutory Auditors.

Amount to be paid in 2010

The Board of Directors will at its next meeting of April 29, 2010 appraise, on the recommendations of the Appointments and Compensation Committee, the achievement by the Chief Executive Officer and the Chief Operating Officer of the economic and personal goals that they were respectively set for financial 2009. Consequently, it will determine the amount of the variable compensation owed with respect to said financial year, to be paid to them in 2010. The Board will also examine and set down at that meeting the criteria and goals that are applicable to the determination of the variable compensation of the Chief Executive Officer and the Chief Operating Officer with respect to 2010.

These decisions will be announced in a publication for the purposes of permanent information, in accordance with the AFEP-MEDEF Corporate Governance Code.

■ EMPLOYMENT CONTRACT, INDEMNITIES, PENSIONS AND OTHER BENEFITS

| | Employment contract | Supplementary pension plan | Indemnities or benefits due to end or change of duties | Indemnities under a non competition clause |
|--|---------------------|----------------------------|--|--|
| Gérard Buffière, Chief Executive Officer | Yes | Yes | Yes | No |
| Jérôme Pecresse, Chief Operating Officer | Yes | Yes | No | No |

Employment contract

In 1998, Gérard Buffière entered into an employment contract with the Company, the effects of which were suspended by decision of the Board of Directors on the day of his appointment and for the duration of his term of office as Chief Executive Officer of the Company, and will ipso jure resume upon the end of said term of office. Pursuant to the AFEP-MEDEF recommendations published in October 2008, which set down the principle of the non-cumulative holding of a corporate office with an employment contract, the Board of Directors will be called upon to rule on the end of Gérard Buffière's employment contract at the time of the next renewal of his term of office in 2011.

At the time of the appointment of Jérôme Pecresse as Chief Operating Officer on February 13, 2008, the Board of Directors decided to maintain the employment contract binding him to the Company since 1998, given the operating duties he continued to hold in the Group as Vice-President, Ceramics, Refractories, Abrasives & Foundry business group. Pursuant to the AMF Recommendation of December 22, 2008 as confirmed on December 10, 2009, the non-cumulative holding of a corporate office with an employment contract does not apply to Delegate Chief Executive Officers.

End of contract indemnity

Gérard Buffière's above-mentioned employment contract provided in particular for indemnity, in the event of departure on the Company's initiative, equal to two years' gross salary, including the indemnity owed with respect to the applicable legal and collective agreement framework. In order to comply with the provisions of the "TEPA Law" in favor of work, employment and spending power of August 21, 2007, the contract was amended with an additional clause, for the purposes in particular of conditioning the indemnity for end of contract at the Company's initiative on performance criteria. At its meeting of February 13, 2008, the Board of Directors selected the criterion of year-by-year growth in Imerys' net current income for the duration of Gérard Buffière's successive terms of office since his appointment as Chairman of the Managing Board (January 1, 2003), with two possible annual exceptions. Pursuant to legal provisions, the Statutory Auditors were informed of this change for the drafting of their special report on the regulated commitments which was submitted and approved at the Shareholders' Combined General Meeting of April 30, 2008. Apart from those provisions, the Company has no other commitments for the benefit of Gérard Buffière with respect to the taking-up, end or change of his current duties.

Jérôme Pecresse's employment contract does not provide, apart from the applicable legal and collective agreement framework, for any indemnity or other specific advantage with respect to the end or change of his current duties.

Pension commitments

In 1985, Imerys set up a collective supplementary pension plan with defined benefits for the principal managers of Imerys who met the restrictive and objective eligibility criteria. The plan is managed by an external insurance company.

The Chief Executive Officer, the Chief Operating Officer and one Director (Jacques Drijard), in his capacity as a former executive of the Group, are among the beneficiaries of the plan.

The maximum amount of the life annuity that may be paid to the beneficiaries of the plan as from the liquidation of their pension rights is calculated in order to guarantee them:

- a life annuity of a total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan) of 60% of their reference salary, said salary being limited to a multiple of the annual French social security ceiling, increased from eight to twenty-two in 2009;
- subject to a pay-in ceiling equal to 25% of said reference salary.

According to the latest actuarial calculation, the current value of the estimated share of the three above-mentioned corporate officers in the total amount of the Group's commitment with respect to the past services of all the beneficiaries of this supplementary pension plan amounts to €6,961,900 as at the end of 2009 (compared with €1,648,000 as at end 2008).

Since 2008, the Appointments and Compensation Committee has undertaken a study on the positioning of Imerys' top managers' pensions in relation to market practices, with the support of external consultants. It presented the Board with the findings of the study, which was intended to improve the competitiveness of Imerys' current collective supplementary pension scheme.

In light of those recommendations, the Board of Directors decided at its meeting of July 29, 2009 to raise the limit of the reference salary (average of the last two years of the beneficiary's fixed plus variable compensation) from 8 to 22 annual French social security ceilings applicable to the calculation of the above-mentioned life annuity. The Board also decided to arrange the reversion possibility of the life annuity amount to the surviving partners (s) in proportion to the duration of union. The category of beneficiaries of this plan includes, among others, the Chief Executive Officer and the Chief Operating Officer.

Furthermore, in order to reduce the booked expense caused by the defined benefit plan (see above) and move closer to market practices, it was decided to set up, as from October 1, 2009, a defined contribution supplementary pension plan for the benefit of some of Imerys' top managers.

Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of 8 annual French social security ceilings, is made jointly by the employee (for 3%) and the Company (for 5%). An external insurance company has been appointed to manage the scheme. The Chief Operating Officer is one of the beneficiaries of this scheme under his employment contract with the Company.

All these commitments taken by the Company in favor of its executive corporate officers, in accordance with legal provisions, have been published on the Company's Website and notified to the Statutory Auditors for the drafting of their special report on regulated commitments. Those commitments will be submitted for approval at the Ordinary and Extraordinary Shareholders' General Meeting on April 29, 2010 (*see chapter 2, paragraph 2.2.3 of the Reference Document*).

3.4 STOCK OPTIONS ⁽¹⁾

3.4.1 STOCK OPTION PLANS IN FORCE

■ GRANT POLICY

The general policy for the granting of Imerys stock options is set by the Board of Directors upon the Appointments and Compensation Committee's recommendations.

The main characteristics of the policy, excluding grants made under the Group's employee shareholding operations, are as follows:

- grants take the form of stock subscription options. This form was judged preferable to stock purchase options as it prevents the Company from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises;
- as from 1999, stock options are granted once a year and the total number of options each year is adjusted according to the Group's overall performance or to specific events; the grant taking usually place on the Annual General Meeting. Exceptionally, grant with respect to the 2009 plan could not be made until August 14, 2009 in order to allow as well as possible for any applicable abstention or restriction periods resulting from the increase in the Company's share capital of June 2, 2009 and the dividend payment on July 7, 2009;
- the actual or likely beneficiaries of stock subscription options are the Group's executives (Chief Executive Officer, Chief Operating Officer, members of the Executive Committee, business group and division management committees, main managers of the Group's corporate departments) as well as high-potential managers and employees that make an outstanding contribution to the Company's performance.

In 2008, on the proposal of the Appointments and Compensation Committee, the Board of Directors opted to adapt the Group's long-term retention policy to take into account the extension of its scope and the latest market practices by combining traditional grants of stock subscription options with conditional grants of free shares (*see paragraph 3.5.1 of the present chapter*).

In accordance with article L. 225-186-1 of the French Code of Commerce, introduced by the French law of December 3, 2008 in favor of work earnings, the grant of options in favor of executive

corporate officers will be subject, according to the decision the Board will take on the recommendation of the Appointments and Compensation Committee to: an allocation of such options for the benefit of all employees in the Company concerned and at least 90% of all employees of its French subsidiaries; a profit-sharing agreement, as the case may be, being entered into in the Company for the benefit of at least 90% of all employees of its French subsidiaries; or an additional payment when such agreements already exist. It is specified that these new legal provisions apply to grants authorized by Extraordinary General Meetings held after December 4, 2008, the date of publication of the law. For the record, the authorizations currently in force at Imerys were given by the Combined General Meeting of April 30, 2008 for a duration of 38 months (*see chapter 6, paragraph 6.2.3 of the Reference Document*).

■ CHARACTERISTICS OF GRANTED OPTIONS

As from 1999, the option exercise price excludes any discount and is equal to the average Imerys share price for the last 20 stock market trading days prior to the grant date i.e. usually on the day of the Annual General Meeting (regarding the 2009 grant, see the paragraph above).

The duration of the options granted under the plans set up since 2001 is 10 years.

The options granted since 1996 are definitively vested (except in the event of the beneficiary's dismissal, resignation or departure from the Group) after the end of the third year following their allotment or, if earlier, on the date of the beneficiary's retirement after the age of 63 (reference age included in the 2009 plan), his/her cessation of activity for incapacity or his/her death. The only exception concerns grants made within employee shareholding operations, for which the options are dependent on the employee's investment in Imerys shares with immediate vesting.

Option exercise conditions

Definitively vested options may be exercised at any time, except in the event of the beneficiary's death or, as from the 2004 option plan, departure from the Group.

(1) For the sake of consistency, all the figures given in the present section are based on the split into 4 of the nominal value of Imerys shares on June 1, 2004.

However, the beneficiary must bear any additional costs and taxes borne by the Company in the event that applicable local regulations provide for a longer immobilization period than three years (this period is four years in France for plans adopted as from April 2001).

Exercise by the beneficiary must comply with certain minimum amounts (currently set for all plans adopted as from 2008 at 500 options, any whole multiple of 500 or the balance of outstanding options if less than 500).

Loss or maintaining of options

Options not exercised on expiry of their exercise period are automatically cancelled.

The beneficiary's departure from the Group for any reason (including in principle if the Company employing him or her is excluded from the Group and except in the event of his or her death, incapacity or retirement), brings about:

- if the departure takes place before the vesting date of the options, their immediate cancellation;
- if the departure takes place after the vesting date of the options and only for plans adopted from 2004 onward, the cancellation of said options failing their exercise by the beneficiary by the end of the third month following his or her departure from the Group.

Date of record of shares resulting from the exercise of options

All Imerys shares resulting from the exercise of subscription options enjoy, from their creation, all the rights attached to existing shares, with which they are immediately assimilated.

Consequently, new and old shares are listed on the same line on NYSE Euronext, regardless of their date of issue. The new shares enjoy the same dividend rights as old shares, including with respect to the dividends approved and paid during the year of creation of the shares with respect to results for the previous financial year.

■ OPTION PLAN ADOPTED IN 2009

464,000 share subscription options at the exercise price of €34.54 per share were granted on August 14, 2009 to 166 managers and executives of the Group residing in France or in other countries (vs. 183 in 2008), including 206,750 to the 10⁽¹⁾ beneficiaries receiving the most options.

The executive corporate officers did not benefit from stock subscription options in 2009.

■ CHANGES IN THE NUMBER OF OPTIONS IN 2009⁽²⁾

The Chief Executive Officer, as empowered by the Board of Directors, decided, following the increase in the Company's share capital of June 2, 2009, in accordance with the provisions of article L. 228-99 of the French Code of Commerce, to make adjustments to the exercise price and number of stock options granted by the Company and in force on that date. The Board decided, on one hand, on the "ex-post" formula for adjusting the exercise price, as provided by article R. 228-91, 1°, a) of the French Code of Commerce, and applied, on the other hand, an adjustment coefficient to the resulting number so that the initial investment by each beneficiary remains constant, before and after the share capital increase. The figures given below take these adjustments into account.

The total number of share subscription options in existence on December 31, 2009 is 3,953,269, representing 4.98% of Imerys' share capital on that date after dilution; their weighted average exercise price is €48.89.

In 2009, 170,111 share subscription options were cancelled; 45,388 were exercised by 40 beneficiaries at a weighted average price of €29.15.

3.4.2 OPTIONS GRANTED BY THE COMPANY TO ITS EXECUTIVE CORPORATE OFFICERS⁽³⁾

■ GRANTS IN 2009

The Chief Executive Officer and the Chief Operating Officer did not benefit from stock subscription options in 2009.

■ HOLDINGS AND CHANGES

The total number of stock options held by the corporate executive officers (Chief Executive Officer and Chief Operating Officer) as on December 31, 2009 is 841,898, compared with 798,870 as on December 31, 2008, i.e. 1.06% of Imerys' share capital on that date after dilution; their weighted average exercise price is €47.72.

(1) This number may be greater than 10 in some years because an equal number of options was granted to several beneficiaries.

(2) Including options granted under employee shareholder plans.

(3) This information only concerns the options granted by the Company and does not include any Imerys share purchase options that may be granted to corporate officers by the controlling shareholders that they represent.

In 2009, the Chief Executive Officer exercised 16,660 share subscription options at a weighted average price of €29.94. No share subscription options were exercised by the Chief Operating Officer during financial 2009.

The above mentioned figures are given after the adjustments made on June 2, 2009 following the share capital increase of Imerys (see paragraph 3.4.1 of the present chapter).

SPECIFIC TERMS AND RESTRICTIONS

The specific terms and restrictions that are applicable to the grants of stock subscription options to the corporate executive officers, common to the grants of free shares, are given under [section 3.6 of the present chapter](#).

3.4.3 DETAILS OF OPTION PLANS IN FORCE

The following table summarizes the history, status and main characteristics of the stock option plans in force as on December 31, 2009:

| | August 2009 | April 2008 | May 2007 | Nov. 2006 ⁽¹⁾ | May 2006 |
|---|----------------|---------------|-------------|-----------------------------|-------------|
| Initial grant | | | | | |
| Authorization: date of Shareholders' General Meeting | 04/30/08 | 04/30/08 | 05/03/05 | 05/03/05 | 05/03/05 |
| Date of Board of Directors/Supervisory Board or Managing Board meeting | 07/29/09 | 04/30/08 | 05/02/07 | 11/07/06 | 05/02/06 |
| Opening date of option exercise period ⁽²⁾ | 08/14/12 | 04/30/11 | 05/03/10 | 02/01/07 | 05/03/09 |
| Option expiration date | 08/13/19 | 04/29/18 | 05/01/17 | 11/06/16 | 05/01/16 |
| Share subscription price ⁽³⁾ | €34.54 | €54.19 | €65.61 | €62.31 ⁽⁴⁾ | €63.53 |
| Total number of initial beneficiaries | 166 | 183 | 160 | 2,932 | 171 |
| CHANGE DURING FINANCIAL 2009 | | | | | |
| Total number of options initially granted of which | 464,000 | 497,925 | 560,000 | 38,770 | 640,000 |
| - to G. Buffière ⁽⁵⁾ | - | - | 60,000 | 15 | 90,000 |
| - to J. Pecresse ⁽⁷⁾ | - | 28,000 | 23,000 | 15 | 22,500 |
| - to the ten ⁽⁸⁾ Group employees who received the most options | 206,750 | 198,150 | 154,000 | 150 | 157,500 |
| Number of options remaining to be exercised on 01/01/2009 | n.a. | 494,425 | 504,700 | 38,625 | 573,200 |
| Number of shares subscribed from January to May 2009 (before the share capital increase) | n.a. | n.a. | n.a. | - | - |
| Number of options cancelled ⁽⁹⁾ from January to May 2009 (before the share capital increase) | n.a. | (7,875) | (14,500) | - | (5,100) |
| Number of options remaining to be exercised before the share capital increase | n.a. | 486,550 | 490,200 | 38,625 | 568,100 |
| Number of options remaining to be exercised post adjustment | n.a. | 522,988 | 526,889 | 43,780 | 610,551 |
| Number of shares subscribed from June to December 2009 (post share capital increase) of which: | n.a. | n.a. | n.a. | - | - |
| - by G. Buffière ⁽⁵⁾ | n.a. | n.a. | n.a. | - | - |
| - by J. Pecresse ⁽⁷⁾ | n.a. | n.a. | n.a. | - | - |
| - by the 10 ⁽⁸⁾ Group employees who exercised the most options | n.a. | n.a. | n.a. | - | - |
| Number of options cancelled ⁽⁹⁾ from June to December 2009 (post share capital increase) | - | (7,148) | (26,332) | - | (18,162) |
| Number of options remaining to be exercised on 12/31/2009 ⁽¹⁰⁾ of which: | 464,000 | 515,840 | 500,557 | 43,780 | 592,389 |
| - by G. Buffière ⁽⁵⁾ | - | - | 64,482 | 17 | 96,714 |
| - by J. Pecresse ⁽⁷⁾ | - | 30,092 | 24,719 | 17 | 24,179 |

(1) Employee Shareholder Plans.

(2) Not including longer tax immobilization periods that may be applicable locally.

(3) After the adjustments made on June 2, 2009 following the share capital increase.

(4) Except for different subscription prices applicable locally.

(5) Director, Chief Executive Officer.

(6) Of which 200,000 pursuant to the Group's achievement of economic and financial results in financial years 2004 to 2006.

(7) Chief Operating Officer.

(8) This number may be greater or less than 10 in some years.

(9) Following the beneficiaries' departure from the Group.

(10) Following cancellation and exercise of the aggregate number of options since the date of approval of the plan in question, and any reintegrations.

| May 2005 | May 2004 | Oct. 2003 ⁽¹⁾ | May 2003 | Oct. 2002 ⁽¹⁾ | May 2002 | Oct. 2001 ⁽¹⁾ | May 2001 | Nov. 2001 ⁽¹⁾ | May 2000 | |
|----------|------------------------|--------------------------|----------|--------------------------|----------|--------------------------|----------|--------------------------|----------|-----------|
| 05/03/05 | 05/06/02 | 05/06/02 | 05/06/02 | 05/06/02 | 05/06/02 | 05/09/00 | 05/09/00 | 05/09/00 | 05/09/00 | |
| 05/03/05 | 05/03/04 | 10/21/03 | 05/05/03 | 10/21/02 | 05/06/02 | 10/19/01 | 05/09/01 | 11/06/00 | 05/09/00 | |
| 05/04/08 | 05/03/07 | 10/22/06 | 05/05/06 | 10/22/05 | 05/06/05 | 10/20/04 | 05/09/04 | 11/07/03 | 05/09/03 | |
| 05/02/15 | 05/02/14 | 10/21/13 | 05/05/13 | 10/21/12 | 05/05/12 | 10/19/11 | 05/08/11 | 11/06/10 | 12/31/09 | |
| €53.58 | €45.49 | €37.80 | €26.34 | €27.39 | €30.47 | €23.01 | €26.52 | €25.25 | €29.94 | |
| 171 | 166 | 925 | 201 | 1,474 | 181 | 1,416 | 169 | 1,961 | 145 | |
| | | | | | | | | | | Total |
| 635,000 | 840,000 | 37,424 | 747,720 | 68,328 | 652,000 | 73,784 | 711,240 | 72,808 | 570,520 | 6,609,519 |
| 80,000 | 260,000 ⁽⁶⁾ | 60 | 80,000 | 60 | 30,000 | 60 | 32,000 | 40 | 28,500 | 660,735 |
| 20,000 | 36,000 | 60 | 21,400 | 60 | 9,000 | 60 | 8,560 | 40 | 5,700 | 174,395 |
| 140,000 | 109,600 | 360 | 145,580 | 720 | 90,000 | n.a | n.a | n.a | n.a | 1,202,810 |
| | | | | | | | | | | |
| 566,500 | 615,500 | 31,344 | 297,830 | 36,450 | 121,000 | 28,356 | 72,780 | 24,812 | 42,560 | 3,448,082 |
| - | - | - | 1,000 | - | - | - | - | - | - | 1,000 |
| (29,800) | (2,400) | - | - | - | - | - | - | - | - | (59,675) |
| 536,700 | 613,100 | 31,344 | 296,830 | 36,450 | 121,000 | 28,356 | 72,780 | 24,812 | 42,560 | 3,387,407 |
| 576,860 | 658,952 | 34,019 | 319,061 | 39,526 | 130,062 | 30,708 | 78,224 | 26,719 | 45,754 | 3,644,093 |
| | | | | | | | | | | |
| - | - | 113 | 7,362 | 386 | - | 533 | - | 410 | 35,584 | 44,388 |
| - | - | - | - | - | - | - | - | - | 16,660 | 16,660 |
| - | - | - | - | - | - | - | - | - | - | - |
| - | - | 13 | 8,362 | 91 | - | 230 | - | 155 | 12,474 | 21,325 |
| (45,895) | (12,899) | - | - | - | - | - | - | - | - | (110,436) |
| 530,965 | 646,053 | 33,906 | 311,699 | 39,140 | 130,062 | 30,175 | 78,224 | 26,309 | 10,170 | 3,953,269 |
| 85,976 | 279,422 | 65 | 85,984 | 65 | 32,244 | 65 | 34,391 | 43 | - | 679,468 |
| 21,494 | 38,690 | 65 | 23,001 | 65 | - | 65 | - | 43 | - | 162,430 |

3.5 FREE SHARES

3.5.1 CONDITIONAL FREE SHARE PLANS IN FORCE

■ GRANT POLICY

Following the favorable recommendation made by the Appointments and Compensation Committee, in 2006 the Board of Directors for the first time awarded free conditional grants of shares in the Company. At the time, the Board intended to reserve that grant for exceptional cases in favor of a limited number of Group executives (which could not include the Chief Executive Officer) in charge of carrying out specific medium-term action plans that were judged priorities for the Group.

In 2008, the Appointments and Compensation Committee examined, with the support of a specialized external consultant, the suitability of a possible extension of that grant policy to a greater number of beneficiaries by combining it with the existing policy of stock option subscription grants in a single long-term Group policy for retaining their beneficiaries. In accordance with the Appointments and Compensation Committee's recommendations, the new general policy set down by the Board provides in principle for the grant to each beneficiary of a total number of rights giving access to share capital comprised of a combined ratio of stock subscription options and free shares subject to the achievement of economic performance goals.

In accordance with that policy, the Board decided in 2009 to grant each beneficiary a total number of rights giving access to share capital, composed in principle for 50% of stock subscription options, with the remainder (50%) converted into conditional free shares at the rate of one free share for four stock subscription options.

In accordance with article L. 225-197-6 of the French Code of Commerce introduced by the French law of December 3, 2008 in favor of work earnings, the grant of free shares in favor of executive corporate officers will be subject, according to the decision the Board will take on the recommendation of the Appointments and Compensation Committee to: an allocation of such free shares for the benefit of all employees in the Company concerned and at least 90% of all employees of its French subsidiaries; a profit-sharing agreement, as the case may be, being entered into in the Company for the benefit of at least 90% of all employees of its French subsidiaries; or an additional payment when such agreements already exist. It is specified that these new legal provisions apply to grants authorized by Extraordinary General Meetings held after December 4, 2008, the date of publication of the law. For the record, the authorizations currently in force at Imerys were given by the Combined General Meeting of April 30, 2008 for a duration of 38 months ([see chapter 6, paragraph 6.2.3 of the Reference Document](#)).

■ MAIN CHARACTERISTICS OF CONDITIONAL FREE SHARES

Vesting of shares

The granted free shares are vested upon the expiry of a period that, in accordance with the legal provisions in force, may not be less than two years from their grant date, subject in principle to the achievement of certain economic and financial goals that cannot be appraised over a single year. The number of vested shares is conditioned on and proportionate to the achievement of those goals.

Loss of shares

The departure of the beneficiary from the Group before the expiry of the vesting period entails the loss of all rights to the vesting of his or her conditional free shares, except in the event of death, incapacity or retirement of the beneficiary whose rights will be retained according to the specific terms set forth by each related plan.

Keeping vested shares

The minimum time for which beneficiaries must keep shares may not be less than two years from the date of vesting. After that period they may dispose freely of the shares, except in cases where the vesting period has a duration equal to four years, the keeping period being then removed.

■ CONDITIONAL FREE SHARE PLANS ADOPTED IN 2009

247,006 free shares conditional on the achievement of economic performance goals ("performance shares"), were granted in 2009 to 169 Group managers residing in France or abroad (vs. 184 in 2008).

The vesting and number of the performance shares granted with respect to the plan adopted by the Board in July 2009 are conditioned by and proportionate to the achievement of a goal of growth of the Group's current free operating cash flow in 2009 and of the Group's EBIT*/Sales ratio in 2010. during the years 2008-2010 of the Group's share of net current income per share (based on the number of shares comprising share capital as on December 31 of the year in question).

Apart from those granted to Executive Management, 68,750 performance shares were granted to the 10** beneficiaries receiving the highest number of those shares.

* EBIT refers to the Group current operating income as given by its consolidated financial statement.

** This number may be greater than 10 because of the grant of an equal number of free shares to several of the beneficiaries concerned.

■ CHANGES IN THE NUMBER OF CONDITIONAL FREE SHARES IN 2009

The Chief Executive Officer, as empowered by the Board of Directors, and in accordance with the provisions of article L. 228-99 of the French Code of Commerce, decided, following the increase in the Company's share capital of June 2, 2009, to adjust the number of conditional free shares granted with respect to the 2008 Plan, the only plan that was in vesting period on that date. The adjustment

was made so that the share of capital to which each beneficiary of those conditional free shares was entitled remains constant, before and after the share capital increase. The figures given below take these adjustments into account.

The total number of conditional free shares in existence on December 31, 2009 was 348,424, which represents 0.44% of Imerys' share capital on that date after dilution.

In 2009, 1,862 free shares were cancelled and 5,000 vested.

■ DETAILS OF CONDITIONAL FREE SHARE PLANS IN FORCE

| | Grant date | Number of initial beneficiaries | Number of shares initially granted | Number of remaining shares as on 01/01/2009 | Number of shares cancelled in 2009 | Number of shares vested in 2009 | Number of shares as on 12/31/2009 | Vesting date of shares | Date of end of share holding period |
|----------------------------------|-----------------|---------------------------------|------------------------------------|---|------------------------------------|---------------------------------|-----------------------------------|--------------------------------|-------------------------------------|
| 2006 conditional free share plan | May 2, 2006 | 2 | 9,750 | 5,250 | 250 | 5,000 | 0 | March 13, 2009 | March 15, 2011 |
| 2008 conditional free share plan | April 30, 2008 | 184 | 96,232 | 95,857 | 1,612 | 0 | 101,418 ⁽¹⁾ | April 30, 2011 ⁽²⁾ | April 30, 2013 ⁽²⁾ |
| 2009 conditional free share plan | August 14, 2009 | 169 | 247,006 | 0 | 0 | 0 | 247,006 | August 14, 2013 ⁽³⁾ | August 14, 2013 ⁽⁴⁾ |

(1) After the adjustments made on June 2, 2009 following the share capital increase.

(2) Dates applicable to all beneficiaries except the Chief Executive Officer for which the plan provides for a vesting date as on April 30, 2010 and an end of the holding period as on April 30, 2012.

(3) For the beneficiaries resident outside France; August 14, 2011 for the members of the Executive Management and August 14, 2012 for the other beneficiaries resident in France.

(4) For the beneficiaries resident outside France and the members of the Executive Management; August 14, 2014 for the other beneficiaries resident in France.

3.5.2 CONDITIONAL FREE SHARES GRANTED BY THE COMPANY TO ITS EXECUTIVE CORPORATE OFFICERS IN 2009

| | Date of Plan | Number of shares granted in 2009 | Valuation of shares ⁽¹⁾ (€) | Vesting date | Availability date | Performance conditions |
|---|-----------------|----------------------------------|--|-----------------|-------------------|------------------------|
| Gérard Buffière, Chief Executive Officer | August 14, 2009 | 95,000 ⁽²⁾ | 2,972,550 | August 14, 2011 | August 14, 2013 | Yes |
| Jérôme Pecresse, Chief Operating Officer | August 14, 2009 | 18,000 | 563,220 | August 14, 2011 | August 14, 2013 | Yes |

(1) Valuated at the time of their grant as used with respect to the application of IFRS 2, before the spread of the expense over the acquisition period.

(2) Including the 65,000 shares granted on an exceptional basis.

The Board of Directors, at its meeting on July 29, 2009, decided, on the recommendations of the Appointments and Compensation Committee, to grant in 2009 only conditional free shares ("performance shares") to its executive corporate officers, unlike other top managers, for whom that grant came with a grant of stock subscription options.

Furthermore, the Board asked Gérard Buffière, in the interests of the Company and of all its shareholders and personnel, to kindly agree to continue performing his duties as Chief Executive Officer so that the Group continued to benefit from his experience to get through the current economic crisis period as well as possible. In that context, Gérard Buffière agreed to postpone the date of his retirement beyond the age of 65. Given those particular circumstances and in recognition for his past services at the head of the Group, the Board

decided to grant 65,000 performance shares to the Chief Executive Officer on an exceptional basis.

All the shares granted to the Chief Executive Officer and Chief Operating Officer are subject to the achievement of the same economic performance goals as those provided with respect to the 2009 general performance shares plan intended for the Group's other top managers; these goals are related to the growth of the Group's current free operating cash flow in 2009 and to that of the Group's EBIT/Sales ratio in 2010.

The Chief Executive Officer and Chief Operating Officer's performance shares will be vested, according to the achievement of their economic goals to which they are subject, upon the expiry of a period of two years following their grant date. Shares must be kept for a period of two years as from their vesting.

■ HOLDING AND CHANGES

The total number of conditional free shares held by the executive corporate officers (Chief Executive Officer and Chief Operating Officer) is 159,208 as on December 31, 2009, compared with 43,000 on December 31, 2008, i.e. 0.20% of Imerys' share capital on that date after dilution. These figures take into account the adjustments made on June 2, 2009 following the increase in the Company's share capital (*see paragraph 3.5.1 of the present chapter*).

None of the conditional free shares granted to the members of the Executive Management became available in 2009.

■ SPECIFIC TERMS AND RESTRICTIONS

The specific terms and restrictions that are applicable to the grants of conditional free shares made to the executive corporate officers, common to grants of stock subscription options, are set out in *section 3.6 hereafter*.

3.6 SPECIFIC TERMS AND RESTRICTIONS APPLICABLE TO GRANTS TO EXECUTIVE CORPORATE OFFICERS

Pursuant to the recommendations resulting from the AFEP-MEDEF Corporate Governance Code, and upon the recommendations of the Appointments and Compensation Committee, the Board decided, at its meeting of July 29, 2009 to set the maximum amount of annual grants of stock subscription options and performance shares, valued under IFRS standards, that may be granted to each of the members of the Executive Management at one year of their respective gross annual compensation (fixed part + maximum variable part). The Board specified that the grant of the 65,000 performance shares to the Chief Executive Officer in 2009 for special reasons, was not, due to its exceptional nature, taken into account in determining that proportion.

The Board of Directors, pursuant to the recommendations of the Appointments and Compensation Committee, in accordance with the provisions of articles L. 225-185 and L. 225-197-2 of the French Code of Commerce, decided at the same meeting that the Chief Executive Officer and Chief Operating Officer shall each hold on a registered basis, until the date of termination of their duties as executive corporate officers of Imerys:

- in the event of grants of stock subscription options: a number of shares resulting from each option exercise corresponding to at least 25% of the net gain realized upon each exercise (net of the amount needed to fund that exercise, and of any related taxes and obligatory contributions);
- in the event of grants of performance shares: a number of shares at least equal to 25% of the total number of vested shares following the applicable vesting period.

Furthermore, the Board of Directors decided that this keeping rule applies:

- to the grants made with respect to the stock subscription option and free share plans implemented by the Company as from: for Gérard Buffière, January 1, 2007; for Jérôme Pecresse, February 13, 2008 (date of his appointment as Chief Operating Officer);
- until the total amount ⁽¹⁾ of the shares held ⁽²⁾ by each of them reaches, upon the exercise of stock subscription options and the availability of free shares, a certain coefficient of their last annual fixed compensation. This coefficient was set by the Board of Directors at its meeting of February 15, 2010 at 300% of the fixed part of the annual compensation for the Chief Executive Officer and 125% for the Chief Operating Officer. The total amount of investment in shares of the Company shall take into account all the shares held by the Chief Executive Officer and the Chief Operating Officer respectively on the date in question, regardless of their origin (purchase on the market, exercise of subscription options or shares acquired under free share grant plans).

Given all these holding and keeping rules imposed on executive corporate officers, the Board of Directors judged that it was not necessary to also make the purchase of additional shares on the market a condition for the grant of free shares.

The Board will examine, at the next renewal of the authorization given to the Board by the Shareholders' General Meeting of April 30, 2008 to grant stock subscription options and performance shares, which expires on June 29, 2011, the maximum percentage of options and shares that may be granted to the executive corporate officers in relation to the total envelope to be voted by shareholders.

Pursuant to the recommendations resulting from the AFEP-MEDEF Corporate Governance Code, all these conditions were published as permanent information on the Company's website.

(1) Estimated on the basis of the share price on the date of each option exercise or the date of availability of the free shares in question.

(2) After the sale of those needed, as the case may be, to fund the option exercise or the settlement of any taxes, contributions or expenses with respect to the transaction.

3.7 CORPORATE OFFICERS' TRANSACTIONS IN SECURITIES IN THE COMPANY

The Board of Directors adopted a Procedure for the prevention of use or disclosure of insider information within the Imerys group. This policy was adopted in its initial version in July 2002 and is an appendix to the Internal Charter of the Board of Directors.

The policy defines permanent and occasional insiders; sets out the Company's obligation to draw up a list of insiders for the Group and determines the related arrangements. It also reiterates the rules with respect to transactions by corporate officers in Imerys shares or, as the case may be, any other securities issued by the Group or any financial instruments ("Imerys Actions" mutual fund, MONEP, warrants, convertible bonds, etc.) that are related to Imerys shares ("Imerys securities").

In accordance with the general principle that applies to Insiders, whether permanent or occasional, any corporate officer and related persons must, in the event that they directly or indirectly hold privileged information, before the public has knowledge of such information, refrain from carrying out any transaction, including forward transactions, in Imerys securities.

This obligation to refrain from trading also covers any transaction in Imerys securities (including as hedging) during the 15 calendar days leading up to the announcement of the Group's estimated or definitive annual, half-yearly or quarterly results, and the day of that announcement, known as the "negative window period"; it concerns corporate officers, but also other permanent or occasional Insiders such as the Group's main support or line managers or any employees that directly take part in drawing up those consolidated financial statements, who are considered as regularly or occasionally likely to hold insider information because of their positions and responsibilities.

The Board of Directors examined the recommendation of the AFEP-MEDEF Corporate Governance Code requesting the corporate officers of a stock market-listed company to refrain from trading on its shares. The Board decided to keep the obligation to refrain from trading on Imerys shares that it previously adopted, stating however that this obligation will continue not to apply to the subscription or purchase of shares by the exercise of options. It indeed considered that the mere exercise of options was not speculative in nature, since the exercise price was established beforehand and only the prohibition from transferring the shares resulting from the exercise of options during the negative window period was necessary. Moreover, the transparency of those operations was fully guaranteed by the obligation to declare to AMF the transactions made in securities in the Company, including by the exercise of options, pursuant to legal and regulatory provisions.

Furthermore, the Group's policy prohibits insiders from making any leveraged transaction or speculative transactions (short sales or bull purchases of shares, extension of orders on deferred settlement and delivery services, very short turnaround purchase/sale transactions, etc.) in Imerys securities. To comply with the recommendation of the AFEP-MEDEF Corporate Governance Code, that prohibits risk hedging transactions by executive corporate officers who are beneficiaries of stock options and/or performance shares, Gérard Buffière and Jérôme Pecresse expressed in front of the Board of Directors at its meeting of November 3, 2009, their commitment not to resort to the use of any risk hedging transactions in respect of their stock options and performance shares granted or to be granted to each of them during their respective term of office.

The annual schedule of announcements of the Group's consolidated results is supplied to the Directors at the end of the previous year; it may be consulted at any time on the Group's website, is given regularly in the Chief Executive Officer's quarterly letter to shareholders and is available on request from the Group's Financial Communications Department.

Finally, under the same rules, the corporate officers and, under their personal responsibility, all related individuals, must:

- hold the Imerys shares they own in registered form, either directly in their names with the Company or its securities manager or through management by the intermediary (bank, financial institution or broker) of their choice;
- declare individually to AMF and to the Secretary of the Board of Directors any transactions carried out on Imerys securities within five trading days of such transactions.

Pursuant to the provisions of article 223-26 of AMF's General Regulations, the table below summarizes the transactions made in securities in the Company by corporate officers in 2009 and, as the case may be, any related persons, as declared to the AMF and published on its website (www.amf-france.org).

Corporate officers' transactions in securities in the Company

| Declaring or related person | Capacity | Financial instrument | Number | Nature of operation | Number of operations | Amount of operations |
|--------------------------------|-------------------------|--------------------------------|--------|---------------------|----------------------|----------------------|
| Aimery Langlois-Meurinne | Chairman of the Board | Shares | 16,000 | Subscription * | 1 | €320,000 |
| | | Shares | 16,000 | Sale | 2 | €635,584 |
| Gérard Buffière | Director and CEO | Shares | 5,542 | Subscription * | 1 | €110,840 |
| | | Stock options | 16,660 | Exercise | 5 | €498,800 |
| | | Shares | 13,300 | Sale | 5 | €506,616 |
| Jérôme Pecresse | Chief Operating Officer | Shares | 136 | Subscription * | 1 | €2,720 |
| Aldo Cardoso | Director | Shares | 300 | Subscription * | 1 | €6,000 |
| Jacques Drijard | Director | Shares | 120 | Subscription * | 1 | €2,400 |
| Jocelyn Lefebvre | Director | Shares | 180 | Subscription * | 1 | €3,600 |
| Eric Le Moyne de Sérigny | Director | Shares | 120 | Subscription * | 1 | €2,400 |
| Maximilien de Limburg Stirum | Director | Shares | 120 | Subscription * | 1 | €2,400 |
| Gilbert Milan | Director | Shares | 120 | Subscription * | 1 | €2,400 |
| Jean Monville | Director | Shares | 120 | Subscription * | 1 | €2,400 |
| Robert Peugeot | Director | Shares | 104 | Subscription * | 1 | €2,080 |
| Robert Peugeot joint ownership | Children of Mr. Peugeot | Shares | 14 | Subscription * | 1 | €280 |
| Thierry de Rudder | Director | Shares | 200 | Subscription * | 1 | €4,000 |
| Amaury de Sèze | Director | Shares | 1,336 | Subscription * | 1 | €26,720 |
| Jacques Veyrat | Director | Preemptive subscription rights | 600 | Sale * | 1 | €1,428 |

* Through the share capital increase of the Company of June 2, 2009.

RISK FACTORS AND INTERNAL CONTROL

4

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4.1 RISK FACTORS

Since 2003, a risk analysis process is regularly conducted within the Group, resulting in the mapping of the potential impact of each identified risk and the extent to which it is controlled. This risk analysis and management process is described in detail in the Report by the Chairman of the Board of Directors *in section 4.2 of this chapter*.

The main risks and risk factors the Group is facing and their management as well as associated control methods are presented hereafter in order of importance in each category.

4.1.1 RISKS RELATING TO IMERYS' BUSINESS

■ MARKET ENVIRONMENT

The diversity of its minerals, end markets, customers and locations gives the Group strong strategic positions and a dispersed risk profile. However, the Group's business remains sensitive to changes in macroeconomic conditions. Whereas the effect of those changes varies according to the end markets and geographic zones where the Group operates, the simultaneous deterioration of conditions on several markets and geographic zones could nevertheless have an adverse combined impact on its activity, results and financial position.

The goal of Imerys' people is to constantly optimize management of existing activities by working to develop innovative, high value-added new products, penetrate new markets, and control production costs and overheads or even reduce them while adapting to temporary and structural evolutions. They seek to establish and strengthen their leadership on major markets and, more generally, enhance all the Group's competitive advantages in areas such as mining reserves, marketing, technology, logistics and human resources.

All these items are periodically reviewed by the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer through budget processes and quarterly income reviews (*see section 4.2 of this chapter*).

■ EXTERNAL GROWTH OPERATIONS

In all its activities worldwide, Imerys implements a growth strategy that combines organic growth and acquisitions (*see chapter 1, section 1.2 of the Reference Document*). In that context, the Group frequently makes acquisitions of activities or companies and creates joint ventures. These operations inherently entail risks relating to the appraisal of the corresponding assets and liabilities and the integration of the acquired personnel, activities, technologies and products or changes in relations with the relevant partners.

Imerys has set up stringent internal control procedures. These cover the analysis of potential targets (with the application of strict investment profitability criteria and the performance of in-depth due diligence), the review and acceptance of contractual terms

and conditions for the completion of the operations (including commitments by sellers to indemnify against hidden liabilities) and the integration of the acquired activities or companies. Depending on the amounts at stake, these procedures require prior approval by the Executive Management, the Strategic Committee and/or the Board of Directors (*see chapter 3, section 3.1 of the Reference Document*).

■ MINERAL RESERVES AND RESOURCES

Mineral reserves and resources form one of the Group's primary assets and the foundation of its activities. Their accurate assessment is critical to the management and development of Imerys' activities.

Tonnages and values of mineral reserves and resources are estimates of the size and quality of ore deposits based mainly on the geological, technical, economic or market parameters available at a given time. Because of unforeseeable changes in these parameters and the uncertainty naturally inherent in evaluating resources, no absolute guarantee can be given for those estimates.

Imerys has set up an internal network of experts who are responsible for evaluating the Group's mineral resources and reserves for each of its operating activities. Under the responsibility of the Group Chief Geologist, these experts carry out an annual consolidated review of the Group's mineral reserves and resources according to the principles presented *in chapter 1, section 1.3 of the Reference Document*.

This appraisal is presented annually to the Executive Committee. The process and resources used to ensure its reliability are examined by the Audit Committee.

Appraisal methods and calculations are audited over a three-year cycle, either by independent experts for the Group's main sites or internally for the remaining sites. Furthermore, since 2007, the appraisal process for some of the Group's most significant entities has been reviewed through internal control self-assessment questionnaires (*see section 4.2 of this chapter*).

COUNTRY

Because of their mining activity and the variety of their end markets, the Group's activities are now present in many countries, several of which represent a strategic interest for the Group. Future changes in the environmental, social, legal or regulatory policy of some countries, particularly emerging countries (South Africa, Brazil, China and India, Ukraine, Venezuela) could affect the Group's assets, cash flows, profitability and ability to continue operating and developing in such countries.

To identify at-risk countries, Imerys uses the @rating classification by Coface, the primary French insurance firm specializing in export credit insurance. This rating is used to measure the degree to which an entity's economic and financial commitments are exposed in the countries in question (*for more information on these ratings, see note 31 to the consolidated financial statements*).

In parallel, Imerys develops its relations with local authorities and communities in those countries in order to create and maintain mutual trust based on periodical and transparent dialog on the Group's activities and methods. Moreover, these relations must help the Group to anticipate major local changes that could have an impact on its activities.

Finally, Imerys has undertaken a review of country risks. An overview of the risks inherent in some countries will henceforth be examined by the Executive Committee and presented to the Audit Committee.

HUMAN RESOURCES

The management and development of the Group's activities require the employment and recruitment of a large number of highly qualified technicians and managers. The success of the Group's development plans depends partly on its ability to retain its employees and to recruit and integrate new skills, especially in the most remote geographic zones.

That is why Imerys has drawn up a human resources policy with the aim of attracting, retaining and renewing the management expertise, talent and skills needed to carry out its activities worldwide and to support its internal and external growth. This policy is presented *in chapter 1, section 1.9 of the Reference Document*.

RAW MATERIALS

Raw materials account for approximately 13.8% of the Group's current operating expenses in 2009. Evolutions in the cost of those materials and their supply conditions may, therefore, affect its operating margin.

In that context, the Group's strategy is to integrate, whenever economically and technically possible, the ownership or exploitation of the mineral resources needed to carry out its activities (*see the Group's portfolio of ores presented in chapter 1, section 1.3 of the Reference Document*). For other critical raw materials, supplies are secured through long-term contracts and/or suppliers diversity.

Thus, in 2009, purchases from Imerys' 10 largest suppliers (including transport and energy) represent 9.3% of the Group's total purchases, with no supplier accounting individually for more than 2% of total purchases.

A policy of systematic analysis of purchasing risks has been developed to control those supplies. In that context, the supplier qualification system (SQS), which is intended to keep supply risks to a minimum and qualify suppliers, was begun in 2008. Furthermore, the Group henceforth seeks to appoint purchasing managers by purchasing category in order to specialize buyers and to enable them to negotiate better purchasing terms.

TRANSPORT

Sea transport

Given the geographic dispersal of its mineral reserves, industrial facilities and markets, as well as the nature of its products, the Group makes extensive use of sea freight to optimize the cost of product transport in bulk or container form.

The Group judges that its principal exposure to this risk is the sea transport of bulk kaolin from Brazil or the United States and transport within the Mediterranean basin. For these large flows, the Group maintains its policy of long-term contracts in partnership with certain ship owners, which enables it to smooth out the impact of market cost fluctuations and optimize the use of ships for this purpose.

Sea transport is coordinated at Group level, which enables the Group to optimize flows and set up the best current practices in all activities.

Rail transport

The gradual opening of the European rail transport market plays a part in cost inflation risk management for this transport method.

In general, Imerys' exposure to this risk is limited, as customers frequently take on the cost of delivering the Group's products from production plant to destination on a contractual basis.

ENERGY PRICES

(*See Note 25.5 to the consolidated financial statements*)

CUSTOMER CREDIT RISKS

(*See Note 22.4 to the consolidated financial statements*)

The level of customer credit risk is relatively limited thanks to the diversity of the Group's activities and geographic bases and the great number of customers. In 2009, sales to Imerys' 10 biggest customers represent 17.5% of the Group's sales, with none of them individually totaling 4%. Consequently, the Group does not estimate at present that it has any significant risk of dependence with respect to its customers.

Furthermore, trade receivables are closely monitored internally in every activity and credit insurance is set up in Europe according to the activity's specific circumstances.

However, the recent economic crisis significantly increased the credit risk of some of the Group's customers. The simultaneous default of

several significant customers could have a combined adverse impact on the Group's results and financial situation. Provisions booked with respect to the depreciation of trade receivables total €37.8 million as on December 31, 2009 (€19.5 million as on December 31, 2008).

4.1.2 INDUSTRIAL AND ENVIRONMENTAL RISKS

■ ENVIRONMENT, HEALTH & SAFETY

Most of the industrial mining and minerals conversion activities that make up Imerys' core business may have an impact, albeit a limited one, on their environment. Moreover, these activities require the daily performance of tasks that entail risks and, consequently, require relevant employee training, particularly in the use of chemicals or explosives, driving heavy mobile equipment and work at heights.

Therefore, Imerys books provisions to cover environmental risks resulting from the Group's industrial activity and for the restoration of mining sites at the end of their operating lives. These provisions amount to €92.7 million as on December 31, 2009 (€91.3 million as on December 31, 2008).

Imerys has a central Environment, Health & Safety (EHS) Department with the mission of guiding and assisting operating activities and the Group in their efforts to develop and uphold an adequate level of protection of people (Imerys employees or external personnel), property and the environment.

As part of its mission, the EHS Department audits the programs implemented by operating activities in order to check their compliance with local regulations and with Imerys' internal safety, health and environmental standards, whenever these are more stringent. EHS Department conducts approximately 25 to 35 audits per year in order to check all the Group's largest sites every three years.

The EHS Department delivers an in-house training program. Since 2005, "Imerys Safety Universities" have trained participants in work risk assessment and fostered the improvement of safety culture. The University courses contribute to the sharing of experience in the Group and help to form strong, dynamic internal networks for safety. In 2008, a regional Environmental training plan was undertaken on the same principle. Four training sessions should be organized every year.

The Executive Committee periodically examines EHS performance indicators and the results of audits in the different activities. Moreover, the Audit Committee reviews the processes and resources used to achieve health, safety and environmental goals. The Board of Directors is given an overall presentation of those items at least once a year.

This information is given in detail *in chapter 1, section 1.9 of the Reference Document*.

■ INDUSTRIAL OPERATIONS AND BUSINESS CONTINUITY

As for any industrial group, Imerys' production sites are exposed to the occurrence of unforeseen incidents (of various nature or origin, e.g. accidents, natural disasters, machine breakage) that may lead to temporary operating stoppages, some of which may significantly affect the activity of the operating sites concerned.

The risk of occurrence of such events and their possible impact on the Group's overall business are limited by the following set of factors and measures: the number and geographic dispersal of industrial sites, many of which are of moderate size, in each operating activity; sufficient regular capital expenditure committed by each activity to modernize and maintain its industrial assets; an active industrial risk prevention policy set up by the Group, particularly including the definition of business continuity plans and/or crisis management plans for the most strategic sites and a dam soundness review program for the relevant sites.

Furthermore, the potential financial impact that may arise from property damages or sites' temporary operating stoppages is covered through an insurer that is internationally recognized for its reputation and financial solidity under a coverage program combined with a sound risk prevention program (*see paragraph 4.1.5 of this chapter*).

The General Counsel presents the Group's policy on insurance and risk coverage and the related prevention programs to the Audit Committee as part of its annual examination of the risks facing the Group.

4.1.3 LEGAL RISKS

■ ADMINISTRATIVE AUTHORIZATIONS

The availability of the Group's mineral reserves and resources is an essential factor in the continuity of its operations. Those operations require the obtaining, maintaining and renewal of administrative authorizations and permits, particularly operating permits. If those authorizations or permits were not obtained or renewed or if they were renewed on less favorable terms than the initial terms, the situation could have an adverse effect on the Group's operations, results or financial situation.

Consequently, the Group's activities organize a strict monitoring of those administrative authorizations and operating permits, and procedures are set up to prepare satisfactorily for any measures to be taken to obtain or renew the various authorizations and permits.

To the best of Imerys' knowledge, no particular significant risk exists on this issue as on the date hereof.

■ LEGAL PROCEDURES

(See Note 24.2 to the consolidated financial statements)

The Group is exposed to the risk of actions and claims arising from the ordinary course of its business. The most common claims or actions concern allegations of personal injury or financial loss calling on the liability of Group companies with respect to: the pursuit of their commercial or industrial activities (particularly claims by customers concerning the delivery of defective products – in most cases covered by Group insurance programs – or by third parties concerning neighbourhood disturbances) or resulting from a possible breach of certain contractual obligations; the failure to comply with certain legal or statutory provisions that apply in social, property or environmental matters.

Furthermore, Imerys is also bound by certain contractual obligations of compensation – or enjoys certain rights to compensation – with respect to guarantees of liabilities made for past divestments – or acquisitions – of assets.

Imerys Legal Function manages all claims involving the Group, with the assistance of local lawyers whom it appoints. An overview of the most significant claims is reviewed with the Finance Function and Group Auditors after every half-year. The General Counsel makes a summary presentation of claims to the Audit Committee as part of its annual examination of the risks facing the Group.

Although the outcome of all outstanding actions and claims cannot be foreseen with certainty, their settlement, taken individually or as a whole, even if adverse for the Group companies involved, is not likely to have any material impact on the Company or Group's financial statements. The amount of provisions booked for management risks is €38.6 million as of December 31, 2009 (€37.4 million as of December 31, 2008). The likely term of these provisions is from 2010 to 2014.

More generally, as of the date of the present Reference Document, to the best of Imerys' knowledge, no governmental, legal or arbitration proceedings are likely to affect significantly the Group's business, financial position or cash flow.

■ MAJOR CONTRACTS

To the best of Imerys' knowledge, apart from the contracts entered into (i) in the ordinary course of business, including contracts with respect to operating rights for mineral reserves and resources, and (ii) in relation to the business acquisition or divestment operations or the financing operations mentioned in the present Reference Document, no other major contracts have been signed by any Group company in the two years prior to the date of the present Reference Document that are still in force on that date and which contain provisions entailing an obligation or commitment likely to have significant impact on the Group's business, financial position or cash flow.

However, with respect to some contracts, significant commitments and guarantees have been granted by Imerys or its subsidiaries. The amount of off-balance sheet commitments made is €544.3 million as on December 31, 2009, compared with €569.9 million as on December 31, 2008 *(see Note 30 to the consolidated financial statements)*.

4.1.4 RISKS RELATING TO FINANCIAL MARKETS

(See Notes 22.4 and 25.5 to the consolidated financial statements)

4.1.5 RISK INSURANCE AND COVERAGE

The Group's policy with regard to the protection of its earnings and assets against identifiable risks is to seek the most suitable solutions on the insurance market that offer the best balance between their cost and the extent of the coverage provided.

The coverage of major risks that are common to all operating activities is almost exclusively integrated into "All Risks Except"-type international Group insurance programs taken out on the market with insurers that are internationally recognized for their reputation and

financial solidity. This integration enables the Group to benefit from the most extensive coverage with the highest limits while optimizing its cost. As part of the active external growth policy implemented by the Group, steps are taken to ensure that acquired businesses are immediately integrated into existing Group insurance programs or benefit from coverage terms that are at least equivalent. In the latter case, integration is restricted to the additional coverage offered by Group programs compared with the local insurance policies that apply to the acquired activities.

The Group's companies also use the market to cover the specific risks of some of their non-recurring activities or operations through the services of the brokers in charge of managing the Group's insurance programs, or when such insurance is made obligatory by applicable local regulations.

The Group judges that it currently benefits from sufficient insurance coverage, in terms of both scope and insured amounts or limits of guarantees, for the principal risks related to the pursuit of its businesses worldwide.

The two main Group insurance programs cover civil liability as well as property damage and business interruption.

■ CIVIL LIABILITY

The purpose of this program is to cover the Group's tort or contractual liability in the event of bodily injury, property damage or consequential damage occurring during operations or after the delivery of products, and any damage resulting from accidental pollution.

The Group's activities are first covered by local policies issued in each country ("1st layer"), then by a Master policy issued in France and an additional policy in excess of the limit of cover of the Master policy ("Excess"). The "Master" policy is taken out with XL Insurance Company Ltd UK (rated A by AM Best and Standard & Poors) and the "Excess" policy with AXA Corporate Solutions (rated NR5 by AM Best and AA by Standard & Poors).

Those "Master" and "Excess" policies are used in addition to the limits and coverage of several specific sub-programs, particularly in North America, to cover Automobile Civil Liabilities and Workers' Compensation, and in addition to the mandatory Employer's Liability policy issued in Great Britain.

The coverage provided by the Group Civil Liability program, subject to the exclusions that are common practice on the insurance market for this type of risk and to sub-limits applied to certain defined events, amounts to €100 million per claim and per year.

The current Group Civil Liability program is renewable on December 31, 2010. Apart from exceptions, applicable standard excesses are €15,000 per claim but may amount to 10% of the claim (with a ceiling of €200,000 per claim) for claims over €150,000, outside Canada and the United States where they amount to US\$ 100,000 and US\$ 250,000 respectively.

The efforts kept up by operating activities on risk prevention and product quality control enabled the Group to control the cost of its Civil Liability insurance for the renewal period, with nevertheless a rise in the excess for major claims or some activities.

■ PROPERTY DAMAGE AND BUSINESS INTERRUPTION

This program is particularly intended to cover property damage caused suddenly and directly affecting the insured property, as well as any resulting operating losses.

The Group's activities are covered for property damage and business interruption under a Master policy that is issued in France and applies directly in most European countries and in addition to local policies in other countries, when regulations allow.

The overall trend among insurers of tightening their terms and conditions for major industrial risk coverage led Imerys to transfer only risks of intensity to insurers as of January 1, 2002. Frequency risks are retained in captive reinsurance that is consolidated in the Group's accounts, for maximum amounts of €700,000 per claim and €2 million in total per year.

The Master policy provides the Group, subject to the exclusions that are common practice on the insurance market for this type of risk and the sub-limits applied to certain defined events, with coverage for property damage and business interruption of €200 million per claim.

The current Group property damage and business interruption program was renewed on January 1, 2010 with FM Insurance Company Limited (rated A+ by AM Best and AA by Fitch) for one year.

The enhanced risk prevention policy implemented by the Group has enabled it since 2004 to negotiate lower premium rates.

In assigning its property damage and business interruption program to an insurance firm that is renowned for its expertise in prevention engineering, Imerys intends to continue its extensive efforts on risk awareness and protection in line with its overall Sustainable Development program. Almost all the Group's industrial sites are regularly inspected by prevention engineers, giving rise to recommendations that enable Imerys to improve its industrial risk management. More than 100 sites were inspected in 2009. Since 2007, awareness seminars on industrial risks (fire, electrical and gas risks, etc.), facilitated by FM Global's prevention engineers, have been organized in the Group.

■ OTHER GROUP-WIDE INSURED RISKS

The Group's other main insurance programs are intended to cover the following risks, which are common to all its legal entities or several of its business groups: company officers' liability; motor fleet insurance (Europe and United States); marine cargo and charterer's liability; workers' compensation and employers' liability (particularly in the United States and Great Britain).

4.2 INTERNAL CONTROL

4.2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

■ INTRODUCTION

Context

Pursuant to article L. 225-37 of the French Code of Commerce, as amended by the law on financial security of August 1, 2003 (the "LSF law"), then by the laws of December 30, 2006 and July 3, 2008, the Chairman of the Board of Directors drew up his report on the composition of the Board and the conditions for preparing and organizing its work and on the risk management and internal control procedures set up by Imerys, on February 15, 2010.

Detailed information on the conditions for preparing and organizing the Board of Directors' work and, more generally, its composition and functioning, and the limits placed in the powers of the Chief Executive Officer by the Board, is given *in chapter 3, section 3.1 of the Reference Document*. The principles and rules set down by the Board of Directors to determine the compensation and benefits of any kind granted to corporate officers are given *in chapter 3, section 3.3 of the Reference Document*. As the case may be, this information comes with a note explaining why the Group does not implement certain provisions of the AFEP-MEDEF Code of Corporate Governance, which the Board of Directors states that it uses as a reference. Moreover, the information described in article L. 225-100-3 of the French Code of Commerce likely to have an impact in the event of a public offering and the particular arrangements for the participation of shareholders in the Annual General Meeting is presented *in chapter 6, section 6.1 of the Reference Document*. All this information should be considered as an integral part of the above-mentioned Report of the Chairman of the Board of Directors.

The part of the report presented below describes in more detail the main internal control and risk management procedures implemented by the Group. This part was drawn up under the responsibility of the Group Internal Control Department and reviewed by the Executive Management who confirmed that its content was valid. The report was then provided in full to the Statutory Auditors for discussion and to the Audit Committee for review prior to its definitive approval by the Directors.

Internal control objectives

To define its internal control reference matrix and structure its approach, the Group draws on the framework and the application guide published in January 2007 by the AMF (the French Securities Regulator). That matrix includes the objectives and the components of the AMF framework.

The Imerys group's internal control system covers all controlled companies in the Group's scope of consolidation.

By implementing this system in all its activities, Imerys intends to ensure that it has the resources needed to manage the risks that its activities face, guarantee the accuracy and thoroughness of its financial information and organize the proper management of its operations in accordance with the laws and regulations in force and the Group's management principles and strategy. In this way, the internal control system helps to protect the Company's value for its shareholders and employees and enables the Group to achieve the goals it sets itself.

However, by its nature, such a system cannot provide an absolute guarantee as to the total control of the risks that the Group faces and the achievement of its goals.

Internal control principles

In line with the goals set, Imerys' internal control system is founded on the following principles:

- a chosen, controlled organization comprised of skilled, responsible men and women;
- targeted internal communications;
- a regular analysis of the Group's main risks;
- relevant control activities;
- a regular review of internal control practices in the Group.

■ A CHOSEN, CONTROLLED ORGANIZATION

Organizational model

Imerys' internal control is based on the Group's operating and management organization and on support Functions that are directly or indirectly dedicated to the control of the risks that the Group faces.

The control system set up in the Group is founded on a tight Governance structure that guarantees the transparency and traceability of decisions, while conserving the principles of subsidiarity and decentralization that are considered as essential to the running of the Group's industrial and commercial activities. It requires great commitment from every line or support manager as they are expected to grasp the policies and procedures defined at Group level, contribute to their implementation and observance and enrich them through relevant measures for the activities or fields under their charge.

The framework for managing operations consists, on one hand, of Group policies and the resulting delegations of power to line managers and, on the other hand, of specific controls carried out by the central support Functions in their scope of responsibility and regular audits conducted by the Internal Audit Function. Furthermore, operating management is constantly controlled and monitored by line managers and periodically by the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer through budget processes, quarterly income reviews and monthly management reporting, of which the main items and findings are commented on at the Executive Committee's monthly meetings. The consolidated financial statements are also reviewed by the Board of Directors and, for semi-annual and annual statements, approved by the Board of Directors after examination by the Audit Committee.

The longer-term orientations of each activity and the resulting financial forecasts are formalized and monitored under a multiyear strategic plan. This plan is drawn up under the control and supervision of the Chief Executive Officer and its conclusions are reviewed by the Strategic Committee and presented to the Board of Directors for approval.

Participants in internal control

The Board of Directors and its specialized Committees

The Board of Directors constantly controls the management of the Group conducted by the Executive Management. In that framework, it particularly makes sure that internal control mechanisms are set up correctly in the Group.

To assist the Board in its mission, three specialized Committees were formed from its members: the Strategic Committee, the Appointment and Compensation Committee and the Audit Committee. The Strategic Committee and the Audit Committee have responsibilities with respect to identifying and managing risks and monitoring certain internal control mechanisms as presented in *chapter 3, section 3.1 of the Reference Document*. In particular, the Audit Committee reviews at least once a year the processes set up and results obtained in terms of risks analysis and appraisal of internal control mechanisms.

These specialized Committees perform their duties under the responsibility of the Board of Directors.

The Executive Management and the Executive Committee

The Chief Executive Officer and the Chief Operating Officer have operating and functional responsibility covering all the Group's activities to implement the strategy defined by the Board of Directors. In particular, they are in charge of the effective implementation of internal control mechanisms within the Group.

The Chief Executive Officer and the Chief Operating Officer are assisted in their mission by an Executive Committee of which the Chief Executive Officer appoints the members. The members represent each of Imerys' business groups and main support Functions. By delegation, Executive Committee members are in charge of setting up and monitoring internal control systems in their scope of responsibility.

Operating management

In accordance with the Group's decentralized operating principles, the managers of each activity have the responsibility and necessary powers to organize, run and manage the operations in their charge, and to delegate in similar conditions to the managers reporting to them.

Each activity favors the most appropriate organization to its markets, taking into account their commercial, industrial or geographic specificities. It is, therefore, responsible for adopting internal control mechanisms that are consistent, on one hand, with its organization and, on the other hand, with the Group's principles and rules.

The Group's support Functions

The corporate Finance, Strategy, Legal & Corporate Support, Human Resources, Innovation, Research & Technology & Business Support, Geology and Environment, Health & Safety Functions have a twofold mission: organize and control the Group's operations in their respective spheres of expertise and provide technical assistance to operating activities in those fields when necessary. This central support core, together with the cross-Group Departments (Purchasing and Information Systems), enables the Group not only to benefit from the scale effects related to its size and from better sharing of skills, but also to ensure that all the operations in those fields are carried out in a framework of secure, consistent management and control.

Through their presence and organization, central support Functions and cross-Group Departments make a significant contribution to the Group's internal control mechanisms. The managers of these functions have functional authority over the managers whose missions come under their scope of expertise in operating activities.

Internal Audit Function

The Internal Audit Function is a management support function and is independent of the operating and functional activities that it audits. For that purpose, the Internal Audit Manager reports hierarchically to the Chief Operating Officer and functionally to the Audit Committee.

The Internal Audit Function's mission is to check the Group's internal control mechanisms and make sure that they comply with the principles and rules governing them. It must alert management of any internal control failings and issues recommendations to correct such failings.

The Function has a centralized organization with a team of 6 auditors based in Paris (covering Europe, Africa and the Americas), 1 auditor in Beijing and 3 auditors in Shanghai (covering Asia-Pacific and all information systems).

Internal Control Department

The Internal Control Department reports to the Legal & Corporate Support Function and works closely with the Internal Audit Function, the Group's other support Functions and the main line managers for each activity.

In carrying out her missions, the Department Manager is supported by the network of local financial controllers. The goal of those missions is to coordinate the continuous improvement of internal control mechanisms in the Group. They are organized around three activities:

- risk analysis;
- administration of Group policies and procedures (including their Group-wide dissemination);
- overall review of internal control practices in the Group.

The framework

Group rules

Imerys' internal control policy is set down in a number of charters (Board of Directors Charter, Sustainable Development Charter, Environment, Health & Safety Charter, Internal Audit Charter) and codes (Code of Business Conduct and Ethics, Corporate Governance policy) that apply Group-wide. These sets of rules are intended to create a favorable control environment, based on robust principles and the experienced practice of Corporate Governance, as well as on upright, ethical behavior in compliance with laws, regulations and the Group's strategic objectives.

Furthermore, Group policies have been defined by central support Functions in the following areas: Finance, Strategy, Tax, Information Systems; Legal, Insurance and Internal Control; Human Resources; Purchasing, Geology, Environment, Health & Safety, Research & Technology. These Functions and Departments draw up Group policies that define the specific organization, working principles and reporting for the respective areas of expertise for which they are responsible.

Finally, the Group's internal control manual defines the main internal control principles and the principal control activities to be carried out with respect to the Group's operating and financial processes. The manual was reviewed in full in 2008.

The Group's charts, policies and manuals are grouped together in the "Blue Book", which all employees can consult online via intranet. This initial set of rules forms the reference framework by which the Group's operating activities must abide. It applies to all the Group's companies and activities.

In operating activities, a second set of rules, if needed, define specific working and reporting principles. These arrangements are, in compliance with Group policies, adapted to their own internal organization, the management of their specific mining, industrial and commercial activities and to the particular related risks. They take into account specificities in terms of local laws and regulations.

The Code of Business Conduct and Ethics

The Imerys Code of Business Conduct and Ethics summarizes the ethical behavior principles the Group expects all its employees, especially its senior managers, as well as its contractors, suppliers and other partners with whom they have close relations to follow. It is designed so that everyone, in his or her daily work, adopts an attitude that complies with local legislation and abides by the

principles of responsibility, integrity, fairness and openness that are the Group's values.

The Imerys Code of Business Conduct and Ethics particularly defines the rules of conduct to follow in terms of: protecting the environment and human rights; relations with local communities and the treatment of differences; employee safety; confidentiality rules; prevention of insider trading, conflicts of interest, illicit payments and practices; protection of the Group's assets and fair competition.

Details of some of these subjects are given in other Group policies in addition to the Code of Business Conduct and Ethics: the anti-fraud policy, the child labour and forced labour protocols, the anti-trust policy and the employee relations policy.

Major efforts are made in internal communications. The Code of Business Conduct and Ethics is presented at in-house seminars, regularly featured in articles in the internal magazine and was the subject of a specific Group communication campaign in 2009. Moreover, online training, initially created in the United States, was followed by all American employees in 2007 and by the main European managers in 2009.

Information systems

The effectiveness of information systems and tools contributes to the reliability and improvement of support and operating processes.

The Group's policy consists of integrating as much as possible its value chain (particularly sales, distribution, purchasing, inventory, fixed assets, production, the logistics chain and finance) via its computerized enterprise resource planning (ERP) tools. Imerys strives to use integrated ERP control systems in order to ensure the optimum level of control while meeting the specific requirements of better management of its operating activities. This use is regularly checked by the Internal Audit Function through specialized information system assignments.

Imerys is organized around a small number of ERP systems selected by the Group in order to achieve support and maintenance synergies as well as satisfactory consistency, but also to allow for the size of operations and geographic zones where they are to be rolled out.

For the consolidation and reporting of its accounting and financial information, the Group uses a single software package in all its entities.

Furthermore, tools for consolidating and monitoring the most important non-financial data have been set up Group-wide. Depending on the case, they are used to achieve the following goals:

- obtaining better vision of the performance of the Group's different activities, preventing or solving any difficulties and fostering or measuring improvement (e.g. consolidation and reporting of representative indicators for managing human resources and environment, health or safety);

- ensuring accurate management of some data and contributing to the monitoring of the data's compliance with the legal or regulatory obligations that apply to the Group and with Group rules (e.g. consolidation and reporting of legal and administrative information on the Group's subsidiaries and interests and on their company officers; management of intra-group bank accounts and cash flows).

Human Resources management principles

Human Resources management contributes to Imerys' internal control system by enabling the Group to ensure that its employees have a relevant skill level with respect to their responsibilities, that they are aware of those responsibilities and that they are informed about and observe the Group's rules.

In that respect, a set of rules has been drawn up to ensure that the decisions taken comply with applicable international laws and agreements, control the integrity of salary determination and payment processes, supervise the setup of benefits and gather and process information. Other Human Resources policies have been drawn up covering areas such as employee relations, industrial relations, organizational development, international mobility and crisis management.

Recruitment and development

To support its growth, the Group recruits in every country and every function. To make sure that recruitments are consistent and relevant, the Human Resources Function defines standards and checks practices. In addition, senior managers may not be recruited without the involvement of the Human Resources Function and, as the case may be, the relevant support Functions.

There are two parts to the career development procedure: Performance Appraisal and Career Development (P.A.D.), through which individual goals are set and annual assessments carried out, and Organization and People Review (O.P.R.), a framework that allows the activities to examine annually individual situations (e.g. identifying high-potentials or outstanding performance), succession plans and key organizational questions which are then reviewed by the Executive Committee.

Compensation

Compensations are reviewed annually. The review particularly focuses on base salary and individual bonuses. Compensations are revised according to a global policy intended to improve Group-wide competitiveness, consistency and evolution. Revision is based on an international classification of the main line and support manager positions at Imerys. Furthermore, the bonus practices in force in the Group are now consistent and are based, in particular, on comparable criteria in terms of value and kind. The Nomination and Compensation Committee reviews the global compensation policy for the major Group executives.

TARGETED INTERNAL COMMUNICATIONS

Internal communication is organized around a central department that is part of the Group Human Resources Function and a network of local correspondents in operating activities. Its mission is to supervise the integration of each of the Group's activities and build a collective identity founded on its diversity.

The objective is threefold:

- inform all the Group's employees;
- share experience in order to foster the dissemination of best practices, including internal control mechanisms;
- listen to personnel, especially in operating activities, through the local correspondent network.

To achieve these goals, the Group has several communication tools. The in-house newsletter "Imerys News" or the intranet "Imerysnet" set out Imerys' general orientations, strategy, organization, activities and projects. Other tools, for example the intranet "Blue Book", are used to disseminate Group policies and procedures. Moreover, Imerys strives to give all recruited managers an overview of the Group, including its organization, core businesses and strategy. The welcome sessions organized every year for around 100 new arrivals contribute to this effort.

Finally, in addition to the training programs organized by the activities, Group training sessions enable employees to enhance their professional expertise (e.g. finance, geology, marketing, project management,...) and foster the sharing of best practices.

PERIODICAL ANALYSIS OF THE GROUP'S MAIN RISKS

Objectives

Analyzing risks enables Imerys to identify the events that, if they occurred, could represent a major threat with respect to the achievement of its strategic and financial goals and its compliance with local laws and regulations.

Through a structured process designed to enable the Group to appraise and analyze its main risks, Imerys can assess the suitability of its existing internal control mechanisms, set up relevant action plans to improve their efficiency and, more generally, increase the protection of the Group's value in compliance with applicable laws and regulations.

Organization

The risk analysis process was redefined in 2006. It is henceforth structured as follows:

- with respect to his or her duties, every support and line manager must constantly seek to identify, analyze and manage risks in his or her areas of responsibility. The identification and management of these risks are periodically reviewed and discussed by the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer as part of the budget process, quarterly income statement reviews and monthly management reporting;

- furthermore, the Group has undertaken a formal, recurrent process to analyze its main risks by drawing up a map which shows the potential impact of identified risks and the extent to which they are controlled. This process was initiated from 2003 on the level of the Executive Committee and the main line and support managers, then extended to each activity in 2006, the level considered as most relevant to Imerys' management and operating structure. Results are reviewed and approved by the Group's Executive Committee. In view of the results, new actions are defined to tighten the Group's control of certain identified risks. This risk mapping is now regularly updated on the basis of a review by the Group's support function managers and/or main line managers.

Imerys' Board of Directors supervises the Group's risk analysis process. The Board has appointed two of its specialized Committees, the Strategic Committee and the Audit Committee, to examine questions relating to the Executive Management's analysis and monitoring of the major risks that come under their respective areas of competence. The Committees regularly report to the Board on the work done on that subject and on the obtained results.

Major risks

The nature of the Group's main risks and their management and control methods are detailed *in section 4.1 of this chapter*.

■ RELEVANT CONTROL ACTIVITIES

Operating and support control activities

Control activities are carried out to ensure that the risks related to a given operating or support process are correctly covered. They are adapted to the goals set by the Group.

Group policies (*see "Organization" part above*) are rules that structure the Group's control environment. The resulting Group procedures, particularly those relating to the accuracy of accounting and financial information, describe the required control activities in detail.

Control activities relating to the accuracy of accounting and financial information

The control mechanism and the procedures for the production of the accounting and financial information are uniform throughout the Group. This mechanism is made up of a cross-Group accounting organization, consistent accounting standards, a single consolidated reporting system and a quality control of the financial and accounting information that is produced.

Organization of the Accounting and Financial Department

Accounting and financial operations are managed by the Group Finance Function. Its central organization includes:

- an Accounting and Consolidation Department, which is responsible for the preparation and presentation of Imerys' statutory financial statements and the Group's consolidated financial statements;
- a Financial Control and Budget Control Department, responsible for preparing and compiling budget and monthly management

reporting data as well as for analyzing operations' performance in relation to budget targets and to comparable periods during the previous year;

- a Treasury and Financing Department, which is particularly in charge of preparing and consolidating data on financial debt and on the Group's financial income/expense. Its main missions concern the centralized management and optimization of the Group's debt and financial resources and management of interest rate and liquidity and currency risks;
- a Tax Department, which is particularly responsible for monitoring the tax consolidations made in the Group, estimating the resulting amount of taxes and controlling their overall consistency.

Because of the decentralized organization of accounting and financial functions, the financial controller of each activity has a key role. In particular, he or she is in charge of making sure that accounting and financial internal control procedures are correctly applied in the activities for his or her scope of responsibility. Each controller is assigned to the manager of the operating entity in question, but also reports on a functional basis to the Group Finance Function.

Accounting framework

The general rules described in the "Blue Book" apply to all the Group's operating and legal entities. In compliance with the IFRS standards adopted within the European Union, they include:

- a reminder of the general accounting principles and recommendations to comply with;
- a detailed chart of accounts;
- a definition of the Group's accounting methods that apply for the most important items and/or operations;
- control procedures for the most important account categories, particularly the main accounting reconciliations to be performed in order to control the information produced;
- useful standard documents for carrying out those controls.

These documents are regularly updated with every amendment or application of new accounting standards, under the responsibility of the Reporting and Consolidation Department.

Annual budget and management reporting

Every year, Imerys implements a monthly reporting and budget process for all the Group's entities in order to have a running tool and accurate and consistent information. The match between accounting data and the management information derived from reporting is the key control principle intended to ensure the accuracy of accounting and financial information.

Imerys' budget preparation procedure is based on the involvement of cross-functional teams in every activity and on the control of the overall consistency of assumptions and methods by the Reporting and Consolidation Department.

The reporting system enables the Group to accurately monitor monthly results (income statement and cash flow) and financial data for operating activities and to compare them with the budget and results for the corresponding period in the previous financial year. Local line managers comment on management indicators and the main variations are analyzed by the Reporting and Consolidation Department.

Consolidation process

A single accounting consolidation system handles all information from every Group operating and legal entity.

To guarantee the quality and accuracy of its financial information, Imerys has set up a unified reporting system known as "Magnitude" for both the collection of management information and production of the consolidated financial statements. The system is deployed in all the Group's entities. It is sourced from local accounting data by interface, by retrieving the necessary data from the financial modules of entities' ERP systems, or by manual input.

A detailed schedule is drawn up for annual and interim (quarterly and semi-annual) account closings.

Review of results

Every month, the Executive Committee examines the most recent overviews resulting from management reporting, analyzes significant variations on the previous year or the budget. It defines any corrective actions that it judges necessary and monitors their implementation.

Furthermore, results are reviewed at the quarterly meetings in which operating activity managers present their results to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. A summary of each of those reviews is also presented to the Strategic Committee.

Finally, the consolidated financial statements are systematically reviewed by the Chief Executive Officer and the Chief Operating Officer assisted by the Executive Committee. These statements are also reviewed by the Board of Directors and, for the semi-annual and annual statements, approved by the Board of Directors after examination by its Audit Committee.

■ REVIEW OF INTERNAL CONTROL MECHANISMS

The review processes set up at Imerys enable the Group to regularly check the quality and efficiency of its internal controls and to take improvement actions if needed.

Beyond the constant controls made by line and support management, internal controls are reviewed under two interrelated Group processes.

Audit of entities' internal control practices

The Internal Audit Function has a twofold mission: check internal control mechanisms in operating entities and make sure they comply with the principles and rules defined by the Group; cover operating and strategic risks and issues for the Group.

Internal Audit teams inspect all operating entities in an auditing cycle that ranges from 3 to 5 years on average, depending on how critical and significant the entities are. The audit plan is validated annually by the Audit Committee and may be modified according to circumstances.

Audit reports are passed on to the Chief Executive Officer, the Chief Operating Officer and the main support and line managers concerned. A complete report about the Internal Audit Function's activities is presented and discussed every six months in an Audit Committee meeting with the Statutory Auditors present. On that

occasion, a copy of all the audit reports drawn up is handed to participants.

Overall review of the Group's internal control systems

Imerys has undertaken a continuous process to improve the efficiency of its internal control systems. Implementation of this process is supervised by the Internal Control Department and work is done in coordination with managers of the Group's relevant line and support organizations. This structured and formal process is based on detailed self-assessment questionnaires. The aim is to analyze existing internal control mechanisms, particularly with respect to the material nature of the related risks.

This process is structured in five main stages:

- prior identification of the organization key operating and support processes where the major risks are located;
- identification of critical control activities related to the risks in those processes;
- assessment of those controls by the main process owners;
- identification of any deficiencies in internal controls;
- consolidation of the obtained results, definition and implementation of any necessary improvement or corrective actions.

A computer tool is used to consolidate, process and provide overviews of the information resulting from the different stages.

In 2009, Imerys began its third review of internal control mechanisms for 12 of the Group's significant processes (Sales, Inventories, Purchases, Capital Expenditure, Fixed Asset Management, Mining, Payroll, Human Resources Management, Treasury, Tax, Closing & Consolidation, IT Security) in 29 of its main entities which together contribute to almost 65% of consolidated sales.

Except for the "Operating management of information systems" process, Imerys covered from 2007 to 2009 all the main line and support processes that may generate material risks for the Group, in line with its three-year plan.

Self-assessment questionnaires are completed by the concerned responsible people and validated by the financial controllers and general managers of the assessed activities. They are reviewed and discussed with the Internal Control Department to ensure that answers are consistent and assessments are relevant. Moreover, the Internal Audit Function now includes in the scope of its audit assignments the validation of the answers given in internal control questionnaires for audited entities that have made a self-assessment of their control practices.

The final results of the overall review of the Group's internal control systems are presented annually to the members of the Executive Committee and to the Audit Committee.

Henceforth, these assessments will be updated every two or three years according to the selected entities.

4.2.2 STATUTORY AUDITORS' REPORT

Prepared in accordance with Article L. 225-235 of French Compagny Law (Code de Commerce) on the report prepared by the Chairman of the Board of Directors.

Fiscal year ended December 31, 2009

ERNST & YOUNG Audit
Faubourg de l'Arche - 11, allée de l'Arche
92037 Paris-La Défense Cedex

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

(This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French Company Law on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France).

Dear Shareholders,

In our capacity as statutory auditors of Imerys and in accordance with Article L.225-235 of French Company Law (*Code de Commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of French Company Law (*Code de Commerce*) for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of French Company Law (*Code de Commerce*), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of French Company Law (*Code de commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of French Company Law (*Code de Commerce*).

OTHER DISCLOSURES

We hereby attest that the Chairman of the Board of Directors' report includes the other disclosures required by Article L.225-37 of French Company Law (*Code de commerce*).

Paris - La Défense and Neuilly-sur-Seine, March 30, 2010

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit

Jean-Roch VARON

Deloitte & Associés

Arnaud de PLANTA

FINANCIAL STATEMENTS

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5.1 CONSOLIDATED FINANCIAL STATEMENTS

5.1.1 CONSOLIDATED INCOME STATEMENT

| (€ millions) | Notes | 2009 | 2008 |
|--|-------|------------------|------------------|
| Revenue | 5 | 2,773.7 | 3,449.2 |
| Current revenue and expenses | | (2,524.8) | (3,034.6) |
| Raw materials and consumables used | 6 | (1,026.1) | (1,268.5) |
| External expenses | 7 | (674.9) | (890.7) |
| Staff expenses | 8 | (587.1) | (651.5) |
| Taxes and duties | | (42.6) | (53.0) |
| Amortization, depreciation and impairment losses | | (181.4) | (193.2) |
| Other current revenue and expenses | 9 | (12.6) | 11.9 |
| Share in net income of associates | 20 | (0.1) | 10.4 |
| Current operating income | | 248.9 | 414.6 |
| Other operating revenue and expenses | 10 | (87.1) | (114.9) |
| Income on assets disposals | | 4.3 | 0.1 |
| Impairment losses, restructuring and litigation | | (91.4) | (115.0) |
| Operating income | | 161.8 | 299.7 |
| Net financial debt expense | | (69.1) | (57.0) |
| Income from securities | 12 | 2.2 | 4.1 |
| Gross financial debt expense | 12 | (71.3) | (61.1) |
| Other financial revenue and expenses | | (14.3) | 9.9 |
| Other financial revenue | 12 | 121.1 | 282.9 |
| Other financial expenses | 12 | (135.4) | (273.0) |
| Financial income (loss) | | (83.4) | (47.1) |
| Income taxes | 13 | (37.1) | (88.9) |
| Net income | | 41.3 | 163.7 |
| Net income, Group share | 14 | 41.3 | 161.3 |
| Net income, minority interests | | - | 2.4 |
| Net income, Group share | | 41.3 | 161.3 |
| Net income from current operations, Group share | 14 | 119.3 | 267.1 |
| Other net operating revenue and expenses, Group share | 10 | (78.0) | (105.8) |
| <i>Net basic earnings per share from current operations (in €)</i> | 15 | <i>1.66</i> | <i>3.96</i> |
| <i>Net basic earnings per share (in €)</i> | 15 | <i>0.57</i> | <i>2.39</i> |
| <i>Diluted net earnings per share (in €)</i> | 15 | <i>0.57</i> | <i>2.39</i> |
| <i>Average exchange rate euro/USD</i> | 28 | <i>1.3945</i> | <i>1.4708</i> |

5.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (€ millions) | Notes | 2009 | 2008 |
|--|-------|--------------|----------------|
| Net income | | 41.3 | 163.7 |
| Cash flow hedges | | 54.5 | (71.5) |
| Recognition in equity | 25.4 | 41.0 | (73.6) |
| Reclassification in profit or loss | 25.4 | 13.5 | 2.1 |
| Translation reserve | | 33.1 | (106.7) |
| Recognition in equity | | 33.1 | (106.7) |
| Reclassification in profit or loss | | - | - |
| Others | | - | (0.6) |
| Income taxes | 13 | (4.6) | 20.9 |
| Other comprehensive income | | 83.0 | (157.9) |
| Total comprehensive income | | 124.3 | 5.8 |
| Total comprehensive income, Group share | | 123.5 | 4.9 |
| Total comprehensive income, minority interests | | 0.8 | 0.9 |

Average exchange rate euro/USD

28

1.3945

1.4708

5.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (€ millions) | Notes | 2009 | 2008 |
|--|-------|----------------|----------------|
| Non-current assets | | 2,740.5 | 2,839.9 |
| Goodwill | 16 | 897.5 | 899.4 |
| Intangible assets | 17 | 43.8 | 45.0 |
| Mining assets | 18 | 377.2 | 395.6 |
| Property, plant and equipment | 18 | 1,224.1 | 1,314.0 |
| Investments in associates | 20 | 50.0 | 50.0 |
| Available-for-sale financial assets | 22.2 | 7.5 | 7.1 |
| Other financial assets | 22.3 | 23.2 | 13.8 |
| Other receivables | 22.3 | 43.7 | 40.4 |
| Derivative financial assets | 25.4 | 17.6 | 18.7 |
| Deferred tax assets | 26 | 55.9 | 55.9 |
| Current assets | | 1,190.8 | 1,508.0 |
| Inventories | 21 | 440.5 | 611.0 |
| Trade receivables | 22.3 | 364.4 | 523.3 |
| Other receivables | 22.3 | 110.7 | 154.2 |
| Derivative financial assets | 25.4 | 5.0 | 1.1 |
| Marketable securities and other financial assets | | 5.6 | 4.4 |
| Cash and cash equivalents | | 264.6 | 214.0 |
| Consolidated assets | | 3,931.3 | 4,347.9 |
| Equity, Group share | | 1,836.9 | 1,526.4 |
| Capital | 23 | 150.8 | 125.6 |
| Premiums | | 339.4 | 115.8 |
| Reserves | | 1,305.4 | 1,123.7 |
| Net income, Group share | | 41.3 | 161.3 |
| Minority interests | | 18.9 | 19.9 |
| Shareholders' equity | | 1,855.8 | 1,546.3 |
| Non-current liabilities | | 1,388.9 | 1,449.8 |
| Provisions for employee benefits | 24.1 | 103.9 | 133.2 |
| Other provisions | 24.2 | 157.7 | 153.7 |
| Loans and financial debts | 25.2 | 1,037.7 | 1,054.7 |
| Other debts | 25.3 | 9.5 | 13.6 |
| Derivative financial liabilities | 25.4 | 16.5 | 19.2 |
| Deferred tax liabilities | 26 | 63.6 | 75.4 |
| Current liabilities | | 686.6 | 1,351.8 |
| Other provisions | 24.2 | 18.6 | 20.8 |
| Trade payables | | 260.7 | 337.9 |
| Income taxes payable | | 20.6 | 13.4 |
| Other debts | 25.3 | 185.7 | 199.7 |
| Derivative financial liabilities | 25.4 | 2.9 | 49.8 |
| Loans and financial debts | 25.2 | 186.0 | 727.3 |
| Bank overdrafts | 25.2 | 12.1 | 2.9 |
| Consolidated equity and liabilities | | 3,931.3 | 4,347.9 |
| <i>Net financial debt</i> | 25.2 | <i>964.3</i> | <i>1,566.1</i> |
| <i>Closing exchange rate euro/USD</i> | 28 | <i>1.4406</i> | <i>1.3917</i> |

5.1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (€ millions) | Group share | | | | | | | | | | Total |
|---|-------------|----------|-----------------|------------------|---------------------|----------------|----------|-------------------------|----------|--------------------|---------|
| | Reserves | | | | | | | Net income, Group share | Subtotal | Minority interests | |
| | Capital | Premiums | Treasury shares | Cash flow hedges | Translation reserve | Other reserves | Subtotal | | | | |
| Equity as of January 1, 2008 | 126.3 | 131.6 | (11.3) | 3.9 | (164.7) | 1,269.7 | 1,097.6 | 284.2 | 1,639.7 | 23.9 | 1,663.6 |
| Total comprehensive income | - | - | - | (70.6) | (85.2) | (0.6) | (156.4) | 161.3 | 4.9 | 0.9 | 5.8 |
| Transactions with shareholders | (0.7) | (15.8) | 11.3 | 0.0 | 0.0 | 171.2 | 182.5 | (284.2) | (118.2) | (4.9) | (123.1) |
| Allocation of 2007 net income | - | - | - | - | - | 284.2 | 284.2 | (284.2) | - | - | 0.0 |
| Dividend (€1.90 per share) | - | - | - | - | - | (119.0) | (119.0) | - | (119.0) | (0.7) | (119.7) |
| Capital increases | - | 0.9 | - | - | - | - | - | - | 0.9 | - | 0.9 |
| Capital decreases | (0.7) | (16.7) | - | - | - | - | - | - | (17.4) | - | (17.4) |
| Transactions on treasury shares | - | - | 11.3 | - | - | - | 11.3 | - | 11.3 | - | 11.3 |
| Share-based payments | - | - | - | - | - | 6.0 | 6.0 | - | 6.0 | - | 6.0 |
| Transactions with minority interests | - | - | - | - | - | - | - | - | - | (4.2) | (4.2) |
| Equity as of January 1, 2009 | 125.6 | 115.8 | 0.0 | (66.7) | (249.9) | 1,440.3 | 1,123.7 | 161.3 | 1,526.4 | 19.9 | 1,546.3 |
| Total comprehensive income | - | - | - | 53.6 | 28.6 | - | 82.2 | 41.3 | 123.5 | 0.8 | 124.3 |
| Transactions with shareholders | 25.2 | 223.6 | 0.0 | 0.0 | 0.0 | 99.5 | 99.5 | (161.3) | 187.0 | (1.8) | 185.2 |
| Allocation of 2008 net income | - | - | - | - | - | 161.3 | 161.3 | (161.3) | - | - | 0.0 |
| Dividend (€1.00 per share) | - | - | - | - | - | (62.8) | (62.8) | - | (62.8) | (0.8) | (63.6) |
| Capital increases | 25.2 | 223.6 | - | - | - | - | - | - | 248.8 | 0.2 | 249.0 |
| Capital decreases | - | - | - | - | - | - | - | - | - | - | - |
| Transactions on treasury shares | - | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | 6.4 | 6.4 | - | 6.4 | - | 6.4 |
| Transactions with minority interests | - | - | - | - | - | (5.4) | (5.4) | - | (5.4) | (1.2) | (6.6) |
| Equity as of December 31, 2009 | 150.8 | 339.4 | 0.0 | (13.1) | (221.3) | 1,539.8 | 1,305.4 | 41.3 | 1,836.9 | 18.9 | 1,855.8 |
| Proposed dividend (€1.00 per share) | - | - | - | - | - | (75.4) | (75.4) | - | (75.4) | - | (75.4) |
| Equity after allocation as of January 1, 2010 | 150.8 | 339.4 | 0.0 | (13.1) | (221.3) | 1,464.4 | 1,230.0 | 41.3 | 1,761.5 | 18.9 | 1,780.4 |

5.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

| (€ millions) | Notes | 2009 | 2008 |
|---|------------|----------------|----------------|
| Cash flow from operating activities | | 520.5 | 365.2 |
| Cash flow generated by current operations | Appendix 1 | 657.3 | 580.5 |
| Interests paid | | (67.2) | (46.6) |
| Income taxes on current operating income and financial income (loss) | | (26.1) | (127.1) |
| Dividends received from available-for-sale financial assets | | 0.4 | 0.2 |
| Cash flow generated by other operating revenue and expenses | Appendix 2 | (43.9) | (41.8) |
| Cash flow from investing activities | | (115.5) | (366.1) |
| Acquisitions of intangible assets and property, plant and equipment | | (138.4) | (247.9) |
| Acquisitions of investments in consolidated entities after deduction of cash acquired | 16 | (10.9) | (142.6) |
| Acquisitions of available-for-sale financial assets | | - | - |
| Disposals of intangible assets and property, plant and equipment | | 18.8 | 20.9 |
| Disposals of investments in consolidated entities after deduction of cash disposed of | | 14.2 | 0.9 |
| Disposals of available-for-sale financial assets | | 0.1 | 0.3 |
| Net change in financial assets | | (1.2) | (0.6) |
| Paid-in interests | | 1.9 | 2.9 |
| Cash flow from financing activities | | (365.7) | 145.8 |
| Capital increases | | 249.0 | 0.9 |
| Capital decreases | | - | (17.4) |
| Disposals (acquisitions) of treasury shares | | - | 11.5 |
| Dividends paid to shareholders | | (62.8) | (119.0) |
| Dividends paid to minority interests | | (0.8) | (0.7) |
| Loan issues | | 8.2 | 490.8 |
| Loan repayments | | (402.4) | (15.2) |
| Net change in other debts | | (156.9) | (205.1) |
| Change in cash and cash equivalents | | 39.3 | 144.9 |

| (€ millions) | 2009 | 2008 |
|---|--------------|--------------|
| Opening cash and cash equivalents | 211.2 | 70.8 |
| Change in cash and cash equivalents | 39.3 | 144.9 |
| Impact of changes due to changes in perimeter | (2.3) | - |
| Impact of changes due to exchange rate fluctuations | 4.5 | (4.4) |
| Impact of changes in accounting policies | (0.1) | (0.1) |
| Closing cash and cash equivalents | 252.6 | 211.2 |
| Cash and cash equivalents | 264.6 | 214.0 |
| Bank overdrafts | (12.1) | (2.8) |

Appendix 1: cash flow generated by current operations

| (€ millions) | Notes | 2009 | 2008 |
|--|---------|--------------|--------------|
| Net income | | 41.3 | 163.7 |
| Adjustments | | 367.2 | 408.0 |
| Income taxes | 13 | 37.1 | 88.9 |
| Share in net income of associates | 20 | 0.1 | (10.4) |
| Dividends received from associates | | 3.8 | 4.2 |
| Impairment losses on goodwill | 10 & 16 | 7.0 | 48.9 |
| Other operating revenue and expenses excluding impairment losses on goodwill | | 80.1 | 66.0 |
| Net operating amortization and depreciation | | 180.4 | 191.5 |
| Net operating impairment losses on assets | | 18.1 | 7.5 |
| Net operating provisions | | (24.9) | (29.7) |
| Dividends receivable from available-for-sale financial assets | | (0.3) | (0.3) |
| Net interests of revenue and expenses | | 71.4 | 56.5 |
| Revaluation gains and losses | | 5.5 | (5.7) |
| Income from current disposals of intangible assets and property, plant and equipment | | (11.1) | (9.4) |
| Change in the working capital requirement | | 248.8 | 8.8 |
| Inventories | | 171.0 | (94.6) |
| Trade accounts receivable, advances and down payments received | | 144.2 | 105.1 |
| Trade accounts payable, advances and down payments paid | | (79.9) | 21.8 |
| Other receivables and debts | | 13.5 | (23.5) |
| Cash flow generated by current operations | | 657.3 | 580.5 |

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

| (€ millions) | Notes | 2009 | 2008 |
|--|---------|---------------|----------------|
| Other operating revenue and expenses | | (87.1) | (114.9) |
| Adjustments | | 43.2 | 73.1 |
| Impairment losses on goodwill | 10 & 16 | 7.0 | 48.9 |
| Other net operating amortization and depreciation | 10 | 32.3 | 16.2 |
| Other net operating provisions | 10 | 6.1 | (5.7) |
| Income from non-recurring disposals of intangible assets and property, plant and equipment | 10 | - | - |
| Income from disposals of consolidated investments and available-for-sale financial assets | 10 | (11.3) | (0.1) |
| Income taxes paid on other operating revenue and expenses | | 9.1 | 13.8 |
| Cash flow generated by other operating revenue and expenses | | (43.9) | (41.8) |

5.1.6 RECONCILIATION OF THE NET FINANCIAL DEBT

The net financial debt is the net position of Imerys towards financial institutions, i.e. the total of financing liabilities decreased by cash, cash equivalents and marketable securities. The net financial debt is used in the management of the financial resources of the Group. This indicator is used in particular in the calculation of financial ratios that Imerys has to comply with under financing agreements entered into with financial markets (*Note 25.5 - Borrower's liquidity risk*). The link between this indicator and the statement of financial position is presented in *Note 25.2*. The following notes present the change in the net financial debt in two steps:

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

Current free operating cash flow

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

| (€ millions) | 2009 | 2008 |
|--|----------------|----------------|
| Current operating income | 248.9 | 414.6 |
| Operating amortization, depreciation and impairment losses | 181.4 | 193.2 |
| Net change in operating provisions | (17.8) | (28.4) |
| Provisions for mining assets | 0.2 | 0.2 |
| Share in net income of associates | 0.1 | (10.4) |
| Dividends received from associates | 3.8 | 4.2 |
| Operating cash flow before taxes (current EBITDA) | 416.6 | 573.4 |
| Notional taxes on current operating income ⁽¹⁾ | (69.5) | (110.6) |
| Current net operating cash flow | 347.1 | 462.8 |
| Paid capital expenditures ⁽²⁾ | (138.4) | (248.8) |
| Intangible assets | (2.9) | (4.0) |
| Property, plant and equipment ⁽³⁾ | (93.3) | (201.5) |
| Overburden mining assets | (22.5) | (32.6) |
| Debts on acquisitions | (19.7) | (10.7) |
| Carrying amount of current asset disposals | 6.3 | 11.5 |
| Change in the operational working capital requirement | 235.3 | 32.3 |
| Inventories | 171.0 | (94.6) |
| Trade accounts receivable, advances and down payments received | 144.2 | 105.1 |
| Trade accounts payable, advances and down payments paid | (79.9) | 21.8 |
| Current free operating cash flow | 450.3 | 257.8 |

(1) Effective tax rate on current operating income

27.9%

26.7%

(2) Recognized capital expenditures / asset depreciation ratio

65.5%

123.3%

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

181.3

193.1

(3) Of which acquisition of assets under finance lease

-

(0.9)

Change in net financial debt

| (€ millions) | 2009 | 2008 |
|---|---------------|----------------|
| Current free operating cash flow | 450.3 | 257.8 |
| Financial income (loss) | (83.4) | (47.1) |
| Financial impairment losses and unwinding of the discount | 9.7 | 4.9 |
| Income taxes on financial income (loss) | 23.3 | 12.5 |
| Change in income tax debt | 26.7 | (48.8) |
| Change in deferred taxes on current operating income | (6.6) | 19.8 |
| Change in other items of working capital | 13.6 | (23.4) |
| Change in fair value | 8.3 | 4.2 |
| Change in dividends receivable from available-for-sale financial assets | 0.1 | (0.1) |
| Current free cash flow | 442.0 | 179.8 |
| External growth | (11.0) | (155.8) |
| Acquisitions of investments in consolidated entities after deduction of the net debt acquired | (11.0) | (155.8) |
| Acquisitions of available-for-sale financial assets | - | - |
| Disposals | 15.9 | 1.2 |
| Disposals of investments in consolidated entities after deduction of the net debt disposed of | 14.5 | 0.9 |
| Disposals of available-for-sale financial assets | 0.1 | 0.3 |
| Non-recurring disposals of property, plant and equipment and intangible assets | 1.3 | - |
| Cash flow from other operating revenue and expenses | (44.2) | (42.4) |
| Dividends paid to shareholders and minority interests | (63.6) | (119.7) |
| Financing requirement | 339.1 | (136.9) |
| Transactions on equity | 249.0 | (5.0) |
| Net change in financial assets | 0.1 | (0.3) |
| Change in net financial debt | 588.2 | (142.2) |

| (€ millions) | 2009 | 2008 |
|---|------------------|------------------|
| Opening net financial debt | (1,566.1) | (1,343.0) |
| Change in net financial debt | 588.2 | (142.2) |
| Impact of changes due to exchange rate fluctuations | 14.0 | (63.2) |
| Impact of changes in fair value of interest rate hedges | 3.4 | (20.0) |
| Impact of changes in accounting policies and other | (3.8) | 2.3 |
| Closing net financial debt | (964.3) | (1,566.1) |

5.1.7 INFORMATION BY SEGMENTS

The reported operating segments correspond to the four business groups of Imerys: Performance & Filtration Minerals (PFM); Pigments for Paper (PP); Materials & Monolithics (M&M) and Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). Each of these segments is engaged in the production and rendering of related goods and services presenting geological, industrial and commercial

synergies and results from the aggregation of the Cash-Generating Units ([Note 19](#)) followed each month by the Executive Management in its business reporting. The holding structures dedicated to the centralized financing of the Group are no segments. Their aggregates are thus presented in a reconciliation column with inter-segment eliminations (IS&H).

Consolidated income statement

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

As of December 31, 2009

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

As of December 31, 2008

| (€ millions) | PFM | PP | M&M | CRAF | IS&H | Total |
|---|---------------|---------------|----------------|----------------|---------------|----------------|
| External revenue | 559.2 | 717.3 | 1,040.7 | 1,132.0 | 0.0 | 3,449.2 |
| Sales of goods | 484.6 | 577.4 | 950.5 | 1,030.7 | - | 3,043.2 |
| Rendering of services | 74.6 | 139.9 | 90.2 | 101.3 | - | 406.0 |
| Inter-segment revenue | 12.3 | 1.9 | 0.7 | 27.9 | (42.8) | 0.0 |
| Revenue | 571.5 | 719.2 | 1,041.4 | 1,159.9 | (42.8) | 3,449.2 |
| Current operating income | 46.1 | 60.2 | 228.3 | 127.8 | (47.8) | 414.6 |
| of which share in net income of associates | - | 7.2 | 1.3 | 1.9 | - | 10.4 |
| Operating income | (20.6) | 32.6 | 222.2 | 121.5 | (56.0) | 299.7 |
| of which amortization, depreciation and impairment losses | (33.7) | (56.9) | (38.4) | (61.8) | (2.4) | (193.2) |
| of which net operating provisions | 0.4 | (3.6) | (0.3) | 5.7 | (0.9) | 1.3 |
| Financial income (loss) | 6.7 | (13.6) | (5.2) | 5.5 | (40.5) | (47.1) |
| Interest revenue | 0.3 | 0.5 | 0.6 | 1.4 | 1.3 | 4.1 |
| Interest expenses | (0.7) | (1.2) | (1.7) | (2.0) | (54.3) | (59.9) |
| Income taxes | (3.7) | (19.6) | (67.7) | (27.0) | 29.1 | (88.9) |
| Net income | (17.6) | (0.6) | 149.3 | 100.0 | (67.4) | 163.7 |

Consolidated statement of financial position

As of December 31, 2009

| (€ millions) | PFM | PP | M&M | CRAF | IS&H | Total |
|---|--------------|--------------|--------------|----------------|---------------|----------------|
| Capital employed - Assets | 672.4 | 934.3 | 746.4 | 1,223.2 | (24.4) | 3,551.9 |
| Goodwill ⁽¹⁾ | 141.2 | 153.5 | 190.3 | 411.8 | 0.7 | 897.5 |
| Property, plant and equipment and intangible assets ⁽²⁾ | 376.3 | 514.2 | 331.7 | 413.0 | 9.9 | 1,645.1 |
| Inventories | 45.1 | 81.3 | 100.1 | 214.0 | - | 440.5 |
| Trade receivables | 79.5 | 77.2 | 76.0 | 138.9 | (7.2) | 364.4 |
| Other receivables - current and non-current | 23.3 | 77.7 | 41.7 | 39.5 | (27.8) | 154.4 |
| Investments in associates | 7.0 | 30.4 | 6.6 | 6.0 | - | 50.0 |
| Unallocated assets | | | | | | 379.4 |
| Total assets | | | | | | 3,931.3 |
| Capital employed - Liabilities | 65.4 | 87.7 | 159.7 | 165.9 | (2.2) | 476.5 |
| Trade payables | 40.9 | 52.9 | 91.6 | 91.2 | (15.9) | 260.7 |
| Other debts - current and non-current | 23.6 | 40.1 | 67.9 | 49.3 | 14.3 | 195.2 |
| Income taxes payable | 0.9 | (5.3) | 0.2 | 25.4 | (0.6) | 20.6 |
| Provisions | 52.8 | 54.0 | 66.8 | 76.9 | 29.7 | 280.2 |
| Unallocated liabilities | | | | | | 1,318.8 |
| Total current and non-current liabilities | | | | | | 2,075.5 |
| Total capital employed | 607.0 | 846.6 | 586.7 | 1,057.3 | (22.2) | 3,075.4 |
| (1) Increases in goodwill | 5.1 | - | - | (0.8) | - | 4.3 |
| (2) Acquisitions of property, plant and equipment and intangible assets | 15.1 | 35.6 | 37.5 | 48.4 | 1.8 | 138.4 |

As of December 31, 2008

| (€ millions) | PFM | PP | M&M | CRAF | IS&H | Total |
|---|--------------|----------------|--------------|----------------|---------------|----------------|
| Capital employed - Assets | 743.8 | 1,003.5 | 893.0 | 1,376.4 | 16.2 | 4,032.9 |
| Goodwill ⁽¹⁾ | 144.4 | 148.2 | 188.7 | 417.4 | 0.7 | 899.4 |
| Property, plant and equipment and intangible assets ⁽²⁾ | 422.9 | 551.0 | 343.6 | 427.5 | 9.6 | 1,754.6 |
| Inventories | 71.8 | 108.1 | 136.7 | 294.4 | - | 611.0 |
| Trade receivables | 86.6 | 83.2 | 186.5 | 180.7 | (13.7) | 523.3 |
| Other receivables - current and non-current | 18.1 | 76.7 | 30.4 | 49.8 | 19.6 | 194.6 |
| Investments in associates | - | 36.3 | 7.1 | 6.6 | - | 50.0 |
| Unallocated assets | | | | | | 315.0 |
| Total assets | | | | | | 4,347.9 |
| Capital employed - Liabilities | 84.6 | 101.3 | 195.3 | 207.3 | (23.9) | 564.6 |
| Trade payables | 49.9 | 67.4 | 111.1 | 131.0 | (21.5) | 337.9 |
| Other debts - current and non-current | 33.4 | 40.7 | 81.6 | 55.1 | 2.5 | 213.3 |
| Income taxes payable | 1.3 | (6.8) | 2.6 | 21.2 | (4.9) | 13.4 |
| Provisions | 70.4 | 47.5 | 66.7 | 69.1 | 54.0 | 307.7 |
| Unallocated liabilities | | | | | | 1,929.3 |
| Total current and non-current liabilities | | | | | | 2,801.6 |
| Total capital employed | 659.2 | 902.2 | 697.7 | 1,169.1 | 40.1 | 3,468.3 |
| (1) Increases in goodwill | 6.6 | 1.2 | 3.8 | 99.7 | - | 111.3 |
| (2) Acquisitions of property, plant and equipment and intangible assets | 53.0 | 71.0 | 46.9 | 72.1 | 4.9 | 247.9 |

Revenue by geographical location

| (€ millions) | 2009 | 2008 |
|--|----------------|----------------|
| France | 683.0 | 841.6 |
| Other European countries | 994.7 | 1,327.7 |
| North America | 628.7 | 736.2 |
| Asia - Oceania | 327.2 | 394.6 |
| Other countries | 140.2 | 149.1 |
| Revenue by geographical location of the businesses of the Group | 2,773.7 | 3,449.2 |
| France | 561.2 | 667.0 |
| Other European countries | 1,014.5 | 1,368.5 |
| North America | 577.5 | 693.5 |
| Asia-Oceania | 398.7 | 482.8 |
| Other countries | 221.9 | 237.4 |
| Revenue by geographical location of the customers | 2,773.7 | 3,449.2 |

Assets by geographical location

| (€ millions) | 2009 | | | 2008 | | |
|--------------------------|--------------|---|----------------|--------------|---|----------------|
| | Goodwill | Property, plant and equipment and intangible assets | Total | Goodwill | Property, plant and equipment and intangible assets | Total |
| France | 163.6 | 376.7 | 540.3 | 169.3 | 389.1 | 558.4 |
| Other European countries | 325.2 | 380.8 | 706.0 | 318.9 | 404.9 | 723.8 |
| North America | 120.8 | 463.5 | 584.3 | 124.5 | 518.8 | 643.3 |
| Asia-Oceania | 215.5 | 145.5 | 361.0 | 225.3 | 150.4 | 375.7 |
| Other countries | 72.4 | 278.6 | 351.0 | 61.4 | 291.4 | 352.8 |
| Total | 897.5 | 1,645.1 | 2,542.6 | 899.4 | 1,754.6 | 2,654.0 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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■ Accounting principles and policies

Note 1 Accounting principles

1.1 Statement of compliance with the Referential

Pursuant to European regulation no. 1606/2002 of July 19, 2002, Imerys, a group of the industrial minerals sector, with its headquarters in Paris, 154 rue de l'Université and whose share is admitted to trading on the compartment A of Euronext Paris, has established its consolidated financial statements as of December 31, 2009 in compliance with IFRSs (International Financial Reporting Standards) adopted within the European Union at the closing date (hereafter "the Referential"). The financial statements have been closed on February 15, 2010 by the Board of Directors of Imerys SA, the Parent Company of the Group, on a going concern basis, in millions of Euros with one decimal rounded up to the nearest tenth.

1.2 Differences between the Referential and IFRSs

The adoption process within the European Union may temporarily create time-lags at the closing date between IFRSs and the Referential. However, since Imerys is not concerned by the entirety of these texts, the temporary time-lags as of December 31, 2009 are limited for the Group to the Improvements to IFRSs (April 2009) (*Note 3*). These texts represent for Imerys the only differences with IFRSs as of December 31, 2009.

1.3 Optional statements

First-time adoption. Upon first-time adoption of the Referential, Imerys presented financial statements as of January 1, 2004 that included a retrospective application limited by some optional exemptions provided for by standard IFRS 1 on first-time adoption

of IFRSs and exercised by the Group. The acquisition of businesses prior to the first-time adoption have not been adjusted. The carrying amount of property, plant and equipment has not been adjusted except for mineral reserves and resources, which have been measured at fair value. Unrecognized actuarial differences of defined benefit plans have been included in the measurement of the plan assets and provisions against the reserves. Finally, the translation differences of foreign businesses have been reclassified in the reserves.

Other optional statements. Some standards of the Referential present recognition and measurement options. The amortized / depreciated historical cost qualifies as the measurement basis of intangible assets (*Note 4.10*), mining assets (*Note 4.11*) and property, plant and equipment (*Note 4.12*). Inventories are measured on the basis of their characteristics in accordance with the "First-In, First-Out" (FIFO) or weighted average cost methods (*Note 4.15*). The actuarial differences of defined employee benefit plans are recognized in accordance with the corridor method (*Note 4.19*). The rules of hedge accounting are applied to the recognition of derivatives hedging currency, interest rate and energy price risks (*Note 4.21*).

1.4 Absence of guidance

In the absence of any applicable text or sufficient detail of the existing texts, the Executive Management has defined recognition and measurement policies on four subjects: purchase commitment of minority interests of an entity controlled by the Group (*Note 4.6*), acquisition of minority interests of an entity controlled by the Group (*Note 4.6*), greenhouse gas allowances (*Note 4.10*) and mining assets (*Note 4.11*).

Note 2 Changes in accounting policies

2.1 New texts: anticipated application

Imerys is not applying any text by anticipation in 2009. In 2008, Imerys had applied by anticipation IFRS 8, Operating Segments and IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

2.2 New texts: application upon effective date

Amendment to IFRS 2, Share-Based Payment: Vesting Conditions and Cancellations. This amendment applicable as of January 1, 2009 explicitly limits the vesting conditions of rights

to service and performance. It also clarifies that all cancellations follow an identical treatment, irrespective of whether the decision was originally taken by the Group or another party. This amendment has no impact on the amount of share-based payments included in the position "Salaries" of *Note 8*.

IAS 1 Revised, Presentation of Financial Statements. This amendment applicable as of January 1, 2009 splits the former statement of changes in equity into two separate statements: equity transactions with shareholders on the one hand (*Statement of changes in equity*); items of income and expense directly recognized in equity on the other hand (*Statement of comprehensive income*).

IAS 23 Revised, Borrowing Costs. This amendment applicable as of January 1, 2009 requires the incorporation of the borrowing costs directly attributable to the acquisition, construction or production of assets prepared over a substantial period of time. This amendment has no significant impact on the measurement of the Group's industrial investment projects in progress (*Note 18*).

Amendments to IFRS 7, Improving Disclosures about Financial Instruments. This amendment applicable as of January 1, 2009 completes the disclosures on fair value in *Notes 25.1 and 25.4 - Derivative instruments in the financial statements* and liquidity risk in *Note 25.5 - Borrower's liquidity risk*.

Improvements to IFRSs (May 2008). This continuous project provides a series of necessary amendments to the existing texts.

Besides, Imerys is not concerned by the following texts: Amendments to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate; Amendments to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation; Amendment to IAS 39: Reclassification of Financial Assets; Amendments to IFRIC 9 and IAS 39, Embedded Derivatives; and IFRIC 13, Customer Loyalty Programmes.

2.3 Voluntary change in accounting policy: presentation of financial statements

Imerys performs the two following changes to improve the presentation of its financial statements.

Financial components of the net expense of defined benefit plans. The majority of large issuers listed at the Paris stock exchange presents the unwinding of obligations and the expected return on assets in financial income (loss). These components, formerly presented in current operating income, are recognized in financial income (loss) from January 1, 2009. Comparative information has been restated. In profit or loss, the financial component classified in financial income (loss) amounts to - €6.8 million in 2009 (- €0.8 million in 2008) of which - €45.3 million for the unwinding (- €51.8 million in 2008) and €38.5 million for the expected return (€51.0 million in 2008).

Share in net income of associates. Formerly presented after the income taxes, this share is recognized in current operating income from January 1, 2009. Since these associates have an operating activity, Imerys considers that the new classification provides a more relevant and fair view of the result of its activity. Comparative information has been restated. In profit or loss, the share in net income classified in current operating income in 2009 amounts to - €0.1 million (€10.4 million in 2008). In the statement of cash flows, the dividends received from associates reclassified in cash flow generated by current operations amount to €3.8 million in 2009 (€4.2 million in 2008). In the information by operating segments, associates are now classified in capital employed.

Note 3 Texts effective after the closing date

On the basis of the last projected adoption agenda of IFRSs within the European Union published in 2009 by the EFRAG (European Financial Reporting Advisory Group) on December 17, 2009, Imerys will apply the following texts after December 31, 2009.

3.1 New texts: application in 2010

IFRS 3 Revised, Business Combinations. This revision applicable as of January 1, 2010 will place control at the centre of the new treatment. Thus, any formerly held interest will be remeasured at fair value against the profit or loss when control is obtained. Goodwill will be recognized at that date. The revised standard will leave the option, for each acquisition, to recognize goodwill as an asset corresponding to either the interest of the Group only (current method), or to the interests of the Group and minority interests (full goodwill). Acquisition fees, currently included in the acquisition cost (*Note 16*) will be immediately recognized as expenses. Symmetrically to the date when control is obtained, the loss of control will trigger the derecognition of assets and liabilities and the remeasurement at fair value of the residual interest against the profit or loss.

Amendment to IAS 27, Consolidated and Separate Financial Statements. This amendment applicable as of January 1, 2010 draws the consequences of revised IFRS 3 on the consolidation rules. Thus, as control is at the centre of the new treatment, the changes in interest with no impact on control will be recognized in equity without any impact on goodwill (*Note 16*). This amendment will have no impact on the recognition and measurement policy defined by the Executive Management on the treatment of purchase commitment of minority interests of an entity controlled by the Group (*Note 4.6*).

Amendment to IAS 39: Eligible Hedged Items. This amendment applicable as of January 1, 2010 specifies the principles of hedge accounting in two situations: one-sided risk in a hedged item and inflation in a hedged financial item. This amendment will have no impact on hedge accounting (*Note 25.4 - Derivative instruments management principles*).

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. This interpretation applicable as of January 1, 2010 mainly confirms that the currency risk eligible to hedge accounting appears between

the functional currency (and not the presentation currency) of a holding entity and the functional currency of a foreign operation and that the instruments intended to hedge that risk may be held by one or several entities within the Group. This interpretation will have no impact on the recognition of the hedges of the net investments in the foreign businesses (*Note 25.5 - Conversion of financial statements risk*).

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

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

3.2 New texts: application in 2011

IAS 24 Revised, Related Party Disclosures. This revision applicable as of January 1, 2011 mainly clarifies the information to be disclosed by issuers controlled by a State. This revision will have no impact on the disclosures in *Note 29*.

Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement. This amendment applicable as of January 1, 2011 corrects an unintended consequence of the initial version of IFRIC 14. To measure the asset of an employee benefits plan, this interpretation proscribed in certain circumstances to consider the prepaid contributions that could be set as a reduction of future minimum contributions. Imerys is investigating the impact of this amendment with the assistance of its actuary, but is not anticipating any significant impact on the measurement of its employee benefits assets (*Note 24.1*).

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. This interpretation applicable as of January 1, 2011 clarifies the recognition and measurement of shares issued to extinguish a financial liability. This type of financing that consists in swapping a debt against a share in capital does not belong to the capital management principles of Imerys (*Note 23*).

3.3 New texts: application in 2013

IFRS 9 (Phase 1), Financial Instruments: Classification and Measurement. As of December 31, 2009, the adoption process of this amendment is in progress within the European Union and the EFRAG has not communicated any indicative adoption date as of February 15, 2010, the date at which the financial statements are closed by the Board of Directors. On its side the IASB, issuer of the text, requires mandatory application as of January 1, 2013. Imerys shall thus apply this amendment at this date at the latest, on condition of its prior adoption within the European Union. On this same condition, the Group could decide to apply it by anticipation before January 1, 2013. Under its current version as published on November 12, 2009, this text represents the first step of a reform intended to simplify IAS 39. This first amendment reduces the number of categories of financial instruments by focusing on the two measurement bases that are fair value and amortized cost.

| Former categories | New categories |
|---|----------------|
| Available-for-sale financial assets | Fair value |
| Financial assets and liabilities at fair value through profit or loss | Fair value |
| Loans and receivables | Amortized cost |
| Financial liabilities at amortized cost | Amortized cost |

This amendment shall modify the classification of information disclosed in *Notes 11, 12, 22.1 and 25.1* without impacting the recognition and measurement rules of financial instruments. These rules shall however be modified by two subsequent non published amendments: impairment losses of financial assets measured at amortized cost (Phase 2) and hedge accounting (Phase 3).

Note 4 Summary of the main accounting policies

4.1 Accounting policies, errors and estimates

Accounting policies are identical from one period to the other and are modified either on a mandatory basis to apply a new standard or interpretation, or on a voluntary basis to improve the reliability or the relevance of information (*Note 2*). Changes in accounting policies are accounted for retrospectively, unless required by the specific transition provisions of the standard or interpretation. The financial statements concerned by the change in accounting policies are

modified for all reported periods, as if the new policy had always been applied. Errors are corrected retrospectively. Estimates are intended to provide a reasonable assessment of the latest reliable information available on an uncertainty. They are revised to reflect changes in circumstances, new information available and experience effects. The significant estimates of the Executive Management are separately outlined in each note concerned (*Notes 17, 18, 19, 24.1 and 24.2*). Changes in estimates are accounted for prospectively.

4.2 Events after the end of the period

Events occurring between the end of the period and the authorization of issue of the financial statements by the Board of Directors result in an adjustment only if they reveal, specify or confirm situations existing at the closing date (*Note 32*).

4.3 Financial statements

Imerys publishes annual financial statements as of December 31, and interim financial statements as of June 30, in accordance with the principles of the Referential (*Note 1*). The main presentation conventions are the following:

- Aggregation by positions: by similar natures or functions in accordance with materiality.
- Classification of assets and liabilities: by increasing order of liquidity and payability distinguishing between non-current and current items, when these shall be recovered or settled in more or less than twelve months after the end of the period.
- Classification of revenue and expenses: by nature and incorporation in the cost of an asset or a liability in application of a standard or interpretation.
- Offset: in application of a standard or interpretation for assets and liabilities on the one hand and revenue and expenses on the other.
- Comparative information: with respect to period N-1; comparative information with respect to period N-2 is incorporated by reference to the financial statements included in the reference document of period N-2 (*see chapter 7, section 7.4*).

Operating income includes the current operating income and the other operating revenue and expenses. The current operating income (*Notes 5 to 9*) reflects the performance of the ordinary activities of Imerys. The other operating revenue and expenses (*Note 10*) correspond to items of revenue and expenses resulting from a limited number of well identified, non-recurring and significant events, such as a restructuring, a disposal of business, or a significant impairment loss or litigation. The financial income (loss) mainly includes the cost of indebtedness, foreign exchange differences, the expected return on defined benefit plan assets, the unwinding of the discount of provisions and impairment losses on financial assets (*Note 12*).

4.4 Information by segments

The reported operating segments correspond to the four following business groups:

- Performance & Filtration Minerals: minerals for the plastics, rubber, coatings, sealants and adhesives, health, beauty and nutrition markets.
- Pigments for Paper: filler and coating products for paper.
- Materials & Monolithics: construction materials in clay and protection of high-temperature industrial tools.
- Minerals for Ceramics, Refractories, Abrasives & Foundry: minerals mainly for floor tiles, sanitaryware, porcelain as well as high-temperature and abrasive industries.

Each of these segments is engaged in the production and rendering of related goods and services presenting geological, industrial and commercial synergies and results from the aggregation of the Cash-Generating Units (*Note 19*) followed each month by the Executive Management in its business reporting. The financial information by segment is measured in accordance with the principles of the Referential (*Note 1*). The transactions between segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

4.5 Earnings per share

The Imerys financial statements disclose basic earnings per share and diluted earnings per share (*Note 15*). The basic earnings per share is equal to the net income attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding over the period, i.e. excluding treasury shares. Basic earnings per share is further broken down as net basic earnings per share from current operations and net basic earnings per share. The calculation of the diluted earnings per share simulates the dilutive effect of the share options granted by Imerys (*Note 8*). The previously defined weighted average number of ordinary shares is thus increased by the weighted average number of ordinary shares that would be issued if all dilutive options would be exercised at the closing date. The number of dilutive options is calculated by difference between the number of shares that would result from the exercise of the share options and the number of shares that would be issued at the period average market price for an issue of the same amount. The excess of the number of shares from share options over the number of shares issued under market conditions is the number of dilutive shares.

4.6 Entities controlled by the Group

The entities controlled by Imerys, i.e. those over which the Group has the power to govern the financial and operating policies, are consolidated (*Note 27*). Their assets, liabilities, revenues and expenses thus contribute to the various positions of the consolidated financial statements. Intra-group transactions are eliminated. Negative minority interests are allocated against the Group share. In the absence of sufficient detail of the texts, the Executive Management considers that any commitment entered into by Imerys with the intent to acquire the shares of the minority interests, results in the recognition of a liability measured at the fair value of the commitment against a derecognition of these interests. Any difference between the fair value of the liability and the carrying amount of the minority interests is recognized in equity. No entity is consolidated under the proportionate consolidation method.

4.7 Investments under significant influence of the Group

The investments held in entities under significant influence of Imerys, i.e. in which the Group has the power to participate to the financial and operating policies without however governing these, are measured under the equity method (*Note 20*). The shares held in the net assets and results of these entities are thus presented in distinct positions in the assets and in the current operating income.

4.8 Foreign currency translation

The consolidated financial statements of Imerys are stated in Euro. The functional currencies of the main consolidated entities (*Note 27*) correspond to the local currencies. The accumulated impact of the translation of the financial statements of foreign businesses is recognized in equity. The assets and liabilities of foreign businesses are translated at the closing rate and their revenue and expenses at the average rate of the period (*Note 28*).

The non-monetary assets and liabilities resulting from transactions in foreign currencies are measured at the rate of the day or the average rate of the month of the transaction. Except for derivative financial instruments, monetary assets and liabilities resulting from transactions in foreign currencies are measured at the closing rate. The corresponding unrealized foreign exchange differences are recognized in other financial revenue and expenses (*Note 12*) except for those generated by the monetary assets and liabilities of net investments in foreign businesses and by their hedges that are recognized in equity (*Note 25.5 - Conversion of financial statements risk*). Upon disposal of a foreign business, the accumulated impact of the translation of its financial statements and hedges is recognized in other operating revenue and expenses with the result on disposal of the business.

4.9 Goodwill

Goodwill (*Note 16*) is measured as the excess paid by Imerys over its share of interest acquired in the fair value of a business. Determined upon the date of acquisition, it represents the capacity of the business to generate cash flows beyond that fair value. The latter includes the fair value of identifiable assets, liabilities and contingent liabilities of the business. Its measurement is finalized within the twelve months following the date of acquisition. Any excess of the Group's share of interest in the fair value of a business over its acquisition cost (negative goodwill) is credited in profit or loss over the period of acquisition. The goodwill of a foreign business is recognized in the functional currency of the business and translated in the consolidated financial statements in accordance with the translation rules of financial statements of foreign businesses. Goodwill is not depreciable. It is allocated to the individual assets or the Cash-Generating Units (*Note 19*) that benefit from the synergies of the acquisition. Goodwill is subject to a first impairment test before the end of the acquisition period and subsequently to annual tests or more frequently if there is an indication that it may be impaired. An impairment loss on goodwill cannot be reversed.

4.10 Intangible assets

Intangible assets controlled by Imerys (*Note 17*) are recognized as assets over their useful lives. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. The expenditures incurred by the research teams of Imerys to improve the quality and properties of products generally address specific requirements of customers and are thus immediately recognized as expenses in current operating income. In the absence of any applicable text, the Executive Management, observing that

the greenhouse gases allowances attributed to Imerys exceed the actual emissions of the Group, considers that the rights received shall be recognized as intangible assets for a carrying amount of zero (net liability method). The amortization methods of intangible assets qualify as an estimate of the Executive Management presented in *Note 17*.

4.11 Mining assets

In the absence of any applicable text, the Executive Management has defined the accounting recognition and measurement policies hereafter on mining assets. Exploration expenditures, i.e. the research of new knowledge on the mineral producing potential, technical feasibility and commercial viability of a geographical area, are immediately recognized as expenses in current operating income. Mining rights are recognized as intangible assets and are initially measured at acquisition cost (*Note 17*). Mineral reserves qualify as property, plant and equipment and are initially measured at acquisition cost excluding subsoil, increased by expenditures incurred to determine the tonnage of ore present in the deposit. Overburden works, i.e. works of removal of the top soil to enable access to the deposit, are also recognized as property, plant and equipment. Their initial measurement incorporates their production cost and the discounted value of restoration obligations resulting from the deterioration caused by their construction. Mineral reserves and overburden assets form the position "Mining assets" of *Note 18*. Mining assets are subsequently measured at cost, decreased by accumulated amortization and any impairment loss. The depreciation methods of mining assets qualify as an estimate of the Executive Management presented in *Note 18*. Mining assets are allocated to Cash-Generating Units (*Note 19*) as the other assets of the Group and are subject to the same impairment tests.

4.12 Property, plant and equipment

Property, plant and equipment (*Note 18*) is recognized an asset if it is controlled as a result of a title of ownership, or under a finance lease that transfers the risks and rewards incident to ownership. Property, plant and equipment is initially measured at acquisition or production cost. The initial cost of items under finance lease is the lower of the fair value of the asset and the discounted value of future minimum payments. The cost of property, plant and equipment incorporates the cost of borrowings that finance their construction or production where these require a substantial period of time. The cost of property, plant and equipment is decreased, where applicable, by the amount of government grants that finance their acquisition or construction. Maintenance and repair expenditures are immediately recognized as expenses in current operating income. The cost of property, plant and equipment incorporates, in particular for satellite industrial facilities constructed on the land of customers, the discounted value of restoration or dismantling obligations, where a present obligation exists (*Note 24.2*). Property, plant and equipment is subsequently measured at cost, decreased by accumulated depreciation and any impairment loss. The depreciation methods of property, plant and equipment qualify as an estimate of the Executive Management presented in *Note 18*.

4.13 Impairment tests

Cash-Generating Units (CGUs) are the smallest identifiable groups of assets whose continuing use generates cash inflows that are largely independent from the cash inflows of other assets or groups of assets. CGUs are part of the analysis structure followed each month by the Executive Management in its business reporting. All assets within the Group including goodwill and mining assets, are allocated to a CGU.

An impairment test (*Note 19*) is performed every twelve months on all CGUs at the end of the period. In addition to this annual test, impairment indicators may require the immediate performance of a test in case of an unfavorable trend. Furthermore, each activity manager, under the supervision of business group controllers, ensures that no asset within a CGU individually presents any impairment loss issue. An impairment loss is recognized as soon as the recoverable amount of an asset or a group of assets of a CGU becomes inferior to its carrying amount. Any improvement in the recoverable amount of an asset or a group of assets results in the reversal of the previously recognized impairment loss in the limit of the carrying amount that would have been obtained in absence of impairment loss. Impairment losses on goodwill cannot be reversed.

The impairment test consists in comparing the carrying amount of these assets to their recoverable amount. The latter is the higher between the fair value less costs to sell and the value in use. The fair value corresponds to the price of disposal. The value in use is measured by discounting the future cash flows generated by the continuous use of assets and by their final disposal. Future cash flows correspond to current free operating cash flow (*Reconciliation of the net financial debt / Current free operating cash flow*) adjusted by the position "Change in other items of working capital" (*Reconciliation of the net financial debt / Change in net financial debt*).

The definitions of CGUs and impairment indicators qualify as judgments of the Executive Management. The duration and the amount of the future cash flows as well as the discount rates intervening in the calculation of the values in use of the CGUs qualify as estimates of the Executive Management. These items are presented in *Note 19*.

4.14 Non-current assets held for sale and discontinued operations

When at the closing date, it is highly probable that non-current assets or groups of directly related assets and liabilities shall be disposed of, they are designated as non-current assets or groups of assets held for sale. Their sale is considered as highly probable if, at the closing date, a plan designed to sell them at a price that is reasonable with respect to their fair value has been initiated to identify a buyer and to conclude definitively the sale within a maximum of one year. Non-current assets or groups of assets held for sale are presented in separate positions in the financial statements. They cease to be depreciated and are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets or groups of assets that are to be closed rather than sold are non-current assets that are to be abandoned and not held for sale.

Where non-current assets corresponding to a disposal or held for sale or to be abandoned correspond to one or several CGUs (*Note 19*) and are to be abandoned as part of a single coordinated plan, they qualify as discontinued operations and their related flows are disclosed separately in the income statement and in the statement of cash flows.

4.15 Inventories

Inventories (*Note 21*) are recognized as assets at the date at which the risks, rewards and control are transferred to Imerys. Upon the sale, their removal is recognized against an expense in current operating income at the same date as the related revenue. Inventories are measured at the lower of the cost of production and net realizable value. Where production is inferior to normal capacity, incorporable fixed expenses specifically exclude the share corresponding to under-activity. Inventories presenting similar characteristics are measured in accordance with the same formula. The formulas used within the Group are the "First-In, First-Out" (FIFO) and the weighted average cost. Where the cost of production is not recoverable, it is written-down to its net realizable value in accordance with the conditions existing at the closing date.

4.16 Non derivative financial assets

Where the execution of a contract results in the symmetrical creation of an asset for Imerys and a liability or equity instrument for the other party, the item recognized by the Group is a financial asset. Such elements are subject to a designation that relates them to one of the following categories: "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Loans and receivables". The designation of a financial asset to a category commands its recognition and measurement mode.

Available-for-sale financial assets. Imerys holds non-listed investments in entities over which the Group has neither control, nor significant influence, nor intent to dispose of in the short term (*Note 22.2*). These investments are recognized as assets at the date of the purchase commitment and are maintained at a carrying amount representative of fair value. The changes of the latter are recognized in equity except for negative changes qualifying as objective evidence of impairment which are recognized in profit or loss.

Financial assets at fair value through profit or loss. Imerys holds marketable securities with the intent to perform a result on disposal in the short-term. These investments are recognized as assets between the dates of purchase and disposal and the changes in fair value are recognized in other financial revenue and expenses (*Note 12*) in accordance with the market prices published at the closing date.

Loans and receivables. A trade receivable (*Note 22.3*) is recognized with respect to a sale of goods upon transfer of the risks, rewards and control. A trade receivable is recognized with respect to the rendering of services to the extent of the percentage of completion of services at the closing date. Furthermore, for both sales of goods and rendering of services, a receivable is recognized only if it is recoverable and the amount of the transaction and that of the costs necessary to complete the transaction can be measured reliably.

Sales of goods and rendering of services are measured at the fair value of the transaction, decreased by trade and volume rebates, as well as discounts for early payment. After their initial recognition, they are measured at their amortized cost. Where the occurrence of a credit event makes the carrying amount of a trade receivable partially or fully irrecoverable, it is individually written-down to its recoverable amount by means of a write-down in accordance with the conditions existing at the closing date (*Note 22.4*). The category of loans and receivables also includes cash, i.e. cash on hand, demand deposits and cash equivalents. The latter are highly liquid investments with a 3-months maximum term whose equivalent amount in cash is known or subject to insignificant uncertainty. In the statement of cash flows, cash and cash equivalents also include the position "Bank overdrafts" presented as liabilities.

4.17 Equity instruments

Treasury shares. The repurchase by Imerys of its own shares is recognized at acquisition cost as a decrease in equity. The result performed upon any subsequent disposal is directly recognized in equity.

Share-based payments. The fair value of services rendered against the grant of Imerys share options and free shares granted after November 7, 2002 is measured using the Black & Scholes pricing model by reference to the fair value of instruments at the grant date (*Note 8*). This measurement takes into consideration the exercise price and life of instruments, the underlying share price, the turnover rate of beneficiaries, as well as the volatility of the Imerys share. Volatility equals the standard deviation of the monthly returns of the Imerys share over 5 years. In the majority of cases, the acquisition of rights is subject to a condition of duration of service and the fair value of services rendered is amortized in the position "Staff expenses" over the vesting period of rights, against an increase in equity. The accounting treatment is identical where, in addition to the duration of service condition, the acquisition of rights is subject to the achievement of pre-determined economic performance conditions. The volatility and the assumptions related to the probability of acquisition of rights are revised at each closing date.

4.18 Provisions

A provision (*Note 24.2*) is recognized as soon as it becomes probable that a present obligation shall require a settlement whose amount can be measured reliably. Provisions are recognized against the profit or loss except for provisions for dismantling and some provisions for restoration whose counterpart is included in the cost of the assets whose construction has created the obligation. This treatment mainly applies to satellite industrial facilities constructed on the land of customers and to mining overburden assets. The measurement of provisions corresponds to the best estimate of the amount required to settle the obligation. Provisions whose settlement is expected within twelve months after the end of the period or whose settlement may occur at any time are not discounted. Provisions whose settlement is expected after twelve months after the end of the period are discounted. Changes in discounted provisions due to a revision of the amount of the obligation, of its phasing or of its discount rate are recognized in profit or loss or, for provisions recognized against assets, as an adjustment of the cost of the latter. The unwinding is recognized as a debit in the other financial revenue and expenses (*Note 12*). The assessment of the probability

of settlement and amount of the obligation, of the phasing of future payments and of discount rates qualify as estimates of the Executive Management presented in *Note 24.2*.

4.19 Employee benefits

Imerys contributes, in accordance with the laws and customs of each country, to the constitution of reserves for the retirement of its employees by paying, either on a mandatory or voluntary basis, contributions to third parties institutions such as pension funds, insurance companies or financial institutions. These plans, without guaranteeing the level of benefits returns, are defined contribution plans. These contributions are recognized in the position "Staff expenses" (*Note 8*).

Furthermore, Imerys may grant retirement and medical benefits whose financing is assumed by the Group or outsourced to external funds. The measurement of the obligations of these defined benefit plans (*Note 24.1*) is performed in accordance with the Projected Unit Credit Method and uses financial and demographic actuarial assumptions. These are used to measure the value of services rendered over the period on the basis of an estimated salary at retirement date. Provisions (or assets) recognized correspond to the discounted value of the obligation, decreased by the fair value of plan assets and unrecognized past service cost and actuarial differences. The discount rates are fixed by reference to the rates of bonds issued by companies rated AA (high quality).

The net expense of the plans is recognized in the position "Staff expenses" (*Note 8*), except for the unwinding of obligations and the expected return on assets that are recognized in other financial revenue and expenses (*Note 12*) and for the curtailments caused by a restructuring that are recognized in other operating revenue and expenses (*Note 10*). Unrecognized past service cost is progressively included in the measurement of provisions (or assets) by a straight-line amortization over an estimate of the average vesting period of the rights. Actuarial differences are reflected in the measurement of provisions (or assets) as soon as their accumulated unrecognized amount exceeds 10.0% of the higher between the obligation and asset's fair value. The fraction of actuarial differences that exceeds the higher of these thresholds is recognized by a straight-line amortization in profit or loss over an estimate of the average remaining working lives of beneficiaries (corridor method). Any curtailment or settlement and related actuarial differences and unrecognized past service costs are recognized in profit or loss as they occur.

4.20 Non derivative financial liabilities

Loans (*Note 25.2*) are initially measured at the fair value of the amount received, less transaction costs. They are subsequently measured at amortized cost by using the effective interest rate method. Trade accounts payable and other financial liabilities are measured at amortized cost.

4.21 Derivative financial instruments

Imerys uses derivative financial instruments to reduce its exposure to currency, interest rate and energy price risks. The exclusive purpose of these instruments is to hedge economic risks to which the Group is exposed. Financial instruments are recognized at the transaction date, i.e. at the subscription date of the hedging contract. However,

only financial instruments that meet the criteria of hedge accounting defined by standard IAS 39 on financial instruments follow the accounting treatment described hereafter. The changes in fair value of financial instruments that do not qualify for hedge accounting are immediately recognized in other financial revenue and expenses.

All transactions qualified as hedge accounting are documented by reference to the hedging strategy by identifying the hedged risk, the hedged item, the hedging instrument, the hedging relationship and the measurement method of the hedge relationship effectiveness. The measurement of the hedge effectiveness is reviewed at the end of each period. Derivatives are measured at fair value upon initial recognition. Subsequently, the fair value is re-measured at the end of each period by reference to market terms. Derivatives recognized as assets and liabilities are classified as current and non-current in accordance with their maturities and those of underlying transactions. Accounting for a hedge derivative depends upon its designation as either fair value hedge, or cash flow hedge or hedge of a net investment in a foreign operation (*Notes 11, 12 and 25.5*).

Fair value hedge. Where the changes in fair value of a recognized asset or liability or a firm commitment may have an impact on the profit or loss, these changes may be hedged by a fair value hedge. The hedged item and the hedging instrument are re-measured symmetrically against the profit or loss at the end of each period. The impact in profit or loss is limited to the ineffective portion of the hedge.

Cash flow hedge. A cash flow hedge enables to hedge the unfavorable changes in cash flows related to a recognized asset or liability or a highly probable future transaction, where these changes may have an impact on the profit or loss. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. When the transaction is recognized, the effective portion in equity is reclassified in profit or loss at the same time the hedged item is recognized.

Hedge of a net investment in foreign businesses. The foreign exchange differences generated by the net assets held by the Group

in foreign currencies may be hedged. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. Upon disposal of the business, the effective portion in equity is reclassified in other operating revenue and expenses with the result on disposal.

4.22 Income taxes

Current tax results in the recognition of a liability to the extent it is unpaid and of an asset where the amount already paid exceeds the amount due or if a tax loss can be carried back.

Deferred tax assets and liabilities are accounted for with respect to all temporary taxable differences between the tax and consolidated values of assets and liabilities, except mainly for differences related to the initial recognition of goodwill and, in the case of taxable temporary differences between the accounting and tax values of investments, where the Group is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future (*Note 26*). A deferred tax asset is recognized with respect to taxable temporary differences, tax losses and tax credits only if it is probable that a future taxable profit shall be set against these elements, or there are taxable temporary differences in the same tax entity, that come to maturity over the period these elements remain recoverable. Tax rates and laws used are those that are enacted or substantively enacted at the closing date and shall be applicable over the period of reversal of the timing difference. Deferred taxes are not discounted. Deferred tax assets and liabilities are offset by tax entity, i.e. by legal entity or tax consolidation group.

Current and/or deferred taxes are recognized in the same level of profit or loss as the related losses (*Note 13*). That principle of linking the tax to its base also applies to the transactions directly recognized in equity.

Notes to the consolidated income statement

Note 5 Revenue

| (€ millions) | 2009 | 2008 |
|-----------------------|----------------|----------------|
| Sales of goods | 2,451.1 | 3,043.2 |
| Rendering of services | 322.6 | 406.0 |
| Total | 2,773.7 | 3,449.2 |

Revenue amounts to €2,773.7 million in 2009 (€3,449.2 million in 2008), i.e. a decrease of - 19.6% (+ 1.4% in 2008), including a positive effect of + €17.4 million due to foreign currency changes

(- €108.3 million in 2008) and a negative structure impact of - €5.7 million (+ €131.3 million in 2008). At comparable structure and foreign currency rates, it decreases by - 19.9% (+ 0.7% in 2008).

Note 6 Raw materials and consumables used

| (€ millions) | 2009 | 2008 |
|--|------------------|------------------|
| Raw materials | (348.0) | (596.2) |
| Energy | (280.2) | (392.3) |
| Chemicals | (53.1) | (72.9) |
| Other raw materials | (106.7) | (168.1) |
| Merchandises | (73.2) | (141.1) |
| Change in inventories | (170.7) | 94.5 |
| Property, plant and equipment produced by the entity | 5.8 | 7.6 |
| Total | (1,026.1) | (1,268.5) |

Note 7 External expenses

| (€ millions) | 2009 | 2008 |
|-------------------------|----------------|----------------|
| Freight | (298.2) | (414.5) |
| Operating leases | (41.8) | (45.7) |
| Subcontracting | (94.3) | (106.4) |
| Maintenance and repair | (61.7) | (91.7) |
| Fees | (44.8) | (46.5) |
| Other external expenses | (134.1) | (185.9) |
| Total | (674.9) | (890.7) |

Note 8 Staff expenses

| (€ millions) | 2009 | 2008 |
|---|----------------|----------------|
| Salaries | (432.7) | (496.2) |
| Social contributions | (94.8) | (105.1) |
| Net change in defined benefit plans | 39.7 | 27.1 |
| Contributions to defined benefit plans | (55.9) | (37.0) |
| Contributions to defined contribution plans | (16.6) | (17.5) |
| Other employee benefits | (8.3) | (6.3) |
| Profit-sharing | (18.5) | (16.5) |
| Total | (587.1) | (651.5) |

Share-based payments expense

Imerys attributes share options whose exercise results in the subscription of shares created for that purpose, as well as free shares acquired on the market. The position "Salaries" includes the cost of the corresponding plans, broken down as follows:

| | Number of options ⁽¹⁾ | Exercise price (€) ⁽¹⁾ | Maturity | Volatility ⁽²⁾ | Turnover rate | Average dividend rate | Performance conditions | Fair value of the option (Black & Scholes) (€) | Total cost of each plan (€M) | 2008 cost of the plans (€M) | 2009 cost of the plans (€M) |
|---|----------------------------------|-----------------------------------|-----------|---------------------------|---------------|-----------------------|------------------------|--|------------------------------|-----------------------------|-----------------------------|
| Share options plans | | | | | | | | | | | |
| 2005 | 682,435 | 53.58 | 6 years | 20.0% | 11.8% | 3.2% | - | 8.36 | (4.6) | (0.6) | - |
| 2006 | 687,744 | 63.53 | 6 years | 17.5% | 11.8% | 3.1% | - | 8.97 | (5.0) | (1.7) | (0.6) |
| 2007 | 601,832 | 65.61 | 5 years | 20.0% | 11.8% | 3.1% | - | 12.40 | (6.1) | (2.0) | (2.0) |
| 2008 | 532,120 | 54.19 | 5 years | 19.0% | 12.1% | 3.0% | - | 8.88 | (3.9) | (0.9) | (1.3) |
| 2009 | 464,000 | 34.54 | 5 years | 25.3% | 13.4% | 3.0% | - | 5.77 | (2.3) | - | (0.3) |
| Free shares plans | | | | | | | | | | | |
| 2006 | 10,477 | - | 3 years | - | - | 3.1% | 51.0% | 63.08 | (0.3) | (0.1) | - |
| 2008 ⁽³⁾ | 55,054 | - | 3 years | - | 11.8% | 3.0% | 0.0% | 52.86 | - | - | - |
| 2008 | 48,367 | - | 2 years | - | 11.8% | 3.0% | - | 54.44 | (2.2) | (0.7) | (1.0) |
| 2009 | 116,006 | - | 3.5 years | - | 13.4% | 3.0% | 90.0% | 29.94 | (2.7) | - | (0.4) |
| 2009 | 131,000 | - | 2 years | - | - | 3.0% | 90.0% | 31.29 | (3.7) | - | (0.8) |
| Cost of plans recognized in the position "Staff expenses" (€ millions) | | | | | | | | | | (6.0) | (6.4) |
| Weighted average exercise price (€) | | | | | | | | | | 31.7 | 29.2 |

(1) Adjusted in accordance with the capital increase of June 2009 for the plans prior to 2009. For the record, the number of options granted and their exercise prices were of 635,000 shares at €57.58 (2005 plan), of 640,000 shares at €68.27 (2006 plan), of 560,000 shares at €70.51 (2007 plan) and of 497,925 shares at €58.24 (2008 plan). In addition, 9,750 (2006 plan) and 51,232 and 45,000 (2008 plan) free shares were originally granted.

(2) Revised in accordance with market conditions at the closing date.

(3) The performance conditions having a low probability of fulfillment, the cost of the plan was assessed at 0.

Share-based payments management principles

The principles for the granting of Imerys share options are set by the Board of Directors upon the Appointments and Compensation Committee's recommendations.

The main characteristics of the policy, excluding grants made under the Group's employee shareholding operations, are as follows:

- Grants take the form of share options. This form was judged preferable to share purchase options as it prevents Imerys from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises.
- As of 1999, share options are granted once a year and the total number of options each year is adjusted in accordance with the Group's overall performance or to specific events. Grants traditionally take place on the annual shareholders' meeting.

- The actual or likely beneficiaries of share options are the Group's executives (Chief Executive Officer, Executive Committee members, business group and activity management committees, managers of the Group's main corporate departments) and, since 2001, the holders of certain key positions reporting to them, as well as high-potential managers and employees that make an outstanding contribution to the Group's performance.

In 2008, on the proposal of the Appointments and Compensation Committee, the Board of Directors opted to adapt the Group's long-term retention policy to take into account the enlargement of its scope and the latest market practices by combining traditional grants of share options with conditional grants of free shares.

The following table summarizes the history, status and main characteristics of the share options plans subsequent to November 7, 2002.

| | May 2003 | Oct. 2003 | May 2004 | May 2005 | May 2006 | Nov. 2006 | May 2007 | April 2008 | July 2009 | Total |
|---|----------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|------------------|
| Share option expiration date | 05/2013 | 10/2013 | 05/2014 | 05/2015 | 05/2016 | 11/2016 | 05/2017 | 04/2018 | 08/2019 | |
| Share option exercise price ⁽¹⁾ | €26.34 | €37.80 | €45.49 | €53.58 | €63.53 | €62.31 | €65.61 | €54.19 | €34.54 | |
| Number of share options outstanding as of 01/01/2008 | 314,680 | 32,488 | 624,500 | 578,700 | 619,700 | 38,625 | 560,000 | - | - | 2,768,693 |
| Number of share options granted | - | - | - | - | - | - | - | 497,925 | - | 497,925 |
| Number of share options exercised | (16,850) | (1,144) | (3,000) | - | - | - | - | - | - | (20,994) |
| Number of share options cancelled | - | - | (6,000) | (12,200) | (46,500) | - | (55,300) | (3,500) | - | (123,500) |
| Number of share options outstanding as of 01/01/2009 | 297,830 | 31,344 | 615,500 | 566,500 | 573,200 | 38,625 | 504,700 | 494,425 | - | 3,122,124 |
| Capital increase June 2009 ⁽²⁾ | 22,231 | 2,675 | 45,852 | 40,160 | 42,451 | 5,155 | 36,689 | 36,438 | - | - |
| Number of share options granted | - | - | - | - | - | - | - | - | 464,000 | 464,000 |
| Number of share options exercised | (8,362) | (113) | - | - | - | - | - | - | - | (8,475) |
| Number of share options cancelled | - | - | (15,299) | (75,695) | (23,262) | - | (40,832) | (15,023) | - | (170,111) |
| Number of share options outstanding as of 12/31/2009 | 311,699 | 33,906 | 646,053 | 530,965 | 592,389 | 43,780 | 500,557 | 515,840 | 464,000 | 3,639,189 |
| Number of share options exercisable as of 12/31/2009 | 311,699 | 33,906 | 646,053 | 530,965 | 592,389 | 43,780 | - | - | - | 2,158,792 |
| Weighted average remaining contractual life (years) | | | | | | | | | | 6.4 |

(1) Adjusted exercise prices in accordance with the capital increase of June 2009 for the plans prior to 2009.

(2) Adjustment in the number of share options outstanding at the date of the capital increase of June 2009.

Note 9 Other current revenue and expenses

| (€ millions) | 2009 | 2008 |
|------------------------------------|---------------|-------------|
| Other revenue | 32.4 | 38.1 |
| Income on asset disposals | 11.3 | 9.5 |
| Grants received | 2.1 | 6.0 |
| Other expenses | (36.5) | (43.0) |
| Net change in operating provisions | (21.9) | 1.3 |
| Total | (12.6) | 11.9 |
| Revenue | 82.9 | 100.4 |
| Expenses | (95.5) | (88.5) |

Note 10 Other operating revenue and expenses

| (€ millions) | 2009 | 2008 |
|--|---------------|----------------|
| Income on disposals of consolidated investments | 11.3 | 0.1 |
| Restructuring expenses paid | (53.0) | (55.6) |
| Impairment losses on restructuring | (32.3) | (16.2) |
| Change in provisions for restructuring and litigation | (6.1) | 5.7 |
| Impairment losses on goodwill | (7.0) | (48.9) |
| Other operating revenue and expenses - gross | (87.1) | (114.9) |
| Revenue | 50.4 | 56.3 |
| Expenses | (137.5) | (171.2) |
| Income taxes | 9.1 | 9.1 |
| Other operating revenue and expenses - net, Group share | (78.0) | (105.8) |

Other operating revenue and expenses of 2009

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

Other operating revenue and expenses of 2008

The other operating revenue and expenses in 2008 amounted to - €105.8 million, of which - €40.6 million in cash and - €65.2 million with no cash impact. Among the other operating revenue and expenses of 2008, - €59.9 million after income taxes had been recognized in the Performance & Filtration Minerals business group, - €48.9 million of which corresponded to the impairment of the goodwill of the Performance Minerals North America activity and - €9.8 million to the finalization of the restructuring of the Filtration

activity in North America. The - €32.7 million recognized in 2008 in the other operating revenue and expenses of the Pigments for Paper business group had been mainly employed in the restructuring of its kaolins and carbonates activities, mainly in North America and Latin America.

Note 11 Financial instruments

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

Hedge derivatives are disclosed in a separate column since the exceptional character of hedge accounting excludes any relation to one of the above categories. [Notes 11, 12, 22.1 and 25.1](#) present disclosures on financial instruments in accordance with these categories. The classification logic of financial instrument assets

(Note 22.1) and liabilities (Note 25.1) transversally applies to their changes in profit or loss (Notes 11 and 12). For example, “Revenue” is attached to “Amortized cost” as its counterparts in “Trade receivables” or “Cash and cash equivalents” belong to that category in the assets. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column “Non IAS 39” that includes the following items:

- Non IAS 39 financial assets and liabilities: consolidated investments (IAS 27), investments measured in accordance with the equity method (IAS 28), defined employee benefits plan assets (IAS 19), short term employee benefits assets and liabilities (IAS 19), share options (IFRS 2), finance lease liabilities (IAS 17).

- Non financial assets and liabilities: goodwill (IFRS 3), intangible assets (IAS 38), property, plant and equipment (IAS 16), mining assets (IFRS 6), inventories (IAS 2), income taxes assets and liabilities (IAS 12), prepaid expenses (IAS 38), provisions (IAS 37), defined employee benefits liabilities (IAS 19), grants (IAS 20).

The tables hereafter disclose the income and expenses before income taxes recognized in profit or loss and equity by categories of financial instruments. The balances of “Other financial revenue” and “Other financial expenses” are further analyzed in Note 12.

As of December 31, 2009

| (€ millions) | Available-for-sale financial assets | Fair value through profit or loss | | Loans and receivables | Financial liabilities at amortized cost | Hedge derivatives | | Non IAS 39 | Total |
|---|-------------------------------------|-----------------------------------|-----------------------|-----------------------|---|-------------------|-----------|------------|-----------|
| | | Non derivative | Non hedge derivatives | | | Fair value | Cash flow | | |
| Operating income | | | | | | | | | |
| Revenue | - | - | - | 2,779.3 | - | - | (5.6) | - | 2,773.7 |
| Raw materials and consumables used | - | - | - | - | (870.9) | - | (1.5) | (153.7) | (1,026.1) |
| External expenses | - | - | - | - | (674.9) | - | - | - | (674.9) |
| Taxes and duties | - | - | - | - | (42.6) | - | - | - | (42.6) |
| Other operational revenue and expenses | - | - | - | 14.7 | (34.8) | - | 1.7 | 5.8 | (12.6) |
| Income on asset disposals | (1.1) | - | - | - | - | - | - | 5.4 | 4.3 |
| Financial income (loss) | | | | | | | | | |
| Income from securities | - | 2.2 | - | - | - | - | - | - | 2.2 |
| Gross financial debt expense | - | - | (1.1) | - | (62.4) | (4.2) | (3.6) | - | (71.3) |
| Other financial revenue | 0.5 | - | 1.2 | 2.2 | 74.1 | 0.7 | 3.6 | 38.8 | 121.1 |
| Other financial expenses | - | - | - | (0.1) | (85.5) | 0.2 | (1.5) | (48.5) | (135.4) |
| Equity | | | | | | | | | |
| Recognition in equity | - | - | - | - | - | - | 41.0 | - | 41.0 |
| Reclassification in profit or loss | - | - | - | - | - | - | 13.5 | - | 13.5 |
| Total financial instruments | (0.6) | 2.2 | 0.1 | 2,796.1 | (1,697.0) | (3.3) | 47.6 | - | - |
| of which impairment losses in profit or loss | - | - | - | (19.9) | - | - | - | - | - |
| of which reversals of impairment losses in profit or loss | 0.2 | - | - | 5.5 | - | - | - | - | - |

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

| (€ millions) | Fair value | | | 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 | |
| Operating income | | | | | | | |
| Revenue | - | - | - | - | (5.6) | - | (5.6) |
| Raw materials and consumables used | - | - | - | - | (1.5) | - | (1.5) |
| Other operational revenue and expenses | - | - | - | - | (1.7) | 3.4 | 1.7 |
| Financial income (loss) | | | | | | | |
| Gross financial debt expense | - | (4.2) | - | (4.2) | (5.6) | 2.0 | (3.6) |
| Other financial revenue | (4.9) | 5.6 | - | 0.7 | 2.4 | 1.2 | 3.6 |
| Other financial expenses | 7.2 | (7.0) | - | 0.2 | (1.5) | - | (1.5) |
| Equity | | | | | | | |
| Recognition in equity | - | - | - | - | 41.0 | - | 41.0 |
| Reclassification in profit or loss | - | - | - | - | 13.5 | - | 13.5 |

As of December 31, 2008

| (€ millions) | Available-for-sale financial assets | Fair value through profit or loss | | Loans and receivables | Financial liabilities at amortized cost | Hedge derivatives | | Non IAS 39 | Total |
|---|-------------------------------------|-----------------------------------|-----------------------|-----------------------|---|-------------------|---------------|------------|-----------|
| | | Non derivative | Non hedge derivatives | | | Fair value | Cash flow | | |
| Operating income | | | | | | | | | |
| Revenue | - | - | - | 3,449.2 | - | - | - | - | 3,449.2 |
| Raw materials and consumables used | - | - | - | - | (1,369.4) | - | (10.9) | 111.8 | (1,268.5) |
| External expenses | - | - | - | - | (890.7) | - | - | - | (890.7) |
| Taxes and duties | - | - | - | - | (53.0) | - | - | - | (53.0) |
| Other operational revenue and expenses | - | - | - | 30.6 | (38.8) | - | (2.3) | 22.4 | 11.9 |
| Income on asset disposals | (0.2) | - | - | - | - | - | - | 0.3 | 0.1 |
| Financial income (loss) | | | | | | | | | |
| Income from securities | - | 4.1 | - | - | - | - | - | - | 4.1 |
| Gross financial debt expense | - | - | - | - | (74.6) | 7.0 | 6.5 | - | (61.1) |
| Other financial revenue | 0.3 | - | (2.9) | 4.7 | 184.2 | 38.4 | 7.2 | 51.0 | 282.9 |
| Other financial expenses | (0.1) | - | 2.0 | (0.2) | (177.7) | (37.2) | (4.0) | (55.8) | (273.0) |
| Equity | | | | | | | | | |
| Recognition in equity | - | - | - | - | - | - | (73.6) | - | (73.6) |
| Reclassification in profit or loss | - | - | - | - | - | - | 2.1 | - | 2.1 |
| Total financial instruments | 0.0 | 4.1 | (0.9) | 3,484.3 | (2,420.0) | 8.2 | (75.0) | - | - |
| of which impairment losses in profit or loss | (0.1) | - | - | (10.1) | - | - | - | - | - |
| of which reversals of impairment losses in profit or loss | - | - | - | 4.5 | - | - | - | - | - |

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 | |
| Operating income | | | | | | | |
| Raw materials and consumables used | - | - | - | - | (10.9) | - | (10.9) |
| Other operational revenue and expenses | - | - | - | - | (0.2) | (2.1) | (2.3) |
| Financial income (loss) | | | | | | | |
| Gross financial debt expense | - | 7.0 | - | 7.0 | 6.5 | - | 6.5 |
| Other financial revenue | - | 38.4 | - | 38.4 | 6.3 | 0.9 | 7.2 |
| Other financial expenses | (30.3) | (6.9) | - | (37.2) | (3.8) | (0.2) | (4.0) |
| Equity | | | | | | | |
| Recognition in equity | - | - | - | - | (73.6) | - | (73.6) |
| Reclassification in profit or loss | - | - | - | - | 2.1 | - | 2.1 |

Note 12 Financial income (loss)

The tables hereafter disclose the financial income (loss) by categories of financial instruments. A description of the categories of financial instrument is provided in [Note 11](#).

As of December 31, 2009

| (€ millions) | Available-for-sale financial assets | Fair value through profit or loss | | Loans and receivables | Financial liabilities at amortized cost | Hedge derivatives | | Non IAS 39 | Total |
|---|-------------------------------------|-----------------------------------|-----------------------|-----------------------|---|-------------------|--------------|--------------|---------------|
| | | Non derivative | Non hedge derivatives | | | Fair value | Cash flow | | |
| Net financial debt expense | 0.0 | 2.2 | (1.1) | 0.0 | (62.4) | (4.2) | (3.6) | 0.0 | (69.1) |
| Income from securities | - | 2.2 | - | - | - | - | - | - | 2.2 |
| Gross financial debt expense | - | - | (1.1) | - | (62.4) | (4.2) | (3.6) | - | (71.3) |
| Other financial revenue and expenses | 0.5 | 0.0 | 1.2 | 2.1 | (11.4) | 0.9 | 2.1 | (9.7) | (14.3) |
| Dividends | 0.3 | - | - | - | - | - | - | - | 0.3 |
| Net exchange rate differences | - | - | - | - | (6.0) | - | - | 0.2 | (5.8) |
| Expense and revenue on derivative instruments | - | - | 1.2 | - | - | 0.9 | (2.0) | - | 0.1 |
| Expected return on employee benefits assets | - | - | - | - | - | - | - | 38.5 | 38.5 |
| Unwinding of provisions for employee benefits | - | - | - | - | - | - | - | (45.3) | (45.3) |
| Unwinding of other provisions | - | - | - | - | - | - | - | (3.1) | (3.1) |
| Other financial revenue and expenses | 0.2 | - | - | 2.1 | (5.4) | - | 4.1 | - | 1.0 |
| Financial income (loss) | 0.5 | 2.2 | 0.1 | 2.1 | (73.8) | (3.3) | (1.5) | (9.7) | (83.4) |
| Revenue | 0.5 | 2.2 | 1.2 | 2.2 | 72.1 | 2.7 | 3.6 | 38.8 | 123.3 |
| Expenses | - | - | (1.1) | (0.1) | (145.9) | (6.0) | (5.1) | (48.5) | (206.7) |

As of December 31, 2008

| (€ millions) | Available- for-sale financial assets | Fair value through profit or loss | | Loans and receivables | Financial liabilities at amortized cost | Hedge derivatives | | Non IAS 39 | Total |
|--|---|--------------------------------------|--------------------------|--------------------------|--|-------------------|------------|---------------|---------------|
| | | Non derivative | Non hedge derivatives | | | Fair value | Cash flow | | |
| Net financial debt expense | 0.0 | 4.1 | 0.0 | 0.0 | (74.6) | 7.0 | 6.5 | 0.0 | (57.0) |
| Income from securities | - | 4.1 | - | - | - | - | - | - | 4.1 |
| Gross financial debt expense | - | - | - | - | (74.6) | 7.0 | 6.5 | - | (61.1) |
| Other financial revenue and expenses | 0.2 | 0.0 | (0.9) | 4.5 | 6.5 | 1.2 | 3.2 | (4.8) | 9.9 |
| Dividends | 0.2 | - | - | - | - | - | - | - | 0.2 |
| Net exchange rate differences | - | - | 0.9 | - | 10.9 | - | - | (0.4) | 11.4 |
| Expense and revenue on derivative instruments | - | - | (1.8) | - | - | 1.2 | 0.2 | - | (0.4) |
| Expected return on employee benefits assets | - | - | - | - | - | - | - | 51.0 | 51.0 |
| Unwinding of provisions for employee benefits | - | - | - | - | - | - | - | (51.8) | (51.8) |
| Unwinding of other provisions | - | - | - | - | - | - | - | (3.6) | (3.6) |
| Other financial revenue and expenses | - | - | - | 4.5 | (4.4) | - | 3.0 | - | 3.1 |
| Financial income (loss) | 0.2 | 4.1 | (0.9) | 4.5 | (68.1) | 8.2 | 9.7 | (4.8) | (47.1) |
| Revenue | 0.3 | 4.1 | (2.9) | 4.7 | 184.2 | 38.4 | 7.2 | 51.0 | 287.0 |
| Expenses | (0.1) | - | 2.0 | (0.2) | (252.3) | (30.2) | 2.5 | (55.8) | (334.1) |

Note 13 Income taxes

Tax consolidation scope

Imerys SA and the majority of its French entities are included in a tax consolidation system that notably enables the Group to offset within the consolidated group potential profits and losses. The French tax consolidation scope was modified in 2009 by 4 incoming entities. The tax consolidation scope includes 28 entities as of December 31, 2009. Tax consolidations also exist in other countries, mainly in the United States, in Great Britain, in Spain, in Germany and in Italy.

Income taxes recognized in net income

| (€ millions) | 2009 | 2008 |
|--|---------------|---------------|
| Payable and deferred income taxes | | |
| Income taxes payable | (42.2) | (64.4) |
| Income taxes payable for the period | (38.7) | (68.3) |
| Income taxes payable - Prior period adjustments | (3.5) | 3.9 |
| Deferred taxes | 5.1 | (24.5) |
| Deferred taxes due to changes in temporary differences | 5.1 | (24.6) |
| Deferred taxes due to changes in income tax rates | - | 0.1 |
| Total | (37.1) | (88.9) |
| Income taxes by level of income | | |
| Income taxes on current operating income | (46.2) | (98.0) |
| Current operating income taxes payable | (51.3) | (78.2) |
| Current operating deferred taxes | 5.1 | (19.8) |
| Income taxes on other operating revenue and expenses | 9.1 | 9.1 |
| Income taxes payable on other operating revenue and expenses | 9.1 | 13.8 |
| Deferred taxes on other operating revenue and expenses | - | (4.7) |
| Total | (37.1) | (88.9) |

Income taxes recognized in equity

| (€ millions) | 2009 | 2008 |
|------------------------------------|--------------|-------------|
| Cash flow hedges | (0.9) | 0.9 |
| Recognition in equity | 0.6 | 0.2 |
| Reclassification in profit or loss | (1.5) | 0.7 |
| Translation reserve | (3.7) | 20.0 |
| Recognition in equity | (3.7) | 20.0 |
| Reclassification in profit or loss | - | - |
| Total | (4.6) | 20.9 |

Income taxes paid

The amount of income taxes paid in 2009 amounts to €17.0 million (€113.3 million in 2008).

Tax reconciliation excluding non-recurring items

| | 2009 | 2008 |
|--|--------------|--------------|
| Legal tax rate in France (including surtax and contribution) | 34.4% | 34.4% |
| Impact of national rate differences | (2.6)% | (2.9)% |
| Impact of permanent differences and tax incentives | (5.3)% | (5.2)% |
| Impact of unrecognized tax losses utilized | (2.0)% | (1.2)% |
| Other income taxes at different rates and bases and impact of rate changes on deferred taxes | 1.9% | 1.2% |
| Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments) | 1.5% | 0.4% |
| Effective tax rate on current operating and financial income (loss) ⁽¹⁾ | 27.9% | 26.7% |

(1) Income taxes on current operating income (€46.2 million) divided by the sum of the current operating income (+ €248.9 million) and financial income (loss) (- €83.4 million).

Tax reconciliation including non-recurring items

| | 2009 | 2008 |
|--|--------------|--------------|
| Legal tax rate in France (including surtax and contribution) | 34.4% | 34.4% |
| Impact of national rate differences | 1.1% | (3.8)% |
| Impact of permanent differences and tax incentives | (5.7)% | 0.1% |
| Impact of unrecognized tax losses utilized | (4.3)% | (1.8)% |
| Other income taxes at different rates and bases and impact of rate changes on deferred taxes | 3.6% | 1.6% |
| Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments) | 18.2% | 4.7% |
| Effective tax rate on operating and financial income (loss) | 47.3% | 35.2% |

In 2009, the values of the reconciling items expressed in percentages are greater than those of 2008 as a result of the decrease in the bases. The row "Other" includes for 17.0% the impact of the losses created over the period and unrecognized due to their uncertain recovery. In 2008, the row "Other" included for 2.3% the impact of

a portion of the effect of the strong devaluation of the Brazilian Real over the 4th quarter of the period on the income tax expense of the Brazilian entity RCC and for 1.9% the impact on the deferred taxes of the English entity IML of the suppression in 2008 in Great Britain of the deductibility of the depreciation of industrial buildings.

Note 14 Net income, Group share

| (€ millions) | 2009 | 2008 |
|--|--------------|--------------|
| Current operating income | 248.9 | 414.6 |
| Financial income (loss) | (83.4) | (47.1) |
| Income taxes on current operating income | (46.2) | (98.0) |
| Minority interests | - | (2.4) |
| Net income from current operations, Group share | 119.3 | 267.1 |
| Net income of discontinued operations or held for sale | - | - |
| Other operating revenue and expenses - net | (78.0) | (105.8) |
| Net income, Group share | 41.3 | 161.3 |

Effective tax rate on current operating income

27.9%

26.7%

Note 15 Earnings per share

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

| (€ millions) | 2009 | 2008 |
|--|--------------|--------------|
| Numerator | | |
| Net income from current operations attributable to ordinary equity holders used for the calculation of the diluted earnings per share | 119.5 | 267.6 |
| Net income from current operations, Group share | 119.3 | 267.1 |
| Impact of financial income (loss) on share options | 0.2 | 0.5 |
| Net income attributable to ordinary equity holders used for the calculation of the diluted earnings per share | 41.5 | 161.8 |
| Net income, Group share | 41.3 | 161.3 |
| Impact of financial income (loss) on share options | 0.2 | 0.5 |
| Denominator | | |
| Weighted average number of shares used for the calculation of the basic earnings per share ⁽¹⁾ | 72,054,523 | 67,486,365 |
| Impact of share option conversion | 93,661 | 234,589 |
| Weighted average number of shares used for the calculation of the diluted earnings per share | 72,148,184 | 67,720,954 |
| Basic earnings per share, Group share (in €) | | |
| Net basic earnings per share from current operations | 1.66 | 3.96 |
| Net basic earnings per share | 0.57 | 2.39 |
| Diluted earnings per share, Group share (in €) | | |
| Diluted net earnings per share from current operations | 1.66 | 3.95 |
| Diluted net earnings per share | 0.57 | 2.39 |

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

Notes to the consolidated statement of financial position

Note 16 Goodwill

Table of changes

The goodwill recognized upon acquisitions mainly represents development prospects of the acquired businesses within Imerys. Impairment losses on goodwill are disclosed in [Note 19](#).

| (€ millions) | 2009 | 2008 |
|-----------------------------------|--------------|--------------|
| Opening carrying amount | 899.4 | 860.7 |
| Gross amount | 951.3 | 860.9 |
| Impairment losses | (51.9) | (0.2) |
| Acquisitions | 4.3 | 111.4 |
| Adjustments and reclassifications | (5.0) | (0.1) |
| Impairment losses | (7.0) | (48.9) |
| Foreign exchange differences | 5.8 | (23.7) |
| Closing carrying amount | 897.5 | 899.4 |
| Gross amount | 902.4 | 951.3 |
| Impairment losses | (4.9) | (51.9) |

The "Acquisitions" row of the above table is analyzed as follows.

| (€ millions) | 2009 | 2008 |
|--|------------|--------------|
| Goodwill of business combinations of the period | 1.2 | 93.1 |
| Adjustment of the cost of business combinations of prior periods | 3.1 | 13.1 |
| Goodwill on increases in shares of interest of the period | - | 5.2 |
| Goodwill - Acquisitions | 4.3 | 111.4 |

As of December 31, 2009, the row "Acquisitions of investments in consolidated entities after deduction of cash acquired" is analyzed as follows.

| (€ millions) | Other incoming entities of the period | Increases in shares of interest and purchase price adjustments | Acquisition cost capitalised over the period | Total |
|--|---------------------------------------|--|--|---------------|
| Cash paid | (4.9) | (5.8) | (0.3) | (11.0) |
| Cost of business combinations | (8.3) | (5.8) | (0.3) | (14.4) |
| Payables related to business combinations of the period | 3.4 | - | - | 3.4 |
| Cash from acquired entities | 0.1 | - | - | 0.1 |
| Acquisitions of investments in consolidated entities after deduction of cash acquired | (4.8) | (5.8) | (0.3) | (10.9) |

As of December 31, 2009, the fees incurred with respect to future acquisitions projects futures are not significant (€0.5 million).

Purchase accounting finalized in 2009

Astron China (Astron). On February 5, 2008, Imerys acquired 100.0% of the voting rights of the Chinese company Astron. Active in a wide range of zircon-based products, Astron owns several plants and distribution centers in China. At the end of the measurement period, definitive goodwill amounts to €91.2 million and takes into consideration the fair value measurement of property, plant and equipment and inventories.

Others. The purchase accounting of Svenska Silikaverken AB (100.0% of voting rights acquired on April 30, 2008), Suzorite Minerals (100.0% of voting rights acquired on October 10, 2008) and Kings Mountain Minerals (100.0% of voting rights acquired on October 10, 2008) are finalized.

The fair values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is finalized in 2009 present the following amounts at the end of their respective measurement periods:

| (€ millions) | Astron | | Other | | Total |
|--------------------------------------|---|---|---|---|---|
| | Carrying amounts before the acquisition | Final fair values at the acquisition date | Carrying amounts before the acquisition | Final fair values at the acquisition date | Final fair values at the acquisition date |
| Assets - non-current | 12.2 | 13.7 | 23.7 | 16.7 | 30.4 |
| Intangible assets | 0.1 | 0.1 | 0.4 | - | 0.1 |
| Property, plant and equipment | 12.0 | 13.0 | 22.7 | 14.3 | 27.3 |
| Deferred tax assets | 0.1 | 0.6 | 0.6 | 2.4 | 3.0 |
| Assets - current | 54.6 | 53.3 | 12.8 | 12.1 | 65.4 |
| Inventories | 20.1 | 18.8 | 7.1 | 6.4 | 25.2 |
| Trade receivables | 16.8 | 16.8 | 4.2 | 4.2 | 21.0 |
| Other receivables | 13.5 | 13.5 | 1.2 | 1.2 | 14.7 |
| Cash and cash equivalents | 4.2 | 4.2 | 0.3 | 0.3 | 4.5 |
| Total assets | 66.8 | 67.0 | 36.5 | 28.8 | 95.8 |
| Liabilities - non-current | 0.7 | 0.7 | 1.7 | 2.4 | 3.1 |
| Other provisions | 0.2 | 0.2 | 1.5 | 2.1 | 2.3 |
| Other debts | - | - | 0.2 | 0.2 | 0.2 |
| Deferred tax liabilities | 0.5 | 0.5 | - | 0.1 | 0.6 |
| Liabilities - current | 44.5 | 44.5 | 5.0 | 5.0 | 49.5 |
| Trade payables | 11.6 | 11.6 | 1.9 | 1.9 | 13.5 |
| Income taxes payable | - | - | 0.1 | 0.1 | 0.1 |
| Other debts | 20.0 | 20.0 | 1.9 | 1.9 | 21.9 |
| Loans and financial debts | 12.9 | 12.9 | 1.1 | 1.1 | 14.0 |
| Total liabilities | 45.2 | 45.2 | 6.7 | 7.4 | 52.6 |
| Fair value of the acquired equity | 21.6 | 21.8 | 29.8 | 21.4 | 43.2 |
| Goodwill | 91.0 | 91.2 | (3.0) | 4.8 | 96.0 |
| Cost of business combinations | 112.6 | 113.0 | 26.8 | 26.2 | 139.2 |
| of which acquisition fees | 1.1 | 1.1 | 1.0 | 1.0 | 2.1 |

Note 17 Intangible assets

Estimates

As part of its ordinary activities, Imerys uses intangible assets whose consumption is represented by amortization. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives:

- Trademarks, patents and licenses: 5 to 40 years
- Software: 1 to 5 years

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of intangible assets related to mining activity such as mining rights, prepaid leases and certain use rights. Their amortization is thus estimated in units of production on the basis of actual extraction.

Table of changes

| (€ millions) | Software | Trademarks, patents and licenses | Mining and use rights | Other | Total |
|---|-------------|--|--------------------------|-------------|-------------|
| Carrying amount as of January 1, 2008 | 14.2 | 5.2 | 16.1 | 13.8 | 49.3 |
| Gross amount | 50.0 | 12.7 | 16.4 | 26.7 | 105.8 |
| Amortization | (35.8) | (7.5) | (0.3) | (12.9) | (56.5) |
| Acquisitions | 0.9 | 0.3 | 0.3 | 2.6 | 4.1 |
| Acquisitions resulting from business combinations | 0.1 | 0.1 | - | 1.6 | 1.8 |
| Disposals | - | (0.1) | (0.1) | (0.3) | (0.5) |
| Net increases in amortization | (5.9) | (0.4) | (0.1) | (1.3) | (7.7) |
| Impairment losses recognized in net income | - | (0.2) | - | - | (0.2) |
| Foreign exchange differences | - | 0.1 | (2.8) | 0.5 | (2.2) |
| Reclassification and other | 2.2 | 0.2 | 0.4 | (2.4) | 0.4 |
| Carrying amount as of January 1, 2009 | 11.5 | 5.2 | 13.8 | 14.5 | 45.0 |
| Gross amount | 50.4 | 12.9 | 14.2 | 27.2 | 104.7 |
| Amortization | (38.9) | (7.7) | (0.4) | (12.7) | (59.7) |
| Acquisitions | 1.1 | 0.4 | 0.3 | 1.1 | 2.9 |
| Acquisitions resulting from business combinations | - | - | 4.3 | (0.5) | 3.8 |
| Net increases in amortization | (5.5) | (0.4) | (0.1) | (0.9) | (6.9) |
| Impairment losses recognized in net income | - | (2.0) | - | (0.3) | (2.3) |
| Foreign exchange differences | (0.3) | - | (0.1) | (0.1) | (0.5) |
| Reclassification and other | 1.4 | (0.8) | 0.1 | 1.1 | 1.8 |
| Carrying amount as of December 31, 2009 | 8.2 | 2.4 | 18.3 | 14.9 | 43.8 |
| Gross amount | 52.2 | 11.8 | 18.8 | 28.8 | 111.6 |
| Amortization | (44.0) | (9.4) | (0.5) | (13.9) | (67.8) |

Emission rights

Imerys is concerned, mainly for its production activity of roof tiles and bricks of the business group Materials & Monolithics, by the European directive no. 2003/87/CE dated October 13, 2003 which establishes within the Community a market for emission rights of greenhouse gases. In 2009, over the second period of the second phase of the European market (2008 - 2012), Imerys uses 58.0% of

the greenhouse gas emission quotas granted to the sites concerned in Europe (81.0% in 2008). The decrease observed in 2009 is mainly explained by the slowdown in the activity. Since the actual emissions of the Group are inferior to the authorized level, no liability is recognized and the rights received are recognized as intangible assets for a carrying amount of zero.

Note 18 Property, plant and equipment

Estimates

As part of its ordinary activities, Imerys uses property, plant and equipment whose consumption is represented by depreciation. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives, reflecting where necessary, the useful lives of the components:

- Office buildings: 10 to 50 years
- Industrial buildings: 10 to 30 years
- Improvements to office and industrial buildings: 5 to 15 years
- Machinery, tooling, facilities and equipment: 5 to 20 years
- Vehicles: 2 to 5 years

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of property, plant and equipment related to mining activity such as mineral reserves and overburden assets, as well as certain industrial assets of discontinuous use. Their depreciation is thus estimated in units of production on the basis of actual extraction for mining assets or, for these industrial assets, of operational follow-up units such as production or operating hours. Subsoil, i.e. the surface of land excluding mineral deposit, is not depreciated since it is not consumed by mining activity.

Table of changes

| (€ millions) | Mining assets | Land and buildings | Plant and equipment | Down payments and assets under construction | Other | Total |
|---|---------------|--------------------|---------------------|---|-------------|----------------|
| Carrying amount as of January 1, 2008 | 399.6 | 259.8 | 762.0 | 208.2 | 50.9 | 1,680.5 |
| Gross amount | 540.9 | 446.2 | 2,488.3 | 208.4 | 182.7 | 3,866.5 |
| Depreciation | (141.3) | (186.4) | (1,726.3) | (0.2) | (131.8) | (2,186.0) |
| Acquisitions | 27.8 | 28.5 | 69.2 | 95.1 | 8.5 | 229.1 |
| Acquisitions resulting from business combinations | 6.3 | 10.5 | 18.8 | (1.2) | 2.0 | 36.4 |
| Disposals | (1.8) | (3.8) | (4.1) | (0.2) | (0.4) | (10.3) |
| Net increases in depreciation | (30.7) | (12.3) | (123.3) | - | (12.9) | (179.2) |
| Impairment losses recognized in net income | (1.7) | (1.3) | (11.8) | (3.7) | (0.4) | (18.9) |
| Impairment losses reversed in net income | 0.6 | - | 2.4 | - | - | 3.0 |
| Foreign exchange differences | (4.9) | (5.5) | (17.0) | (0.8) | (1.9) | (30.1) |
| Reclassification and other | 0.4 | 5.9 | 168.6 | (167.3) | (8.5) | (0.9) |
| Carrying amount as of January 1, 2009 | 395.6 | 281.8 | 864.8 | 130.1 | 37.3 | 1,709.6 |
| Gross amount | 546.5 | 465.7 | 2,591.7 | 130.2 | 167.3 | 3,901.4 |
| Depreciation | (150.9) | (183.9) | (1,726.9) | (0.1) | (130.0) | (2,191.8) |
| Acquisitions | 22.6 | 3.7 | 37.4 | 39.1 | 4.1 | 106.9 |
| Acquisitions resulting from business combinations | (3.7) | (2.6) | (1.4) | - | 0.8 | (6.9) |
| Disposals | 0.2 | (5.6) | (9.4) | 0.1 | (0.1) | (14.8) |
| Net increases in depreciation | (24.4) | (13.1) | (119.8) | (0.5) | (10.2) | (168.0) |
| Impairment losses recognized in net income | (8.3) | (0.3) | (20.3) | (0.5) | (0.9) | (30.3) |
| Impairment losses reversed in net income | - | - | 7.4 | - | - | 7.4 |
| Foreign exchange differences | (5.8) | (8.2) | 15.1 | 1.9 | - | 3.0 |
| Reclassification and other | 1.0 | 9.0 | 99.9 | (115.8) | 0.3 | (5.6) |
| Carrying amount as of December 31, 2009 | 377.2 | 264.7 | 873.7 | 54.4 | 31.3 | 1,601.3 |
| Gross amount | 544.9 | 456.2 | 2,670.5 | 55.5 | 167.8 | 3,894.9 |
| Depreciation | (167.7) | (191.5) | (1,796.8) | (1.1) | (136.5) | (2,293.6) |

Finance leases

Property, plant and equipment controlled under finance lease are recognized as assets for an amount of €4.1 million as of December 31, 2009 (€5.1 million as of December 31, 2008). It essentially relates to freight material. Commitments for future finance

lease rent payments amount to €4.0 million in discounted value and to €5.1 million in undiscounted value, of which €0.6 million for 2010, €3.5 million from 2011 to 2015 and €1.0 million beyond.

Note 19 Impairment losses

Judgments

Cash-Generating Units (CGUs). The allocation of assets and goodwill to the CGUs qualifies as a judgment of the Executive Management. As disclosed in the following table, goodwill is present in all CGUs. This makes the systematic performance of an annual test mandatory on each of the CGUs.

| (€ millions) | 2009 | | | 2008 |
|---|--------------|--------------|-----------------|-----------------|
| | Gross amount | Write-down | Carrying amount | Carrying amount |
| Pigments for Paper | 153.5 | - | 153.5 | 148.2 |
| Performance Minerals North America | 5.0 | - | 5.0 | - |
| Minerals for Filtration North America | 49.8 | - | 49.8 | 56.2 |
| Performance & Filtration Minerals Europe | 71.1 | - | 71.1 | 70.1 |
| Performance & Filtration Minerals South America | 10.5 | - | 10.5 | 6.9 |
| Performance & Filtration Minerals Asia Pacific | 4.8 | - | 4.8 | 5.0 |
| Vermiculite | - | - | - | 6.2 |
| Clay Roof Tiles & Bricks | 3.7 | - | 3.7 | 3.7 |
| Monolithic Refractories | 154.6 | - | 154.6 | 152.7 |
| Kiln Furniture | 32.0 | - | 32.0 | 32.3 |
| Minerals for Ceramics | 99.0 | (4.6) | 94.4 | 94.9 |
| Minerals for Refractories | 52.3 | - | 52.3 | 52.8 |
| Fused Minerals | 243.0 | (0.3) | 242.7 | 247.2 |
| Graphite | 22.4 | - | 22.4 | 22.5 |
| Goodwill of the CGUs | 901.7 | (4.9) | 896.8 | 898.7 |
| Holdings | 0.7 | - | 0.7 | 0.7 |
| Total | 902.4 | (4.9) | 897.5 | 899.4 |

Impairment loss indicators. The trigger events of an impairment test qualify as judgments of the Executive Management. These are mainly significant changes in business, interest rates, technological level, obsolescence and level of performance of assets. The adverse evolution of one of these indices requires the immediate performance of an impairment test, either on a CGU, or on an individual asset.

Estimates

Recoverable amount. It is the higher between the fair value less costs to sell and the value in use of a CGU or individual asset. In practice, fair value is reliably determinable only for individual assets and then corresponds to prices of recent transactions on disposals of similar assets. The value in use qualifies as the most frequently used measurement basis for both CGUs and individual assets. The forecasted cash flows used to estimate it result from the 2010 budget extended at a rate of 2.0% in a perpetual growth model. Where this method does not result in a realistic growth profile, the Executive Management has more detailed forecasts performed.

Discount rate. The average discount rate used to calculate the value in use is determined from the weighted average cost of capital of groups comparable to Imerys present of the industrial minerals

sector. This rate, of 8.0% (8.0% in 2008), is adjusted in accordance with the tested assets by a country-market risk premium of minus 50 to plus 100 basis points. The average discount rate after income taxes amounts to 8.2% in 2009 (8.3% in 2008). The calculations performed after income taxes are identical to those that would be performed with cash flows and rates before income taxes, as required by applicable texts.

Annual test of CGUs

The systematic performance of this annual test on each of the CGUs is mandatory as a consequence of the presence of goodwill in all CGUs. In 2009, this test requires the recognition of an impairment loss of goodwill of €7.0 million, of which €2.4 million in the CGU Vermiculite of the business group Performance & Filtration Minerals and €4.6 million in the CGU Minerals for Ceramics of the business group Minerals for Ceramics, Refractories, Abrasives & Foundry. These impairment losses are recognized in "Other operating revenue and expenses" (*Note 10*). In 2008, this test had required the recognition of an impairment loss on the entire carrying amount of the goodwill of the Performance Minerals North America CGU for an amount of €51.6 million.

Sensitivity of the annual test of CGUs to the changes in forecasted cash flows and discount rates.

Scope. Assets of the CGUs net of accumulated depreciation and impairment losses recognized up to December 31, 2009.

Variables. Decrease of 5.0% in forecasted cash flows and increase of 100 basis points in discount rates.

Results. A decrease of 5.0% in forecasted cash flows would not require the recognition of any impairment loss. An increase of 100 basis points in discount rates would not require the recognition of any impairment loss.

Tests of individual assets

Impairment indicators may require the immediate performance of this test in case of an unfavorable evolution, in addition to the test carried out on CGUs. The resulting impairment losses recognized in 2009 amount to €32.7 million, of which €6.6 million on the business group Performance & Filtration Minerals, €7.0 million on the business group Pigments for Paper, €3.9 million on the business group Materials & Monolithics and €15.2 million on the business group Minerals for Ceramics, Refractories, Abrasives & Foundry. These impairment

losses, recognized in "Other operating revenue and expenses", have an impact on the industrial tool of the business groups. Furthermore, the reversals of impairment losses recognized in 2009 amount to €0.4 million. The impairment losses net of reversals thus result in an amount of €32.3 million in "Other operating revenue and expenses" (*Note 10*). In 2008, the tests of individual assets had required the recognition of impairment losses for a total amount of €19.1 million.

Note 20 Investments in associates

| (€ millions) | 2009 | 2008 |
|--------------------------------------|-------------|-------------|
| Opening carrying amount | 50.0 | 42.9 |
| of which carrying amount of goodwill | 3.4 | 3.3 |
| Disposals | - | (0.6) |
| Income | (0.1) | 10.4 |
| Dividends paid out | (4.3) | (4.2) |
| Other | 4.4 | 1.5 |
| Closing carrying amount | 50.0 | 50.0 |
| of which carrying amount of goodwill | 7.1 | 3.4 |

Imerys only has a significant influence on the decisions of financial and operational management of the entities below, these being controlled by the other associates. The position "Share in net income of associates" contributes to current operating income since 2009 in accordance with the voluntary change in accounting method described in *Note 2*.

| | 2009 | | | 2008 | | |
|-------------------------------|---------------------------|----------------------|--------------------------|---------------------------|----------------------|--------------------------|
| | Share in capital held (%) | Share in equity (€M) | Share in net income (€M) | Share in capital held (%) | Share in equity (€M) | Share in net income (€M) |
| MST Mineralien Schiffahrt | 50.0% | 24.8 | (0.3) | 50.0% | 28.0 | 7.0 |
| Calderys Iberica Refractorios | 49.9% | 5.7 | 0.2 | 49.9% | 5.7 | 1.1 |
| Imerys Xinlong Vermiculite | 65.0% | 4.5 | (0.1) | - | - | - |
| Other investments | - | 15.0 | 0.1 | - | 16.3 | 2.3 |
| Total | - | 50.0 | (0.1) | - | 50.0 | 10.4 |

The table below presents the key figures of the main entities under significant influence of Imerys. The data of the most important entity, MST Mineralien Schiffahrt, stem from the most recent financial statements to which the Group has access, i.e. those of the September 30 annual closing.

| (€ millions) | 2009 | | 2008 | |
|-------------------------------|--------|---------|--------|---------|
| | Assets | Revenue | Assets | Revenue |
| MST Mineralien Schiffahrt | 114.7 | 72.7 | 120.2 | 84.1 |
| Calderys Iberica Refractorios | 19.3 | 19.3 | 24.6 | 30.7 |
| Imerys Xinlong Vermiculite | 4.4 | 1.5 | - | - |

Note 21 Inventories

| (€ millions) | 2009 | | | 2008 | | |
|------------------|--------------|---------------|-----------------|--------------|---------------|-----------------|
| | Gross amount | Write down | Carrying amount | Gross amount | Write down | Carrying Amount |
| Raw materials | 177.2 | (10.7) | 166.5 | 235.4 | (11.7) | 223.7 |
| Work in progress | 50.0 | (0.3) | 49.7 | 64.4 | (0.1) | 64.3 |
| Finished goods | 201.8 | (9.9) | 191.9 | 274.5 | (7.6) | 266.9 |
| Merchandises | 34.3 | (1.9) | 32.4 | 56.7 | (0.6) | 56.1 |
| Total | 463.3 | (22.8) | 440.5 | 631.0 | (20.0) | 611.0 |

Note 22 Financial assets

22.1 Categories of financial assets

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in [Note 11](#). These carrying amounts are representative of fair value.

As of December 31, 2009

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

As of December 31, 2008

| (€ millions) | Available-for-sale financial assets | Fair value through profit or loss | | Loans and receivables | Hedge derivatives | | Non IAS 39 | Total |
|--|-------------------------------------|-----------------------------------|-----------|-----------------------|-------------------|-----------|------------|-------|
| | | Non derivative | Non hedge | | Fair value | Cash flow | | |
| Non-current assets | | | | | | | | |
| Available-for-sale financial assets | 7.1 | - | - | - | - | - | - | 7.1 |
| Other financial assets | - | - | - | 6.0 | - | - | 7.8 | 13.8 |
| Other receivables | - | - | - | 39.9 | - | - | 0.5 | 40.4 |
| Derivative financial assets | - | - | - | - | 17.6 | 1.1 | - | 18.7 |
| Current assets | | | | | | | | |
| Trade receivables | - | - | - | 523.3 | - | - | - | 523.3 |
| Other receivables | - | - | - | 95.0 | - | - | 59.2 | 154.2 |
| Derivative financial assets | - | - | (0.4) | - | 1.0 | 0.5 | - | 1.1 |
| Marketable securities and other financial assets | | 4.4 | | | | | | 4.4 |
| Cash and cash equivalents | - | - | - | 214.0 | - | - | - | 214.0 |
| Total financial assets | 7.1 | 4.4 | (0.4) | 878.2 | 18.6 | 1.6 | - | |

22.2 Available-for-sale financial assets

| (€ millions) | 2009 | 2008 |
|---------------------------------------|------------|------------|
| Opening balance | 7.1 | 9.0 |
| Acquisitions | 0.3 | 0.4 |
| Disposals | (0.2) | (0.5) |
| Changes in fair value | 0.3 | 0.5 |
| Changes in the scope of consolidation | - | (1.4) |
| Exchange rate differences | - | (0.6) |
| Other | - | (0.3) |
| Closing balance | 7.5 | 7.1 |

22.3 Receivables and other financial assets

| (€ millions) | Other non-current financial assets | Other non-current receivables | Trade receivables | Other current receivables | Total |
|--|------------------------------------|-------------------------------|-------------------|---------------------------|--------------|
| Carrying amount as of January 1, 2008 | 11.3 | 46.8 | 623.4 | 133.3 | 814.8 |
| Gross amount | 13.4 | 62.1 | 642.0 | 141.4 | 858.9 |
| Write-down | (2.1) | (15.3) | (18.6) | (8.1) | (44.1) |
| Net change | 1.4 | (3.2) | (103.8) | 20.3 | (85.3) |
| Write-down | (0.1) | (5.3) | (0.2) | (7.2) | (12.8) |
| Changes in the scope of consolidation | - | - | 19.2 | 11.4 | 30.6 |
| Exchange rate differences | (0.9) | 0.8 | (15.5) | (2.4) | (18.0) |
| Other | 2.1 | 1.3 | 0.2 | (1.2) | 2.4 |
| Carrying amount as of January 1, 2009 | 13.8 | 40.4 | 523.3 | 154.2 | 731.7 |
| Gross amount | 15.9 | 62.9 | 542.8 | 170.3 | 791.9 |
| Write-down | (2.1) | (22.5) | (19.5) | (16.1) | (60.2) |
| Net change | 0.8 | 2.5 | (147.4) | (37.7) | (181.8) |
| Write-down | (0.1) | (3.6) | (20.3) | (7.6) | (31.6) |
| Changes in the scope of consolidation | - | - | 1.0 | (0.5) | 0.5 |
| Exchange rate differences | 0.7 | 1.4 | 5.3 | 3.4 | 10.8 |
| Other | 8.0 | 3.0 | 2.5 | (1.1) | 12.4 |
| Carrying amount as of December 31, 2009 | 23.2 | 43.7 | 364.4 | 110.7 | 542.0 |
| Gross amount | 25.4 | 76.0 | 402.2 | 120.8 | 624.4 |
| Write-down | (2.2) | (32.3) | (37.8) | (10.1) | (82.4) |

Other non-current financial assets correspond to loans and deposits and to assets related to employee benefits (*Note 24.1*). The greater part of other non-current receivables and related write-down corresponds to tax receivables other than income taxes in Brazil. Other current receivables also mainly correspond to tax receivables other than income taxes. In addition, the Group has set up in September 2009

a factoring contract without recourse signed as of July 23, 2009 for an unlimited duration. Since the object of this contract is to transfer the trade receivables of certain customers to the factor as well as the entire related risks and rewards, these receivables are derecognized. As of December 31, 2009, they represent an amount of €83.0 million.

22.4 Management of risks arising from financial assets

Credit risk

Description of the risk. The credit risk is the risk that a debtor of Imerys does not reimburse his debt at the due date. This risk mainly has an impact on the category of loans and receivables.

Management of the risk. The credit risk is followed at the level of each entity. This follow up mainly bases on the analysis of past due receivables and can be extended to a more detailed solvency

investigation. The Group entities may hedge the credit risk through credit insurance contracts or warranties (*Note 30*). At the closing date, loans and receivables are reduced to their recoverable amount by an individual write-down. As of December 31, 2009, loans and receivables are written-down by €82.4 million (€60.2 million as of December 31, 2008). The maximum exposure of Imerys to credit risk before credit insurance and warranties, i.e. the carrying amount of its receivables, thus amounts to €542.0 million as of December 31, 2009 (€731.7 million as of December 31, 2008). The table hereafter presents the change in write-down of loans and receivables.

| (€ millions) | Other non-current financial assets | Other non-current receivables | Trade receivables | Other current receivables | Total |
|--|------------------------------------|-------------------------------|-------------------|---------------------------|---------------|
| Balance as of January 1, 2008 | (2.1) | (15.3) | (18.6) | (8.1) | (44.1) |
| Increases | (0.2) | (5.5) | (4.4) | (7.2) | (17.3) |
| Utilizations | 0.2 | 0.2 | 4.2 | - | 4.6 |
| Changes in the scope of consolidation | - | (0.8) | (2.1) | (2.4) | (5.3) |
| Exchange rate differences | - | (1.1) | (0.1) | (0.9) | (2.1) |
| Other | - | - | 1.5 | 2.5 | 4.0 |
| Balance as of January 1, 2009 | (2.1) | (22.5) | (19.5) | (16.1) | (60.2) |
| Increases | (0.1) | (5.2) | (25.6) | (7.6) | (38.5) |
| Utilizations | - | 1.5 | 5.4 | - | 6.9 |
| Changes in the scope of consolidation | - | - | 1.9 | 0.2 | 2.1 |
| Exchange rate differences | - | (6.1) | 0.5 | (1.3) | (6.9) |
| Other | - | - | (0.5) | 14.7 | 14.2 |
| Balance as of December 31, 2009 | (2.2) | (32.3) | (37.8) | (10.1) | (82.4) |

Trade receivables do not bear interest and are generally due between 30 to 90 days. Some trade receivables may be past due without being impaired, for example where hedged by a credit insurance contract or a warranty.

| (€ millions) | 2009 | 2008 |
|--|--------------|--------------|
| Past due trade receivables that are not impaired | 88.5 | 89.2 |
| Since less than 30 days | 54.4 | 60.1 |
| Since 30 to 89 days | 20.2 | 19.1 |
| Since 90 days and more | 13.9 | 10.0 |
| Undue trade receivables and past-due and impaired trade receivables | 275.9 | 434.1 |
| Total | 364.4 | 523.3 |

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency. In the assets, the transactional currency risk has an impact mainly on trade receivables.

Management of the risk. In the assets, the transactional currency risk is managed in accordance with the same principles as the transactional currency risk related to financial liabilities (*Note 25.5 - Transactional currency risk*).

Note 23 Capital

Number of shares outstanding

| (€ millions) | 2009 | 2008 |
|--|-------------------|-------------------|
| Number of shares outstanding at the opening | 62,786,590 | 63,126,856 |
| Capital increases | 12,602,906 | 29,734 |
| Capital decreases | - | (370,000) |
| Number of shares outstanding at the closing | 75,389,496 | 62,786,590 |

Capital management principles

The management of capital presents three main fields: consolidated equity, share-based payments and share repurchases. The management of consolidated equity pursues the objective to maintain a stable financial structure so as to generate dividends for shareholders through a regular and steady growth of results. The share options and free shares granted to certain key employees aim at reaching this objective. The objective of share repurchases is to foster the liquidity of transactions and regularity of quotation of the Imerys share, to make certain share-based payments and to perform the cancellations necessary to offset the share option grants.

Consolidated equity corresponds to the capital and premiums of Imerys SA and consolidated income and reserves. There are no hybrid instruments combining the characteristics of liabilities and equity instruments. As of December 31, 2009:

- consolidated equity amounts to €1,855.8 million (€1,546.3 million as of December 31, 2008) on the basis of which the Board of Directors proposes a dividend per share of €1.00 (€1.00 in 2008);
- 3,953,269 share options and 348,424 free shares representing 5.40% of the capital of Imerys SA after dilution are attributed and not exercised or acquired (5.20% of the capital after dilution as of December 31, 2008);
- Imerys SA holds, at the end of the purchase, sale and cancellation transactions of the period 250 Imerys shares (0 as of December 31, 2008).

The capital of Imerys SA is subject to several mandatory requirements of the French Code of Commerce. These requirements do not have any significant impact on the financial statements. However their compliance is subject to specific verifications whose conclusions are disclosed in the Statutory Auditors' Report. Furthermore, part of the Group's financing is ensured through liabilities instruments whose external issuers impose the compliance to ratios, some of which using the amount of consolidated equity. These ratios as well as their amounts at the closing date are presented in [Note 25.5 - Borrower's liquidity risk](#).

Period activity

A highlight of 2009 was the share capital increase completed by the Company on June 2, 2009 ([see chapter 6, paragraph 6.2.3 of the Reference Document](#)). On that date, the Chief Executive Officer, pursuant to the powers granted to him by the Board of Directors at its meeting of April 29, 2009, noted that 12,557,518 new shares had been subscribed under the rights issue approved on May 4, 2009, increasing the Company's capital to a nominal amount of €25,115,036. The other changes in share capital recorded in 2009 were as follows:

- on April 27, 2009, the Board of Directors noted that the share capital had been increased by a nominal amount of €2,000 as a result of the exercise since January 1, 2009 of 1,000 share options giving the right to the same number of Imerys shares;
- on January 11, 2010, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2009, noted that, on December 31, 2009, the share capital had been increased by a nominal amount of €88,776 as a result of the exercise in the second half of 2009 of 44,388 share options giving the right to the same number of Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as on December 31, 2009 totalled €150,778,992. It was made up of 75,389,496 shares with €2 par value of which 34,319,774 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 109,709,270. Share capital did not change and the number of voting rights did not change significantly between December 31, 2009 and the date of the present Reference Document. No directly registered shares have been pledged by the Company.

Note 24 Provisions

24.1 Provisions for employee benefits

| (€ millions) | 2009 | 2008 |
|--------------------------|--------------|--------------|
| Retirement plans | 76.6 | 105.3 |
| Medical plans | 12.9 | 13.7 |
| Other long-term benefits | 6.0 | 5.8 |
| Termination benefits | 8.4 | 8.4 |
| Total | 103.9 | 133.2 |

Estimates

The actuarial assumptions used to measure defined benefit plans (retirement plans, medical plans and other long-term benefits) qualify as estimates of the Executive Management. On the major monetary zones, the assumptions hereafter are weighted by the amounts of obligations or assets, depending upon the item to which they apply.

| | 2009 | | | 2008 | | |
|-------------------------------------|-----------|---------------|---------------|-----------|---------------|---------------|
| | Euro zone | Great Britain | United states | Euro zone | Great Britain | United states |
| Discount rates | 4.6% | 5.7% | 5.7% | 5.1% | 6.4% | 5.5% |
| Expected rates: | | | | | | |
| ■ of return on plan assets | 3.6% | 6.0% | 8.0% | 3.7% | 5.6% | 8.2% |
| ■ of return on reimbursement rights | 3.9% | - | - | 3.9% | - | - |
| Expected rates of salary increases | 2.7% | 3.6% | 4.1% | 2.9% | 2.7% | 4.1% |
| Medical cost trend rates | - | - | 8.2% | - | - | 8.2% |

Sensitivity of the 2010 net expense to a change in discount rate on the plans in Pound Sterling.

Scope. Plans in Pound Sterling representing at the closing date of financial statements the total of obligations in Pound Sterling and 67.1% of the Group's obligations.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Decrease of €1.0 million (respectively increase of €1.5 million) in the 2010 net expense.

Sensitivity of the 2010 net expense to a change in discount rate on the plans in US Dollar.

Scope. Plans in US Dollar representing at the closing date of financial statements the total of obligations in US Dollar and 20.1% of the Group's obligations.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Decrease of €1.0 million (respectively increase of €0.6 million) in the 2010 net expense.

Sensitivity of the total of current service cost and interest cost on the one hand and the obligation of medical defined benefit plans on the other hand to the change in the medical cost trend rates.

Scope. Medical defined benefits plans.

Variables. Increase of 100 basis points (respectively decrease of 100 basis points) in the medical cost trend rates.

Results. Insignificant change of the total of current service cost and interest cost and increase of €0.5 million (respectively decrease of €0.4 million) on the obligation of medical defined benefit plans.

Net expense

| (€ millions) | 2009 | | | 2008 | | |
|--|-------------|----------------------|-------------|------------|----------------------|-------------|
| | Retirement | Other ⁽¹⁾ | Total | Retirement | Other ⁽¹⁾ | Total |
| Unwinding | 44.3 | 1.0 | 45.3 | 50.7 | 1.1 | 51.8 |
| Current service cost | 10.1 | 0.5 | 10.6 | 10.5 | 0.5 | 11.0 |
| Expected return on plan assets | (38.3) | - | (38.3) | (50.8) | - | (50.8) |
| Expected return on reimbursement rights | (0.2) | - | (0.2) | (0.2) | - | (0.2) |
| Plan assets ceiling | 0.3 | - | 0.3 | (1.5) | - | (1.5) |
| Past service cost | 1.8 | - | 1.8 | - | 0.2 | 0.2 |
| Actuarial (gains) and losses | 4.0 | - | 4.0 | 0.4 | - | 0.4 |
| Curtailments and settlements | (0.5) | (0.7) | (1.2) | (0.7) | (0.2) | (0.9) |
| Net expense | 21.5 | 0.8 | 22.3 | 8.4 | 1.6 | 10.0 |
| Current operating income | - | - | (15.8) | - | - | (9.8) |
| Other operating revenue and expenses | - | - | 0.3 | - | - | 0.6 |
| Financial income (loss) | - | - | (6.8) | - | - | (0.8) |
| Effective return on plan assets | 70.6 | - | 70.6 | 65.6 | - | 65.6 |
| Effective return on reimbursement rights | 0.3 | - | 0.3 | - | - | - |

(1) Medical plans and other long-term benefits.

The unwinding and the expected return on plan assets and reimbursement rights contribute to the financial income (loss) since 2009 (Note 12) in accordance with the voluntary change in accounting method described in Note 2.

Obligations

| (€ millions) | 2009 | | | 2008 | | |
|--------------------------------|--------------|----------------------|--------------|--------------|----------------------|--------------|
| | Retirement | Other ⁽¹⁾ | Total | Retirement | Other ⁽¹⁾ | Total |
| Opening obligations | 731.9 | 18.1 | 750.0 | 950.4 | 19.1 | 969.5 |
| Outgoing entities | (0.2) | - | (0.2) | - | - | 0.0 |
| Interest cost | 44.3 | 1.0 | 45.3 | 50.7 | 1.1 | 51.8 |
| Current service cost | 10.1 | 0.5 | 10.6 | 10.5 | 0.5 | 11.0 |
| Benefit payments | (57.8) | (1.8) | (59.6) | (57.6) | (1.8) | (59.4) |
| Employee contributions | 1.8 | - | 1.8 | 2.1 | - | 2.1 |
| Plan amendments | 5.1 | - | 5.1 | 2.3 | 0.2 | 2.5 |
| Curtailments and settlements | (0.5) | (0.7) | (1.2) | (1.4) | (0.2) | (1.6) |
| Actuarial (gains) and losses | 109.5 | (0.1) | 109.4 | (73.1) | (1.3) | (74.4) |
| Reclassification | - | - | 0.0 | (0.3) | 0.3 | 0.0 |
| Exchange rate differences | 27.5 | - | 27.5 | (151.7) | 0.2 | (151.5) |
| Closing obligations | 871.7 | 17.0 | 888.7 | 731.9 | 18.1 | 750.0 |
| Funded by plan assets | 817.4 | - | 817.4 | 673.9 | 0.4 | 674.3 |
| Funded by reimbursement rights | 19.0 | - | 19.0 | 18.1 | - | 18.1 |
| Unfunded | 35.3 | 17.0 | 52.3 | 39.9 | 17.7 | 57.6 |

(1) Medical plans and other long-term benefits.

Assets

| (€ millions) | 2009 | | | 2008 | | |
|---|--------------|----------------------|--------------|--------------|----------------------|--------------|
| | Retirement | Other ⁽¹⁾ | Total | Retirement | Other ⁽¹⁾ | Total |
| Opening balance | 625.6 | 0.4 | 626.0 | 863.9 | - | 863.9 |
| Expected return on plan assets | 38.3 | - | 38.3 | 50.8 | - | 50.8 |
| Expected return on reimbursement rights | 0.2 | - | 0.2 | 0.2 | - | 0.2 |
| Benefit payments | (50.7) | - | (50.7) | (52.2) | - | (52.2) |
| Employer contributions | 53.7 | - | 53.7 | 34.5 | - | 34.5 |
| Employee contributions | 1.8 | - | 1.8 | 2.1 | - | 2.1 |
| Curtailments and settlements | - | - | 0.0 | (0.8) | - | (0.8) |
| Actuarial gains and (losses) | 32.4 | - | 32.4 | (116.6) | - | (116.6) |
| Reclassification | - | (0.4) | (0.4) | (0.4) | 0.4 | 0.0 |
| Exchange rate differences | 31.7 | - | 31.7 | (155.9) | - | (155.9) |
| Closing balance | 733.0 | - | 733.0 | 625.6 | 0.4 | 626.0 |
| Plan assets | 727.1 | - | 727.1 | 620.0 | 0.4 | 620.4 |
| Reimbursement rights | 5.9 | - | 5.9 | 5.6 | - | 5.6 |

(1) Medical plans and other long-term benefits.

The 2010 contributions are estimated at €29.9 million. As of December 31, 2009, assets are invested as follows:

| | 2009 | 2008 |
|--------------|---------------|---------------|
| Shares | 37.4% | 37.0% |
| Bonds | 53.9% | 54.3% |
| Monetary | 4.6% | 4.4% |
| Real estate | 4.1% | 4.3% |
| Total | 100.0% | 100.0% |

Transition from funded status to assets (provisions)

| (€ millions) | 2009 | | | 2008 | | |
|--|---------------|----------------------|---------------|---------------|----------------------|----------------|
| | Retirement | Other ⁽¹⁾ | Total | Retirement | Other ⁽¹⁾ | Total |
| Obligations funded by plan assets | (817.4) | - | (817.4) | (673.9) | (0.4) | (674.3) |
| Plan assets | 727.1 | - | 727.1 | 620.0 | 0.4 | 620.4 |
| Funded status | (90.3) | 0.0 | (90.3) | (53.9) | 0.0 | (53.9) |
| Unfunded obligations | (35.3) | (17.0) | (52.3) | (39.9) | (17.7) | (57.6) |
| Obligations funded by reimbursement rights | (19.0) | - | (19.0) | (18.1) | - | (18.1) |
| Reimbursement rights | 5.9 | - | 5.9 | 5.6 | - | 5.6 |
| Unrecognized past service cost | 6.5 | - | 6.5 | 3.1 | - | 3.1 |
| Unrecognized actuarial (gains) losses | 74.4 | (1.9) | 72.5 | 7.2 | (1.8) | 5.4 |
| Unrecognized assets due to a limit on prepaid assets | (2.0) | - | (2.0) | (1.6) | - | (1.6) |
| Assets (provisions) | (59.8) | (18.9) | (78.7) | (97.6) | (19.5) | (117.1) |
| Provisions | (76.6) | (18.9) | (95.5) | (105.3) | (19.5) | (124.8) |
| Plan assets | 10.9 | - | 10.9 | 2.1 | - | 2.1 |
| Reimbursement rights | 5.9 | - | 5.9 | 5.6 | - | 5.6 |

(1) Medical plans and other long-term benefits.

Change in assets (provisions)

| (€ millions) | 2009 | | | 2008 | | |
|------------------------------------|---------------|----------------------|----------------|----------------|----------------------|----------------|
| | Retirement | Other ⁽¹⁾ | Total | Retirement | Other ⁽¹⁾ | Total |
| Opening assets (provisions) | (97.6) | (19.5) | (117.1) | (137.7) | (19.6) | (157.3) |
| Outgoing entities | 0.2 | - | 0.2 | - | - | 0.0 |
| Recognized net expense | (21.5) | (0.8) | (22.3) | (8.4) | (1.6) | (10.0) |
| Credits to reimbursement rights | (0.4) | - | (0.4) | - | - | 0.0 |
| Contributions | 61.2 | 1.8 | 63.0 | 39.9 | 1.9 | 41.8 |
| Reclassification | - | (0.4) | (0.4) | - | - | 0.0 |
| Exchange rate differences | (1.7) | - | (1.7) | 8.6 | (0.2) | 8.4 |
| Closing assets (provisions) | (59.8) | (18.9) | (78.7) | (97.6) | (19.5) | (117.1) |
| Provisions | (76.6) | (18.9) | (95.5) | (105.3) | (19.5) | (124.8) |
| Plan assets | 10.9 | - | 10.9 | 2.1 | - | 2.1 |
| Reimbursement rights | 5.9 | - | 5.9 | 5.6 | - | 5.6 |

(1) Medical plans and other long-term benefits.

Change in unrecognized actuarial gains (losses)

| (€ millions) | 2009 | | | 2008 | | |
|--|---------------|----------------------|---------------|--------------|----------------------|--------------|
| | Retirement | Other ⁽¹⁾ | Total | Retirement | Other ⁽¹⁾ | Total |
| Opening unrecognized actuarial gains (losses) | (7.2) | 1.8 | (5.4) | 49.1 | 0.6 | 49.7 |
| Actuarial gains and (losses) of the period | (77.1) | 0.1 | (77.0) | (43.5) | 1.3 | (42.2) |
| Amortization in the period net expense | 4.0 | - | 4.0 | 0.4 | - | 0.4 |
| Exchange rate differences | 5.9 | - | 5.9 | (13.2) | (0.1) | (13.3) |
| Closing unrecognized actuarial gains (losses) | (74.4) | 1.9 | (72.5) | (7.2) | 1.8 | (5.4) |

(1) Medical plans and other long-term benefits.

Funding of obligations and experience adjustments in the long term

| (€ millions) | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---------------|---------------|---------------|---------------|----------------|
| Funding of obligations | | | | | |
| Obligations funded by plan assets | (817.4) | (674.3) | (886.9) | (937.7) | (993.9) |
| Plan assets | 727.1 | 620.4 | 858.6 | 870.2 | 828.7 |
| Funded status | (90.3) | (53.9) | (28.3) | (67.5) | (165.2) |
| Unfunded obligations | (52.3) | (57.6) | (64.6) | (63.3) | (71.1) |
| Obligations funded by reimbursement rights | (19.0) | (18.1) | (18.0) | (20.6) | (21.2) |
| Reimbursement rights | 5.9 | 5.6 | 5.3 | 5.4 | 5.3 |
| Experience adjustments | | | | | |
| On obligations | (109.4) | 74.4 | 6.4 | 57.5 | (89.5) |
| On plan assets | 32.3 | (116.4) | 7.2 | 9.0 | 69.3 |
| On reimbursement rights | 0.1 | (0.2) | (0.1) | - | - |
| Actuarial gains (losses) of the period | (77.0) | (42.2) | 13.5 | 66.5 | (20.2) |

24.2 Other provisions

| (€ millions) | 2009 | 2008 |
|------------------------------|--------------|--------------|
| Other non-current provisions | 157.7 | 153.7 |
| Other current provisions | 18.6 | 20.8 |
| Total | 176.3 | 174.5 |

Estimates

Probability of settlement and amount of the obligation. The probabilities of settlement and the amounts of the obligations are estimated by the Executive Management with the support of external counsels for the significant litigation and claims. These relate to allegations of personal or financial injury implicating the civil liability of Imerys and the potential breach of contractual obligations or employee, property and environmental legal issues.

Probable phasing of future payments as of December 31, 2009

| (€ millions) | 2010 - 2014 | 2015 - 2024 | 2025 and later | Total |
|--|--------------|-------------|----------------|--------------|
| Management risks | 38.6 | - | - | 38.6 |
| Environment, dismantling and restoration | 41.1 | 17.5 | 34.1 | 92.7 |
| Legal and social litigation | 45.0 | - | - | 45.0 |
| Other provisions | 124.7 | 17.5 | 34.1 | 176.3 |

Discount rates. These rates integrate the time value of money and monetary inflation over the timeline of future payments. For the main discounted provision (mine sites restoration), the assumptions of the major monetary zones are the following.

| | 2009 | | | 2008 | | |
|---------------------|-----------|---------------|---------------|-----------|---------------|---------------|
| | Euro zone | Great Britain | United States | Euro zone | Great Britain | United States |
| Time value of money | 3.8% | 4.7% | 4.6% | 4.8% | 6.6% | 5.8% |
| Monetary inflation | 0.9% | 2.8% | 2.9% | 1.1% | 3.1% | 0.1% |

Table of changes

| (€ millions) | Management risks | Environment, dismantling and restoration | Legal and social litigation | Total |
|--|------------------|--|--------------------------------|--------------|
| Balance as of January 1, 2008 | 39.9 | 91.2 | 34.2 | 165.3 |
| Increases | 4.7 | 9.9 | 23.2 | 37.8 |
| Utilizations | (9.5) | (8.3) | (23.8) | (41.6) |
| Non-utilized decreases | (0.1) | - | (1.0) | (1.1) |
| Changes in the scope of consolidation | 2.2 | 2.4 | 12.6 | 17.2 |
| Unwinding expense | - | 3.1 | 0.4 | 3.5 |
| Exchange rate differences | 0.3 | (6.5) | (1.5) | (7.7) |
| Reclassification and other | (0.1) | (0.5) | 1.7 | 1.1 |
| Balance as of January 1, 2009 | 37.4 | 91.3 | 45.8 | 174.5 |
| Increases | 22.1 | 5.1 | 24.5 | 51.7 |
| Utilizations | (16.8) | (4.7) | (18.1) | (39.6) |
| Non-utilized decreases | (2.5) | (2.2) | (0.2) | (4.9) |
| Changes in the scope of consolidation | (0.1) | 1.5 | (2.8) | (1.4) |
| Unwinding expense | - | 2.9 | 0.2 | 3.1 |
| Exchange rate differences | (0.3) | (1.1) | 1.0 | (0.4) |
| Reclassification and other | (1.2) | (0.1) | (5.4) | (6.7) |
| Balance as of December 31, 2009 | 38.6 | 92.7 | 45.0 | 176.3 |

Note 25 Financial liabilities

25.1 Categories of financial liabilities

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in [Note 11](#). These carrying amounts are representative of fair value for all instruments except for bonds.

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

As of December 31, 2009

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

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

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

As of December 31, 2008

| (€ millions) | Financial liabilities at amortized cost | Fair value through profit or loss | Hedge derivatives | | Non IAS 39 | Total |
|----------------------------------|---|-----------------------------------|-------------------|-----------|------------|---------|
| | | Non hedge derivatives | Fair value | Cash flow | | |
| Non-current liabilities | | | | | | |
| Loans and financial debts | 1,039.5 | (9.2) | 20.0 | - | 4.4 | 1,054.7 |
| Other debts | 10.8 | - | - | - | 2.8 | 13.6 |
| Derivative financial liabilities | - | 3.0 | 9.3 | 6.9 | - | 19.2 |
| Current liabilities | | | | | | |
| Trade payables | 337.9 | - | - | - | - | 337.9 |
| Other debts | 103.3 | - | - | - | 96.4 | 199.7 |
| Derivative financial liabilities | - | - | 0.5 | 49.3 | - | 49.8 |
| Loans and financial debts | 728.2 | - | - | (1.6) | 0.7 | 727.3 |
| Bank overdrafts | 2.9 | - | - | - | - | 2.9 |
| Total financial liabilities | 2,222.6 | (6.2) | 29.8 | 54.6 | - | |

The fair value of fixed rate bonds included in the position "Loans and financial debts" is inferior to their carrying amount by €109.5 million.

| Nominal amount in millions | Maturity | Quotation | Interest rate | | Carrying amount | Fair value | Difference |
|---|-----------|-----------|---------------|-----------|-----------------|--------------|----------------|
| | | | Nominal | Effective | | | |
| JPY 7,000.0 | 9/16/2033 | Unlisted | 3.40% | 3.47% | 56.0 | 75.5 | 19.5 |
| USD 140.0 | 8/6/2013 | Unlisted | 4.88% | 4.98% | 102.6 | 115.1 | 12.5 |
| USD 30.0 | 8/6/2018 | Unlisted | 5.28% | 5.38% | 22.0 | 27.1 | 5.1 |
| EUR 300.0 | 4/25/2014 | Listed | 5.13% | 5.42% | 310.6 | 264.8 | (45.8) |
| EUR 500.0 | 4/18/2017 | Listed | 5.00% | 5.09% | 517.7 | 416.9 | (100.8) |
| Total as of December 31, 2008 (€ millions) | | | | | 1,008.9 | 899.4 | (109.5) |

25.2 Financial debt

The net financial debt is used in the management of the financial resources of Imerys. This indicator is used in particular in the calculation of financial ratios that the Group has to comply with under financing agreements entered into with financial markets ([Note 25.5 - Borrower's liquidity risk](#)). The link between this indicator and the consolidated statement of financial position is presented in the following table.

| (€ millions) | Notes | 2009 | 2008 |
|--|-------|----------------|----------------|
| Non-derivative financial liabilities | | 1,235.8 | 1,784.9 |
| Loans and financial debts - non-current | | 1,037.7 | 1,054.7 |
| Loans and financial debts - current | | 186.0 | 727.3 |
| Bank overdrafts | | 12.1 | 2.9 |
| Non-derivative financial assets | | (270.2) | (218.4) |
| Marketable securities and other financial assets | | (5.6) | (4.4) |
| Cash and cash equivalents | | (264.6) | (214.0) |
| Hedge derivatives | | (1.3) | (0.4) |
| Financing hedge instruments - liabilities | 25.4 | 18.8 | 18.0 |
| Financing hedge instruments - assets | 25.4 | (20.1) | (18.4) |
| Net financial debt | | 964.3 | 1,566.1 |

25.3 Other debts

| (€ millions) | 2009 | 2008 |
|--------------------------------|--------------|--------------|
| Non-current liabilities | | |
| Income taxes payable | 1.2 | 0.8 |
| Tax debts | 0.4 | - |
| Social debts | - | 0.5 |
| Other | 7.9 | 12.3 |
| Total | 9.5 | 13.6 |
| Current liabilities | | |
| Capital expenditure payables | 28.7 | 40.3 |
| Tax debts | 19.7 | 20.7 |
| Social debts | 103.3 | 94.0 |
| Other | 34.0 | 44.7 |
| Total | 185.7 | 199.7 |

25.4 Derivative instruments

Derivative instruments management principles

The use of derivative instruments is framed by a policy defined and operated by the Treasury Department and periodically presented to the Board of Directors. In accordance with this policy, derivative instruments are exclusively used to hedge risks related to operating transactions (transactional foreign exchange and energy price risks), to foreign investments (conversion of financial statements risk) and to financing (transactional currency and interest rate risks). Imerys is not taking any speculative position. Derivative instruments are negotiated centrally by the Treasury Department on over-the-counter markets with first-rank banking institutions. Imerys proscribes to its entities to subscribe derivative instruments outside the Group. The

implementation of this policy to the foreign exchange (transactional currency and conversion of financial statements), interest rate and energy price risks is developed in [Note 25.5](#).

Derivative instruments in the financial statements

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

| (€ millions) | 2009 | | | 2008 | | |
|---------------------------------|-------------|-------------|------------|--------------|-------------|---------------|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Foreign exchange risk | 2.9 | 2.3 | 0.6 | (0.3) | 25.5 | (25.8) |
| Forward derivative instruments | 0.4 | 2.3 | (1.9) | 0.1 | 20.2 | (20.1) |
| Optional derivative instruments | 2.5 | - | 2.5 | (0.4) | 5.3 | (5.7) |
| Interest rate risk | 17.6 | 16.5 | 1.1 | 18.7 | 19.2 | (0.5) |
| Forward derivative instruments | 17.6 | 12.3 | 5.3 | 18.7 | 17.4 | 1.3 |
| Optional derivative instruments | - | 4.2 | (4.2) | - | 1.8 | (1.8) |
| Energy price risk | 2.1 | 0.6 | 1.5 | 1.4 | 24.3 | (22.9) |
| Forward derivative instruments | - | - | 0.0 | 0.4 | 1.3 | (0.9) |
| Optional derivative instruments | 2.1 | 0.6 | 1.5 | 1.0 | 23.0 | (22.0) |
| Total | 22.6 | 19.4 | 3.2 | 19.8 | 69.0 | (49.2) |
| Non-current | 17.6 | 16.5 | 1.1 | 18.7 | 19.2 | (0.5) |
| Current | 5.0 | 2.9 | 2.1 | 1.1 | 49.8 | (48.7) |
| Operational hedge instruments | 2.5 | 0.6 | 1.9 | 1.4 | 51.0 | (49.6) |
| Financing hedge instruments | 20.1 | 18.8 | 1.3 | 18.4 | 18.0 | 0.4 |

Equity. As part of its policy of management of the foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments intended to hedge certain future purchases and sales in foreign currencies, a portion of its floating rate financing and part of its future energy consumption in the United States, in Great Britain and in France. These positions qualify as cash flow hedges. The

following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss. The detail of these reclassifications at the level of the underlying revenue and expenses is presented in [Note 11](#). These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in [Note 25.5](#).

| (€ millions) | Foreign exchange rate risk | Interest rate risk | Energy price risk | Total |
|--|-------------------------------|-----------------------|----------------------|---------------|
| Balance as of January 1, 2008 | 1.8 | 1.9 | 0.2 | 3.9 |
| Recognition in equity | (24.5) | (15.2) | (33.9) | (73.6) |
| Reclassification in profit or loss | (2.5) | (6.5) | 11.1 | 2.1 |
| Balance as of January 1, 2009 | (25.2) | (19.8) | (22.6) | (67.6) |
| Recognition in equity | 14.7 | 0.3 | 26.0 | 41.0 |
| Reclassification in profit or loss | 9.8 | 5.6 | (1.9) | 13.5 |
| Balance as of December 31, 2009 | (0.7) | (13.9) | 1.5 | (13.1) |
| of which reclassification to profit or loss expected in 2010 | (0.7) | (13.9) | 1.5 | (13.1) |

25.5 Management of risks arising from financial liabilities

Transactional currency risk

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

Management of the risk. Imerys recommends to its operating entities to perform, to the extent it is possible, their transactions

in their functional currencies. Where this is not possible, the transactional currency risk may be hedged on an individual basis by currency forwards, currency swaps and foreign exchange options. These instruments are used as hedges of highly probable budget flows. The corresponding hedges qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

| (€ millions) | 2009 | 2008 |
|--|---------------|---------------|
| Opening balance | (25.2) | 1.8 |
| Recognition in equity | 14.7 | (24.5) |
| Reclassification in profit or loss | 9.8 | (2.5) |
| Closing balance | (0.7) | (25.2) |
| of which reclassification to profit or loss expected in 2010 | (0.7) | (25.2) |

Interest rate risk

Description of the risk. The interest rate risk is the risk whereby the interest flow due in relation to the financial debt is deteriorated by a rise in the market interest rates. The sensitivity analysis presented hereafter enables to assess the exposure of the Group to this risk.

Sensitivity of the "Net financial debt expense" to changes in interest rates.

Scope. Net financial debt as of December 31, 2009.

Variables. Increase of 100 basis points (respectively decrease of 100 basis points) assuming that the net financial debt remains constant and that each fixed rate debt (respectively floating rate debt) is replaced upon settlement date by a floating rate debt (respectively fixed rate debt). In reality, such changes would influence other parameters having impacts on the "Net financial debt expense" and could orient certain management decisions.

Results. Increase in the "Net financial debt expense" of €0.6 million (respectively decrease of €0.6 million).

Management of the risk. The objective of the management of the interest rate risk consists in guaranteeing its medium-term cost. The net financial debt is known through a reporting that describes the financial debt of each entity and indicates its components and characteristics. This reporting, reviewed monthly by the Financial Department and quarterly by the Board of Directors, enables the situation to be monitored and the management policy to be adjusted as necessary. The management policy is drawn up by the Treasury Department and approved every year by the Financial Department and the Board of Directors. As part of this process, the Treasury Department works with first-rank banking institutions and obtains financial data and pricing from information providers. The policy of Imerys is to obtain financing mainly in Euro, the most accessible

financial resource and at a fixed rate. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. Given anticipated trends in interest rates in 2009, the Group fixed the interest rate for part of its future financial debt (2010-2014) on various terms.

As of December 31, 2009, 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) | 2009 | 2008 |
|--|---------------|---------------|
| Opening balance | (19.8) | 1.9 |
| Recognition in equity | 0.3 | (15.2) |
| Reclassification in profit or loss | 5.6 | (6.5) |
| Closing balance | (13.9) | (19.8) |
| of which reclassification to profit or loss expected in 2010 | (13.9) | (19.8) |

Furthermore, Imerys holds as of December 31, 2009 interest rate swaps intended to hedge the exposure to changes in fair value of the different loans. These instruments qualify as fair value hedges. They hedge the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the Group. The hedged loans and the derivative instruments present the same characteristics.

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

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of December 31, 2009.

| (€ millions) | Euro | US Dollar | Japanese Yen | Other foreign currencies | Total |
|---|--------------|--------------|--------------|--------------------------|--------------|
| Debt at fixed rate | 628.2 | 23.2 | 0.5 | - | 651.9 |
| Debt at fixed rate on issue | 828.2 | 120.4 | 53.1 | - | 1,001.7 |
| Swap fixed rate into floating rate | (200.0) | (97.2) | (52.6) | - | (349.8) |
| Debt at floating rate | 99.5 | 201.7 | 33.9 | (22.7) | 312.4 |
| Debt at floating rate on issue | 91.5 | 102.4 | 14.5 | 12.3 | 220.7 |
| Net cash and marketable securities | (126.8) | (30.0) | (5.5) | (95.8) | (258.1) |
| Swap fixed rate into floating rate | 200.0 | 97.2 | 52.6 | - | 349.8 |
| Exchange rate swap | (65.2) | 32.1 | (27.7) | 60.8 | 0.0 |
| Net financial debt as of December 31, 2009 | 727.7 | 224.9 | 34.4 | (22.7) | 964.3 |

The table hereafter provides a breakdown of interest rate hedging transactions for the period 2009 by foreign currency.

| (€ millions) | Euro | US Dollar | Japanese Yen | Other foreign currencies | Total |
|---|---------------|---------------|--------------|--------------------------|---------------|
| Exposure at floating rate before hedging | 99.5 | 201.7 | 33.9 | (22.7) | 312.4 |
| Fixed rate hedges | (150.0) | (222.1) | - | - | (372.1) |
| Swap at average rate of | 4.04% | 3.92% | - | - | - |
| Capped rate hedges | - | - | - | - | - |
| Cap at average rate of | - | - | - | - | - |
| Exposure at floating rate after hedging | (50.5) | (20.4) | 33.9 | (22.7) | (59.7) |

The table hereafter provides a breakdown of interest rate hedging transactions in 2009 and after by maturity dates.

| (€ millions) | 2010 | 2011-2015 | 2016 and later |
|--------------------------------------|---------------|---------------|----------------|
| Total exposure before hedging | 312.4 | 312.4 | 312.4 |
| Fixed rate hedges | (372.1) | (372.1) | - |
| Swap at average rate of | 3.97% | 3.97% | - |
| Capped rate hedges | - | - | - |
| Cap at average rate of | - | - | - |
| Total exposure after hedging | (59.7) | (59.7) | 312.4 |

Energy price risk

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

Sensitivity of the energy consumption to the change in the prices of natural gas, electricity and coal.

Scope. All purchasing contracts of the Group of natural gas, electricity and coal.

Variables. + €1.00 in the price of the MWh (Megawatt-hour) of natural gas, i.e. €0.29 per MMBTU (Million of British Thermal Unit), i.e. 7.20% of the calendar 2010 price observed in Zeebrugge as of December 31, 2009 (€13.91/MWh); + €1.00 in the price of the MWh of electricity, i.e. 2.10% of the calendar 2010 basic price observed in France as of December 31, 2009 (€48.40/MWh); and + €1.00 in the price of the MWh of coal, i.e. 11.50% of the calendar 2010 API2 (CIF ARA) price observed as of December 31, 2009 (€3.68/MWh). The behavior of specific contractual clauses (for example indexed, regulated or fixed prices) is not simulated, under the assumption that all contracts react identically.

Results. Impact of the change in the price of natural gas on the energy consumption of - €3.0 million; impact of the change in the price of electricity on the energy consumption of - €2.3 million; impact of the change in the price of coal on the energy consumption of - €0.9 million.

Management of the risk. Confronted with the energy price risk, the geographical locations and supply sources of Imerys are diversified. The Group strives to pass on energy price increases to the selling price of its products. Furthermore, the management of the price risk of natural gas, both in Europe and the United States, is centralized, the Treasury Department being responsible for implementing the framework and resources needed for the application of a common management policy, which includes appropriate use of the financial instruments available in those markets. Since 2006, the Group has

strengthened its research programs on alternative energy sources as well as its projects on the reduction of energy consumption under the supervision of a Group Energy Supervisor. Since 2008, energy managers are designated at site level as well as at activity levels.

The energy price risk is hedged by forward and option contracts. These instruments qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

| (€ millions) | 2009 | 2008 |
|--|---------------|---------------|
| Opening balance | (22.6) | 0.2 |
| Recognition in equity | 26.0 | (33.9) |
| Reclassification in profit or loss | (1.9) | 11.1 |
| Closing balance | 1.5 | (22.6) |
| of which reclassification to profit or loss expected in 2010 | 1.5 | (22.6) |

The following table summarizes the positions taken as of December 31, 2009 to hedge the energy price risk.

| | Net notional amounts (in MWh) | Maturities |
|-------------------------|-------------------------------|-------------|
| Underlying position | 3,403,725 | < 12 months |
| Management transactions | 980,951 | < 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 December 31, 2009 presented hereafter enables to assess the exposure of the Group to this risk. In this table, the bilateral facilities are posted between 2011 and 2015 in accordance with the maturity of the facilities and not with that of the utilizations. The foreign exchange swaps included in the financing hedge instruments are posted from 2016 under the assumption that they will be renewed regularly.

| (€ millions) | 2010 | | 2011 - 2015 | | 2016 and later | | Total |
|--|----------------|-------------|--------------|--------------|----------------|-------------|----------------|
| | Capital | Interests | Capital | Interests | Capital | Interests | |
| Non-derivative financial liabilities | 125.9 | 48.1 | 488.8 | 215.5 | 576.4 | 85.6 | 1,540.3 |
| Eurobond / EMTN | 50.0 | 40.5 | 300.0 | 186.8 | 503.0 | 50.1 | 1,130.4 |
| Private placements | - | 7.6 | 97.2 | 28.7 | 73.4 | 35.5 | 242.4 |
| Commercial paper issues | 50.0 | - | - | - | - | - | 50.0 |
| July 2013 syndicated credit | - | - | - | - | - | - | 0.0 |
| Bilateral facilities | - | - | 91.6 | - | - | - | 91.6 |
| Facilities due within one year | 25.9 | - | - | - | - | - | 25.9 |
| Hedge derivatives | (1.3) | - | - | - | - | - | (1.3) |
| Financing hedge instruments - liabilities | 18.8 | - | - | - | - | - | 18.8 |
| Financing hedge instruments - assets | (20.1) | - | - | - | - | - | (20.1) |
| Future cash outflows with respect to gross financial debt | 124.6 | 48.1 | 488.8 | 215.5 | 576.4 | 85.6 | 1,539.0 |
| Non-derivative financial liabilities | 12.1 | - | - | - | - | - | 12.1 |
| Bank overdrafts | 12.1 | - | - | - | - | - | 12.1 |
| Non-derivative financial assets | (270.2) | - | - | - | - | - | (270.2) |
| Marketable securities and other financial assets | (5.6) | - | - | - | - | - | (5.6) |
| Cash and cash equivalents | (264.6) | - | - | - | - | - | (264.6) |
| Future cash outflows with respect to net financial debt | (133.5) | 48.1 | 488.8 | 215.5 | 576.4 | 85.6 | 1,280.9 |
| of which items recognized as of December 31, 2009 (net financial debt) | (132.2) | 31.3 | 488.8 | - | 576.4 | - | 964.3 |
| Non-derivative financial liabilities | 446.4 | - | 9.5 | - | - | - | 455.9 |
| Trade payables | 260.7 | - | - | - | - | - | 260.7 |
| Other debts | 185.7 | - | 9.5 | - | - | - | 195.2 |
| Hedge derivatives | (1.8) | - | - | - | - | - | (1.8) |
| Operational hedge instruments - liabilities | 0.6 | - | - | - | - | - | 0.6 |
| Operational hedge instruments - assets | (2.4) | - | - | - | - | - | (2.4) |
| Future cash outflows | 311.1 | 48.1 | 498.3 | 215.5 | 576.4 | 85.6 | 1,735.0 |

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

| (€ millions) | 2010 | 2011 - 2015 | 2016 and later | Total |
|------------------------------------|----------------|--------------|----------------|--------------|
| Debt at fixed rate | - | 112.5 | 539.4 | 651.9 |
| Debt at fixed rate on issue | - | 409.7 | 592.0 | 1,001.7 |
| Swap fixed rate into floating rate | - | (297.2) | (52.6) | (349.8) |
| Debt at floating rate | (182.0) | 438.8 | 55.6 | 312.4 |
| Debt at floating rate on issue | 76.1 | 141.6 | 3.0 | 220.7 |
| Net cash and marketable securities | (258.1) | - | - | (258.1) |
| Swap fixed rate into floating rate | - | 297.2 | 52.6 | 349.8 |
| Net financial debt | (182.0) | 551.3 | 595.0 | 964.3 |

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

- Purpose: general corporate financing requirement.
- Obligations in terms of financial ratio compliance:
 - the ratio consolidated net financial debt/consolidated equity shall, in accordance with the financing contracts concerned, be inferior to 1.50 or 1.60 at each half-year or annual closing of consolidated financial statements. As of December 31, 2009, the ratio amounts to 0.52 (1.01 as of December 31, 2008);
 - the ratio consolidated net financial debt/consolidated EBITDA of the last 12 months shall, in accordance with the financing contracts concerned, be inferior to 3.75 or 3.80 at each half-year or annual closing of consolidated financial statements. As of December 31, 2009, the ratio amounts to 2.32 (2.73 as of December 31, 2008).
- Absence of any lien in favor of lenders.

The failure to comply with the above obligations on one of the financing contracts concerned could lead to the cancellation of its available amount and, upon demand of the creditor(s) concerned, make the amount of the corresponding financial debt immediately callable. Apart from two exceptions, the financing contracts of the Group do not provide for any cross default with each other in case of breach of a mandatory covenant applicable to one of these contracts. As of December 31, 2009, Imerys has a long-term rating of Baa3 by Moody's (Baa2 as of December 31, 2008).

As of July 24, 2009, Imerys has updated its new Euro Medium Term Note program (EMTN) with the Commission de Surveillance du Secteur Financier (Luxembourg). The program amounts to €1.0 billion and enables the issue of notes considered as ordinary bonds of a maturity of 1 month to 30 years. As of December 31, 2009, outstanding securities total €102.6 million. Imerys also has a French commercial paper program limited to €800.0 million (€800.0 million as of December 31, 2008) rated P-3 by Moody's (P-2 as of December 31, 2008). As of December 31, 2009, outstanding securities total €50.0 million (€205.5 million as of December 31, 2008). Imerys has access to €1,321.7 million of bank facilities (€1,322.9 million as of December 31, 2008), part of which secures the issued commercial paper in accordance with the financial policy of the Group.

Market liquidity risk

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

Management of the risk. Financial resources are the main adjustment variable of the financing capacities available to Imerys. These capacities exist either as drawn financial debt or as financing commitments granted by first-rank banking institutions. Medium-term financial resources provided by the bilateral facilities or the syndicated credit may be used over very short drawing periods (from 1 to 12 months) while remaining available over longer maturities (5 years). Over the past years, Imerys has sought to maintain the amount of its financial resources at approximately €2.0 billion (€2,345.3 million as of December 31, 2009, €2,353.6 million as of December 31, 2008) and to lengthen their maturity. Imerys manages the amount of its financial resources by comparing it regularly with the amount of its utilizations in order to measure by difference the financial liquid borrowings to which the Group may have access.

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

| (€ millions) | 2009 | 2008 |
|---|----------------|----------------|
| Financial resources by maturity (€ millions) | | |
| Maturity less than one year | 134.7 | - |
| Maturity from one to five years | 1,634.2 | 1,473.6 |
| Maturity beyond five years | 576.4 | 880.0 |
| Total | 2,345.3 | 2,353.6 |
| Financial resources by nature (€ millions) | | |
| Bond resources | 1,023.6 | 1,030.7 |
| Eurobond / EMTN | 853.0 | 853.0 |
| Private placements | 170.6 | 177.7 |
| Bank resources | 1,321.7 | 1,322.9 |
| Syndicated credit | 750.0 | 750.0 |
| Miscellaneous bilateral facilities | 571.7 | 572.9 |
| Total | 2,345.3 | 2,353.6 |
| Average maturity of financial resources (in years) | | |
| Bond resources | 6.6 | 7.6 |
| Bank resources | 2.9 | 3.9 |
| Total | 4.5 | 5.5 |

The table below measures the available financial resources after the repayment of financing from uncommitted resources. It measures the real exposure of Imerys to an illiquidity crisis on both financial and banking markets. As of December 31, 2009, available financial resources, after repayment of uncommitted resources, total €1,122.9 million (€572.0 million as of December 31, 2008), which gives the Group substantial room to maneuver and a guarantee of financial stability.

| (€ millions) | 2009 | | | 2008 | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | Resources | Utilization | Available | Resources | Utilization | Available |
| Bonds | 1,023.6 | 1,023.6 | - | 1,030.7 | 1,030.7 | - |
| Commercial papers | - | 50.0 | (50.0) | - | 205.5 | (205.5) |
| Committed bank facilities | 1,321.7 | 91.6 | 1,230.1 | 1,322.9 | 484.4 | 838.5 |
| Bank facilities and accrued interests | - | 32.5 | (32.5) | - | 32.4 | (32.4) |
| Other debts and facilities | - | 24.7 | (24.7) | - | 28.6 | (28.6) |
| Total | 2,345.3 | 1,222.4 | 1,122.9 | 2,353.6 | 1,781.6 | 572.0 |

Conversion of financial statements risk

Description of the risk. The conversion of financial statements risk is a form of foreign exchange rate risk whereby the value in Euro of the financial statements of a foreign business may be subject to a deterioration caused by an unfavorable change in the foreign exchange rate of the functional currency of that business. The sensitivity analysis presented hereafter enables to assess the exposure of the Group to this risk.

Sensitivity of equity and net income from current operations (net income before other operating revenue and expenses) to the consequences of changes in US Dollar and Pound Sterling on the conversion in Euro of the financial statements prepared in these foreign currencies. This analysis is not measuring the consequences of changes in these foreign currencies on the measurement of operating and financing contracts stated in these currencies (transactional currency risk).

Scope. December 31, 2009 equities in US Dollar converted at USD1.4406 (closing rate) and 2009 net income from current operations in US Dollar converted at USD1.3945 (average rate); December 31, 2009 equities in Pound Sterling converted at GBP0.8881 (closing rate) and 2009 net income from current operations in Pound Sterling converted at GBP0.8911 (average rate).

Variables. + 5.0% foreign currency/EUR (respectively - 5.0%), all other assumptions remaining constant. In reality, such changes would influence other parameters having impacts on the financial statements (inflation and interest rates, etc.) and could orient certain management decisions.

Results. USD/EUR: + 1.9% (respectively - 1.9%) on equity and + 1.2% (respectively - 1.2%) on net income from current operations; GBP/EUR: + 0.6% (respectively - 0.6%) on equity and + 0.3% (respectively - 0.3%) on net income from current operations.

Management of the risk. Imerys hedges part of its net investments in foreign businesses through loans specifically allocated to their long term financing and by the proportion of its financial debt stated in foreign currencies. The foreign exchange differences generated by these loans and financings qualified as hedges of net investments in foreign entities, are recognized in equity so as to neutralize, to a certain extent, the gains or losses of translation of the hedged net

investments. As of December 31, 2009, the main loans and exchange rate swaps hedging net investments in foreign entities are the following: USD441.0 million, JPY1,000.0 million and CHF35.0 million (USD724.1 million, JPY2,182.3 million and CHF35.0 million as of December 31, 2008). The table below describes the financial debt before and after the impact of these foreign currencies swaps.

| (€ millions) | 2009 | | | 2008 | | |
|--------------------------|---------------------------------|-----------------------|--------------------------------|---------------------------------|-----------------------|--------------------------------|
| | Before exchange rate swap | Exchange rate swap | After exchange rate swap | Before exchange rate swap | Exchange rate swap | After exchange rate swap |
| Euro | 919.7 | (65.2) | 854.5 | 1,293.1 | (248.9) | 1,044.2 |
| US Dollar | 222.8 | 32.1 | 254.9 | 383.4 | 177.7 | 561.1 |
| Japanese Yen | 67.6 | (27.7) | 39.9 | 72.3 | (22.1) | 50.2 |
| Other foreign currencies | 12.3 | 60.8 | 73.1 | 32.8 | 93.3 | 126.1 |
| Total | 1,222.4 | 0.0 | 1,222.4 | 1,781.6 | 0.0 | 1,781.6 |

As of December 31, 2009, 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 | 854.5 | 254.9 | 39.9 | 73.1 | 1,222.4 |
| Net cash and marketable securities | (126.8) | (30.0) | (5.5) | (95.8) | (258.1) |
| Net financial debt as of December 31, 2009 | 727.7 | 224.9 | 34.4 | (22.7) | 964.3 |

Note 26 Income taxes

Change in deferred taxes

| (€ millions) | 2008 | Profit or loss | Translation, scope and reclassification | 2009 |
|----------------------------------|---------------|----------------|--|--------------|
| Deferred tax assets | 55.9 | (0.5) | 0.5 | 55.9 |
| Deferred tax liabilities | (75.4) | 6.6 | 5.2 | (63.6) |
| Net deferred tax position | (19.5) | 6.1 | 5.7 | (7.7) |

Deferred tax breakdown by nature

| (€ millions) | 2008 | Profit or loss | Translation, scope and reclassification | 2009 |
|----------------------------------|----------------|----------------|---|----------------|
| Deferred tax assets | 175.1 | (6.8) | (23.3) | 145.0 |
| Provision for employee benefits | 22.2 | (6.3) | (3.8) | 12.1 |
| Other provisions | 36.3 | 4.7 | (0.3) | 40.7 |
| Property, plant and equipment | 47.8 | (0.7) | 0.9 | 48.0 |
| Intangible assets | 0.6 | (0.9) | - | (0.3) |
| Financial assets | 3.1 | 1.7 | (9.8) | (5.0) |
| Current assets and liabilities | 21.6 | (1.8) | (0.1) | 19.7 |
| Tax losses carried forward | 14.9 | 5.7 | 8.9 | 29.5 |
| Other | 28.6 | (9.2) | (19.1) | 0.3 |
| Deferred tax liabilities | (194.6) | 13.0 | 29.1 | (152.5) |
| Property, plant and equipment | (162.4) | 11.0 | (3.2) | (154.6) |
| Intangible assets | (0.8) | 0.5 | (0.1) | (0.4) |
| Financial assets | (16.9) | (0.4) | 9.4 | (7.9) |
| Current assets and liabilities | (6.5) | 0.6 | 0.1 | (5.8) |
| Other | (8.0) | 1.3 | 22.9 | 16.2 |
| Net deferred tax position | (19.5) | 6.2 | 5.8 | (7.5) |

Carried forward tax losses

Deferred tax assets are recognized as carried forward tax losses when they are assessed as being recoverable. As of December 31, 2009, these deferred tax assets amount to €29.5 million (€14.9 million as of December 31, 2008) and mainly correspond to the recoverable losses of the entity RCC in Brazil. On the other hand, tax losses and credits not having been recognized as deferred tax assets due to their uncertain recovery, amount as of December 31, 2009 to respectively €154.1 million (€99.8 million as of December 31, 2008) and €28.8 million (€28.7 million as of December 31, 2008), of which respectively €125.5 million and €28.8 million expire after 2014 or can be carried forward without any time limit. Deferred taxes are

calculated by using effective rates over the period in question in accordance with the tax laws in force in each concerned country.

Temporary differences controlled by the Group

No deferred tax liability is recognized with respect to temporary taxable differences between the accounting and tax values of investments where Imerys is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. The Group assesses that the related deferred tax liability unrecognized as of December 31, 2009 amounts to €6.3 million (€4.8 million as of December 31, 2008).

Other information

Note 27 Main consolidated entities

Changes in the scope of consolidation

Performance & Filtration Minerals (PFM). The Performance & Filtration Minerals did not perform any acquisition since the 2nd half of 2008 where the business group had strengthened its range of minerals with the acquisition of Kings Mountain Minerals in the United States and Suzorite Mining in Canada, companies specialized in the extraction and transformation of mica (*Note 16*).

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

Materials & Monolithics (M&M). In the Materials & Monolithics business group, Planchers Fabre, an operation of the Clay Roof Tiles & Bricks France activity specialized in concrete beams, is disposed of over the 1st half of 2009 (*Note 10*), while the last inflow in the scope of consolidation of the business group dates back to the 1st half of 2008, where the business group had acquired Svenska Silikaverken A.B, a Swedish producer of monolithic refractory products (*Note 16*).

Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). The Minerals for Ceramics, Refractories, Abrasives & Foundry did not perform any significant integration since that of Astron China, a major producer of zircon-based products, acquired over the 1st half of 2008 (*Note 16*).

Scope of consolidation as of December 31, 2009

In the following table, the percentages of interest are identical to the percentages of control.

| Countries | Business groups | % of interest | Entities | Business groups | % of interest |
|------------------------------------|-----------------|---------------|---------------------------------|-----------------|---------------|
| Entities | | | | | |
| France | | | | | |
| AGS | CRAF | 99.50 | Imerys | Holding | Parent |
| Ardoisières d'Angers | M&M | 100.00 | Imerys Services | Holding | 100.00 |
| Calderys France | M&M | 100.00 | Imerys Tableware France | CRAF | 100.00 |
| Charges Minérales du Périgord | PP | 100.00 | Imerys TC | M&M | 100.00 |
| Damrec | CRAF | 100.00 | Mircal | Holding | 100.00 |
| Imerys Ceramics France | CRAF/PFM | 99.99 | Mircal Europe | Holding | 100.00 |
| Imerys Kiln Furniture France | M&M | 100.00 | World Minerals France | PFM | 100.00 |
| Imerys Minéraux France | PFM | 100.00 | | | |
| Europe | | | | | |
| Germany | | | | | |
| Calderys Deutschland | M&M | 100.00 | Treibacher | CRAF | 100.00 |
| Imerys Tableware Deutschland | CRAF | 100.00 | Treibacher Zschornowitz | CRAF | 100.00 |
| Austria | | | | | |
| Calderys Austria | M&M | 100.00 | Treibacher | CRAF | 100.00 |
| Belgium | | | | | |
| Calderys Belgium | M&M | 100.00 | Timcal Belgium | CRAF | 100.00 |
| Imerys Minéraux Belgique | PP/PFM | 100.00 | | | |
| Spain | | | | | |
| Celite Hispanica | PFM | 100.00 | Imerys Kiln Furniture Espana | M&M | 97.11 |
| Europerlita Espanola | PFM | 100.00 | Imerys Tiles Minerals Espana | CRAF | 100.00 |
| Hungary | | | | | |
| Calderys Magyarorszag | M&M | 100.00 | Imerys Kiln Furniture Hungary | M&M | 100.00 |
| Italy | | | | | |
| Calderys Italia | M&M | 100.00 | Spica | CRAF | 85.87 |
| Gran Bianco Carrara | PFM | 100.00 | Treibacher | CRAF | 100.00 |
| Imerys Minerali | PP | 100.00 | World Minerals Italia | PFM | 100.00 |
| Imerys Tiles Minerals Italia | CRAF | 100.00 | | | |
| Luxembourg | | | | | |
| World Minerals International Sales | PFM | 100.00 | | | |
| Great Britain | | | | | |
| Calderys UK | M&M | 100.00 | Imerys UK | Holding | 100.00 |
| Imerys Minerals | CRAF/PFM/PP | 100.00 | UCM Magnesia | CRAF | 100.00 |
| Russia | | | | | |
| Calderys | M&M | 100.00 | | | |
| Slovenia | | | | | |
| Treibacher | CRAF | 100.00 | | | |
| Sweden | | | | | |
| Calderys Nordic | M&M | 100.00 | Imerys Mineral | PP | 100.00 |
| Switzerland | | | | | |
| Timcal | CRAF | 100.00 | | | |
| Ukraine | | | | | |
| Calderys Ukraine | M&M | 74.90 | Vatutinsky Kombinat Vognetryviv | CRAF | 85.83 |

| Countries | Business groups | % of interest | Entities | Business groups | % of interest |
|----------------------------------|-----------------|---------------|---------------------------------------|-----------------|---------------|
| Entities | | | | | |
| United States | | | | | |
| Advanced Minerals Corporation | PFM | 100.00 | Imerys Marble | PFM | 100.00 |
| Americarb | PP | 100.00 | Imerys Paper Carbonates | PP | 100.00 |
| Celite Corporation | PFM | 100.00 | Imerys USA | Holding | 100.00 |
| C-E Minerals | CRAF | 100.00 | Kentucky Tennessee Clay Company | CRAF | 100.00 |
| Ecca Calcium Products | PFM/PP | 100.00 | Kings Mountain Minerals | PFM | 100.00 |
| Harborlite Corporation | PFM | 100.00 | KT Feldspar Corporation | CRAF | 100.00 |
| Imerys Carbonates | PFM/PP | 100.00 | UCM Magnesia | CRAF | 100.00 |
| Imerys Clays | PFM/PP | 100.00 | Treibacher North America | CRAF | 100.00 |
| Imerys Kaolin | PFM/PP | 100.00 | UCM Zirconia | CRAF | 100.00 |
| Rest of the World | | | | | |
| South Africa | | | | | |
| Calderys South Africa | M&M | 73.97 | Rhino Minerals | CRAF | 73.97 |
| Ecca Holdings | CRAF | 73.97 | Samrec | CRAF | 73.97 |
| Argentina | | | | | |
| Imerys Argentina | PFM/PP | 100.00 | | | |
| Australia | | | | | |
| Imerys Minerals Australia | PP | 100.00 | | | |
| Brazil | | | | | |
| Imerys Do Brasil Comercio | PFM/PP | 100.00 | Treibacher Brasil | CRAF | 100.00 |
| Imerys Rio Capim Caulim | PP | 100.00 | | | |
| Canada | | | | | |
| Imerys Canada | PP | 100.00 | Timcal Canada | CRAF | 100.00 |
| Suzorite Mining | PFM | 100.00 | | | |
| China | | | | | |
| Imerys Astron Advanced Materials | CRAF | 100.00 | Yingkou Imerys Astron Chemical | CRAF | 100.00 |
| Imerys Pigments Wuhu | PP | 100.00 | Zibo Imerys Astron Advanced Materials | CRAF | 100.00 |
| India | | | | | |
| Ace Calderys | M&M | 99.74 | | | |
| Japan | | | | | |
| Calderys Japan | M&M | 100.00 | Imerys Minerals Japan | PP | 100.00 |
| Malaysia | | | | | |
| Imerys Minerals Malaysia | PP | 100.00 | | | |
| Mexico | | | | | |
| Celite Mexicana | PFM | 100.00 | Liquid Quimica Mexicana | PFM | 100.00 |
| KT Clay de Mexico | CRAF | 100.00 | | | |
| New Zealand | | | | | |
| Imerys Tableware New Zealand | CRAF | 100.00 | | | |
| Taiwan | | | | | |
| Calderys Taiwan | M&M | 100.00 | Imerys Minerals Taiwan | PP | 100.00 |

Note 28 Currency rates

| (€) | Foreign currencies | 2009 | | 2008 | |
|----------------|--------------------|---------|---------|---------|---------|
| | | Closing | Average | Closing | Average |
| Argentina | ARS | 5.4695 | 5.2108 | 4.8065 | 4.6411 |
| Australia | AUD | 1.6008 | 1.7728 | 2.0274 | 1.7416 |
| Brazil | BRL | 2.5084 | 2.7640 | 3.2524 | 2.6726 |
| Canada | CAD | 1.5128 | 1.5851 | 1.6998 | 1.5594 |
| China | CNY | 9.8350 | 9.5260 | 9.4956 | 10.2236 |
| Denmark | DKK | 7.4418 | 7.4463 | 7.4506 | 7.4560 |
| United States | USD | 1.4406 | 1.3945 | 1.3917 | 1.4708 |
| Great Britain | GBP | 0.8881 | 0.8911 | 0.9525 | 0.7963 |
| Hungary | HUF (100) | 2.7042 | 2.8040 | 2.6670 | 2.5151 |
| Japan | JPY (100) | 1.3316 | 1.3035 | 1.2614 | 1.5245 |
| New Zealand | NZD | 1.9803 | 2.2121 | 2.4191 | 2.0770 |
| South Africa | ZAR | 10.6660 | 11.6730 | 13.0667 | 12.0590 |
| Czech Republic | CZK | 26.4730 | 26.4353 | 26.8750 | 24.9463 |
| Sweden | SEK | 10.2520 | 10.6199 | 10.8700 | 9.6152 |
| Switzerland | CHF | 1.4836 | 1.5101 | 1.4850 | 1.5874 |
| Thailand | THB | 47.9860 | 47.8027 | 48.2850 | 48.4753 |

Note 29 Related parties

External related parties of Imerys

The related parties of Imerys are the Canadian group Power and the Belgian group Frère-CNP. These groups are the ultimate controlling parties of Imerys. Through their joint venture Parjointco, they exercise joint control on the Swiss group Pargesa that controls Imerys through a direct investment and an indirect investment in the Belgian group GBL; in this respect, Pargesa is a related party. The GBL group is a related party as it exercises a direct significant influence on Imerys. Imerys and the Pargesa group terminated by mutual agreement effective January 1, 2008 the strategic consulting services agreement

provided by the Pargesa group. As a consequence, no item remains recognized in profit or loss and in the statement of financial position with respect to this agreement as of December 31, 2009.

Key management personnel of Imerys

The managers qualifying as related parties are the members of the Board of Directors and the 9 members of the Executive Committee, including the Chief Executive Officer who is also member of the Board of Directors. Remuneration and assimilated benefits granted to these related parties are disclosed in the table hereafter.

| (€ millions) | Notes | 2009 | | 2008 | |
|---|-------|---------------|------------|--------------|------------|
| | | Expense | Liability | Expense | Liability |
| Short-term benefits | 1 | (5.0) | 2.0 | (3.6) | 0.6 |
| Long-term benefits | | - | - | - | - |
| Directors' attendance fees | 2 | (0.6) | 0.3 | (0.7) | 0.3 |
| Defined benefit plans | 3 | (3.4) | 0.6 | (0.5) | 3.6 |
| Contributions to defined contribution plans | | (0.4) | - | (0.3) | - |
| Termination benefits | | - | - | - | - |
| Share-based payments | 4 | (3.3) | - | (2.3) | - |
| Total | | (12.7) | 2.9 | (7.4) | 4.5 |

Note 1. Short-term benefits. These amounts include the fixed part of the remuneration paid for the period as well as the variable part due for the same period, but paid over the subsequent period.

Note 2. Directors' attendance fees. These amounts correspond to the fees paid to the members of the Board of Directors.

Note 3. Post-employment benefits. These amounts correspond to the post-employment defined benefit plan allowed to the main executives of the Group's French entities who meet the required conditions of eligibility. These amounts are recognized for the beneficiaries qualifying as related parties, among which the chief executive officer as well as some of the above mentioned executives (7 in 2009, 7 in 2008). The maximum amount of the life annuity that can be paid to the beneficiaries of this plan as from the liquidation of their retirement rights is calculated in order to guarantee a life annuity:

- of a total gross annual amount (after recognition of pensions from obligatory and complementary retirement plans) of 60.0% of their salary of reference, this salary of reference being capped to 22 times the annual ceiling of the French Social Security;
- subject to a payment ceiling of 25.0% of the above mentioned salary of reference of the last 12 calendar months preceding the withdrawal from the Group's headcount.

Note 4. Share-based payments. This amount corresponds to expenses recognized with respect to the Imerys share options and the free shares attributed to the related parties.

Post employment benefits for Imerys employees

The post-employment benefit plans for the benefit of Imerys employees are related parties. The amount of the contributions to external funds recognized as an expense in 2009 amounts to €53.7 million (€34.5 million in 2008), of which €16.5 million to Imerys UK Pension Fund Trustees Ltd., Great Britain (€18.2 million in 2008) and €26.2 million to Sun Trust Bank, United States (€12.3 million in 2008).

FCPE Imerys Actions

The FCPE Imerys Actions is managed by BNP Paribas Asset Management SAS. Its management is controlled by a Supervisory Board of 14 members, equally made up of shareholders' and Imerys representatives. As Imerys exercises together with the shareholders a joint control over the FCPE Imerys Actions, the FCPE Imerys Actions is a related party. The amounts recognized in 2009 (and 2008) for the FCPE Imerys Actions are insignificant.

Note 30 Commitments

In the course of its activities, Imerys is liable towards third parties for obligations, often subordinated to conditions or subsequent events, that do not (or partially) meet the recognition criteria of liabilities, but may have an impact on the future financial position. The unrecognized portion of the obligation is designated hereafter

by the term commitment. Identified in accordance with applicable accounting standards, these are presented as commitments given and received and do not comprise, to the knowledge of Imerys, any significant omission.

Commitments given

| (€ millions) | Notes | 2009 | 2008 |
|---|-------|--------------|--------------|
| Operating lease | 1 | 167.7 | 185.9 |
| Site restoration | 2 | 7.5 | 17.2 |
| Commitments related to operating activities | 3 | 296.6 | 276.8 |
| Commitments related to treasury | 4 | 53.4 | 70.4 |
| Other commitments | 5 | 19.1 | 19.6 |
| Total | | 544.3 | 569.9 |

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts of real estate, equipment, rail cars, trucks and vehicles, in which Imerys is the lessee. These commitments amount to €167.7 million, of which €17.8 million for 2010, €54.0 million for the period 2011 to 2014 and €95.9 million beyond.

Note 2. Site restoration. These amounts correspond to sureties and guarantees obtained from financial institutions in accordance with legal requirements, decreased by recognized provisions (*Note 24.2*).

Note 3. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by Imerys as part of purchase contracts of goods, services, energy and freight. These commitments comprise in particular two commitments of purchase of services that aim at guaranteeing the shipping logistics of the Group until 2017 (chartering contract) and 2022 (storage and handling contract) for a total amount of €139.1 million as of December 31, 2009 (€167.1 million as of December 31, 2008).

Note 4. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by Imerys from financial institutions in order to guarantee operating treasury requirements in favor of customers.

Note 5. Other commitments. This position encompasses the whole of the commitments not mentioned above, among which the seller warranties and the price adjustment clauses given by the Group upon disposals of businesses.

Commitments received

| (€ millions) | Notes | 2009 | 2008 |
|---|-------|-------------|-------------|
| Operating lease | 1 | 10.7 | 12.7 |
| Commitments related to operating activities | 2 | 16.3 | 13.3 |
| Commitments related to treasury | 3 | 2.1 | 2.3 |
| Other commitments | 4 | 3.2 | 12.0 |
| Total | | 32.3 | 40.3 |

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts in which Imerys is the lessor.

Note 2. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by customers in favor of Imerys as part of sales contracts of goods and services.

Note 3. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by certain suppliers from their financial institutions, in order to guarantee their operating treasury requirements in favor of Imerys.

Note 4. Other commitments. This position encompasses the whole of the commitments not mentioned above, among which the seller warranties and the price adjustment clauses in favor of the Group upon acquisitions of businesses.

Note 31 Country risks

Due to their mining activity and the variety of their final markets, the entities of Imerys are located in numerous countries. The Group may thus be exposed to certain risks peculiar to these countries which may have in the future a certain impact on its financial statements. The fact that most of the supply sources and final markets of Imerys are located in developed countries however limits the exposure of the Group to these country risks.

In order to identify high-risk countries, Imerys uses the grading system @rating of the Coface, the main French insurance company specialized in export credit insurances, which measures to what extent an economic and financial commitment in an entity is influenced by the economic, financial and political prospects of the

concerned countries. The grading system of the Coface consists of 7 categories from A1 to D, with an increasing order of importance of the assessed risks. The categories C and D corresponding to the highest risks include Argentina, Russia, Venezuela, Ukraine and Zimbabwe where the Group is present.

The revenue performed in these countries represents in 2009 2.24% of the Group revenue (1.27% in 2008) and 1.22% of the current operating income (1.04% in 2008). The total of the statement of financial position located in these countries represents 0.41% of the statement of financial position (0.50% as of December 31, 2008) and - 0.58% of consolidated equity, Group share (- 0.08% as of December 31, 2008).

Note 32 Events after the end of the period

The annual consolidated financial statements as of December 31, 2009 were closed by the Board of Directors at its meeting on February 15, 2010. No significant event after the end of the period is to be reported.

Unless otherwise indicated, all values in the tables are in thousands of Euros.

5.2 STATUTORY FINANCIAL STATEMENTS

Financial commentary

The financial statements of Imerys (or the "Company") are those that are submitted to the Shareholders' General Meeting for approval. However, they provide a very partial view of the Group's economic and financial position, which is reflected only in the consolidated financial statements.

In 2009, the net income of the Company amounts to €71.9 million whereas the 2008 net income reached €87.1 million.

The main factors for 2009 were:

The evolution of financial resources. During 2009, the capital of the Company was increased by a total net amount of 247.5 million by creating 12,557,518 shares of a nominal amount of €2.0.

Further to the capital increase, the financial debts of Imerys SA decrease significantly by €344.2 million in 2009. At the same time,

loans related to investments and other subsidiaries decrease by €125.8 million in 2009.

The structure of financing means has not been modified compared to 2008.

The decrease in the operating loss. The operating expenses of the Company show a slight increase of €0.6 million in 2009. The decrease in overheads is partly offset by a payment of €7.0 million made in 2009 for a retirement plan, whereas in 2008 an indemnity of €5.0 million collected in 2007 had entirely been reimbursed to the concerned subsidiary.

Similarly, sales decrease by €3.9 million whereas other revenue increases by €7.0 million due to the decrease in retirement provisions.

5.2.1 INCOME STATEMENT

| (€ thousands) | Notes | 2009 | 2008 |
|--|-------|-----------------|-----------------|
| Operating revenue | | 29,851 | 25,959 |
| Rendering of services | | 19,197 | 23,165 |
| Other revenue and decreases in provisions | | 8,051 | 1,065 |
| Transfer of expenses | 9 | 2,603 | 1,729 |
| Operating expenses | | (62,394) | (61,835) |
| Purchases and external services | | (35,431) | (33,275) |
| Taxes and duties | | (683) | (734) |
| Staff expenses | | (19,175) | (17,402) |
| Amortization, depreciation, write-downs and provisions | | (5,638) | (3,153) |
| Other expenses | | (1,467) | (7,271) |
| Operating income | | (32,543) | (35,876) |
| Financial income | 10 | 73,618 | 68,798 |
| Revenue from subsidiaries and affiliates | | 102,578 | 171,218 |
| Net financial expenses | | (54,019) | (54,428) |
| Increases and decreases in write-downs and provisions | | (44,126) | (9,877) |
| Exchange rate gains and losses | | 69,185 | (38,115) |
| Current income | | 41,075 | 32,922 |
| Exceptional income (loss) | 11 | 105 | (2,091) |
| Exceptional revenue | | 15,251 | 102,737 |
| Exceptional expenses | | (15,146) | (104,828) |
| Income taxes | 12 | 30,755 | 56,232 |
| Net income | | 71,935 | 87,063 |

5.2.2 BALANCE SHEET

| (€ thousands) | Notes | 2009 | 2008 |
|--|---------|------------------|------------------|
| Net intangible assets | | 1,507 | 2,342 |
| Intangible assets | 13 | 7,885 | 7,396 |
| Accumulated amortization | 13 | (6,378) | (5,054) |
| Net property, plant and equipment | | 2,020 | 2,542 |
| Property, plant and equipment | 13 | 5,776 | 5,696 |
| Accumulated depreciation | 13 | (3,756) | (3,154) |
| Net investments | | 3,141,410 | 3,141,447 |
| Investments | 14 | 3,144,413 | 3,144,450 |
| Write-downs | 14 - 20 | (3,003) | (3,003) |
| Loans related to investments and other subsidiaries - net value | | 698,739 | 824,563 |
| Loans related to investments and other subsidiaries | 15 - 17 | 698,739 | 824,563 |
| Write-downs | 20 | - | - |
| Other financial investments | 16 - 17 | 2,139 | 2,959 |
| Non-current assets | | 3,845,815 | 3,973,853 |
| Other receivables | 17 | 11,000 | 42,620 |
| Derivative financial assets | | 258 | 2,497 |
| Marketable securities | 18 | 100,028 | 36,109 |
| Cash and cash equivalents | | 2,703 | 3,522 |
| Current assets | | 113,989 | 84,748 |
| Regularization accounts | 17 | 75,244 | 34,820 |
| Assets | | 4,035,048 | 4,093,421 |
| Share capital | | 150,779 | 125,573 |
| Additional paid-in capital | | 339,414 | 115,803 |
| Reserves | | 956,677 | 956,679 |
| Retained earnings | | 375,039 | 350,763 |
| Net income of the period | | 71,935 | 87,063 |
| Shareholders' equity | 19 | 1,893,844 | 1,635,881 |
| Provisions for risks and charges | 20 | 84,845 | 45,641 |
| Financial debts | 21 | 1,986,001 | 2,330,239 |
| Other debts | 21 | 29,151 | 25,089 |
| Derivative financial liabilities | 21 | 365 | 1,133 |
| Debts | | 2,015,517 | 2,356,461 |
| Regularization accounts | 21 | 40,842 | 55,438 |
| Shareholders' equity and liabilities | | 4,035,048 | 4,093,421 |

5.2.3 CASH FLOW STATEMENT

| (€ thousands) | 2009 | 2008 |
|---|------------------|------------------|
| Cash flow from operating activities | | |
| Net income | 71,936 | 87,063 |
| Expenses and revenue with no impact on cash flow | | |
| Amortization and depreciation | 2,700 | 2,878 |
| Write-downs and provisions | 38,899 | 10,439 |
| Income on disposal of assets | 1 | 33 |
| Current operating cash flow before working capital changes | 113,536 | 100,413 |
| Change in the working capital requirement | 35,523 | (4,966) |
| Cash flow from operating activities | 149,059 | 95,447 |
| Cash flow from investing activities | | |
| Acquisitions of assets | | |
| Intangible assets and property, plant and equipment | (424) | (80) |
| Financial (investments and related assets) | 857 | (489,269) |
| Disposals of assets | | |
| Intangible assets and property, plant and equipment | - | - |
| Financial (investments and related assets) | (1) | 367 |
| Cash flow from investing activities | 432 | (488,982) |
| Cash flow from financing activities | | |
| Change in financial debts | (387,014) | 321,665 |
| Change in loans and other financial assets | 114,595 | 219,660 |
| Cash flow from financing activities | (272,419) | 541,325 |
| Capital operations | | |
| Capital increase | 248,816 | 942 |
| Capital decrease by cancellation of treasury shares | - | (17,523) |
| Dividends paid | (62,788) | (118,973) |
| Cash flow from transactions on equity | 186,028 | (135,554) |
| Change in cash and cash equivalents | 63,100 | 12,236 |

| (€ thousands) | 2009 | 2008 |
|---|----------------|---------------|
| Cash and cash equivalents at the beginning of the period | 39,631 | 27,395 |
| Change in cash and cash equivalents | 63,100 | 12,236 |
| Cash and cash equivalents at the end of the period | 102,731 | 39,631 |

The table hereafter presents the detail of movements on treasury shares:

| (€ thousands) | 2009 | 2008 |
|--|----------|----------|
| Gross amount of treasury shares booked as investments as of January 1 | 0 | 0 |
| Purchases of treasury shares | 133 | 17,523 |
| Sales of treasury shares | - | - |
| Transfer from treasury shares to free shares | (127) | - |
| Capital decrease by cancellation of treasury shares | - | (17,523) |
| Gross amount of treasury shares booked as investments as of December 31 | 6 | 0 |

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■ Accounting principles and policies

The general accounting rules have been applied under the principle of prudence and in accordance with the basic assumptions: going concern, permanence of accounting policies from one period to the other, independence of periods, in accordance with the general rules of preparation and presentation of the annual financial statements.

The methodology generally used is the historical cost method for the items recognized in the books.

The statutory financial statements provide comparative information with respect to period N-1. Comparative information with respect to period N-2 is incorporated by reference to the financial statements included in the reference document of period N-2 ([see chapter 7, section 7.4](#)).

Note 1 Intangible assets and property, plant and equipment

Intangible assets

Intangible assets are valued at acquisition cost. Software is amortized over 3 years using the straight-line method.

Property, plant and equipment

Property, plant and equipment are assessed at acquisition cost or at their contribution value.

The depreciation methods used are representative of economic depreciation; therefore, no excess tax depreciation was recognized under liabilities in the balance sheet.

Depreciation methods and periods are as follows:

- machinery and equipment: straight-line method, over 10 years;
- equipment and office furniture: straight-line method, over 5 and 10 years;
- office equipment: straight-line method, over 5 years;
- IT equipment: straight-line method, over 3 years.

Note 2 Long-term investments

The long-term investments are valued at acquisition cost, excluding ancillary expenses.

Investment securities and other long-term investments are estimated at their value in use. The value in use is evaluated according to the value of the Company, based notably on its previous results and its profitability prospects, to the portion of converted equity owned for these investments and to the net asset value. When this value is higher than the carrying amount recognized in the balance

sheet, the latter is not modified. On the contrary, a write-down of the investment is recognized.

Unrealized losses generated from the fluctuations of foreign currencies in which the long-term investments are denominated are not aimed to realize. Therefore, unrealized exchange losses do not constitute in themselves sufficient criteria to justify systematically a provision for depreciation.

Note 3 Receivables and debts in foreign currencies

Receivables and debts in foreign currencies are converted at closing rate.

Note 4 Foreign currency exposure

Where, for transactions presenting sufficiently close maturities, the unrealized gains and losses may be considered as contributory to a global foreign exchange position, the amount of the increase in the provision for exchange rate losses is limited to the excess of unrealized losses over unrealized gains.

Note 5 Marketable securities

Their value in use is assessed at their average market price of the last month of the period for listed stocks, at the last known redemption price for the SICAVs (money market funds) and at their net asset value for the FCPs (equity funds). Unrealized losses of value are subject to a write-down, unrealized gains are not recognized.

Note 6 Provisions

Provisions for risks

Provisions for risks cover identified risks and are determined in accordance with the following method:

- provisions for operational risks include mainly litigation in progress related to the current activities;
- provisions for restructuring relate to reorganization plans officially decided and initiated before the end of the period;
- provisions pertaining to changes in the value of certain equity interests, are determined in accordance with the last financial information available and the evolution prospects.

Provisions for charges

They mainly include:

- provisions for supplementary pension plans and pensions for former employees;
- retirement indemnities expense calculated in accordance with the Projected Unit Credit Method.

Imerys applies the recommendation no. CNC 2003-R01 applicable to the valuation and accounting for pension commitments and similar advantages.

Note 7 Risks pertaining to financial markets

As a holding company and head of the Group, the Company implements the management of financial market risks identified within the Group (foreign exchange rate risk, interest rate risk, energy price risk).

The main instruments and risks are described hereafter:

- the derivative instruments used to hedge the foreign exchange rate risk are mainly forward buying and selling foreign currency contracts as well as change options. A global foreign exchange position is established when transactions in foreign currencies (hedged items and hedging instruments) result in the symmetrical recognition of an asset and a liability presenting close characteristics. For those options complying with the Group's risk management policy, but not qualified as hedging options, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized;
- the Company implements swaps and options in order to hedge the foreign exchange rate risk. The expenses and revenues related to the hedging instruments are recognized in profit or loss symmetrically to the expenses and revenues of hedged items;
- in order to hedge energy price risks which affect its subsidiaries, the Company uses option contracts as well as forward buying and selling contracts. The expenses and revenues related to hedging instruments of the Company's risks are recognized in profit or loss symmetrically to the expenses and revenues of hedged items. For those options and contracts related to the hedging of risks affecting the Company's subsidiaries which comply with the Group's risk management policy, but which are not qualified as hedging options in the financial statements of the Company, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized.

Note 8 Tax consolidation

Since 1993, the Imerys company and some of its French subsidiaries have been assessed under Article 223 A of the French Tax Code in respect of group taxation. 4 entities joined the tax consolidation perimeter in 2009: Parnasse 27, Parnasse 28, Parnasse 29 and Rieux Réfractaires. The tax consolidation perimeter included 28 entities as of December 31, 2009 mentioned below:

| | |
|----------------------------------|--------------------------|
| ■ AGS | ■ Mircal |
| ■ Ardoisières d'Angers | ■ Mircal Brésil |
| ■ Calderys France | ■ Mircal China |
| ■ Charges Minérales du Périgord | ■ Mircal Europe |
| ■ Damrec | ■ Parimetal |
| ■ Imerys | ■ Parnasse 16 |
| ■ Imerys Ceramics France | ■ Parnasse 22 |
| ■ Imerys Foundry Minerals Europe | ■ Parnasse 25 |
| ■ Imerys Kiln Furniture France | ■ Parnasse 27 |
| ■ Imerys Minéraux France | ■ Parnasse 28 |
| ■ Imerys Services | ■ Parnasse 29 |
| ■ Imerys Tableware France | ■ PLR Réfractaires SAS U |
| ■ Imerys TC | ■ Rieux Réfractaires |
| ■ KPCL KVS | ■ World Minerals France |

Within the fiscal group headed by Imerys, the relationships are governed by a convention whose principles are summarized below:

- the tax consolidated entities benefit from a situation identical to the one that they would have had in the absence of tax consolidation;
- all additional expenses are recognized at Imerys which benefits in counterpart from any potential savings generated by this system.

Note 9 Transfer of expenses

The transfer of expenses positions mainly correspond to:

- the transfer of expenses to balance sheet accounts (loan issuance costs, capital increase costs);
- the transfer from one category of expenses to another (operating expenses transferred to exceptional or financial expenses or vice versa).

■ Notes to the income statement

Note 10 Financial income

| (€ thousands) | 2009 | 2008 |
|--|----------------|----------------|
| Financial revenue | 377,267 | 454,920 |
| Revenue from subsidiaries and affiliates ⁽¹⁾ | 102,578 | 171,218 |
| Other investment income - net ⁽¹⁾ | 65,283 | 120,448 |
| Decreases in provisions and transfer of expenses | 32,076 | 19,865 |
| Exchange rate gains | 177,330 | 143,389 |
| Financial expenses | 303,649 | 386,122 |
| Financial interests and expenses on financial instruments ⁽²⁾ | 122,593 | 174,876 |
| Increases in financial amortization and provisions | 72,912 | 29,742 |
| Exchange rate losses | 108,144 | 181,504 |
| Financial income | 73,618 | 68,798 |
| <i>(1) of which revenue related to controlled entities</i> | <i>144,568</i> | <i>223,155</i> |
| <i>(2) of which expenses related to controlled entities</i> | <i>7,783</i> | <i>42,266</i> |

In 2009, the Company received €102.6 million of dividends.

As a holding company, Imerys manages its balance sheet foreign exchange rate risk, notably linked to the foreign net assets held directly or indirectly by the Company and also resulting from the loans and advances granted to the subsidiaries and entities controlled by the Company in accordance with the intra-group treasury contracts. Therefore, the proportion of the financial indebtedness drawn in

foreign currencies is adjusted. In relation to this adjustment, Imerys recognized in 2009 a net foreign exchange gain of €69.2 million (a loss of €38.1 million was realized in 2008) mainly due to the hedging of foreign investments by Imerys.

For the record, at the same time, assets held by subsidiaries are not subject to revaluation of investment securities in the balance sheet.

Note 11 Exceptional income (loss)

| (€ thousands) | 2009 | 2008 |
|--|------------|----------------|
| Gains and losses on disposals of assets | (2) | (32) |
| Other exceptional revenue | 1 | 6 |
| Decreases in provisions and transfer of expenses | 4,138 | 1,448 |
| Increases in provisions | (3,675) | (1,497) |
| Other exceptional expenses | (357) | (2,016) |
| Exceptional income (loss) | 105 | (2,091) |

The gains and losses on disposals of assets in 2009 mainly relate to three intra-group loan transfers (€10.0 million, €0.3 million and €0.7 million) at net book value.

The decreases in provisions as of December 31, 2009 relate to a provision for Group restructuring (€2.4 million), a provision for headquarter restructuring (€0.3 million) and a provision for exceptional expenses (€1.4 million).

The increases in 2009 relate to a provision for Group restructuring (€3.3 million) and a provision for headquarter restructuring (€0.4 million).

The other exceptional expenses mainly relate to expenses for Group restructuring.

Note 12 Income taxes

| (€ thousands) | 2009 | 2008 |
|----------------------------------|---------------|---------------|
| Taxes on long-term capital gains | - | - |
| Income taxes | 30,755 | 56,232 |
| Total | 30,755 | 56,232 |

Breakdown of the tax expense of the Company

| (€ thousands) | Result before taxes | Taxes | Result after taxes |
|---------------------------------|---------------------|---------------|--------------------|
| Current income | 41,075 | - | 41,075 |
| Exceptional income (loss) | 105 | - | 105 |
| Impact of the tax consolidation | - | 30,755 | 30,755 |
| Total | 41,180 | 30,755 | 71,935 |

In accordance with the terms of the tax consolidation conventions signed by each company of the Group, the tax expense or credit recognized in the accounts of Imerys is composed of:

- the tax expense of the Company, calculated as if it was not fiscally consolidated;
- the net amount of additional expenses and credits resulting from the tax consolidation.

In this context, Imerys recognized a credit of €30.8 million for the 2009 period.

As regards Imerys, the Company recognizes in 2009 a loss of €79.2 million that has been used by the consolidated group in accordance with the rules of tax consolidation. At the end of 2009, the balance of carried forward short-term losses amounts to €475.0 million.

Change in deferred taxes (deferred tax basis)

| (€ thousands) | As of December 31, 2009 | | As of December 31, 2008 | |
|---|-------------------------|----------------|-------------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Temporary differences | 70,690 | 120,772 | 28,591 | 97,067 |
| Deductible next year | - | 73,496 | - | 29,782 |
| Deductible later | - | 6,434 | - | 11,847 |
| Deducted expenses or taxed revenue not yet recognized | 70,690 | 40,842 | 28,591 | 55,438 |
| Potentially taxable items | - | 273,471 | - | 273,471 |
| Special reserve for long-term capital gains | - | 273,471 | - | 273,471 |
| Other | - | - | - | - |

■ Notes to the balance sheet

Note 13 Changes in property, plant and equipment and intangible assets

| (€ thousands) | Gross amount 12/31/2008 | Acquisitions | Disposals | Gross amount 12/31/2009 |
|--|----------------------------|--------------|-----------|----------------------------|
| Intangible assets | 7,396 | 489 | - | 7,885 |
| Property, plant and equipment | 5,696 | 94 | 14 | 5,776 |
| Total gross intangible assets and property, plant and equipment | 13,092 | 583 | 14 | 13,661 |

| (€ thousands) | Amortization and depreciation as of 12/31/2008 | Increases | Decreases | Amortization and depreciation as of 12/31/2009 |
|---|--|--------------|-----------|--|
| Amortization of intangible assets | 5,054 | 1,324 | - | 6,378 |
| Depreciation of property, plant and equipment | 3,154 | 616 | 14 | 3,756 |
| Total amortization and depreciation of intangible assets and property, plant and equipment | 8,208 | 1,940 | 14 | 10,134 |

Note 14 Changes in the value of investments

The gross amount of investments varies by €0.1 million further to the transfer of Parnasse 26 to Imerys TC.

Write-down allowances remain unchanged since 2005. They amount to €3.0 million and relate to investment securities of a subsidiary whose activity has ceased.

Note 15 Loans related to investments

The amount of loans related to investments decreases by €125.8 million. These receivables from investment securities correspond to loan contracts and intra-group credit agreements aimed at optimizing the cash management.

Note 16 Other financial investments

The other financial investments mainly include 19,797 Quadrem securities for a gross amount of €2.1 million. Since October 11, 2000, Imerys holds an equity interest of 1.5% in Quadrem.

Note 17 Other receivables

| (€ thousands) | Gross amount | Maturity less than one year | Maturity from one to five years | Maturity beyond five years |
|---|----------------|-----------------------------|---------------------------------|----------------------------|
| Loans and receivables related to investments | 698,739 | 555,808 | 114,667 | 28,264 |
| Loans and receivables related to direct investments | 249,159 | 200,866 | 48,293 | - |
| Loans and receivables related to other Group subsidiaries | 449,580 | 354,942 | 66,374 | 28,264 |
| Other financial investments | 2,139 | 6 | 39 | 2,094 |
| Other receivables | 11,000 | 9,562 | 1,254 | 184 |
| Operating receivables | 9,256 | 9,256 | - | - |
| Bond issuance premium | 1,744 | 306 | 1,254 | 184 |
| Regularization account | 75,244 | 71,761 | 2,980 | 503 |
| Prepaid expenses | 1,972 | 660 | 1,310 | 2 |
| Bond issuance cost | 2,582 | 411 | 1,670 | 501 |
| Unrealized foreign exchange rate losses | 70,690 | 70,690 | - | - |
| Total | 787,122 | 637,137 | 118,940 | 31,045 |

Note 18 Marketable securities

Net values

| (€ thousands) | 2009 | 2008 |
|-------------------------|----------------|---------------|
| SICAVs and mutual funds | 100,028 | 36,109 |
| Treasury shares | - | - |
| Total | 100,028 | 36,109 |

As of December 31, 2009, the gross amount of marketable securities amounts to €100.0 million. No impairment loss has been recognized in 2008 and 2009.

Measurement of marketable securities as of December 31, 2009

| Nature | Quantity | Average cost price per unit (€) | Closing price December 2009 (€) |
|---------------|----------|---------------------------------|---------------------------------|
| SICAV BNP | 342 | 55,820.46 | 55,832.34 |
| SICAV Calyon | 94 | 226,587.31 | 226,625.04 |
| SICAV Natexis | 386 | 55,736.74 | 55,741.84 |
| SICAV HSBC | 6,217 | 3,065.76 | 3,066.30 |
| SICAV SG | 826 | 23,079.88 | 23,084.47 |

Note 19 Breakdown of changes in shareholders' equity

| (€ thousands) | Capital | Premiums | Reserves ⁽¹⁾ | | | Retained earnings | Income of the period | Total |
|---|----------------|----------------|-------------------------|----------------|----------------|-------------------|----------------------|------------------|
| | | | Legal | Regulated | Other | | | |
| Shareholders' equity as of 01/01/08 before allocation of net income | 126,254 | 131,704 | 12,725 | 273,471 | 670,482 | 419,498 | 50,240 | 1,684,374 |
| Allocation of 2007 income | - | - | - | - | - | (68,734) | (50,240) | (118,974) |
| Movements of the 2008 period | | | | | | | | |
| Cancellation of 370,000 shares of €2.00 | (740) | (16,783) | - | - | - | - | - | (17,523) |
| Subscription of 29,734 shares by exercise of options | 59 | 882 | - | - | - | - | - | 941 |
| Net income as of 12/31/08 | - | - | - | - | - | - | 87,063 | 87,063 |
| Shareholders' equity as of 01/01/09 before allocation of net income | 125,573 | 115,803 | 12,725 | 273,471 | 670,482 | 350,764 | 87,063 | 1,635,881 |
| Allocation of 2008 income | - | - | - | - | - | 24,277 | (87,063) | (62,786) |
| Movements of the 2009 period | | | | | | | | |
| Capital increase by creation of 12,557,518 shares | 25,115 | 222,376 | - | - | - | - | - | 247,491 |
| Subscription of 45,388 shares by exercise of options | 91 | 1,234 | - | - | - | - | - | 1,325 |
| Net income as of 12/31/09 | - | - | - | - | - | - | 71,935 | 71,935 |
| Shareholders' equity as of 01/01/10 before allocation of net income | 150,779 | 339,413 | 12,725 | 273,471 | 670,482 | 375,039 | 71,935 | 1,893,844 |
| Proposal for allocation of income ⁽²⁾ | - | - | - | - | - | - | (71,935) | (71,935) |
| Shareholders' equity as of 01/01/10 with proposal for allocation of income | 150,779 | 339,413 | 12,725 | 273,471 | 670,482 | 375,039 | 0 | 1,821,909 |

(1) Shareholders' equity of Imerys does not include revaluation differences.

(2) Proposed to the Shareholders' General Meeting on April 29, 2010.

Number of shares

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Number of shares outstanding at the opening | 62,786,590 | 63,126,856 |
| Capital increases | 12,602,906 | 29,734 |
| Capital decreases | - | (370,000) |
| Number of shares outstanding at the closing | 75,389,496 | 62,786,590 |

For 2009, the capital movements are the following:

- on April 27, 2009, the Board of Directors noted that the share capital had been increased by a nominal amount of €2,000 as a result of the exercise since January 1, 2009 of 1,000 share options giving the right to the same number of Imerys shares;
- on June 2, 2009, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on April 29, 2009, noted that 12,557,518 new shares had been created on the occasion of the Company's capital increase decided on May 4, 2009, thus increasing the Company's capital by a nominal amount of €25,115,036;
- on January 11, 2010, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2009, noted that, on December 31, 2009, the share capital had been increased by a nominal amount of €88,776 as a result of the exercise in the second half of 2009 of 44,388 share options giving the right to the same number of Imerys shares.

Detailed information is available in [chapter 6, paragraph 6.2.1 of the Reference Document](#).

Share options subscription plans in force as of December 31, 2009

| | | Position as of 12/31/2008 | Grant of options | Exercised options | Adjustments related to the capital increase | Cancellations, regularizations | Position as of 12/31/2009 |
|----------------------------|------|---|---------------------|----------------------|---|-----------------------------------|------------------------------|
| Plan | 2000 | 42,560 | - | 35,584 | 3,194 | - | 10,170 |
| Employee Shareholding Plan | 2000 | 24,812 | - | 410 | 1,907 | - | 26,309 |
| Plan | 2001 | 72,780 | - | - | 5,444 | - | 78,224 |
| Employee Shareholding Plan | 2001 | 28,356 | - | 533 | 2,352 | - | 30,175 |
| Plan | 2002 | 121,000 | - | - | 9,062 | - | 130,062 |
| Employee Shareholding Plan | 2002 | 36,450 | - | 386 | 3,076 | - | 39,140 |
| Plan | 2003 | 297,830 | - | 8,362 | 22,231 | - | 311,699 |
| Employee Shareholding Plan | 2003 | 31,344 | - | 113 | 2,675 | - | 33,906 |
| Plan | 2004 | 615,500 | - | - | 45,852 | (15,299) | 646,053 |
| Plan | 2005 | 566,500 | - | - | 40,160 | (75,695) | 530,965 |
| Plan | 2006 | 573,200 | - | - | 42,451 | (23,262) | 592,389 |
| Employee Shareholding Plan | 2006 | 38,625 | - | - | 5,155 | - | 43,780 |
| Plan | 2007 | 504,700 | - | - | 36,689 | (40,832) | 500,557 |
| Plan | 2008 | 494,425 | - | - | 36,438 | (15,023) | 515,840 |
| Plan | 2009 | - | 464,000 | - | - | - | 464,000 |
| | | 3,448,082 | 464,000 | 45,388 | 256,686 | (170,111) | 3,953,269 |
| | | of which number of potential ordinary shares by exercise of share options | | | | | 3,953,269 |

| | Number of shares |
|---|-------------------|
| Number of shares as of 12/31/2008 | 62,786,590 |
| Number of shares created in 2009 by exercise of options | 45,388 |
| Cancellation of shares in 2009 | |
| Creation of shares in 2009 | 12,557,518 |
| Number of shares as of 12/31/2009 | 75,389,496 |
| Number of shares liable to be created | 3,953,269 |
| Total number of potential ordinary shares as of 12/31/2009 | 79,342,765 |

As of December 31, 2009, the exercise of all granted share options would dilute the share capital by 4.98%.

Grant of free shares

In 2008, on the proposal of the Appointments and Compensation Committee, the Board of Directors opted to adapt the Group's long-term retention policy to take into account the enlargement of its scope and the latest market practices by combining traditional grants of share options with conditional grants of free shares.

In 2009, the Board attributed 247,006 free shares subordinated to the achievement of economic performance objectives to 169 executives of the Group in France or abroad.

With regard to the 3,953,269 share options and 348,424 free shares attributed to some employees and executives of Imerys, and not exercised or vested as of December 31, 2009, the potential dilution of the capital of Imerys SA as of that date amounts to 5.40% (i.e. a nominal amount of €159,382,378).

Note 20 Write-downs and provisions

| (€ thousands) | Amount at the beginning of the period | Increases | | | Decreases ⁽¹⁾ | | | Amount at the end of the period |
|--|---|--------------|---------------|--------------|--------------------------|-----------------|----------------|---------------------------------------|
| | | Operating | Financial | Exceptional | Operating | Financial | Exceptional | |
| Write-downs | | | | | | | | |
| Investments | 3,003 | - | - | - | - | - | - | 3,003 |
| Trade receivables | 23 | - | - | - | - | - | - | 23 |
| Loans related to investments | - | - | - | - | - | - | - | - |
| Non-consolidated investments | - | - | - | - | - | - | - | - |
| Bond issuance premium | 1,152 | - | 306 | - | - | - | - | 1,458 |
| Marketable securities | - | - | - | - | - | - | - | - |
| Total assets | 4,178 | - | 306 | - | - | - | - | 4,484 |
| Provisions | | | | | | | | |
| Provisions for risks | 40,687 | - | 72,151 | 3,675 | (27) | (28,786) | (4,139) | 83,561 |
| Management risks | 4,047 | - | - | 3,295 | (27) | (16) | (2,445) | 4,854 |
| Provisions for exchange rate losses | 28,591 | - | 70,690 | - | - | (28,591) | - | 70,690 |
| Staff-related risks | 610 | - | - | 380 | - | - | (260) | 730 |
| Environmental risks | 6,638 | - | - | - | - | (179) | (1,434) | 5,025 |
| Financial instruments | - | - | 1,461 | - | - | - | - | 1,461 |
| Risks on subsidiaries and investments | 801 | - | - | - | - | - | - | 801 |
| Provisions for charges | 4,954 | 3,699 | - | - | (7,369) | - | - | 1,284 |
| Pensions | - | - | - | - | - | - | - | - |
| Future employee benefits | 4,954 | 3,699 | - | - | (7,369) | - | - | 1,284 |
| Other social contributions and tax expenses | - | - | - | - | - | - | - | - |
| Total liabilities | 45,641 | 3,699 | 72,151 | 3,675 | (7,396) | (28,786) | (4,139) | 84,845 |
| Grand Total | 49,819 | 3,699 | 72,457 | 3,675 | (7,396) | (28,786) | (4,139) | 89,329 |

(1) Provisions decreased in accordance with used amounts for €8,045 thousand.

As head of the Group, Imerys recognizes management risk and environmental provisions. They specifically relate to environmental liability guarantees following the disposal of some investments.

As of December 31, 2009, the provision for financial risks has been increased by an amount of €1.5 million. This provision relates to hedging transactions on foreign currencies and on energy prices.

Some of these instruments, in accordance with the Group's financial risk management policy, are not recognized as hedging instruments at Imerys SA. The financial instruments held as of December 31, 2009 are described in [Note 25](#) and following.

Future employee benefits

The concerned retirement plans correspond to basic and complementary plans applicable to the metalworking industry. The provision for future employee benefits is calculated in accordance with the following assumptions:

| | Retirement plans | Other long-term employee benefits |
|--|------------------|-----------------------------------|
| Discount rates | 4.3% | 4.3% |
| Expected rates of return on plan assets | 3.9% | - |
| Expected rates of salary increases | 3.5% | 3.5% |
| Annual turnover rates: | | |
| ■ Non executives until 55 years (included) | 20.0% | 20.0% |
| ■ Non executives after 55 years | - | - |
| ■ Executives until 55 years (included) | 9.0% | 9.0% |
| ■ Executives after 55 years | - | - |

Actuarial differences are recognized according to the corridor method.

Net expense

| (€ thousands) | 2009 | | | 2008 | | |
|-------------------------------|--------------|------------|--------------|------------|-----------|------------|
| | Retirement | Other | Total | Retirement | Other | Total |
| Interest cost | 864 | 11 | 875 | 468 | 11 | 479 |
| Current service cost | 983 | 19 | 1,002 | 446 | 20 | 466 |
| Expected return on assets | (271) | - | (271) | (281) | - | (281) |
| Past service cost | 1,990 | - | 1,990 | 98 | - | 98 |
| Actuarial (gains) and losses | 40 | 101 | 141 | 32 | (9) | 23 |
| Curtailments and settlements | (14) | (24) | (38) | - | - | - |
| Recognized net expense | 3,592 | 107 | 3,699 | 763 | 22 | 785 |
| Assets' effective return | 177 | - | 177 | (424) | - | (424) |

Change in the discounted value of obligations

| (€ thousands) | 2009 | | | 2008 | | |
|---|---------------|------------|---------------|---------------|------------|---------------|
| | Retirement | Other | Total | Retirement | Other | Total |
| Opening obligations | 11,730 | 219 | 11,949 | 11,754 | 223 | 11,977 |
| Interest cost | 864 | 11 | 875 | 468 | 11 | 479 |
| Current service cost | 983 | 19 | 1,002 | 446 | 20 | 466 |
| Benefit payments | (728) | (19) | (747) | (484) | (26) | (510) |
| Plan amendments | 8,344 | - | 8,344 | 139 | - | 139 |
| Curtailments and settlements | (60) | (24) | (84) | - | - | - |
| Actuarial (gains) and losses | (1,718) | 101 | (1,617) | (593) | (9) | (602) |
| Closing obligations ⁽¹⁾ | 19,415 | 307 | 19,722 | 11,730 | 219 | 11,949 |
| Funded by plan assets | 18,431 | - | 18,431 | 10,876 | - | 10,876 |
| Unfunded | 984 | 307 | 1,291 | 854 | 219 | 1,073 |

(1) Of which retirement obligations to the benefit of the members of the Executive Management: €4,857 thousand in 2009, €808 thousand in 2008.

Change in fair value of plan assets

| (€ thousands) | 2009 | | | 2008 | | |
|------------------------------|---------------|----------|---------------|--------------|----------|--------------|
| | Retirement | Other | Total | Retirement | Other | Total |
| Opening assets | 6,986 | - | 6,986 | 6,951 | - | 6,951 |
| Expected return on assets | 271 | - | 271 | 281 | - | 281 |
| Benefit payments | (728) | - | (728) | (319) | - | (319) |
| Employer contributions | 7,349 | - | 7,349 | (70) | - | (70) |
| Actuarial gains and (losses) | (448) | - | (448) | 143 | - | 143 |
| Closing assets | 13,430 | - | 13,430 | 6,986 | - | 6,986 |

Assets / liabilities in the balance sheet

| (€ thousands) | 2009 | | | 2008 | | |
|---|----------------|--------------|----------------|----------------|--------------|----------------|
| | Retirement | Other | Total | Retirement | Other | Total |
| Funded obligations | (18,431) | - | (18,431) | (10,876) | - | (10,876) |
| Fair value of assets | 13,430 | - | 13,430 | 6,986 | - | 6,986 |
| Funded status | (5,001) | - | (5,001) | (3,890) | - | (3,890) |
| Unfunded obligations | (984) | (307) | (1,291) | (854) | (219) | (1,073) |
| Unrecognized past service cost | 6,657 | - | 6,657 | 304 | - | 304 |
| Net unrecognized actuarial differences | (1,652) | - | (1,652) | (297) | - | (297) |
| Assets (provisions) in the balance sheet | (980) | (307) | (1,287) | (4,737) | (219) | (4,956) |
| Provisions for future employee benefits | (980) | (307) | (1,287) | (4,737) | (219) | (4,956) |

Change in assets (provisions) in the balance sheet

| (€ thousands) | 2009 | | | 2008 | | |
|---|----------------|--------------|----------------|----------------|--------------|----------------|
| | Retirement | Other | Total | Retirement | Other | Total |
| Opening assets (provisions) | (4,737) | (219) | (4,956) | (4,069) | (221) | (4,290) |
| Current service cost after curtailments / settlements | (3,592) | (107) | (3,699) | (763) | (22) | (785) |
| Contributions | 7,349 | 19 | 7,368 | 95 | 24 | 119 |
| Closing assets (provisions) | (980) | (307) | (1,287) | (4,737) | (219) | (4,956) |

Note 21 Debts and regularization accounts as of December 31, 2009

| (€ thousands) | Amount | Maturity less than one year | Maturity from one to five years | Maturity beyond five years |
|--------------------------------|------------------|-----------------------------|---------------------------------|----------------------------|
| Financial debts | 1,986,001 | 1,012,445 | 397,182 | 576,374 |
| Other debts | 29,516 | 29,516 | - | - |
| Deferred revenue | - | - | - | - |
| Unrealized exchange rate gains | 40,842 | 40,842 | - | - |
| Total | 2,056,359 | 1,082,803 | 397,182 | 576,374 |

The various bank overdrafts and the syndicated credit do not include any grants or guarantees from the Company to the benefit of the lending banks.

The financial debts by foreign currency share out as follows:

| (€ thousands) | Amount |
|--------------------------|------------------|
| Euro | 1,486,432 |
| US Dollar | 365,052 |
| Pound Sterling | 26,648 |
| Japanese Yen | 59,536 |
| Other foreign currencies | 48,333 |
| Total | 1,986,001 |

The analysis of the financial debts by nature and maturity is the following:

| (€ thousands) | Amount | Maturity less than one year | Maturity from one to five years | Maturity beyond five years |
|---------------------------------------|------------------|-----------------------------|---------------------------------|----------------------------|
| Bonds | 1,023,556 | 50,000 | 397,182 | 576,374 |
| Commercial papers | 50,000 | 50,000 | - | - |
| Bank loans | 91,628 | 91,628 | - | - |
| Subsidiary loans | 3,968 | 3,968 | - | - |
| Group financial current accounts | 779,873 | 779,873 | - | - |
| Bank overdrafts and accrued interests | 36,976 | 36,976 | - | - |
| Total | 1,986,001 | 1,012,445 | 397,182 | 576,374 |

Note 22 Accrued receivables and payables

| (€ thousands) | Accrued receivables | Accrued payables |
|---------------|----------------------|------------------|
| Operating | - | 1,457 |
| Financial | 8,036 ⁽¹⁾ | 1,476 |
| Total | 8,036 | 2,933 |

(1) Accrued receivables mainly comprise accrued interests on financial instruments.

Other information

Note 23 Off balance sheet commitments

The significant off balance sheet commitments of the Company are detailed in [Notes 24 to 28](#).

The syndicated credit renewed on March 15, 2007 for an authorized amount of €750.0 million is not guaranteed by the Group. It has not been utilized over 2009 period.

As of December 31, 2009, the amount of bilateral multi-currencies credit lines confirmed and available for the benefit of Imerys, is €537.0 million of which €91.6 million are utilized.

Commitments given

| (€ thousands) | For the benefit of | | | | Total |
|-----------------------------|--------------------|------------------|---------------------------|--------|---------|
| | Subsidiaries | Equity interests | Other controlled entities | Other | |
| Avals, sureties, guarantees | 75,506 | - | 50,242 | 26,603 | 152,351 |

Commitments received

No commitments were received over 2009.

Note 24 Other commitments in relation to subsidiaries

Considering the commitments which came to maturity in 2009, the amount of the global commitment amounts to €103.5 million as of December 31, 2009.

Note 25 Commitments on foreign exchange rate risks

As of December 31, 2009, the Company had net commitments regarding forward purchases and sales against Euros divided up by foreign currencies as follows:

| | (foreign currency thousands) | | (€ thousands) | |
|--------------------|------------------------------|---------------|-------------------|----------------|
| | Forward purchases | Forward sales | Forward purchases | Forward sales |
| Australian Dollar | 1,700 | - | 1,062 | - |
| Canadian Dollar | 6,620 | - | 4,376 | - |
| Swiss Franc | 840 | 55,340 | 566 | 37,301 |
| Pound Sterling | 880 | 32,200 | 991 | 36,257 |
| Japanese Yen | 3,598,000 | - | 27,020 | - |
| Mexican Peso | 196,950 | - | 10,408 | - |
| New Zealand Dollar | 4,000 | - | 2,020 | - |
| Swedish Krona | 35,520 | - | 3,465 | - |
| Thai Baht | - | 397,545 | - | 8,285 |
| US Dollar | 122,030 | 168,216 | 84,708 | 116,768 |
| South African Rand | - | 139,630 | - | 13,091 |
| Czech Koruna | 17,250 | - | 652 | - |
| Danish Krone | 1,980 | - | 266 | - |
| Hungarian Forint | - | 60,000 | - | 222 |
| Singapore Dollar | 25,050 | 6,890 | 12,405 | 3,412 |
| Total | | | 147,939 | 215,336 |

These transactions have been carried out in order to hedge the foreign exchange rate risk generated by intra-group financing and investments in foreign currencies. They also include the net positions between internal and external derivatives on transactions carried out in accordance with the Group's management policy of foreign exchange rate risks.

Note 26 Commitments on interest rate risk

In accordance with its policy to manage the interest rate risk, the Group has, as of December 31, 2009, different hedging transactions (interest rate swaps and caps). These transactions are in line with its management policy.

The nominal amount of derivative instruments at the end of the period amounts to €350.0 million, JPY7.0 billion and USD460.0 million.

Note 27 Elements related to energy price risks

The following table summarizes the positions taken as of December 31, 2009 to hedge the energy price risk.

| | Net notional amounts (in MWh) | Maturities |
|-------------------------|----------------------------------|-------------|
| Underlying position | 3,403,725 | < 12 months |
| Management transactions | 980,951 | < 12 months |

Note 28 Elements recognized under more than one balance sheet item (net value)

| (€ thousands) | Total | Of which controlled entities ⁽¹⁾ |
|---|-----------|--|
| Investments | 3,141,410 | 3,141,022 |
| Loans related to investments and other subsidiaries | 698,739 | 698,043 |
| Other financial investments | 2,139 | - |
| Operating receivables | 9,256 | 8,790 |
| Financial debts | 1,986,001 | 783,840 |
| Other debts | 29,516 | 18,997 |

(1) The controlled entities are those that can be consolidated by full integration into the same group.

Note 29 Main shareholders

| | Number of shares | % of interest | % of voting rights ⁽¹⁾ |
|--|-------------------|----------------|-----------------------------------|
| Pargesa Netherlands BV | 19,702,842 | 26.14% | 33.64% |
| Belgian Securities BV ⁽²⁾ | 23,114,711 | 30.66% | 36.33% |
| M&G Investment Management Ltd ⁽³⁾ | 4,402,883 | 5.84% | 4.01% |
| Vanguard Precious Metals and Mining Funds ⁽⁴⁾ | 3,380,000 | 4.48% | 3.08% |
| Group employees | 223,793 | 0.30% | 0.29% |
| Self-holding | 250 | insignificant | - |
| Public | 24,565,017 | 32.58% | 22.65% |
| Total as of December 31, 2009 | 75,389,496 | 100.00% | 100.00% |

(1) Total net voting rights: 109,709,020.

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

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

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

The consolidated financial statements of Imerys are included in the consolidation structure of the companies Pargesa Holding SA and Groupe Bruxelles Lambert, which are respectively the parent companies of Pargesa Netherlands BV and Belgian Securities BV.

Note 30 Headcount as of December 31, 2009

| | Non-executives | Executives | Total |
|--------------------------------------|----------------|------------|------------|
| Full-time | 26 | 93 | 119 |
| Part-time | 3 | 1 | 4 |
| Total employees of the entity | 29 | 94 | 123 |

Note 31 Individual training rights as of December 31, 2009

As of December 31, 2009, the total number of training hours corresponding to the acquired rights in the framework of the individual training right amounts to 7,480 hours.

The number of hours not having been requested amounts to 6,453 hours.

Note 32 Compensation of directors and executive managers

| (€ thousands) | 2009 | 2008 |
|-----------------------------------|--------------|--------------|
| Board of Directors ⁽¹⁾ | 624 | 657 |
| Executive Management | 1,889 | 1,167 |
| Total | 2,513 | 1,824 |

(1) Directors' attendance fees.

The global amount of retirement obligations contracted for the benefit of the members of the Board of Directors and of the Executive Management is presented in [Note 29 of the consolidated financial statements](#).

Note 33 Post closing events

No significant post closing event has to be notified for the Company.

Note 34 Allocation of earnings (pursuant to the provisions of article L. 232-7 of the French Code of Commerce)

| (€) | |
|---|-----------------------|
| Income for the period | 71,934,963.91 |
| Increase in legal reserve in order to reach 10% of the share capital | (2,352,552.80) |
| Retained earnings | 375,038,843.00 |
| Distributable income | 444,621,254.11 |
| Dividend of €1.00 to each of the 75,389,496 shares existing as of January 1, 2010 | (75,389,496.00) |
| Retained earnings | 369,231,758.11 |

Note 35 Table of subsidiaries and equity interests as of December 31, 2009

| | Local units (thousands) | | Number of shares held by Imerys | Type of securities |
|---|-------------------------|---|---------------------------------|------------------------|
| | Capital as of | Shareholders' equity other than share capital | | |
| Subsidiaries (at least 50% of equity held by Imerys) | | | | |
| Imerys TC | 161,228 | 707,260 | 80,613,850 | shares of €2 |
| Mircal | 1,034,653 | 256,023 | 68,976,891 | shares of €15 |
| Imerys USA | 367,005 | 479,648 | 1,000 | shares of USD1 |
| Imerys Services | 38 | (403) | 2,499 | shares of €15 |
| Mircal Europe | 56,365 | 560,423 | 56,365,195 | shares of €1 |
| Mircal China | 12,937 | (3,692) | 1,293,700 | shares of €10 |
| Imerys (SHANGHAI) Investment Management Company Limited | 14,404 | 2,209 | 1 | share of CNY14,404,000 |

| | % of interest held by Imerys | (€ thousands) | | | | | | | |
|---|------------------------------|---------------------------------|-------------------------------|---|--|---------------------------------|---------------------------------------|------------|-------------------------|
| | | Gross amount of securities held | Net amount of securities held | Loans and advances granted by Imerys and not repaid | Borrowings taken up by Imerys and not repaid | Sureties, avals given by Imerys | Dividends collected by Imerys in 2009 | 2009 sales | 2009 net income or loss |
| Subsidiaries (at least 50% of equity held by Imerys) | | | | | | | | | |
| Imerys TC | 100.00 | 758,369 | 758,369 | - | 177,658 | - | 102,380 | 418,267 | 83,422 |
| Mircal | 100.00 | 1,289,076 | 1,289,076 | - | 16,751 | - | - | 1 | (47,478) |
| Imerys USA | 100.00 | 513,530 | 513,530 | 247,442 | 17,205 | 75,506 | - | - | (4,733) |
| Imerys Services | 99.96 | 38 | 38 | 1,021 | - | - | - | 10,488 | (620) |
| Mircal Europe | 100.00 | 565,483 | 565,483 | - | 67,906 | - | - | - | (9,516) |
| Mircal China | 100.00 | 12,937 | 12,937 | - | 545 | - | - | - | 77 |
| Imerys (SHANGHAI) Investment Management Company Limited | 100.00 | 1,359 | 1,359 | - | - | - | - | 3,454 | 246 |
| | | | | | | | | | |
| Equity interests | | | | | | | | | |
| 10 to 50% of equity held by Imerys | | 10 | 10 | - | - | - | 197 | - | - |
| Miscellaneous equity interests | | | | | | | | | |
| Non-significant French entities | | 3,611 | 608 | 696 | 146 | - | - | - | - |
| | | | | | | | | | |
| Total | | 3,144,413 | 3,141,410 | 249,159 | 280,211 | 75,506 | 102,577 | 432,210 | 21,398 |

5.3 AUDIT FEES

Terms of service of Auditors

The Shareholders' General Meeting of May 3, 2004 approved the renewal of the term of office of Ernst & Young Audit and Deloitte & Associés (formerly Deloitte Touche Tohmatsu) for another 6 years. The term of office has thus been reached and the Shareholders' General Meeting of April 29, 2010 will have to rule on its renewal.

Organization of the audit of Imerys subsidiaries

For numerous years, the Group has primarily asked, in an equal standing, the two Imerys Statutory Audit firms to conduct the audit of the subsidiaries throughout the world. However, for practical or historical reasons, other audit firms intervened; the quantitative details were as follows:

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------------------|------|------|------|------|------|
| Audit fees (€ millions) | 6.4 | 7.1 | 6.9 | 6.7 | 6.2 |
| Distribution: | | | | | |
| - Ernst & Young Audit | 53% | 55% | 53% | 52% | 59% |
| - Deloitte & Associés | 43% | 40% | 43% | 44% | 34% |
| - Other firms | 4% | 5% | 4% | 4% | 7% |

Fees as of December 31, 2009

The total fees paid in 2009 to the two Statutory Audit firms of the parent company Imerys, Ernst & Young (EY) and Deloitte & Associés (DA), are as follows:

| | 2009 | | | | 2008 | | | |
|--|------------|---------------|------------|---------------|------------|---------------|------------|---------------|
| | EY (€M) | (%) | DA (€M) | (%) | EY (€M) | (%) | DA (€M) | (%) |
| Audit | | | | | | | | |
| Certification and auditing of individual and consolidated accounts | 3.2 | | 2.3 | | 3.9 | | 2.7 | |
| Imerys SA | 1.0 | | 0.6 | | 1.0 | | 0.7 | |
| Fully integrated subsidiaries | 2.2 | | 1.7 | | 2.9 | | 2.0 | |
| Other duties and services directly related to the audit mission | 0.2 | | 0.5 | | - | | 0.1 | |
| Imerys SA | 0.2 | | 0.2 | | - | | - | |
| Fully integrated subsidiaries | - | | 0.3 | | - | | 0.1 | |
| Subtotal | 3.4 | 94.4% | 2.8 | 96.6% | 3.9 | 97.5% | 2.8 | 96.6% |
| Other services rendered by the network to fully integrated subsidiaries | | | | | | | | |
| Legal, fiscal, social | 0.2 | | 0.1 | | 0.1 | | 0.1 | |
| Other (to specify if > 10% of audit fees) | - | | - | | - | | - | |
| Subtotal | 0.2 | 5.6% | 0.1 | 3.4% | 0.1 | 2.5% | 0.1 | 3.4% |
| Total | 3.6 | 100.0% | 2.9 | 100.0% | 4.0 | 100.0% | 2.9 | 100.0% |

GENERAL INFORMATION

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6.1 INFORMATION CONCERNING THE COMPANY

■ CORPORATE NAME: IMERYS

This name was adopted by the Ordinary and Extraordinary Shareholders' Meeting of September 22, 1999. Until then, the Company's corporate name was Imetal.

■ REGISTERED OFFICE

154, rue de l'Université, 75007 Paris (France)

Telephone: + 33 (0) 1 49 55 63 00 – Fax: + 33 (0) 1 49 55 63 01

■ LEGAL STATUS AND LAW OF INCORPORATION

Imerys is a French Limited Liability Company (Société Anonyme) with Board of Directors (Conseil d'Administration) governed by French law.

■ DATE AND TERM OF INCORPORATION

Imerys was incorporated on April 22, 1880. Its term of incorporation, initially set at fifty years, was extended until June 30, 2024 (article 5 of the by-laws).

■ CORPORATE PURPOSE

Imerys is the head company of an industrial and commercial group that is specialized in Minerals Processing.

Under the terms of article 3 of the by-laws, "The Company's purpose, in France and abroad, is as follows:

- the search for, the acquisition, the leasing, the sale and the operation of any mines and quarries, of any kind whatsoever;
- the processing and transformation of, and trading in, any minerals, metals, organic or non-organic materials and mineral substances, as well as their by-products and alloys;
- the manufacturing of any processed products in which minerals, metals, organic or non-organic materials and mineral substances are used;
- the purchase, obtaining, operation, concession and sale, in whole or in part, on a temporary or permanent basis, of any patents, certificates or licenses pertaining to the above-mentioned purposes;
- the creation, acquisition, sale, concession of any buildings and plants, of any means of transportation and energy sources;
- the participation in any country, in any mining, quarrying, commercial, industrial and maritime operations aimed at favoring or developing the Company's own industries and businesses, through the creation of new companies, alliances, holding companies or otherwise; and, generally, any mining, quarrying, commercial, industrial, maritime, real estate, personal property and financial operations relating directly or indirectly, in whole or in part, to any of the above-specified purposes or any other similar or related purposes."

■ REGISTER OF COMPANIES

562 008 151 R.C.S. Paris
N.A.F. (main activity): 7010Z
SIRET 562 008 151 00093

■ ACCESS TO CORPORATE DOCUMENTS

The by-laws, minutes of Shareholders' General Meetings, Company and consolidated financial statements, Statutory Auditors' Reports and all documents provided for shareholders may be consulted at the Company's registered office.

■ FINANCIAL YEAR *(ARTICLE 28 OF THE BY-LAWS)*

The financial year is 12 months. It begins on January 1 and ends on December 31 of each year.

■ ALLOCATION OF PROFITS *(ARTICLE 30 OF THE BY-LAWS)*

Income for each financial year is determined in accordance with legal and regulatory provisions in force, as follows:

- at least 5% of net earnings for the financial year, minus any previous losses, are withheld to make up the legal reserve. This withholding ceases to be obligatory when such reserve is equal to 10% of the share capital;
- earnings for the financial year, minus the above and plus any earnings carried over, after deduction of any earnings retained or sums assigned to one or more reserves by the Shareholders' Meeting, are distributed among shares, without distinction;
- the Shareholders' Meeting may grant to each shareholder, for all or part of the dividend being distributed, or for advances on dividends, the option to be paid in cash or in shares.

■ IDENTIFIABLE BEARER SHARES *(ARTICLE 9 OF THE BY-LAWS)*

The Company is authorized, under the terms and conditions provided by current legal provisions, to ask Euroclear France for the information needed to identify the owners of bearer shares that grant, whether immediately or at a later date, voting rights in its Shareholders' Meetings, as well as the quantity of shares or other securities held by each owner and, as the case may be, any restrictions that may apply to such shares or other securities.

■ SHAREHOLDERS' GENERAL MEETINGS *(ARTICLES 21 AND 22 OF THE BY-LAWS)*

Convening

Shareholders' General Meetings are convened under the terms and conditions provided by current legal provisions and are held either at the registered office or in any other place specified on the Notice of Meeting.

Conditions for admission

All shareholders have the right to take part in Shareholders' General Meetings – whether in person, via a proxy or by correspondence – subject to the obligation to prove their identity and, in the case of holders of bearer shares, to deposit a certificate of holding justifying the recording of the bearer shares. Registration or deposit formalities must be completed three business days before the meeting at the latest.

Any shareholder may also, by decision of the Board of Directors as notified in the Notice of Meeting, take part in General Meetings and vote by data transmission and/or any other means of telecommunication, under the conditions provided by current legal provisions.

Conditions for exercise of voting rights

All documents provided by articles R. 225-81 and R. 225-83 of the French Code of Commerce, including a mail or proxy voting form, are sent to shareholders on request. This form cannot be validly taken into consideration unless it is completed in accordance with current legislation and returned to the registered office or to the address given on the Notice of Meeting. Moreover, any shareholder may, by decision of the Board of Directors as notified in the Notice of Meeting, obtain and return the form for voting by mail or proxy, by data transmission or any other means of telecommunication, under the terms and conditions provided by current legal provisions.

Double voting rights

As of the Shareholders' General Meeting of July 2, 1968, shares registered in the name of the same shareholder for at least two years carry a double voting right. This right is authorized by law and provided by article 22 of the by-laws, and is intended to reward the Company's shareholders for their loyalty. The double voting right is also granted to new free shares granted to shareholders under a

capital increase operation, on the basis of the old shares for which they already benefited from this right. The double voting right ceases ipso jure when a registered share is converted to a bearer share or is transferred, except in cases of collateral assignment or transfer as life interest or by inheritance or family bequest. Finally, the double voting right may be cancelled by decision of an Extraordinary Shareholders' General Meeting with prior authorization by the Special General Meeting of the holders of such right.

Restriction of voting rights

None.

■ DISCLOSURE OF THRESHOLD CROSSINGS

Imerys' by-laws do not contain any clause imposing disclosure requirements in the case of holdings that cross certain thresholds, other than those set down by the law.

Any shareholder, whether acting alone or with others, whose holding comes to rise above or fall below one of the holding thresholds for the Company's capital and/or voting rights provided by legislation in force must comply with the provisions of articles L. 233-7 to L. 233-11 of the French Code of Commerce and, more specifically, inform the Company (or, as the case may be, any person that the Company may have designated for that purpose) and the Autorités des marchés financiers (AMF), within five days of their holding crossing the threshold in question. In the event of failure to comply with this obligation, the provisions of article L. 233-14 of the French Code of Commerce shall apply.

■ ITEMS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

No mechanism coming under the provisions of article L. 225-100-3 of the French Code of Commerce on public purchase offers has been set up by the Company.

6.2 INFORMATION CONCERNING THE SHARE CAPITAL

6.2.1 NOMINAL AMOUNT OF THE SHARE CAPITAL AND NUMBER OF VOTING RIGHTS

A highlight of 2009 was the share capital increase completed by the Company on June 2, 2009 (for more details concerning this operation, please see [paragraph 6.2.3 of the present chapter](#)). On that date, the Chief Executive Officer, pursuant to the powers granted to him by the Board of Directors at its meeting of April 29, 2009, noted that 12,557,518 new shares had been subscribed under the rights issue approved on May 4, 2009, increasing the Company's capital to a nominal amount of €25,115,036.

The other changes in share capital recorded in 2009 were as follows:

- on April 27, 2009, the Board of Directors noted that the share capital had been increased by a nominal amount of €2,000 as a result of the exercise since January 1, 2009 of 1,000 stock options giving the right to the same number of Imerys shares;

- on January 11, 2010, the Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 16, 2009, noted that, on December 31, 2009, the share capital had been increased by a nominal amount of €88,776 as a result of the exercise in the second half of 2009 of 44,388 stock options giving the right to the same number of Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as on December 31, 2009 totalled €150,778,992; it was made up of 75,389,496 shares with €2 par value of which 34,319,774 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 109,709,270.

Share capital did not change and the number of voting rights did not change significantly between December 31, 2009 and the date of the present Reference Document.

Taking into account the 3,953,269 stock options and 348,424 free shares granted to certain employees and executives and not yet exercised or acquired on December 31, 2009, maximum potential dilution of the Company's share capital was 5.40% as on January 1, 2010 (i.e. a nominal amount of €159,382,378).

No directly registered shares have been pledged by the Company.

6.2.2 CHANGES IN SHARE CAPITAL OVER THE PAST FIVE YEARS

Changes in the number of shares and in the Company's share capital over the past five years are as follows:

| Year | Operation | Nominal amount of change in capital (€) | Issue premium (€) | Number of securities created | Par value of securities (€) | Successive amounts of the Company's capital (€) | Number of shares that make up capital |
|------|--|---|-------------------|------------------------------|-----------------------------|---|---------------------------------------|
| 2005 | Exercise of stock options | 1,043,690 | 14,580,282 | 521,845 | 2 | 127,943,730 | 63,971,865 * |
| 2006 | Cancellation of shares | (2,650,000) | (80,805,619) | (1,325,000) | 2 | 125,293,730 | 62,646,865 |
| | Capital increases reserved for employees | 100,000 | 2,607,402 | 50,000 | 2 | 125,393,730 | 62,696,865 |
| | Exercise of stock options | 1,275,510 | 17,689,386 | 637,755 | 2 | 126,669,240 | 63,334,620* |
| 2007 | Cancellation of shares | (1,213,086) | (40,885,873) | (606,543) | 2 | 125,456,154 | 62,728,077 |
| | Exercise of stock options | 797,558 | 13,645,455 | 398,779 | 2 | 126,253,712 | 63,126,856* |
| 2008 | Cancellation of shares | (740,000) | (16,782,710) | (370,000) | 2 | 125,513,712 | 62,756,856 |
| | Exercise of stock options | 59,468 | 882,325 | 29,734 | 2 | 125,573,180 | 62,786,590* |
| 2009 | Exercise of stock options | 2,000 | 26,310 | 1,000 | 2 | 125,575,180 | 62,787,590 |
| | Share capital increase | 25,115,036 | 226,035,324 | 12,557,518 | 2 | 150,690,216 | 75,345,108 |
| | Exercise of stock options | 88,776 | 1,207,985 | 44,388 | 2 | 150,778,992 | 75,389,496* |

* As on December 31.

6.2.3 FINANCIAL AUTHORIZATIONS

■ SECURITIES REPRESENTING SHARES IN CAPITAL

General authorizations

A set of financial authorizations, in accordance with the provisions of articles L. 225-129 et seq. of the French Code of Commerce, was granted to the Board of Directors, for a twenty-six months period, by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009. These financial authorizations are intended to allow the Company, if necessary, to increase its permanent capital at the appropriate time either by capitalization of reserves, income and issue, share or other premiums or by the issue of various securities

granting access, immediately or in the future, to Imerys' share capital with or without preemptive subscription rights.

The maximum nominal amount* of the capital increases that may be carried out in this way was set at:

- €80 million for the issues carried out with preemptive subscription right;
- €50 million for the issues carried out or without preemptive subscription right;
- €130 million in total for all such issues.

* To which amount shall be added, as the case may be, the additional amount of any shares to be issued to maintain, in accordance with the law, the rights of holders or securities or rights giving access to capital.

Furthermore, the maximum nominal amount of loan securities that may be issued under these authorizations was set at €1 billion.

It is stipulated that the issuances made with cancellation of preemptive subscription rights that might be carried out pursuant to these authorizations would be offered to the public pursuant to the provisions of article L. 225-136, al.1 of the French Code of Commerce. As a result, the rules for the calculation of the price shall be set in accordance with the provisions of article R. 225-119 of the French Code of Commerce (price at least equal to the weighted average price of the three most recent trading sessions preceding the determination of such price, potentially reduced by a maximum discount of 5%).

Moreover, the Board of Directors was authorized by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 to:

- set, in accordance with the provisions of article L. 225-136 of the French Code of Commerce, the issue price of the various securities that may be issued in the event of discontinuation of shareholders' preemptive subscription rights, within the limit of 10% of the Company's share capital per year; it is specified that this issue price would be at least equal to the closing price for Imerys shares on the trading day before the date of setting the issue price, minus a possible 10% discount;
- carry out, pursuant to the provisions of article L. 225-147 of the French Code of Commerce, one or more capital increases, within the limit of 10% of the share capital, in order to compensate, except in the case of a public exchange offer, contributions in kind made to the Company and comprised of securities that give access to capital, including in a company of which the shares are not admitted for trading on a regulated market;
- issue, in accordance with the provisions of article L. 228-91 and seq. of the French Code of Commerce, in one or more times, any compound securities representing debts of the Company, within the global limit of €1 billion, it being specified that the nominal amount of the debt securities to be issued pursuant to the authorizations mentioned previously shall be charged to that amount.

These authorizations and the powers they offer are useful in giving Imerys access, within the best possible timeframe and in line with the best possibilities on the financial market, to any new financial resources that may be necessary when the time comes.

Pursuant to the power granted by the Shareholders' General Meeting, the Board of Directors delegated to the Chief Executive Officer the specific powers needed to carry out increases of the Company's capital by capitalization of reserves, income and issue, in accordance with provisions of articles L. 228-91 et seq. of the French Code of Commerce, share or other premiums within the limit of a maximum nominal amount of €10 million.

The authorizations mentioned above will expire on June 28, 2011.

Share capital increase completed on June 2, 2009

Pursuant to the delegation of authority granted by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 (eleventh resolution), the Board of Directors decided on the same day to increase the Company's capital by the issue of ordinary shares with shareholders' preemptive subscription rights and fully empowered the Chief Executive Officer to set the final terms and conditions of this issue in accordance with the provisions of article L. 225-129-4 of the French Code of Commerce. On May 4, 2009, Gérard Buffière, in his

capacity as Chief Executive Officer and pursuant to the delegation granted by the Board of Directors, decided to carry out a share capital increase by the issue of 12,557,518 shares with a nominal value of €2 each, at a unit price of €20 (i.e. a share premium of €18 per share), at the rate of one new share for five existing shares. The subscription period opened on May 6, 2009 and closed on May 19, 2009. In accordance with their commitment, the principal shareholders subscribed to the share capital increase up to the total amount of their respective preemptive subscription rights, and, as the case maybe, on a non-preferential basis (i.e. 3,439,293 shares subscribed by Pargesa Netherlands BV and 3,937,525 shares subscribed by Belgian Securities BV, representing 58.7% of the total issued shares). It is specified that the remainder of the subscription was fully underwritten by a banking syndicate.

In accordance with the Company's press release of May 28, 2009, the Chief Executive Officer noted on June 2, 2009 that 12,432,521 shares were subscribed by preemptive right and 124,997 shares on a non-preferential basis (allotted according to the scale released in a Euronext notice on May 28, 2009); as a consequence, all 12,557,518 new shares were issued and fully paid-up, leading to a nominal share capital increase of €25,115,036 and a final gross of €251,150,360. This operation was the subject of a prospectus that received visa 09-120 from AMF on May 4, 2009, of which a copy is available on the Company's website (www.imerys.com) as well as on the AMF website (www.amf-france.org).

In accordance with the provisions of articles L. 225-129-5 and R. 225-116 of the French Code of Commerce, the Board of Directors drew up an additional report on the definitive conditions of this share capital increase. A copy of this additional report may be obtained on request from the Company's head office.

No other delegation of authority was used in financial 2009.

Specific authorizations in favor of the Group's employees or executives

Capital increases reserved for Group employees

The Ordinary and Extraordinary Shareholders' General Meeting held on April 29, 2009 delegated to the Board of Directors the powers needed to carry out capital increases reserved for employees that join the Group Savings Plan adopted on September 1, 2000, as last amended on September 21, 2006. The maximum nominal amount of capital increases that may be carried out in this way by the issue of shares was set at €1.6 million, i.e. a maximum of 800,000 shares; the price of the shares to be issued would be determined in accordance with the provisions of article L. 3332-19 of the Labor Code.

This authorization, which will expire on June 28, 2011, was not used in financial 2009.

Stock options and free share grants

The Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 authorized the Board of Directors to grant to certain employees and executives of the Group:

- options for the subscription of new shares or the purchase of existing shares, in accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce; and
- free shares of the Company, pursuant to the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.

Moreover, the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 authorized the Board of Directors to:

- set the terms and conditions under which the share subscription or purchase options will be granted, and, in particular, determine their subscription or purchase price within the limits and in the conditions provided by the law;
- set the conditions, and as the case may be, the criteria for the grant of free shares, determine the acquisition and conservation periods of these shares, in compliance with the minimum times required by the regulation in force at the date of granting.

The maximum nominal amount of the shares likely to be covered by the options granted under this authorization, combined with that of the shares granted under free allotments by the Company, is set at 3,700,000 i.e. a cumulated nominal amount of €7.4 million.

To date, the Board of Directors has used these two authorizations to grant to Group employees and officers:

- in 2008: a total number of 594,157 stock options and free shares representing a global nominal amount of €1,188,314. This amount was increased to €1,275,536 further to the adjustments made by the Company upon completion of the rights issue of June 2, 2009, pursuant to the provisions of article L. 228-99 of the French Code of commerce, in order to uphold the rights of the beneficiaries of stock options and free shares (for more details on these adjustments, please see [chapter 3, paragraphs 3.4.1 and 3.5.1 of the Reference Document](#));
- in 2009: a total number of 711,006 stock options and conditional free shares (for more details on these grants, please see [chapter 3, paragraphs 3.4.1 and 3.5.1 of the Reference Document](#)).

Taking these grants into account, the aggregate balance of the current authorizations given to the Board of Directors as on December 31, 2009, was €4,702,452, i.e. 2,351,226 stock options or free shares.

These two authorizations will expire on June 29, 2011.

New specific authorization proposed to the Shareholders' General Meeting of April 29, 2010

In order to enhance and diversify the instruments enabling the Company to involve the Group's employees and top managers in its development, it will be proposed at the next Shareholders' General Meeting to empower fully the Board of Directors to carry out capital increases, without shareholders' preemptive subscription right, by the issue of share subscription and/or acquisition warrants, whether or not redeemable by the Company, that are reserved for the employees and officers of the Company and/or its subsidiaries, or for specific categories thereof. This delegation of authority would be for a period of 14 months, expiring on June 28, 2011.

Share buyback authorization

The Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 renewed, for a new eighteen months period, i.e. until October 28, 2010, the authorization previously granted to the Board of Directors by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2009 to allow the Company to buy back its own shares, pursuant to the provisions of articles L. 225-209 et seq. of the French Code of Commerce, within the limit of 10% of the total number of shares issued and outstanding on January 1, 2009, i.e. 6,278,659 shares, and within the limit of a total purchase volume of €502.0 million. Moreover, the Ordinary and Extraordinary Shareholders' General Meeting decided that the number of shares that may be held, whether directly or indirectly, at any time whatsoever, shall not exceed 10% of the shares making the capital. Last, the maximum purchase price will be €80 per share.

The objective of this authorization is to enable the Company to make purchases of its own shares:

- for the purpose of the subsequent cancellation of the shares acquired by reducing the Company's capital, in particular in order to offset the dilution impact on the shareholders likely to result from the grant of stock options and/or free shares;
- with respect to employees' participation in shareholding plans set up by the Company or for the purposes of granting stock purchase options or free shares to certain employees and executives of the Group;
- for the delivery or exchange of shares with respect to external growth operations;
- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a code of conduct recognized by Autorité des marchés financiers ("AMF");
- and in general, for any purposes that are permitted or may come to be authorized by current regulations.

The acquisition, sale, transfer or exchange of the shares may be carried out, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks and the use or exercise of any financial instrument or derivative.

For details of the operations carried out under the share buyback programs in force during the past financial year, please see [paragraph 6.2.4. of the present chapter](#).

As the authorization granted by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2009, will expire on October 28, 2010, its renewal on a similar basis will be proposed at the next General Meeting.

Cancellation of Company shares

The Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 granted the Board of Directors the authorization to cancel Company shares held with respect to the share buyback programs authorized by its shareholders, within the limit of 10% of capital per 24-month period and to reduce the share capital accordingly.

It is stipulated that the Company did not cancel any self-held shares during the financial 2009.

This authorization will expire on June 28, 2011.

■ OTHER SECURITIES

As the decision to issue ordinary bonds is within the competence of the Board of Directors in accordance with article L. 228-40 of the French Code of Commerce, the Board of Directors delegated full powers to the Chief Executive Officer, and with the agreement of the latter, to the Chief Operating Officer on April 27, 2009 for the purposes of carrying out such issues within the period of one year and the initial limit of a maximum annual nominal amount of €1.5 billion and a maximum nominal amount per operation of €350 million.

An overview of all the financial authorizations granted to the Board of Directors, and in force as of the date of the Reference Document, is set out in the table below.

Table summarizing existing financial authorizations

| Type of issue | Date of authorization | Expiry of authorization (duration) | Nominal maximum amount of capital increase that may result, immediately or in the future, from the issue (excluding adjustments) | Maximum amount of issue of loan instruments ⁽¹⁾ | Use of existing authorizations (amount) | Potential dilution ⁽²⁾ that may result from the use of authorizations (%) ⁽³⁾ |
|---|-----------------------|------------------------------------|--|--|---|---|
| General authorizations | | | | | | |
| All securities, with preemptive subscription rights ⁽⁴⁾ | April 29, 2009 | June 28, 2011 (26 months) | €80 million | €1,000 million | 25.11 million | 34.67% |
| All securities, without preemptive subscription rights and with, as the case may be, a priority period granted by the Board of Directors ⁽⁵⁾ | April 29, 2009 | June 28, 2011 (26 months) | €50 million | €1,000 million | - | 24.90% |
| Capitalization of reserves, earnings and issue or share premiums ⁽⁶⁾ | April 29, 2009 | June 28, 2011 (26 months) | n/a | n/a | - | n/a |
| Compensation for contributions in kind made of securities representing shares in or giving access to capital ⁽⁷⁾ | April 29, 2009 | June 28, 2011 (26 months) | €15.08 million ⁽⁸⁾ | €1,000 million | - | 9.09% |
| Overall limit of general authorizations | | | €130 million | €1,000 million | - | 46.30% |
| Specific authorizations in favor of employees and executives | | | | | | |
| Shares reserved for Group employees under the Group Savings Plan without preemptive subscription rights ⁽⁹⁾ | April 29, 2009 | June 28, 2011 (26 months) | €1.6 million | n/a | - | 1.05% |
| Share subscription options ⁽¹⁰⁾ and free share ⁽¹¹⁾ grants | April 30, 2008 | June 29, 2011 (38 months) | €7.4 million | n/a | €2.7 million | 4.68% |
| Overall limit of specific authorizations in favor of employees and executives | | | €9 million | n/a | - | 5.63% |
| Authorized total | | | €139 million | €1,000 million | €27.81 million | 47.97% |

(1) Maximum nominal amount of securities representing debts of the Company that may give access to ordinary shares.

(2) Based on current par value of €2 per share and the amount of share capital as on December 31, 2009.

(3) The dilution is calculated on the basis of the nominal maximum amount of capital increases that may result from the use of the authorizations.

(4) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-91 et seq. of the French Code of Commerce.

(5) In accordance with the provisions of articles L. 225-129 et seq., L. 225-135 et seq., and L. 228-91 et seq. of the French Code of Commerce.

(6) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-130 of the French Code of Commerce.

(7) In accordance with the provisions of article L. 225-147 of the French Code of Commerce.

(8) i.e. 10% of share capital as on December 31, 2009.

(9) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-138 of the French Code of Commerce, and L. 3332-1 et seq. of the French Labor Code.

(10) In accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce.

(11) In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.

6.2.4 SHARE BUYBACK PROGRAMS

■ LEGAL FRAMEWORK OF SHARE BUYBACK PROGRAMS IMPLEMENTED IN 2009

As described in *paragraph 6.2.3. of the present chapter*, the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 renewed, in favor of the Board of Directors and for a period of 18 months, i.e. until October 28, 2010, the authorization previously granted by the Ordinary and Extraordinary Shareholders' General Meeting held on April 30, 2008 for the Company to buy back its own shares, in accordance with articles L. 225-209 et seq. of the French Code of Commerce.

In accordance with articles L. 225-209 al. 3 of the French Code of Commerce, the Board of Directors delegated to the Chief Executive Officer and the Chief Operating Officer all powers for the purposes of making purchases or having purchases made of the Company's shares, in the conditions and within the limits set by the Shareholders' General Meeting.

■ OPERATIONS CARRIED OUT IN 2009 *

In accordance with articles L. 225-211 of the French Code of Commerce, the following operations were carried out with respect to the Company's share buyback programs in 2009.

It is reminded that, on October 20, 2008, the Company terminated the liquidity contract entered into with Rothschild & Cie Banque. Consequently, the purchases made within the framework of share buyback programs implemented by the Company since that date, are carried out directly and exclusively on the market by the latter.

Transactions made out from January 1st, 2009 until April 29, 2009

5,250 shares were acquired directly by the Company on the market at an average price of €25.30. These shares were assigned for the purpose of granting free shares to certain employees and executives of the Group. Among these 5,250 shares, 5,000 were granted on March 13, 2009 to the beneficiaries of the 2006 free share plan adopted by the Company and 250 were assigned for the purpose of subsequent cancellation.

Transactions made out from April 29, 2009 until December 31, 2009

No purchase or sale transaction was made out on the market with respect to the buyback program approved by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009.

Number of self-held shares as on December 31, 2009

Taking into account the purchase and sale transactions made during financial 2009, 250 shares with a par value of €2 and acquired on the market at a total price of €6,052 were self-held by the Company at the end of the year, representing a non-significant percentage of share capital. It is stipulated that:

- all transactions made out in 2009 by the Company with respect to its share buyback programs were made on a spot basis without any open purchasing or selling position being taken;
- the Company does not use derivatives with respect to its share buyback programs;
- no bank fees relating to the buyback transactions made in 2009 were invoiced to the Company.

■ RENEWAL OF THE SHARE BUYBACK PROGRAM

As the authorization granted by the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009 expires on October 28, 2010, its renewal in favor of the Board of Directors, on a similar basis, will be proposed at the General Meeting of April 29, 2010, for a further period of 18 months, i.e. until October 28, 2011.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (www.imerys.com – our Group – Publications & Regulated Information section) and on the AMF website (www.amf-france.org). A copy of this description can also be obtained on request from the Company's head office.

6.2.5 EMPLOYEE SHAREHOLDER PLANS

As on December 31, 2009, 0.30% of capital and 0.29% of voting rights in the Company were held, either directly or through a company mutual fund, by Group employees under the Group Savings Plan (for more information concerning the number of employee shareholders per country, see *chapter 1, paragraph 1.9.5 of the Reference Document*).

* All prices and amounts are given excluding fees and commission.

6.3 SHAREHOLDING

6.3.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS OVER THE PAST THREE YEARS

Changes in the distribution of share capital and voting rights over the past three years are as follows:

| | As on 12/31/2007 | | | | As on 12/31/2008 | | | | As on 12/31/2009 | | | |
|--|-----------------------|--------------------|---------------------------------------|--------------------|-----------------------|--------------------|---------------------------------------|--------------------|--------------------------|--------------------|---------------------------------------|--------------------|
| | Number of shares held | % of share capital | Voting rights attached ⁽¹⁾ | % of voting rights | Number of shares held | % of share capital | Voting rights attached ⁽¹⁾ | % of voting rights | Number of shares held | % of share capital | Voting rights attached ⁽¹⁾ | % of voting rights |
| Pargesa Netherlands BV | 17,246,462 | 27.32 | 34,338,174 | 35.38 | 17,196,462 | 27.39 | 34,288,174 | 35.35 | 19,702,842 | 26.14 | 36,899,304 | 33.64 |
| Belgian Securities BV | 16,898,778 | 26.77 | 33,642,806 | 34.67 | 19,177,186 | 30.54 | 35,921,214 | 37.04 | 23,114,711 | 30.66 | 39,858,739 | 36.33 |
| <i>Sub-total</i> | <i>34,145,240</i> | <i>54.09</i> | <i>67,980,980</i> | <i>70.05</i> | <i>36,373,648</i> | <i>57.93</i> | <i>70,209,388</i> | <i>72.39</i> | <i>42,817,553</i> | <i>56.80</i> | <i>76,758,043</i> | <i>69.97</i> |
| M&G Investment Management Ltd. ⁽²⁾ | 5,110,441 | 8.10 | 5,110,441 | 5.27 | 3,533,526 | 5.63 | 3,533,526 | 3.64 | 4,402,883 ⁽³⁾ | 5.84 | 4,402,883 | 4.01 |
| Vanguard Precious Metals and Mining Funds ⁽⁴⁾ | - | - | - | - | 3,380,000 | 5.38 | 3,380,000 | 3.49 | 3,380,000 | 4.48 | 3,380,000 | 3.08 |
| Group employees ⁽⁵⁾ | 228,311 | 0.36 | 313,192 | 0.32 | 216,441 | 0.35 | 309,181 | 0.32 | 223,793 | 0.30 | 314,761 | 0.29 |
| Self-held shares | 200,000 | 0.32 | - | - | - | - | - | - | 250 | ns | 0 | - |
| Public | 23,442,864 | 37.13 | 23,643,886 | 24.36 | 19,282,975 | 30.71 | 19,555,478 | 20.16 | 24,565,017 | 32.58 | 24,853,333 | 22.65 |
| Total | 63,126,856 | 100.00 | 97,048,499 | 100.00 | 62,786,590 | 100.00 | 96,987,573 | 100.00 | 75,389,496 | 100.00 | 109,709,020 ⁽⁶⁾ | 100.00 |

(1) According to article 22 of the Articles of Association, shares registered for at least two years carry a double voting right.

(2) M&G Investment Management Limited belongs to the Prudential Plc group (Great Britain).

(3) Number of shares held as on April 28, 2009 according to the information letter sent to the Company by M&G Investment management limited, acting on behalf of the funds managed by the Prudential Plc group and the companies belonging to such group. The Company has not been informed of any changes in this interest since that date.

(4) Vanguard Precious Metals and Mining Funds belongs to the Vanguard group (United States).

(5) In accordance with the provisions of article L. 225-102 of the French Code of Commerce, only shares held by Group employees under the Groups Savings Plan appear in this table.

(6) Net voting rights after deducting voting rights attached to the 250 self-held shares, the theoretical voting rights standing at 109,709,270 consequently.

As on December 31, 2009 the members of the Board of Directors, including the Chief Executive Officer and the Chief Operating Officer, held on a personal basis 0.18% of the Company's capital and voting rights (for more details, see [chapter 3, paragraph 3.1.2 of the Reference Document](#)).

6.3.2 CROSSING OF THRESHOLDS

The Company was not informed of any threshold crossing declarations in financial 2009.

As of the date of the present Reference Document and to the best of Imerys' knowledge, no shareholder other than those mentioned in [paragraph 6.3.1 of the present chapter](#) directly or indirectly holds more than 5% of voting rights of the Company.

6.3.3 CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENT

As of the date of the present Reference Document, the Company has not been informed of any agreement between the Company's shareholders, nor of any agreement that, if implemented, could lead to a change of control.

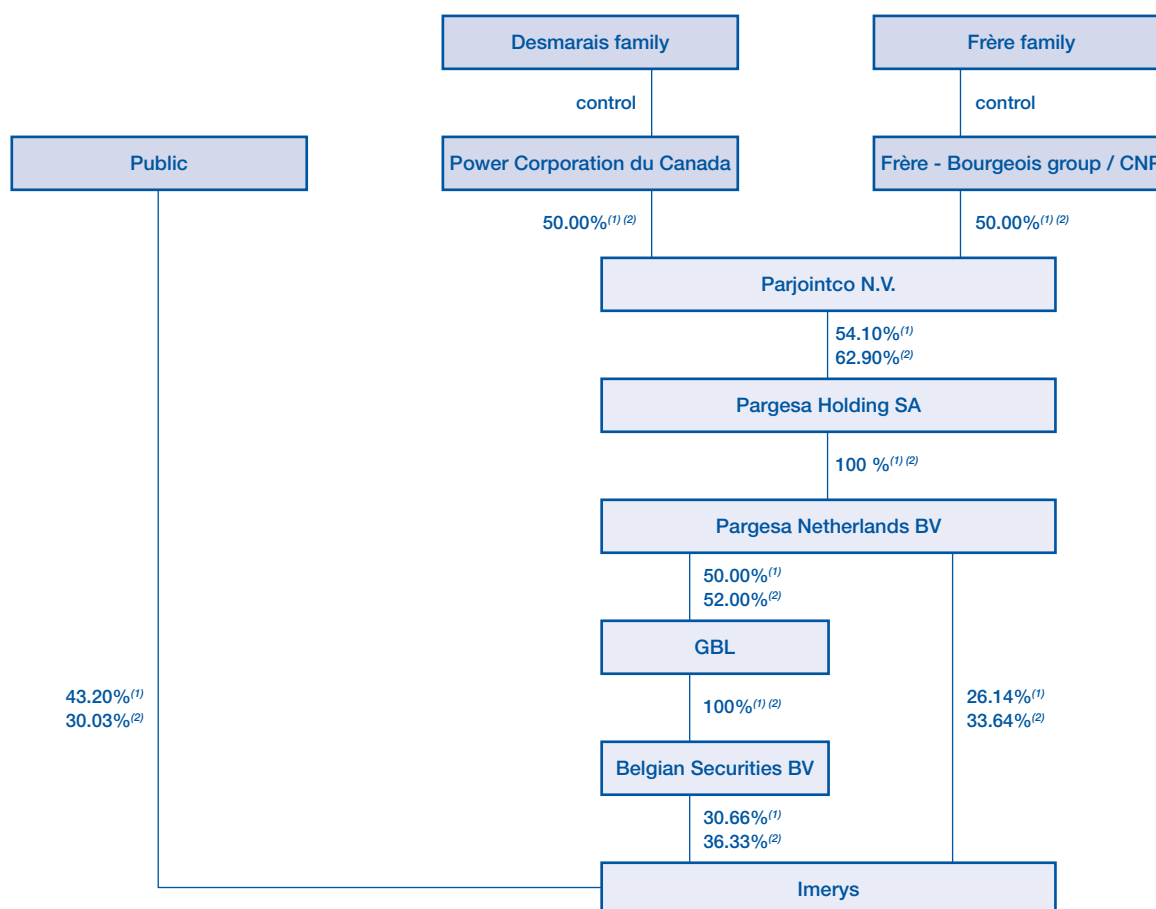
6.3.4 IDENTIFICATION OF BEARER SHAREHOLDERS

On July 13, 2009, Imerys asked Euroclear France to conduct a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 30,000 shares. Except for the controlling shareholders (Pargesa Netherlands BV and Belgian Securities BV), this survey identified 4,348 bearer shareholders with

over 200 shares that together represented 38.59% of share capital as on July 13, 2009 (of which 211 professional investors holding 36.35% of share capital).

6.3.5 GROUP SHAREHOLDING STRUCTURE

The organizational chart showing relationships among Imerys shareholders with regard to share capital and voting rights as of December 31, 2009 may be presented as follows:



⁽¹⁾ Percentage of share capital.

⁽²⁾ Percentage of voting rights.

Pargesa Holding SA is a company organized under the laws of Switzerland with registered offices located at 11 Grand-rue, CH 1204 Geneva (Switzerland). Pargesa Netherlands BV is a company organized under the laws of the Netherlands, with registered offices located at Herengracht 483, 1017 BT Amsterdam (Netherlands). Groupe Bruxelles Lambert (GBL) is a company organized under the laws of Belgium, with registered offices located at Avenue Marnix 24, 1000 Brussels (Belgium). Belgian Securities BV is a company organized under the laws of the Netherlands, with registered offices located at Herengracht 555, 1017 BW Amsterdam (Netherlands).

The direct tie-up of Imerys to the Pargesa-GBL group results from the merger of Parfinance into the Company, carried out on June 30, 1998. Parfinance was then, and had already been for several years, the Company's controlling shareholder.

Parjointco is a company organized under the laws of the Netherlands, with registered offices located at 3016 DE-Rotterdam, Veerkade 5, Netherlands. It is held equally, and jointly controlled by Power Group, a Canadian group controlled by the family of Mr. Paul Desmarais and by Groupe Frère/CNP (Compagnie Nationale à Portefeuille), a Belgian group controlled by the family of Baron Albert Frère.

Following the merger of Parfinance into the Company, the Pargesa-GBL group, then the majority shareholder of Parfinance, declared on July 6, 1998 that, with respect to the concerted action that united them, it exceeded the thresholds of one-third and one-half of share capital and voting rights in the Company. "Conseil des Marchés Financiers" (CMF) acknowledged that said thresholds were exceeded as a result of the Company's merger with Parfinance and granted the Pargesa-GBL concert a dispensation from the obligation to file

a take-over bid plan, pursuant to the provisions of article 5-4-6 of its General Rules (notice 198C0696 of July 23, 1998).

On December 20, 2006, the Pargesa-GBL group informed AMF that, following the allocation of double voting rights to the Imerys shares held by Belgian Securities BV resulting from their being held in a registered account for more than two years on December 15, 2006, the Pargesa-GBL group had exceeded the threshold of 2/3 voting rights in the Company and Belgian Securities BV had directly exceeded the threshold of 1/3 voting rights (AMF Decision and Notice 207C0012). On January 9, 2007, AMF, at the request of Belgian Securities BV and based on article 234-9 6° of its general regulations, granted the latter company a dispensation from the obligation to file a take-over bid plan for the Company, as provided by article 234-2 of said regulations (AMF Decision and Notice 207C0065).

Because of the number of voting rights held by Pargesa Netherlands BV and Belgian Securities BV, the Pargesa-GBL concert has controlling rights over the Company. Nevertheless, the Company judges that there is no risk of such control being exercised abusively. Actually, the Company and its Board have always been extremely attentive to the respect of all shareholders' interests and have always striven to comply with the best Governance rules and practices in this field, as shown in particular by the number of independent members of the Board of Directors and its specialized Committees, or the dissociation of the duties of Chairman and Chief Executive Officer (for more information on the composition of the Board of Directors and its Committees, [see chapter 3, paragraph 3.1.2 of the Reference Document](#)).

6.4 IMERYS STOCK EXCHANGE INFORMATION

Imerys shares are listed on the Euronext Paris and are eligible for the deferred settlement system ("Système à Règlement Différé" – SRD) (ISIN FR code 0000120859-Mnemo NK). Imerys is part of the SBF 120, which represents the 80 biggest stocks (in terms of float and liquidity) after the 40 stocks in CAC 40 index. The Imerys share is also part of "Dow Jones Euro Stoxx 600", the benchmark index for the euro zone, made up of 360 selected shares from the 11 countries in the zone. Within these indexes (SBF 120 and Dow Jones Euro Stoxx 600), Imerys shares belong to the general mining sector ("1775 General Mining" according to classification ICB).

Imerys shares are also included in the "FTSE4Good", and "ASPI Eurozone®" ⁽¹⁾ indexes that identify companies that are globally acknowledged for their good corporate citizenship in terms of Sustainable Development (respect for human rights and the environment, development of relationships with shareholders). Imerys is also part of Ethibel's "Excellence" investment register.

No shares in an Imerys subsidiary are traded on any stock exchange.

(1) Advanced Sustainable Performance Indices – Index managed by the ranking agency Vigeo.

6.4.1 HIGHEST AND LOWEST MARKET PRICES FROM 2005 TO 2009 ^(*)

| Year | Highest market price ^(*) (€) | Lowest market price ^(*) (€) | Last closing market price of the year |
|------|--|---|--|
| 2005 | 65.00 | 54.15 | 61.10 |
| 2006 | 72.55 | 53.90 | 67.40 |
| 2007 | 78.30 | 52.65 | 56.24 |
| 2008 | 59.70 | 25.28 | 32.50 |
| 2009 | 44.35 | 21.58 | 42.01 |

^(*) The prices given for 2005 - 2008 are historical prices and not restated in line with the adjustment arising from the share capital increase of June 2, 2009.

^(*) Market prices observed during trading.

(Source: Euronext.)

6.4.2 TRADES SINCE JANUARY 2008 ^(*)

| | Highest price ^(*) (€) | Lowest price ^(*) (€) | Total monthly trading volume | | Average daily trading | | |
|-------------------|--|---------------------------------------|------------------------------|-----------------|-----------------------|-----------------|---------------------|
| | | | Number of shares | Capital (M€) | Number of shares | Capital (M€) | Number of trades |
| 2008 | | | | | | | |
| January | 56.55 | 43.80 | 6,221,879 | 303,11 | 282,813 | 13.78 | 2,067 |
| February | 57.70 | 50.19 | 4,370,221 | 239,07 | 208,106 | 11.39 | 1,627 |
| March | 58.41 | 54.08 | 3,172,667 | 179,26 | 166,982 | 9.43 | 1,343 |
| April | 59.70 | 54.51 | 3,062,644 | 177,05 | 139,211 | 8.05 | 1,217 |
| May | 59.60 | 53.40 | 4,968,227 | 280,89 | 236,582 | 13.38 | 1,330 |
| June | 59.50 | 45.32 | 6,915,244 | 362,68 | 329,297 | 17.27 | 1,996 |
| July | 45.90 | 34.40 | 10,054,389 | 400,25 | 437,147 | 17.40 | 2,044 |
| August | 45.90 | 37.04 | 6,070,450 | 252,53 | 289,069 | 12.03 | 1,542 |
| September | 48.49 | 37.80 | 7,658,405 | 337,57 | 348,109 | 15.34 | 1,822 |
| October | 42.28 | 33.02 | 5,759,724 | 214,54 | 250,423 | 9.33 | 1,450 |
| November | 40.05 | 25.28 | 4,649,823 | 143,96 | 232,491 | 7.20 | 1,385 |
| December | 32.99 | 26.58 | 2,790,658 | 83,10 | 132,888 | 3.96 | 846 |
| Total 2008 | | | 65,694,331 | 2,974.01 | | | |
| 2009 | | | | | | | |
| January | 33.39 | 25.09 | 2,976,897 | 93,37 | 141,757 | 4.45 | 1,048 |
| February | 32.74 | 23.39 | 2,997,167 | 90,64 | 149,858 | 4.53 | 1,162 |
| March | 27.63 | 21.58 | 3,631,841 | 94,81 | 165,084 | 4.31 | 1,232 |
| April | 30.41 | 24.67 | 3,742,832 | 112,48 | 187,142 | 5.62 | 1,540 |
| May | 37.19 | 29.31 | 4,454,041 | 145,04 | 222,702 | 7.25 | 1,754 |
| June | 34.20 | 28.05 | 3,428,402 | 105,61 | 155,836 | 4.80 | 1,346 |
| July | 38.75 | 26.80 | 7,290,856 | 222,23 | 316,994 | 9.66 | 1,194 |
| August | 38.40 | 34.55 | 1,988,543 | 73,05 | 94,693 | 3.48 | 985 |
| September | 44.35 | 35.54 | 3,498,461 | 138,89 | 159,021 | 6.31 | 1,508 |
| October | 42.30 | 35.51 | 2,469,161 | 98,18 | 112,235 | 4.46 | 1,106 |
| November | 41.20 | 36.89 | 2,096,655 | 83,25 | 99,841 | 3.96 | 1,024 |
| December | 42.40 | 38.32 | 1,723,230 | 68,91 | 78,329 | 3.13 | 707 |
| Total 2009 | | | 40,298,086 | 1,326.46 | | | |

^(*) The prices given for 2008 are historical prices and not restated in line with the adjustment arising from the share capital increase of June 2, 2009.

^(*) Market prices observed during trading.

(Source: Euronext.)

6.5 PARENT COMPANY / SUBSIDIARIES ORGANIZATION

As on December 31, 2009, the Group was made up of 298 companies in 45 countries (main consolidated entities of the Group are listed in [note 5.2 to the consolidated financial statements](#)). The Group operational structure is based on four business groups which are detailed in [chapter 1, paragraph 1.2.3 of the Reference Document](#).

Imerys is the Group's holding company. In that respect it does not directly carry out any industrial or commercial activity. The Company's assets are mainly comprised of the investments it directly holds in some Group subsidiaries. For more information concerning, in particular, the subsidiaries held directly by the Company, see the Company financial statements in [chapter 5 of the Reference Document](#).

Imerys as well as some of its local holding companies (United States, Belgium, Brazil, United Kingdom, Asia-Pacific), provides all its subsidiaries with general assistance and with expertise in the following areas: Purchasing; Insurance; Audit; Communication; Accounting & Financial Control; Environment, Health & Safety; Tax; Information Technology; Innovation; Legal; Intellectual Property; Research & Development; Human Resources; Strategy; Treasury.

These services include: assistance and advice in response to case-by-case requests from its subsidiaries, as well as more general studies and analyses and recommendations or proposals on preventive actions.

Compensation for these services is determined on the basis of the related costs incurred by Imerys and its local holding companies. These costs are allocated among the subsidiaries that benefit from the services, either in proportion to their sales in relation to the total sales of the division they belong to or in proportion to the number of their employees. In addition, external costs incurred specifically on behalf of a subsidiary and the cost of employees seconded to a subsidiary are allocated separately to that subsidiary.

The Company invoiced a net total amount of €17.84 million in financial 2009 with respect to services provided to its subsidiaries.

Imerys is also the lead company of the tax consolidation group for the Group's French companies, the share capital of which is more than 95% held by Imerys.

6.6 DIVIDENDS

Imerys' policy with regard to distribution of dividends is based on earnings recorded for the financial year.

In accordance with provisions of article 243 bis of the French General Tax Code:

- the dividends distributed with respect to the past three financials were as follows:

| | Financial 2008 | Financial 2007 | Financial 2006 |
|--|----------------------|-----------------------|-----------------------|
| Group share of net income from current operations, per share | €4.25 | €5.00 | €4.86 |
| Net dividend per share | €1.00 | €1.90 | €1.80 |
| Gross dividend per share | €1.00 | €1.90 | €1.80 |
| Number of shares compensated | 62,787,810 | 62,618,358 | 63,443,658 |
| Total net distribution | €62.8 million | €118.9 million | €114.2 million |

- in accordance with article 158-3-2° of the French General Tax Code, the entire paid-up dividend is subject to income tax under the gradual scale and is eligible for the 40% discount from which private individuals domiciled in France for tax purposes may qualify, as well as the flat annual abatement. However, pursuant to article 117 quarter of the French general tax code, private individuals domiciled in France for tax purposes may, prior to the dividend payment date, opt for liability to the 18% withholding.

Imerys does not usually make interim distributions. Dividends are paid once a year following the Shareholders' General Meeting called upon to approve the management and financial statements for the financial year just ended.

The right to claim dividends lapses five years from the date of payment. Unpaid amounts are deposited with the French State in the first 20 days of January of the year following that lapse.

6.7 SHAREHOLDER RELATIONS

Imerys seeks to establish a relationship of trust and openness with its shareholders and has created several communication tools for informing them about the Group's business, strategy, earnings and outlook, including:

- a Financial Annual Report served as Document de Référence (Reference Document) and registered with AMF;
- a corporate brochure, published at the same time as the Reference Document giving the key facts about the Group's business, development during the financial year and financial results;
- a half-yearly Financial Report on the financial statements to June 30;
- a Letter to Shareholders reviewing the Group's news and financial performance;
- a Sustainable Development Report, published every two years, that gives shareholders additional information on non-financial items.

All these documents are published in English and French and are sent regularly to every registered shareholder and to the bearer shareholders who so request.

The financial community and individual shareholders are also informed on the Company's business through financial notices in the press each time results are published, including quarterly figures, and when annual Shareholders' General Meetings are convened.

Meetings and conference calls are held on a regular basis with financial analysts, financial intermediaries and institutional investors in the leading financial markets: mainly in the United States, France and the United Kingdom but also in Belgium, Germany, the Netherlands, Scandinavia (Denmark and Sweden) and in Switzerland. In 2009, approximately 400 meetings and interviews were organized in 10 countries with more than 200 investors and analysts.

Finally, the website www.imerys.com includes a specific section for private shareholders; it also presents the Group's activities and enables users to follow results presentation meetings and the annual General Shareholders Meeting live. The online financial library groups together the documents that provide regulated information and all the Group's publications (results presentations, press releases, annual brochures and Annual Reports, semi-Annual Reports, letters to shareholders and Sustainable Development Reports).

Imerys also provides its registered shareholders with an online service for consulting their securities accounts through the secure Internet site www.olisnet.com. This site gives shareholders access to the value of their securities account, their latest security movements, the availability of their securities, their voting rights as well as the prices and characteristics of the securities in their portfolio. Finally, it enables them to obtain all documentation concerning the Company's General Meetings and to vote on line.

Financial Communications belongs to the Group Finance Function:

- Telephone: + 33 (0) 1 49 55 66 55
- Fax: + 33 (0) 1 49 55 63 98
- e-mail: actionnaires@imerys.com

Imerys shares are serviced by the following bank:

CACEIS Corporate Trust
14. rue Rouget de Lisle
92862 Issy les Moulineaux Cedex 9

- Telephone: + 33 (0) 1 57 78 34 44
- Fax: + 33 (0) 1 49 08 05 80
- e-mail: ct-contact@caceis.com

CACEIS Corporate Trust is more specifically at the service of registered shareholders for the management of their Imerys shares.

PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND THE AUDIT OF ACCOUNTS

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7.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Gérard Buffière, Chief Executive Officer

7.2 CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

I certify, after taking every reasonable measure for that purpose, that the information contained in the present Reference Document is, to the best of my knowledge, accurate and does not contain any omission that could make it misleading.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and profit and loss of the Company and all undertakings included in the consolidation, and that the Board of Directors' Management's discussion and analysis appearing on pages 54 to 63 presents a fair picture of the development and performance of the business and financial position of the Company and all undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter of completion from the Statutory Auditors in which they state that they have checked the information on the financial position and the financial statements given in this Reference Document and that they have read the Document in its entirety.

The financial information presented in the Reference Document is the subject of the Statutory Auditors' Reports appearing on pages 64 to 66. The report on the consolidated statements for the period ending December 31, 2009 contains an observation concerning the financial year's changes of method. The reports on the consolidated statements for the period ending December 31, 2008 and December 31, 2007, incorporated by reference to the corresponding historical financial statements as specified on page 222 of the present Reference Document, respectively contain an observation concerning the financial year's changes of method.

Paris, April 1st, 2010



Gérard Buffière
Chief Executive Officer

7.3 AUDITORS

■ STATUTORY AUDITORS:

Deloitte & Associés

represented by Arnaud de Planta
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex – France

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of May 5, 2003

Ernst & Young Audit

represented by Jean-Roch Varon
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris – La Défense Cedex – France

first appointed at the Ordinary Shareholders' General Meeting of June 11, 1986

Ernst & Young Audit et Deloitte & Associés are members of the Auditors' Regional Company of Versailles.

■ ALTERNATE AUDITORS:

BEAS

7-9 Villa Houssay
92524 Neuilly-sur-Seine Cedex – France

part of the Deloitte network

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of May 5, 2003

Jean-Marc Montserrat

Faubourg de l'Arche
11, allée de l'Arche
92037 Paris – La Défense Cedex – France

part of the Ernst & Young network

first appointed at the Ordinary Shareholders' General Meeting of June 12, 1985

The term of office of the joint statutory Auditors and of the joint alternate Auditors will expire at the Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2010. As a consequence, it will be proposed to the Shareholders:

- to renew, for the legal and statutory period, the term of office of Deloitte & Associés as joint statutory Auditor and the one of BEAS as joint alternate Auditor; and
- to appoint, for the same duration, Ernst & Young & Autres as new joint statutory Auditor, and Auditex as new joint alternate Auditor, both companies pertaining to the Ernst & Young network.

7.4 INFORMATION INCLUDED IN THE REFERENCE DOCUMENT BY REFERENCE

Pursuant to article 28 of EC Regulation 809/2004 of April 29, 2004, the following information is included in the present Reference Document by reference:

- with respect to the financial year ending on December 31, 2008, the consolidated financial statements, annual financial statements, the related Auditors' reports, the Auditors' special report on regulated agreements and the Board of Directors' Management Report appearing on pages 116-176, 177-197, 65-67, 218 and 54-64 of the 2008 Reference Document filed with Autorité des marchés financiers (French Securities Regulator) on April 3, 2009 under number D. 09-0192;
- with respect to the financial year ending on December 31, 2007, the consolidated financial statements, annual financial statements, the related Auditors' reports and the Auditors' special report on regulated agreements and the Board of Directors' Management Report appearing on pages 28-105, 107-127, 23-25, 284-286 and 8-22 of the 2007 Reference Document filed with Autorité des marchés financiers (French Securities Regulator) on April 2, 2008 under number D. 08-0190.

Any other information that is not included in the present Document is either of no relevance to investors or mentioned in another part of the Reference Document.

7.5 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Michel Deville
 Group Chief Financial Officer
 Telephone: +33 (0) 1 49 55 66 55 – Fax: +33 (0) 1 49 55 63 98
<http://www.imerys.com>

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8.1 CROSS REFERENCE TABLE

In order to facilitate the reading of this Reference Document, the subject index can be used to identify the main information required by the Autorité des marchés financiers (the French Securities Regulator) with respect to its regulations and instructions, in particular items of Annex 1 to the EC Regulations 809/2004 of April 29, 2004.

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