Reference Document and Annual Report 2008

IMERYS
TRANSFORM TO PERFORM

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TRANSFORM TO PERFORM

Reference Document **2008**
Annual Report

Imerys
Société anonyme
à Conseil d'Administration
with a share capital of €125,573,180

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

THE GROUP'S ACTIVITY

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1.1 MAIN KEY FIGURES

(€ millions)	2008	2007	2006	2005	2004
Consolidated results					
Sales	**3,449.2**	3,401.9	3,288.1	3,045.2	2,870.5
Current operating income	**403.4**	478.3	458.8	434.0	421.8
Net income from current operations, Group's share	**267.1**	316.7	308.3	287.6	261.2
Net income, Group's share	**161.3**	284.2	187.4	309.4	240.0
Average weighted number of outstanding shares during the year *(thousands)*	**62,801**	63,331	63,475	63,426	63,363
Net income from current operations per share *(euros)*	**4.25**	5.00	4.86	4.53	4.12
Dividend per share *(euros)*	**1.00**	1.90	1.80	1.65	1.50
Consolidated balance sheet					
Shareholders' equity	**1,546.3**	1,663.6	1,646.4	1,686.2	1,362.6
Gross financial debt	**1,781.6**	1,419.1	1,226.7	1,322.0	1,032.1
Cash	**215.5**	76.1	140.6	182.0	142.3
Net financial debt	**1,566.1**	1,343.0	1,086.1	1,140.0	889.8
Financing					
EBITDA	**569.0**	646.7	643.4	596.9	582.3
Capital expenditure (1)	**237.3**	343.4	209.5	242.3	184.0
Acquisitions (2)	**155.8**	232.8	33.0	439.6	50.2
Financial resources	**2,353.6**	2,328.9	2,208.4	2,233.6	2,225.4
Average maturity of financial resources as on December 31 *(years)*	**5.5**	6.4	4.5	5.5	5.3
Net financial debt/EBITDA	**2.8**	2.1	1.7	1.9	1.5
Net financial debt/shareholders' equity *(%)*	**101.3%**	80.7%	66.0%	67.6%	65.3%
ROCE (3)	**11.8%**	14.6%	14.5%	14.9%	16.1%
Market capitalization as on December 31	**2,041**	3,550	4,269	3,909	3,918
Employees as on December 31	**17,016**	17,552	15,776	15,934	14,088

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

(2) Paid acquisitions excluding divestments.

(3) Return on capital employed, i.e. current operating income divided by average invested capital (see Notes 30 and 31 to the consolidated financial statements)

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 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 its 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 global geographic network 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 developed 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. In 2007 then early 2008, 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), the European leader in fused zircon, and Astron China, 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 (Perfiltra, Argentina – 2007). Imerys also became the world number two in vermiculite with the acquisition of 65% of Xinlong, China's leading producer (2007).

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

(2) Throughout the Annual Report, 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 Caroline, United States) and Suzorite Mining, Inc. (Quebec, Canada) enhanced the minerals portfolio with high quality mica.
- 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. Six new production units have been built since 2004, mainly in the Asia-Pacific zone (India, where a second production unit came on stream in 2008, 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) and has been developing in that sector since 2007 to meet growing market demand. Clay roof tiles and bricks activities in Spain and Portugal were divested in 2007.
- 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 also has 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.

The Group's 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.

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. To do so, Imerys generally invests 80-130% of its depreciation expense in organic growth every year.

In 2008, €238 [(1)] million was given over to industrial capital expenditure. In 2007, a record amount of €367 million was invested. Efforts focused on a limited number of projects that have already helped to make industrial assets more efficient (kaolins for paper, minerals for filtration, roof tiles). Production capacities underwent targeted extensions (clay bricks in France, refractory products in Germany and the United States, calcium carbonates for paper, mainly in Asia). In 2008 capital expenditure represented 123% [(2)] of depreciation expense.

In a context of economic slowdown, the Group implemented several action plans to adapt its capacities to the extended decrease in volumes in some sectors of activity. In particular, American production of calcined kaolins for paper and performance minerals was concentrated on the Sandersville (Georgia, United States) unit and the carbonates for paper plant in Salisbury (United Kingdom) is being closed, as is the clay products unit in Bessens (France).

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, industrial mineral conversion, distribution or marketing – and improve their performance swiftly.

The Group has been especially active in implementing its acquisitions policy in the past five years with the completion of more than 40 external growth operations – of which 20 in emerging countries – for a total amount of more than €900 million. The acquisitions completed in 2007 have been integrated into the Group's activities. In 2008, Imerys completed a limited number of operations. Astron, consolidated in February, is the Chinese leader in zircon products; Svenska Silika Verken AB, which operates two monolithic refractories (Sweden) enhanced Calderys' presence in Scandinavia in April; and two mica activities (United States and Canada) joined the Group in October. The Group's presence in emerging countries have been strengthened significantly. In 2008 these high-growth zones account for more than 23% of Imerys' sales, compared with 20% in 2007.

(1) Booked capital expenditure.
(2) Booked capital expenditure divided by depreciation expense.

Financial structure

The same strict profitability criteria applied to industrial capital expenditure and acquisitions enable Imerys to target value-creating projects. The new project selection procedure has been tightened: in addition to the minimum profitability criterion for any acquisition, assessment now includes its impact on the Group's financing and the time to achieve return on investment. Moreover, Imerys' people remain mobilized around cash flow generation and optimization of working capital.

In this way, the Group strives to have a sound financial structure at all times, with €2,353.6 million in total financial resources and average maturity of 5.5 years as on December 31, 2008 (6.4 years as at the end of 2007). Imerys will not have to make any significant repayment of its debt until the end of 2012. Beyond that, repayment dates will be spread out. Funded by bonds (in euros, US dollars and Japanese yen) and multi-currency bank debt (bilateral lines, syndicated credit), Imerys' currency debt structure is consistent with its activities' cash flow generation. The completion of major capital expenditure and development projects has not eroded financial resources, which have been stable for the past five years. As a structural borrower from banks, the Group does not make medium or long-term cash investments and does not own any financial assets that lost value because of the financial crisis.

With a net debt/equity ratio of 101.3% as on December 31, 2008, Imerys benefits from financial flexibility that represents a strategic asset for its future development. Imerys' long-term Moody's rating is today at Baa3 stable (Baa2 negative as on December 31, 2008).

Taking difficult economic conditions into account, the Board of Directors will submit to the Shareholders' General Meeting on April 29, 2009 the payment of a lower dividend at €1.00 per share, compared with €1.90 with respect to 2007. This represents a total amount of approximately €62.8 million, i.e. 23.5% 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 division.

The completion of the industrial reorganization programs undertaken in 2006 led the Group to structure its operating organization around the following four business groups as from February 13, 2008.

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Minerals for Ceramics, Refractories, Abrasives & Foundry business group	Minerals for Ceramics
	Minerals for Refractories
	Fused Minerals
	Graphite & Carbon
Performance & Filtration Minerals business group	Performance Minerals
	Minerals for Filtration
Pigments for Paper business group	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 strategy defined by Imerys' Board of Directors. In particular, the Executive Committee monitors each business group's activities, defines cross-Group action policies and fosters the sharing of know-how between business groups *(for more details on the missions, composition and workings of the Executive Committee, see chapter 3, paragraph 3.2.3. of the Annual Report)*.

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.

Since the implementation of Mineral Reserves and Resources reporting in 2002 and the external audit conducted in 2004 (application 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 2008, new cycle of audits was carried out. SRK, an independent audit firm, was contracted to review reporting protocols as well as to audit 6 major mining sites comprising 26% of Imerys Reserves and the base of 32% of its production (mined) tonnage. Individual reports were produced for each operation and for the corporate reporting system. SRK summarizes its findings as follows "*SRK is confident that the approach used to standardize the estimates produced at the different operations, and therefore the integrity of the individual and combined estimates eventually reported stands comparison to most international mining companies and is particularly impressive given the variety of products produced, the number of countries these are mined in and the intricacies of applying the reporting systems to industrial minerals in general.*"

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, Tournon St Martin, 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 made of chalk, limestone or marble, sedimentary carbonates more or less exposed to pressure and temperature. GCC is obtained by grinding calcium carbonates materials mined from various chalk, limestone and marble quarries, with further processing applied to develop certain properties that improve the physical characteristics of finished products. GCC is especially renowned for its whiteness.

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

The Group owns or has long-term supply contracts for extensive calcium carbonate reserves in Brazil, China, France, Greece, Italy, Malaysia, Mexico, North America, Sweden, Tunisia, Turkey, United Kingdom and Vietnam.

Red clays

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

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

Feldspar

Feldspar is a group of naturally occurring alumino-silicate containing different level of potassium, sodium, calcium and/or lithium. These minerals are known for their flux properties and logically find their applications in ceramic bodies but also in the glass industry. Different mineralogical and chemical compositions impart specific properties to a wide range of final products. In powder form, it has applications in hardening plastics as well as in paints, coatings and rubber.

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

Kaolin

Kaolin is mainly composed of kaolinite, a white hydrated silicate of alumina. 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 to end applications. These include paper (where whiteness and opacity, as well as gloss, smoothness and printability are properties sought after by producers); performance minerals (in paint, rubber, plastics, sealants); ceramics, ranging from superwhite tableware to the ever-increasing technical demands of the sanitaryware and floor tile industries and fiberglass. For a number of applications, kaolin is calcined and then further processed. Calcination transforms kaolin at high temperature (700-1,200°C) into an inert mineral that imparts specific properties to end applications in performance minerals, refractories and ceramics.

Mines are located in various regions around the world. Imerys is the only producer that is active in all three major high quality kaolin producing locations for paper. Each location offers its own unique and specific characteristics: United Kingdom (Cornwall) for filler kaolins; United States (Georgia) for all 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 Devon) and in the United States (South Carolina, Georgia and Florida).

Minerals for Filtration

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

Perlite is a volcanic rock that contains between 2% and 5% of natural combined water. When heated, the contained 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. Their unique properties mean that Imerys' products are sought after in many applications, particularly as filtration aids but also as additives in Performance Mineral 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 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 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, including the following:

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

Refractory flint clay occurs as a hard and often carbon-rich fine kaolin that, following calcination, gives a high-density refractory material commonly called "chamotte" which has specialized refractory and ceramic applications. Imerys refractory deposits are located in France, South Africa and Ukraine.

Bauxite and bauxitic kaolin are minerals found in sedimentary deposits and 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 can be used in foundry sands, oil well drilling and ore palletizing as well as in cement, sealants, adhesives, clay and ceramic bodies and cosmetics. The Group's only 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 – to supply customers worldwide in the mobile energy, engineering materials, additives for polymers, lubricants, refractories and metallurgy sectors. It is also used as a raw material for high performance value-added products.

"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 that are available with or without metallic effects.

Halloysite is a high-quality, very white clay mineral, especially sought after by the fine porcelain industry worldwide for its translucent effect. Deposits can only be found in New Zealand where the Group operates.

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 including insulation and elasticity. Muscovite is the most common mica mineral. It imparts thermal stability, resistance to heat, moisture and light in coatings, and also offers decorative effects. Phlogopite is the material of choice to increase the characteristics and durability of plastic composites used in automotive applications. Imerys usually mines muscovite mica as a by-product of kaolin and feldspar mining in France (Brittany and Morvan) and in the United States (North Carolina) and Canada.

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

Slates are extracted by Imerys from underground mines in Angers, France. This operation is highly specialized in the extraction and processing of natural high quality slate, which is prized for roofing, particularly for 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 the Group's deposits in Australia (Alice Springs), China (Korla) and Zimbabwe (Shawa).

DERIVED MINERAL PRODUCTS

Precipitated calcium carbonate (PCC)

PCC is produced chemically from natural limestone, which is burned 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 mineral applications such as paint, coatings and plastics.

Imerys produces PCC-based filler and coating pigments in its plants in Argentina, Brazil, Indonesia and the United States as well as in Europe.

Synthetic corundum and fused alumina

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

Silicon carbide

Silicon carbide, a by-product of graphite production with high resistance and refractory properties: Imerys' production facilities are in Brazil and Switzerland. Specific, externally sourced grades of silicon carbide are used in kiln furniture applications.

Synthetic graphite

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

Carbon black

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

Zirconia

Zircon belongs to the group of neo-silicate minerals and is found in sedimentary deposits derived from the primary geologic alteration of granite or alkaline rocks. Zircon's main characteristics are its very high fusion temperature (above 1,800°C) and hardness.

After transformation processes such as fusion in an electric arc furnace, 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, electronics, paper, leather and paint industries as well as in chemical catalysts, vehicle exhausts, catalytic converters, heat-resistant and abrasive coatings and advanced ceramics. Zircon sand is purchased externally and processed in China, Germany and the United States.

Electrical Grade Magnesia

Electrical grade magnesia is produced from magnesium externally purchased oxide mineral and has high electrical resistance properties, depending on the temperature of calcination, and good 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 "Code for Reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves (Reporting Code) October 2001."

Similar codes, including JORC (Australia), Samrec (South Africa), SEG Industry Guide 7 for the United States, the Canadian Institute of Mining's definitions as required under N143-101 and the Certification Code (Chile), all in compliance with CRIRSCO's [1] International Reporting Template, form best practices 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 3-4 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 "Reporting Code" and to provide best practice for continuous improvement in the management and operation of the Groups' mineral deposits. Finally, the Strategic Committee examines the results of Imerys' reporting on mineral reserves and resources.

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

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 that 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 geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which is limited or of uncertain quality and reliability.

An Indicated Mineral Resource is that 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 table below will be recovered as anticipated by the Group.

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

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

MINERAL RESERVES (ESTIMATES AS ON 12/31/2008 VS. 12/31/2007)

In line with the special conditions relating to the "Reporting of industrial minerals, stone and aggregates" in the "Reporting 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, 2008 and are stated on the basis of thousands of metric tons of dry sellable product. Estimates for 2007 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 2008 against those reported for 2007.

MINERAL RESERVE ESTIMATES AS ON 12/31/2008 VS. 12/31/2007

		2008			2007		
Products	*Region*	Proven *(Kt)*	Probable *(Kt)*	Total *(Kt)*	Proven *(Kt)*	Probable *(Kt)*	Total *(Kt)*
Ball Clays	Europe (& Africa)	15,323	4,446	19,769	15,949	4,672	20,621
	North America	5,428	740	6,168	5,374	740	6,114
	Asia	1,174	0	1,174	998	0	998
	Total	**21,925**	**5,186**	**27,112**	**22,321**	**5,412**	**27,733**
Carbonates	Europe	10,237	8,928	19,165	4,136	9,460	13,596
(Marble, Chalk, Dolomie,Limestone)	North America	182,497	45,419	227,916	185,082	45,419	230,501
	South America	5,023	800	5,823	8,127	30	8,157
	Asia	2,691	11,955	14,646	2,750	12,152	14,902
	Total	**200,448**	**67,102**	**267,550**	**200,095**	**67,061**	**267,156**
Clays (Raw materials for Bricks & Roof tiles)	**Europe**	**67,602**	**22,660**	**90,262**	**67,909**	**22,797**	**90,706**
Feldspar	Europe	25,299	15,897	41,196	24,727	12,736	37,462
(Feldspathic sand & Pegmatite)	North America	1,845	0	1,845	1,958	0	1,958
	Asia	349	120	469	935	200	1,135
	Total	**27,493**	**16,017**	**43,510**	**27,620**	**12,936**	**40,555**
Kaolin	Europe	10,576	21,079	31,655	14,514	30,983	45,497
	North America	28,704	8,502	37,206	32,705	5,995	38,699
	South America	28,353	0	28,353	25,166	0	25,166
	Asia	473	3,435	3,907	474	3,474	3,949
	Total	**68,105**	**33,016**	**101,121**	**72,859**	**40,452**	**113,310**
Minerals for Filtration	Europe	534	364	898	266	568	834
(Diatomite & Perlite)	North America	7,286	5,271	12,557	4,901	3,940	8,841
	South America	0	1,376	1,376	0	1,393	1,393
	Asia	29	138	167	53	148	201
	Total	**7,849**	**7,149**	**14,998**	**5,220**	**6,049**	**11,270**
Minerals for Refractories	Europe (& Africa)	3,432	3,364	6,796	3,783	2,292	6,075
(Andalusite, Quartzite, Bauxite, Bauxitic kaolin,	North America	5,562	0	5,562	5,713	0	5,713
Flint clays, Refractory kaolin)	South America	0	0	0	0	0	0
	Asia	0	378	378	0	397	397
	Total	**8,994**	**3,742**	**12,736**	**9,496**	**2,689**	**12,185**
Other Minerals (Bentonite, Graphite, Grès de Thiviers, Quartz, Slate, Vermiculite)	**World**	**2,229**	**1,716**	**3,945**	**2,146**	**1,221**	**3,367**

Notes:

- *Apart from normal activities including production, exploration drilling, transfers from resources to reserves etc. 2008 changes in perimeter were related to acquisitions in Turkey (Feldspar), Sweden (Quartzite) and divestments and mine closures in United Kingdom (Kaolin) and Brazil (Carbonates).*
- *Estimates are quoted on a contained dry sellable kilo-metric ton equivalent basis. Clay estimates are quoted as dry processable kilo-metric tons.*

MINERAL RESOURCE ESTIMATES AS ON 12/31/2008 VS. 12/31/2007

		2008				2007			
Products	*Region*	Measured *(Kt)*	Indicated *(Kt)*	Inferred *(Kt)*	Total *(Kt)*	Measured *(Kt)*	Indicated *(Kt)*	Inferred *(Kt)*	Total *(Kt)*
Ball Clays	Europe (& Africa)	2,004	3,875	3,450	9,329	1,952	75	2,971	4,998
	North America	10,438	15,779	9,519	35,736	6,751	17,075	9,502	33,328
	Asia	184	0	0	184	187	0	0	187
	Total	**12,626**	**19,654**	**12,969**	**45,249**	**8,890**	**17,150**	**12,473**	**38,513**
Carbonates (Marble, Chalk, Dolomie, Limestone)	Europe	927	4,845	68,800	74,572	3,537	10,205	69,000	82,742
	North America	69,359	101,807	139,224	310,390	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
	Asia	0	17,893	28,956	46,849	0	17,893	28,956	46,849
	Total	**81,371**	**135,445**	**259,963**	**476,779**	**83,981**	**140,805**	**260,163**	**484,949**
Clays (Raw materials for Bricks & Roof tiles)	**Europe**	**23,683**	**14,372**	**757**	**38,812**	**11,439**	**15,198**	**757**	**27,394**
Feldspar (Feldspathic sand & Pegmatite)	Europe	2,641	16,923	35,960	55,524	2,641	4,340	24,093	31,074
	North America	2,996	14,280	2,536	19,812	3,102	14,279	2,536	19,918
	Asia	0	565	20	585	0	50	20	70
	Total	**5,637**	**31,768**	**38,516**	**75,921**	**5,743**	**18,669**	**26,649**	**51,062**
Kaolin	Europe	3,047	4,443	51,076	58,567	3,230	7,068	63,806	74,104
	North America	15,022	15,547	35,537	66,105	16,816	12,904	33,431	63,151
	South America	3,493	2,007	8,740	14,240	3,014	122	10,475	13,611
	Asia	0	5,241	3,178	8,419	0	5,241	3,178	8,419
	Total	**21,562**	**27,239**	**98,530**	**147,331**	**23,060**	**25,336**	**110,890**	**159,286**
Minerals for Filtration (Diatomite & Perlite)	Europe	313	3,793	324,157	328,263	291	3,722	324,228	328,241
	North America	1,558	37,070	51,185	89,814	1,923	41,256	50,800	93,980
	South America	0	30	74,402	74,432	0	30	75,702	75,732
	Asia	0	0	322	322	0	0	322	322
	Total	**1,872**	**40,893**	**450,066**	**492,831**	**2,214**	**45,008**	**451,052**	**498,275**
Minerals for Refractories (Andalusite, Quartzite, Bauxite, Bauxitic kaolin, Flint clays, Refractory kaolin)	Europe	1,633	1,676	5,579	8,888	1,632	1,187	5,579	8,398
	North America	11,498	0	0	11,498	11,883	0	0	11,883
	South America	0	1,539	0	1,539	0	1,539	0	1,539
	Asia	0	980	2,072	3,052	0	980	2,072	3,052
	Total	**13,131**	**4,195**	**7,651**	**24,977**	**13,515**	**3,706**	**7,651**	**24,872**
Other Minerals (Bentonite, Graphite, Grès de Thiviers, Quartz, Slate, Vermiculite)	**World**	**1,260**	**2,143**	**887**	**4,290**	**1,957**	**2,389**	**1,162**	**5,508**

Notes:

- *Apart from normal activities including transfers to reserves, exploration drilling,etc., 2008 changes in perimeter were related to acquisitions in Ukraine (Ball Clays), in USA (Ball Clays), in France (Red Clays), in Turkey (Feldspar), by mine closure in United Kingdom (Kaolin), and a termination of lease in Peru (Diatomaceous Earth) due to town encroachment.*
- *Estimates are quoted on a contained dry sellable kilo-metric ton equivalent basis. Clay estimates are quoted as dry processable kilo-metric tons.*

1.4 MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

In 2008, the business group is organized around the 4 following activities:

- Minerals for Ceramics;
- Minerals for Refractories;
- Fused Minerals (the former Minerals for Abrasives activity – Treibacher Schleifmittel – was renamed Fused Minerals, following the acquisitions of UCM in March 2007 and of Astron China in February 2008);
- Graphite & Carbon.

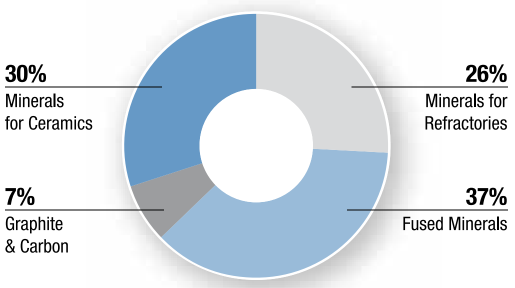
The business group has a wide range of extensive, high quality, mineral reserves. With expertise in all the techniques needed for transformation, it offers a great variety of products that meet the specific requirements of the industries it serves, especially in terms of chemical composition, mechanical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

In 2008, the Minerals Ceramics, Refractories, Abrasives & Foundry business group completed one significant acquisition, Astron China, on February 4. With three production sites in China, the business group reinforces its position in emerging markets and also in the foundry business. Thanks to the combined acquisitions of UCM (United Kingdom) and Astron China groups of companies, Imerys acquired a significant market share in the fused zirconia serving refractories and as well as ceramic industries. Consequently, Fused Minerals' organization was modified to accelerate synergies between the Abrasives activities and these recent acquisitions on industrial and commercial fields.

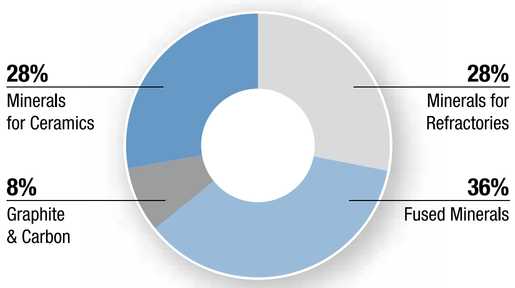
Minerals for Ceramics, Refractories, Abrasives & Foundry sales to December 31, 2008 totaled €1,160 million, which represents a 33% contribution to the Group's consolidated sales.

The business group has 109 industrial sites in 24 countries.

2008 sales: €1,160 million



6,471 employees as on December 31 2008



1.4.1 Business group overview

Activity	Products	Main applications	Markets	Market Positions [1]
MINERALS FOR CERAMICS	Clays Feldspar Halloysite Kaolin Pegmatite Quartz Ceramic bodies & glazes Ground silica "Grès de Thiviers" Natural colors Derived colors	Ceramics Electro-Ceramics Glazes Sandstone Raw materials for bodies Raw materials for frits glazes & engobes Stains for tiles & porcelain	Sanitaryware Tableware Floor & wall tiles Electro-metallurgy Flat glass & container	**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 REFRACTORORIES	Chamottes Andalusite Calcined kaolin Alumina Silica Bauxite Bentonite Clays Metakaolins	Refractories	Steel, glass and aluminum Casting Electronics Ceramics Construction Cement Drilling mud	**World #1** in silico-aluminous minerals for refractories
FUSED MINERALS	Fused aluminum oxides Electrocast mullites Silicon carbides Electrocast spinels Fused zirconia Fused magnesium oxides	Surface treatment Sand blasting Refractories Advanced ceramics Heating elements & friction	Automotive Machinery Aerospace Construction Steel Domestic appliances Industrial applications	**World #1** in minerals for abrasives **World #1** in fused zirconia
GRAPHITE & CARBON	Natural graphite Synthetic graphite Carbon black Cokes Dispersions Silicon carbide	Powders Blends Aqueous dispersions Additives	Mobile energy Engineering materials Carbon additives for polymers Metallurgy Hot metal forming	**World #1** in high performance graphite powders

(1) Imerys estimates.

1.4.2 Minerals for Ceramics

Through an extensive and 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.

After the acquisition, in 2007, of a feldspar business in India as well as of The Feldspar Corporation in the United-States, the activity continued to grow its position in feldspar through acquisitions of mineral reserves in Turkey, in 2008.

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 Annual Report*.

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 tableware products, such as porcelain, bone china, vitreous china, stoneware and earthenware, for which properties such as fired color, translucency and plasticity are crucial. The product portfolio also includes bodies and raw materials for electrical porcelain.

Sanitaryware

Imerys Sanitaryware is the only producer to offer the global sanitaryware industry a complete range of quality minerals, including full prepared bodies, from three continents. Applications for these products include vitreous china and fine fire clay, produced by conventional or pressure casting techniques. Research & Technology investment is ongoing in order to develop further the product portfolio of kaolins, ball clays, feldspars, chamottes and ceramic bodies.

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 essentially 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 the acquisition in 2007 of the company Jumbo Mining in India). 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 opacifiers 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.

Natural pigments are used to stain floor and wall tiles. Imerys Tiles Minerals offers the widest range of pure or blended natural colors for use in body stains, with sandstone and its naturally red color "Grès de Thiviers". Imerys Tiles Minerals is also developing other coloring solutions to rival 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 (Feldspaths du Sud and Provins) and Spain (Castellón) for hard and soft minerals and in Germany (Türkishmühle) for hard minerals.

Quartz

Imerys mines 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 activitiy 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.

These markets declined overall in Europe in 2008 after slight growth in the previous year. North American markets continued to decrease, as they are partly related to the construction sector.

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

(2) Frits: Sintered product obtained through sintering as part of a manufacturing process consisting of heating powder without melting it. The heat welds the grains together, making the piece cohesive.

(3) Fluxes: Feldspar family product.

Tableware

The tableware market in Europe got off to a dynamic start in 2008. European manufacturers continuously benefited from lower imports from China than in the previous years. Nevertheless, the downturn in global economic conditions during second half resulted in a drop in the consumption; with manufacturers around the globe announcing short working and downsizing scenarios.

Sanitaryware

In 2008, the sanitaryware market was affected by a significant downturn in residential construction with difficult situation for some customers due to declining demand in many regions, particularly in North America and Southern Europe.

Tiles minerals

The floor and wall tiles market decreased significantly in Western Europe in 2008.

Eastern Europe, the Middle East, Turkey, Southeast Asia, India, China and South America, remain growing regions in floor and wall tile production. Italian and Spanish tile manufacturers, which are traditionally exporters, suffered from lower demand in Europe and the euro's appreciation against the US dollar.

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 65 industrial facilities allocated as follows:

	Europe	Americas	Asia-Pacific
Kaolin	5	2	2
Clays	11	3	2
Ceramic bodies	10	2	2
"Grès de Thiviers" sandstone	1		
Feldspar & feldspathic sands	8	2	2
Mica	2	1	
Quartz	4	1	
Milling & blending Plants	5		

QUALITY

The activity is firmly committed to quality improvement: 26 industrial sites out of 65 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 their 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 Group's activities in the production and conversion of raw materials for acid and basic refractories, in which the Group has a front-rank global position.

As of January 1, 2008, the companies AGS (France), Vatutinsky (Ukraine) and the Molochite™ activity (United Kingdom) are consolidated in a new business unit, "European Chamottes". This new structure helps to improve efficiency and cost effectiveness by pooling various entities' expertise in terms of production, logistic and commercial issues.

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

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 and 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 Annual Report*.

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 aluminum industries;
- kiln furniture for the ceramics industry;
- investment casting [(1)];
- electronic components.

Demand is evolving towards products with increasingly stringent technical requirements for which the Minerals for Refractories activity can draw full benefit from its specific strengths. 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 new 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 predominately 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™.
- Ecca Holdings (Pty) Ltd and Cape Bentonite (Pty) Ltd are South African producers of chamottes, ceramic clays and bentonite. Bentonite is used primarily in the casting, pelletizing, drilling mud and environmental fields. Ceramic clays are sold to the local South African market, chiefly for floor tiles.

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 grew significantly over the first three quarters of 2008, thanks in particular to an overall rise in steel production in the 27 European countries and Asia. New projects in aluminum as well as a global increase in glass and cement production also helped to uphold demand in Minerals for Refractories.

Conversely, the last quarter saw a sharp decrease in global steel output, leading to much lower off takes of certain refractory minerals. Lead-times that have been built up over the past quarters have minimized impact on the activity particularly in Europe.

MAIN COMPETITORS

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

(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.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

INDUSTRIAL FACILITIES

Minerals for Refractories activity has 18 industrial facilities as follows:

	Europe	Americas	Asia-Pacific & Africa
Clays	1		1
Fused silica		1	
Bauxite sizing		1	2
Andalusite	1		5
Bentonite			1
Chamottes	2		1
Mullite		1	
Molochite™	1		

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 products on European refractories markets. As of September 1, 2008, European foundry markets are served through a specific 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, a dedicated sales structure, Imerys Refractory Minerals India (IRMI), will be set up by mid-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 year 2008 was characterized by the integration process of the newly-acquired Imerys Astron China entities into Fused Minerals. A new management team was appointed in China and the fused zirconia activities of UCM and Imerys Astron China are now under joint leadership.

PRODUCTS

RAW MATERIALS AND DERIVED MINERAL PRODUCTS

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

Fused aluminum oxide and bauxite

The activity, through the Treibacher Schleifmittel group of companies, 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.

Fused magnesia

Through UCM, the activity 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 Annual Report*.

APPLICATIONS

Fused aluminum oxide and bauxite

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 products 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 frits and glazes: zircon sand milled below 45 microns is used as flour or an opacifier in frits and glazes 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 elements for industrial applications such as galley products, railway heating, industrial boilers; automotive applications in diesel engine glow plugs and friction products and refractory applications for induction furnace linings.

MARKETS

MARKET TRENDS

Overall, markets for Fused Minerals were dynamic worldwide until the summer of 2008, driven by high steel production, and, especially in China, the preparation for the Olympic Games. From the beginning of the 4th quarter, economic conditions deteriorated and resulted in a sharp decline in main markets.

MAIN COMPETITORS

- Fused aluminum oxide: Rio Tinto Alcan (France); Motim (Hungary); Zaporozhye Abrasives (Ukraine); Washington Mills (United States); Almatis (Europe, United States) and various Chinese producers.
- Fused zirconia and zirconia related products: AFM (Australia); Asia Zirconium (China); Tosoh (Japan); Foskor (South Africa); Saint Gobain (United States, 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 19 industrial facilities allocated as follows:

	Europe	Americas	Asia-Pacific
Fused Aluminum and Bauxite Oxides	6	3	3
Fused Zirconia	1	1	3
Magnesium oxide	1	1	

QUALITY

11 industrial sites are certified ISO 9001:2000, as well as C.A.R.D.D. research center. One plant is certified ISO 9002.

SALES ORGANIZATION

Minerals for abrasives and fused zirconium are marketed through the activity's network of sales units (including direct sales, as well as agents and distributors) located in its main markets. Products for the European refractory industry are sold through the Minerals for Refractories network.

Magnesium oxides are sold by direct sales and through agents and distributors located in 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 powder or granules;
- natural graphite flakes, produced in Lac-des-Îles (Canada), the largest graphite mine in North America;
- processed natural graphite, produced through processing of natural graphite from Lac-des-Îles or from selected high-quality external sources;
- 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 Annual Report*.

APPLICATIONS

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

- **Mobile energy:** this sector covers alkaline batteries, Zn-C batteries, Lithium-ion rechargeable batteries (for mobile telephones, laptop computers and video cameras), fuel cells, 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 (systems for converting chemical energy into electricity through a continuous fuel supply) are still in the development process and require new graphites, carbon blacks and technically advanced graphite dispersions.
- **Engineering materials:** in the engineering market, Timcal's success is ensured by cutting-edge graphite processing facilities that deliver the required physical and chemical characteristics for its products and a high standard of service. Through its unique combinations of synthetic and natural graphite, the activity provides its customers with tailor-made solutions. 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 (Polytetrafluorethylne) 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:** the refractories industry represents a significant outlet for natural graphite, with bricks, monolithics, carbon raisers and hot metal topping.

MARKETS

MARKET TRENDS

Markets were globally well oriented in the first half of 2008: a good level of business in mobile energy, engineering materials and additives for polymers and stability at a high level in hot metal forming and refractories applications. At year-end, a sharp drop was observed in certain segments (carbon black for polymers, graphite for refractories).

MAIN COMPETITORS

Cabot (Belgium); Nacional de Grafite (Brazil); Degussa, Kropfmüehl (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 allocated as follows:

Europe	North America	Asia-Pacific
2	2	3

(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.

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.

1.5 PERFORMANCE & FILTRATION MINERALS

The Performance & Filtration Minerals business group is organized around the two following activities:

- Performance Minerals;
- Minerals for Filtration.

The global Performance & Filtration Minerals business group provides customers with tailor-made solutions in highly technical fields where chemical composition, morphology, mechanical properties, thermal and chemical resistance, but also food and pharmaceutical grade processing are key requirements. Based on the transformation of a wide 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 great variety of products.

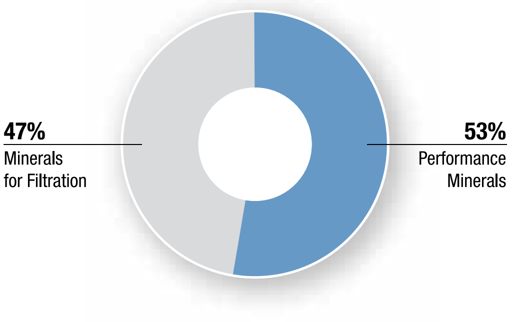
The development of partnerships with customers is essential on Performance & Filtration Minerals' value-added markets, i.e. food & beverage, paints, plastics, rubber, coatings, adhesives, caulks & sealants, health & beauty, pharmaceutical & nutraceuticals and building materials. Thanks to the often complementary 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.

In October 2008, Performance Minerals acquired the mica mining and processing companies Kings Mountain Minerals, Inc. (United States) and Suzorite Mining, Inc. (Canada), further enhancing its product offering in plastic applications, coatings, etc.

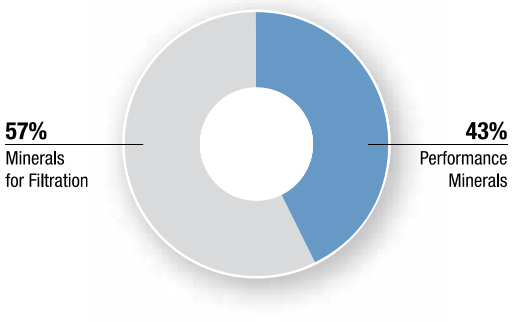
The Performance & Filtration Minerals business group's sales for the year ending December 31, 2008 totaled €527 million, which represents 15% of Imerys' consolidated sales.

The Business Group has 60 industrial sites in 18 countries.

2008 sales: €527 million



3,157 employees as on December 31 2008



1.5.1 Business group overview

Activity	Products	Main applications	Markets	Market Positions [1]
PERFORMANCE MINERALS	Kaolin GCC PCC Dolomite Mica Feldspar Ball Clays	**Functional additives for:** Sealants Adhesives Paints Polymers Catalyst substrates Rubber Construction materials	Agriculture Food Construction Automotive Pharmacy & Personal care	**World #1** in minerals for breathable polymer films
MINERALS FOR FILTRATION	Diatomite Expanded perlite & perlite ore Structured alumino-silicate Vermiculite	**Filter aids for:** Beer, fruit juice Edible oils Food Chemistry Pharmaceuticals Sweeteners Water, Wine	Food & Beverages Pharmaceuticals & Chemicals	**World #1** in diatomite-based products
		Functional additives for: Agriculture Polymers Rubber, Polishes Paint, Composites Cosmetics, Catalysts Insulation, Cryogenic insulation and soundproofing	Food & Beverages Pharmaceutical & Chemicals Construction Automotive	**World #1** in diatomite-based products and perlite-based products for filtration
		Roofing Refractories Brake linings Paper Polymer films	Agriculture	**World #2** in vermiculite

(1) Imerys estimates.

1.5.2 Performance Minerals

PRODUCTS

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. On October 10, 2008, Imerys acquired the mica mining and processing companies Kings Mountain Minerals, Inc. and Suzorite Mining, Inc. With very high quality mica reserves and two production units in North Carolina (United States) and Quebec (Canada), the two businesses further enhance the Performance Minerals product offering (plastic applications, coatings, etc.).

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.

RAW MATERIALS

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

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

APPLICATIONS

Performance Minerals are processed and marketed worldwide. They are added to finished or intermediary 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 kaolins 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 partly linked to activity in the construction industry. Following strong growth on construction markets in 2007, business went through a slump that worsened in the second half with a downturn in construction markets in the main European countries.
- North America: since the end of 2006, a significant downturn in new residential construction has adversely affected Performance Minerals' business in a number of key markets (joint compound, roofing and PVC [(2)] siding, paints and coatings) as construction market suppliers adapt to the significantly lower volume of new housing starts. Activity remained poor throughout 2008 with a further decrease in new housing compared with 2007.
- South America: Growth remained solid in this area until the very end of 2008, where the general downturn in all markets affected volumes.

MAIN COMPETITORS

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

INDUSTRIAL FACILITIES

The Performance Minerals activity has 33 industrial facilities:

	Europe	Americas	Asia-Pacific & Africa
Kaolin	3	2	1
GCC	6	10 [(1)]	5 [(1)]
PCC		4	
Mica		2	

(1) Of which GCC industrial sites producing both performance minerals and pigments for paper products and placed under the operational management of Pigments for Paper business group in 2008.

(2) PVC: Polyvinyl Chloride.

QUALITY

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

SALES ORGANIZATION

The Performance Minerals activity maintains sales, marketing, applications support, R&D and manufacturing locations worldwide; its products are marketed either by its 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. With the acquisition in 2007 of Perfiltra, the number one perlite supplier in South America, Imerys reinforces Minerals for Filtration's presence in this high growth region. 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.

The Imerys Vermiculite activity is also the world's second largest supplier of vermiculite, following the acquisition, in 2007, of 65% of Xinlong Vermiculite, the number one vermiculite ore supplier in China (Xinjiang). Vermiculite is mined and processed from the Group's deposits in Zimbabwe, Australia, and China. Vermiculite's properties are a good fit with Minerals for Filtration products in some construction, agricultural and insulation applications.

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.

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

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, flee-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 TRENDS

Minerals for Filtration are sold worldwide to a wide range of global and local customers. Filtration Minerals markets were stable overall, with demand softening at the very end of the year.

MAIN COMPETITORS

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

INDUSTRIAL FACILITIES

The Minerals for Filtration activity has 27 industrial facilities as follows:

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

QUALITY

In 2008 the global quality organization continued its focus on improving product quality and consistency at each plant around the world. At all plants, crude ore is engineered to carefully controlled specifications, enabling the activity to provide industry-leading product performance, consistency and reliability. This focus on quality and process control has enabled the activity's plants to operate more efficiently, schedule production demands more effectively, and enhance product reliability and availability to customers. 19 facilities are certified ISO 9001:2000.

SALES ORGANIZATION

To achieve excellent responsiveness in its customer service, the activity has sales and technical service offices in its main markets and is supported by an international network of agents and distributors. The activity's global and regional marketing professionals provide further technical and strategic support for the sales organization. The Filtration Minerals activity is always focused on adding value to its customers' businesses through cost-effective, qualitatively superior products delivered through an efficient and reliable supply chain.

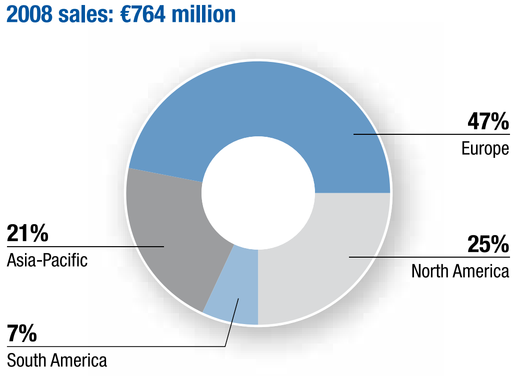
1.6 PIGMENTS FOR PAPER

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 350 paper mills worldwide. 24% of these are in North America, 43% in Europe and 33% 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 segments.

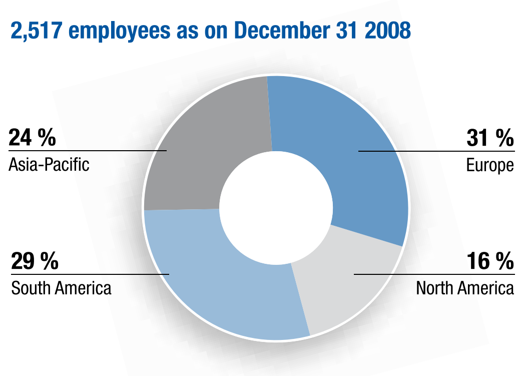
Pigments for Paper sales for the year ending December 31, 2008 totaled €764 million, which represents 22% of Imerys' consolidated sales.

The Business Group has 46 industrial sites in 18 countries.

2008 sales: €764 million



2,517 employees as on December 31 2008



BUSINESS GROUP OVERVIEW

Activity	Products	Applications	Markets	Market positions[1]
PIGMENTS FOR PAPER	Kaolin	Fillers	**Graphic papers** - Printing & writing Coated woodfree Coated mechanical Uncoated woodfree Uncoated mechanical - Newsprint	**World #1** in kaolin for paper
	GCC	Coatings	**Packaging** - Coated packaging Coated bleached board Coated unbleached kraft Coated recycled board	**World #2** in GCC for paper
	PCC		- Uncoated packaging Container board Liner board Corrugated medium	**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 kaolins, ground calcium carbonates (GCC) and precipitated calcium carbonates (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, through 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, suitable for a dedicated application. 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 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 Annual Report*.

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 whiteness and improves the physical characteristics of finished 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. UK (Cornwall) facilities only provide filler kaolins that are especially suited to European supercalendered paper.
- 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.

MARKETS [1]

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

Global production of printing and writing paper declined by an estimated - 1.8% in 2008, due to the impact of the global economic downturn on demand, and despite continued growth in Asia-Pacific. The overall economic situation has led to a decline in demand on the European and North American markets, both of which have continued to restructure with selected paper machine or mill closures.

Trends by geographic zone were as follows:

- In Europe, production of printing and writing grades fell by - 3.3% in 2008 as a consequence of weakening demand.
- In North America, paper production decreased by - 6.8% in 2008.
- In Asia, printing and writing paper markets further grew in 2008 (+ 2.6%) with an increase in local production.

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

MAIN COMPETITORS

On a global market, the following competitors have international presence:

- 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

- The business group totals 46 industrial facilities, in 18 countries, as follows:

	Europe	Americas	Asia-Pacific
Kaolin	1	4	1
GCC	7	4	13
PCC	1	8	1
Slurry make-down	6		

- The business group is involved in quality certification with 25 plants ISO 9001:2000 certified.
- Pigments for Paper products are marketed through the activity's own sales force specializing in paper applications.

1.7 MATERIALS & MONOLITHICS

The 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 the capital expenditure needed to grow.

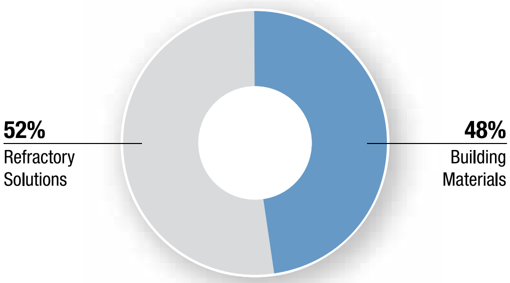
With high-quality deposits and an efficient production process, the Building Materials activity is France's largest producer of clay roof tiles, bricks and chimney blocks and of high-quality natural slate. Imerys also contributes to the development of renewable energies, particularly in photovoltaic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

Through Calderys, the world leader in alumino-silicate monolithic refractories, the Refractory Solutions activity provides services and products to the steelmaking, casting, aluminum, cement, energy, petrochemicals and incineration industries. In 2008, Calderys strengthened its position in Scandinavia with the acquisition of Svenska Silika Verken AB (Sweden). The Kiln Furniture activity's products are mainly used to make ceramics and clay tiles.

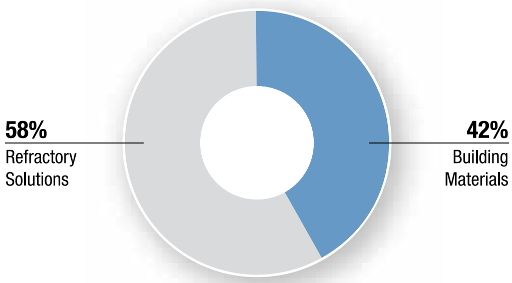
The Materials & Monolithics business group's sales to December 31, 2008 totaled €1,041 million, which represents 30% of the Group's consolidated sales.

The business group has 45 industrial sites in 16 countries.

2008 sales: €1,041 million



4,627 employees as on December 31 2008



1.7.1 Business group overview

Activities		Products/Applications	Markets	Market Positions [1]
BUILDING MATERIALS	**CLAY ROOF TILES & BRICKS**	**Roof tiles & accessories**	Roofing renovation & new housing	**French #1** for clay roof tiles, bricks and chimney blocks
		Structure materials Structure bricks *(walls and partitions)* Chimney blocks & concrete products	New housing	
	SLATE	**Natural slates**	Historical monuments Public buildings	**French #1** for natural slates
REFRACTORY SOLUTIONS	**MONOLITHIC REFRACTORIES (CALDERYS)**	**Monolithic refractories** Cast/vibrated castables Gunning materials Ramming mix Dry mix Taphole clays	Iron & steel Foundry Aluminum Cement Incineration Power generation Petrochemicals	**World #1** in alumino-silicate monolithic refractories
		Prefabricated shapes	Furnace construction	
	KILN FURNITURE	Cordierite, mullite or silicon carbide 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 primarily makes clay products. These are intended for the French construction market and are mostly used to build or renovate single-family housing. In November 2008, Imerys TC signed a partnership agreement [1] with EDF ENR (*Energies Renouvelables Réparties*, distributed renewable energies) to create a joint venture with the aim of developing and manufacturing efficient and innovative integrated photovoltaic roof tiles. The new entity intends to make electricity generation widespread on conventional roofs.

PRODUCTS

The Building Materials activity operates substantial clay and slate reserves located near its processing units in France *(see chapter 1, section 1.3 of the Annual Report)*. 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 2008, two new authorizations were obtained in Phalempin (Nord, France) to renew the Dompierre quarry extension and in Léguevin (Haute-Garonne, France) for the Lengel quarry.

The business group's customers and partners are mainly French traders in Building Materials.

CLAY ROOF TILES & BRICKS

The benefits of clay products were recently confirmed by the findings of the Grenelle de l'Environnement [2] on housing: healthy constructions, meeting HQE standards [3], robust, durable and with heat inertia and airtightness qualities. For the same size, clay bricks provide three times more heat insulation than concrete blocks.

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). All these activities are grouped together in a single legal entity, Imerys TC.

(1) With each partner holding an equal interest.
(2) 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.
(3) 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.

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 62 colors that meet local traditions and specificities are now marketed under the brand. 7 regional labels with high customer awareness distinguish between tile models: Gélis™, Huguenot™, Jacob™, Phalempin™, Poudenx™, Sans™ and Ste Foy™. Imerys Terre Cuite™ has also developed roofing accessories that help to free the roofer from finishing work as they can be fitted without mortar or sealant. With thermal and photovoltaic tiles, Imerys Terre Cuite™ has a comprehensive, integrated roof offering that is healthy, visually appealing and energy-efficient.

Structure bricks

Imerys Terre Cuite™ clay bricks (standard bricks and technical products, i.e. Monomur and Optibric™) are used to build exterior walls and interior linings and partitions (terracotta bricks, "Carrobric" system). 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 and **joists and prestressed concrete products** (Planchers Fabre).

SLATE

Ardoisières d'Angers operates underground slate quarries in Trélazé (Maine et Loire, France). The slate's exceptional purity is guaranteed as it is mined at depths of 350 to 500 meters *(see chapter 1, section 1.3 of the Annual Report)*. 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.

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 2008, Ardoisières d'Angers extended its product offering with colored roofing slates (particularly green and golden brown, and landscaping slates (paving and wall stones).

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

After several years' steady growth, the single-family housing construction market slumped significantly in 2008. New single-family start-ups were down almost - 15% compared to 2007. However, clay bricks and roof tiles, which have specific factors enabling them to hold out better, recorded smaller decreases than the housing construction market overall.

Thanks to a firm renovation sector, which generates more than half of sales, the clay roof tile market only recorded a slight drop (- 6.8%).

Clay bricks mainly concern the single-family house building market, where their share is now approximately 30%, compared with 27% in 2007. Technical clay bricks enjoy steady growth because of their ease of fitting and acknowledged environmental qualities. Clay bricks are now used to build collective housing and public buildings, following the recent launch of products adapted to those buildings' specific needs. During the year, the clay brick market decreased slightly (- 2%), with the impact of the slump in new single-family house building largely offset by the positive impact of product substitution.

Slate

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

MAIN COMPETITORS

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

INDUSTRIAL FACILITIES

Given the essentially local nature of its markets, the Building Materials activity's industrial and commercial network ensures that it has optimum coverage of the French market. The Building Materials activity has 23 manufacturing locations are as follows:

Clay roof tiles & bricks	Roof tiles: 12	Structure bricks: 6	Chimney blocks: 2	Concrete products: 1
Slate	2			

QUALITY

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

In Clay Roof Tiles & Bricks, all sites have been certified ISO 9001 since November 2004 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.

The other industrial sites and the headquarters of Imerys TC in Limonest (Rhône, France) are certified ISO 14001 with respect to an environmental management system, excepted the Boissière-du-Doré (Loire-Atlantique, France) site, which was consolidated in January 2008 and for which the ISO 9001 and 14001 certification are in process.

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 6 sales regions for each product range – roof tiles, bricks, concrete products 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 TC offers services that are adapted to the needs of customers and users, who are also the focus of a dynamic communication strategy.

By communicating on its partnership with Fondation Sylvain Augier, which works to protect beautiful landscapes, the brand Imerys Terre Cuite™ is increasing awareness among the general public. A six-monthly magazine with regional editions, L'Observatoire de la Tuile, informs trade customers about market opportunities and new product launches. In addition, Imerys Structure has created the "Négoce Expert Terre Cuite" label to support traders who contribute to the spread of the narrow-join technique. Almost 500 trading outlets now have the label.

Training for customers, roofers and bricklayers is an essential service for the development of Imerys TC and, more specifically, the growth of clay bricks. With eight training centers, in 2008 Imerys TC was accredited to dispense "Quali PV Bat" training leading to qualification in fitting photovoltaic roof systems. The bricks activity also facilitates "Le Club Poseurs" which now includes almost 400 fitting companies.

Finally, for the entire product range, the activity has set up a range of websites that are adapted to professionals' needs, as well as sections for informing private individuals:

- Roof Tiles activities are supported by the brand website www.imerys-toiture.com, in addition to a specific site for solar products, www.tuile-photovoltaique.fr, and a portal www.e-toiture.com. A section is given over to private individuals.
- The Bricks activity also has interactive tools for customer relations. With five Professional spaces, www.imerys-structure.com provides specific content for each trade as well as innovative product selection guidance tools. The general public is reached through a blog, demainmamaison.com. Finally, a website dedicated to clay housing provides a full information service and puts users in touch with professionals, including decision guidance and comparison tools, a trader, craftsman and builder search engine and fitting videos.

Slate

In 2008, Ardoisières d'Angers kept up its efforts to gain the loyalty of partner roofing companies through "Le Club de la Bleue," which has more than 250 partners. Furthermore, the website www.ardoise-angers.com was overhauled and Ardoisières d'Angers is a partner in the roofing leaders' portal, www.e-toiture.com.

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. The division's technical expertise enables it to offer complete refractory solutions (products, engineering and supervision).

As of April 30, 2008, Calderys acquired Svenska Silika Verken AB, a Swedish producer of monolithic refractory products, strengthening its presence in Scandinavia. Calderys also purchased new quartzite reserves in Sweden. In June, the upgraded plant in South Africa was commissioned to meet growing demand for higher quality monolithic refractories in the country.

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.

(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.

PRODUCTS

Calderys

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.

Calderys' products are formulated with natural and/or synthetic mineral raw materials, including chamottes, andalusite, mullite, bauxite, tabular or fused alumina (alumino-silicate monolithics) and spinel, magnesia, 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, their usefulness for many applications and their relative ease of use are driving slow but steady market share gain at the expense of shaped refractories (bricks) in all industries.

Since 2007, Calderys has been revising its brand portfolio. In October 2008, Calderys released its simplified and renamed product range supported by the new CALDE™ brand to make its portfolio easier to grasp for customers. The product range was reduced by 30% and all Calderys monolithic product names were rebranded under CALDE™. The only exceptions are ALKON® for aluminum and SILICA MIX for dry vibrated mixes made of Swedish quartzite. This change reflects Calderys' commitment to providing reliable, performing, and innovative products, to better support its customers worldwide as well as to save production and administration costs.

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 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 superstructures and construction parts for extremely flexible and very lightweight firing tray systems;
- for fine ceramics markets: the activity produces pressed, cast or extruded, individual or stackable furniture for firing tableware and sanitaryware, as well as cast or pressed furniture for floor tiles.

MARKETS

MARKET TRENDS

Calderys

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

In 2008, the Monolithic Refractories market benefited from buoyant business until the last few weeks of the year when demand fell as a result of some customers' production stoppages, particularly in the iron & steel sector.

Kiln Furniture

The Kiln Furniture activity, which mainly serves European, Asian, Middle Eastern and North African markets, continued to operate in a highly competitive context in 2008. In Europe, the construction market slowdown was reflected in the second half of the year by a decrease in furniture renewal for roof tiles and a downturn in the sanitaryware industry. However, the activity benefited from the fitting-out of new roof tile production furnaces.

MAIN COMPETITORS

- **Calderys:** RHI (Austria), Vesuvius (Belgium).
- **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 22 industrial facilities in 16 countries, located as follows:

	Europe	Americas	Asia-Pacific & Africa
Calderys	11	1	6
Kiln Furniture	3	-	1

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 compatible with the required quality level. 14 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, the activity has sales offices or subsidiaries in all its major markets, i.e. more than 30 countries. Calderys opened offices in Vietnam and Mexico in 2008.

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

1.8 INNOVATION

1.8.1 Research, Technology & Innovation

As an essential partner in its customers' performance, Imerys delivers technical solutions that improve their manufacturing processes, reduce their costs and enhance the quality of their products. This transformation calls on advanced know-how and industrial processes that are often exclusive and constantly optimized, forming a crucial competitive advantage.

The Group spends the equivalent of 1% of its total sales on research & development and to speed up the generation of organic growth projects. This figure is higher than for most mining companies, without of course reaching the intensive research spending of companies in the specialty chemicals sector.

GREATER INVESTMENT IN RESEARCH

Imerys' constant innovation efforts are supported by a Research & Technology structure that mobilizes 270 scientists and technicians. This decentralized yet coordinated structure includes seven main centers with state-of-the-art analysis and conversion facilities:

- Par Moor in the United Kingdom, for kaolins for paper and performance minerals;
- in the United States, Sandersville (Georgia), more specifically focused on developing new processes as well as new kaolins for paper, and Lompoc (California), the benchmark laboratory for diatomite and perlite;
- Bodio in Switzerland, for graphites and carbons;
- Villach in Austria, a laboratory specializing in refractories and abrasives and also very active in advanced ceramics;
- in France, Saint-Quentin Fallavier, where new monolithic refractories are developed, and Limoges, where the Group has taken advantage of the creation of a European ceramics cluster to set up a Minerals for Ceramics research center.

In addition, 18 regional laboratories develop customer-specific solutions.

The Group's activities are responsible for managing their Research & Development. They all show great talent in developing innovations for their own areas of business and expertise.

Moreover, there is a substantial pool of additional innovations at the crossroads of different activities. Identifying those opportunities and turning them into new businesses for the Group is the role of the innovation Department created in early 2007. Know-how and developments are being leveraged.

BEST PRACTICES

Innovation at Imerys is a decentralized process. A lightweight coordination structure ensures that common management principles are implemented by all activities and that knowledge is shared.

Research budgets are managed on a project basis, showing in each case the related expenditure, the expected profitability and any risks of cannibalization within the Group's product range. These management principles limit the risk of dispersal.

To provide for good knowledge management, activities are asked to organize their research reports in databases to which the Group's researchers have strictly controlled access through a network.

Finally, know-how is pooled by:

- projects carried out across several research laboratories and activities;
- R&D seminars on a precise topic, held at least once a year;
- technical contacts organized regularly on specific issues.

DEVELOPMENT OF SOLUTION PRODUCTS AND PORTFOLIOS

Thanks to its unique portfolio of minerals, its in-depth knowledge of their properties and its industrial expertise, Imerys develops relevant solutions to its customers' product and process needs. The Group's ability to combine different minerals to benefit from the properties of each one enables it to improve several parameters simultaneously.

Imerys works in partnership with its customers to help them produce better products more cheaply. By developing innovative solutions, the Group also strives to reduce its products' environmental impact throughout their life cycle.

Innovation goals are factored into the Group's Sustainable Development plan. They include:

- the development and launch of several products with an environmental benefit every year;
- the measurement, at the design stage, of the carbon footprint of a growing number of projects.

Many of the new products marketed in 2008 offer an environmental, health or safety benefit.

CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

Minerals for Ceramics

- **Tableware:** Imerys Tableware has developed a new body system which has all the aesthetic properties of traditional porcelain but is capable of being fired at 100°C below traditional formulations.
- **Sanitaryware:** Imerys Sanitaryware developed a range of ceramic clays and kaolins in response to the growing use of pressure casting. The product line, which improves yields and productivity, includes Kerspeed®, a new fast casting kaolin produced in Brittany, France. Ongoing Research & Development fostered by a direct production supply from Spica (Italy), one of Imerys' full prepared body plants in Europe, has consolidated the business's position as leader in solutions for the growing fine fire clay (FFC) segment. The only complete FFC-specific range of minerals on the market includes Hycast FFC™, a new ball clay for the most demanding designs, and the chamotte [(1)] produced by AGS in France.
- **Tiles Minerals:** Specific technical solutions were developed to improve to Imerys Tiles Minerals' market-leading products. Standard Porcelain™ and Grolleg™ are added to Kaolinor 1C™ in the range of suspensive kaolins for glazes and RC399 is added to Hywite Superb™ in ball clays for engobes. Imerys Tiles Minerals' strategy is to support its customers' growth by supplying them with the best suited raw materials and formulations. The in-house R&D and technical support teams work closely with customers in order to obtain a high value product at a reasonable cost.

Mineral for Ceramics also launched "SD kaolin", an air-refined clay that is used in thermal power plants to purify fumes.

Minerals for Refractories

The research activity dedicated to investment casting in the Center for Abrasives and Refractories Research & Development (C.A.R.R.D. – Villach, Austria) was extended to foundry applications with the support of the newly created activity IFME (Imerys Foundries Minerals Europe). In 2008, a new stable slurry based on fused alumina was developed in order to offer a solution for high performance investment casting applications (TiAl alloys, Co-Ni alloys, etc.).

Fused Minerals

In 2008, C.A.R.R.D.'s innovation efforts led to the launch of several new products:

- Development of new sintered abrasives, Alodur™ Rod 92 and 96, was completed and a new production line was built in Domodossola, Italy.
- Two new light abrasive materials (patents pending) for creep feed grinding wheels and for coated abrasives are being investigated.
- A new treatment was developed to prevent sensitive fused magnesium oxide powders from hydrating and to allow them to be processed with water soluble additives.

25% of C.A.R.R.D.'s research activity was dedicated to Innovation Department programs in technical ceramics, in close cooperation with the Group's other R&D teams. Five new patents were filed: four in Abrasives & Refractories and one in technical ceramics.

Graphite & Carbon

The Research & Development Department launched a large number of innovative new products:

- LB 2053, a colloidal graphite dispersion for "Teflon/Graphite" lubricant coatings on rubber surfaces, replaces organic solvent-based compounds, which are more expensive and complicated to use;
- the new C-lub range of graphite powders for the lubrication of metal surfaces offers significant economic advantages along with superior performance;
- KS6L and SFG6L, high-purity graphites with specific control of metal impurities, improve the lifespan and safety of Lithium-Ion batteries;
- finally the SLS and SLP range of fine, high-purity graphites are manufactured with an innovative process to provide active materials for powerful Li-Ion batteries, particularly for automotive and other high-capacity energy storage applications.

PERFORMANCE & FILTRATION MINERALS

Performance Minerals

In 2008, the Performance Minerals activity stepped up their innovation and new product development efforts. The focus was on functional additives that help our customers improve their manufacturing efficiency and quality and reduce the environmental impact of their products.

Product launches during the year include the following:

- further market success for Supercoat™ calcium carbonate. In the United States, Imerys has collaborated with the NSF [(2)] and a major customer to certify higher load levels of Supercoat™ in PVC water pipe, resulting in significant resin savings;
- FiberLinkTM 101 and 102S, calcium carbonate additives that improve productivity and environmental impact in melt blown fiber processing;
- Barrisurf™ LX and HX, engineered kaolin additives for use in aqueous latex-based barrier coatings. Latex-based barriers are a new alternative solution for grease and moisture proofing of board and film;

(1) See chapter 1, section 1.3 of the Annual Report.
(2) National Sanitation Foundation.

- Infilm™ HC and HCF (Europe), antiblocking [1] additives for use in high clarity film applications. These amorphous silicate products extend Imerys' existing diatomite- and kaolin-based antiblock range;
- Carbital™ 130S, a coated calcium carbonate for use in sealant and adhesive formulations;
- Imerfil 15 and 20 (United States), new calcium carbonate fillers for cement applications. These products improve the physical properties of ready-mix concretes, allowing for reductions in water demand and the lowering of the overall carbon footprint of the finished article.

Minerals for Filtration

The activity's robust new product development program focuses on filtration and functional filler applications. In 2008, this led to the launch of several innovations.

In filtration, technological progress enabled the activity to improve the control of beer soluble iron (BSI) in existing diatomaceous earth filter aid products and introduce new products. On the beer market, a new filter aid improves filter productivity and lifespan. It also adds chill-proofing functionality to help brewers extend their product's shelf life. In vegetable oil, a new product improves the efficiency of traditional filtration processes and the clarity of the end product. Another filter aid improves filtration efficiency in biofuel applications.

In functional additives, the following innovations were launched:

- a new catalyst carrier technology for the chemical industry that significantly improves surface activity area and catalyst bed life;
- a new diatomite with very low crystalline silica, used as an extremely efficient matting aid for paints and for low-VOC (volatile organic compounds) paint formulations;
- new diatomite and perlite-based products to replace synthetic silicas for the reinforcement of plastics and rubbers;
- crystalline silica-free and low crystalline silica antiblock products;
- an anti-scale build-up product to reduce equipment cleaning and energy wastage in heat exchange applications;
- a unique flatting aid designed specifically for the requirements of the Chinese paint market;
- new diatomaceous earth products for use as pozzolans for cementitious applications.

PIGMENTS FOR PAPER

Imerys' unique formulating know-how and Research & Development capabilities, together with the activity's comprehensive range of pigments, make it an ideal partner for papermakers around the world. Specifications required by papermakers are generally precise and stringent, not only to meet paper quality criteria but also to achieve optimum machine performance in terms of speed and utilization rates. The choice of pigment – or pigment blend – has a major impact on paper quality, machine efficiency and the number of production defects per manufacturing day.

Imerys has developed two new barrier kaolins as part of the Barrisurf™ product range. These hyper-platey, nano-dimensional thickness crystals create a tortuous coating structure that inherently resists penetration from a variety of substrates. With the rising cost of polymers, incorporating Imerys Barrisurf™ kaolins into a formulation will save costs for papermakers while enhancing barrier performance. Barrisurf™ was commercially launched in North America during the first quarter of 2008.

Technical work is also ongoing to pursue opportunities to replace expensive fiber with 'filler' pigments in a variety of paper grades. This creates a potentially significant saving for the papermaker, with little or no impact on the overall quality of the finished paper product. In addition to existing kaolins and carbonates products, two new grades were launched in 2008: Astrafil™ K in North America and Opacifil™ in Europe.

Market positions were also established for the new Brazilian kaolin for lightweight coated rotogravure papers and the North American engineered glossing kaolin used in both fine paper and packaging grades.

In addition, Cornwall has now completed the transition to produce only filler grade kaolins from its new sustainable production base. The new filler product portfolio consists of a multi-purpose filler grade, Intrafill™ 60, and a comprehensive range of Intramax™ branded products for more specialized filler applications.

MATERIALS & MONOLITHICS

Building Materials

Innovation efforts mainly concern the development of ever more functional and attractive products that combine technical performance with fitting speed, as well as the improvement of customer services. Moreover, Imerys TC has developed and enhanced its product range to propose a comprehensive offering that is compatible with the latest standards on saving energy and protecting the environment, and to anticipate the regulatory changes to come.

The findings of the Grenelle de l'Environnement [2] on housing raised interest in clay. In that context, Imerys TC has developed Label Home, a clay housing construction range that combines robust construction

(1) Making plastic bags easier to open by sliding one edge over the other between thumb and index finger.

(2) 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 to create the conditions for a shift towards more environment-friendly, energy-saving practices.

with energy and resource savings. These HQE [(1)] products all have at least Bâtiment Basse Consommation (low consumption building) status. In addition, by combining clay structure and roofing components with photovoltaic sensors, the housing has a positive energy balance. Designed for collective housing and single- and multi-family units, the Label Home range is Imerys' response to the issues identified at the Grenelle de l'Environnement as regards energy efficiency in new housing. The first Label Home construction project is in progress in the Paris region.

More generally, in 2008 many innovations were developed across all business segments.

Roof tiles

New models and colors were added to Imerys Terre Cuite™'s clay roof tiles range:

- Canal S offers perfect reproduction of a conventional Roman tile. This model combines the tradition's visual appeal with swift fitting. The tile comes in five colors and fits harmoniously with the architectural specificities of France's Atlantic coastline;
- Canal Réabilis offers rich materials and colors for roofs in the South of France thanks to a new manufacturing process. The model offers a perfect alternative to weathered tiles;
- new colors were also launched: "Noir Brillant" (glossy black) enhanced the Artoise and H10 ranges for roofs in Northern France; "St Germain" was added to Ste Foy, the 17x27 pressed flat tile line, to maintain a prestigious aged appearance on houses of character.

Bricks

Business growth is based on a broader offering of clay construction systems that meet three essential needs voiced by professionals: swift fitting, building site ergonomics and added value creation. The product range is regularly extended for structure products as well as accessories and partition bricks:

- Monomur Joint Mince (30 and 37.5 cm), a narrow-join distributed insulation buildings system, cuts laying time and makes bricklayers' work easier by improving finishing quality. The new profiles offer superior heat performance that is greater than or equal to the reference values in the French thermal regulations (RT) 2005;
- Optibric™ PV 15, a narrow-join brick with vertical perforations, enables builders to make 15 cm-thick walls for single-family housing in the North of France , nicknamed the "Northern Wall". Optibric™ PV 3+ is the other major innovation in the range. Its higher performance in terms of fire protection, mechanical strength and heat resistance meets the needs of HPE (high energy performance) collective and individual housing;
- to meet the particular needs of Alsace and Mid-Eastern France, Brique PV 20 was marketed in 2008. This rectified laid brick offers optimum thermal performance.

New clay accessories were also developed to enhance the product offering:

- shutter cases for 30 and 37.5 cm Monomur and 20x20 and 20x27 cm long lintels deliver efficient integrated insulation and easy fitting. The Monomur 37.5 case is the only clay solution on the market;
- a full range of tiling bricks for both added and distributed insulation was created for boarding. It offers ease of fitting, higher thermal performance and excellent treatment of thermal bridges.

In partition bricks, two appeared in 2008:

- Maxibric XL, a large, glued brick suited to the Western France market;
- a ceiling and hanger kit for earthquake zones was launched. The ergonomic new hanger is used to insert the steel cables required in those regions and already meet future seismic regulations.

Refractory Solutions

Calderys

Calderys' innovation efforts are focused on extending the lifespan of refractories, complying with increasingly stringent health and safety criteria, and easier use of variable quality raw materials. 2008 was a particularly fruitful year for Calderys.

The products developed under the research program begun in 2006 with the aim of reducing refractory drying time went through industrial tests. They enable users to cut downtime during maintenance operations by 40%. A complete range of products based on this new technology is being developed.

For transfer ladles in the foundry sector, a dry mix has been developed for quick repairs. A brand new mineral bond makes it highly user-friendly as well as odorless, while installation requires no specific tools. The customer is serviced with quicker installation, shorter downtime and energy savings due to better insulation.

Calderys developed a specific main runner castable to cope with the increasingly frequent stop & go operations in today's blast furnaces. This product is resistant to short thermal cycles and thermal shocks.

Kiln Furniture

A highlight of 2008 was the launch of Aptalite™ kiln furniture for roof tiles. Aptalite™ is a lower-density cordierite that lets customers make energy savings. Ceramic components for electronics were also developed.

(1) 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.

PROCESSES

In terms of processes, 2008 was a year of consolidation and fine-tuning the processes set up in en 2007, including kaolin granulation, pressure drying and dry kaolin mining in Cornwall (United Kingdom). Moreover, capital was invested in new facilities at the Lompoc (California, United States) plant, substantially improving the activity's industrial assets. Imerys continued to promote energy-efficient processes and the use of biomass and biogas, and to seek new opportunities.

1.8.2 Intellectual Property

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

The Legal Department's in-house experts actively campaign to raise the relevant employees' awareness of the need to keep strictly confidential the work and information stemming from research and technical assistance teams. 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 or pending patents. The Group holds more than 3,240 registered or pending trademarks, 1,140 current and pending patents, 170 industrial models and 10 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. That involves selecting the most appropriate and economically relevant means of protection with respect to the technology in question to draw a competitive benefit from the innovations (patent filing, publication, secrecy, etc.). Moreover, the Group regularly rationalizes its portfolio of patents, industrial designs or models and trademarks to ensure its assets match the technologies, models and trademarks that generate value for Imerys.

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.

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 in that area that are likely to 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

Imerys' international scope gives it special responsibilities with respect to employees, shareholders, the communities in which it operates and the environment. Consequently, various stakeholder interests have been identified:

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

Imerys is aware of the importance of its commitments and the potentially negative impact on its activities and operating permits if it fails to meet any of these standards. Consequently, environmental and social performance is a key component of the Group's results.

Imerys' Sustainable Development strategy is defined by a Sustainable Development (SD) Steering Committee that meets quarterly. The SD Steering Committee brings together various corporate functions: Research & Technology, Internal and External Communications, Human Resources, Environment, Health and Safety and Legal. Three members of Imerys' Executive Committee are on the Committee. The SD Steering Committee is assisted by the SD Working Group, which is comprised of Environment, Health & Safety, Sustainable Development and Human Resources professionals who are representative of all Imerys' activities. The Group Vice President Environment, Health & Safety (EHS) is the specific individual responsible for coordinating efforts on Sustainable Development. Tasked by the Steering Committee with defining the Group's medium-term (2009-2011) Sustainable Development goals, the SD Working Group recently put forward its recommendations.

The Board of Directors is increasingly attentive to Sustainable Development risks and issues. The Audit Committee is tasked with reviewing SD structures, policies, goals and results in greater detail. The main findings of that review, conducted in January 2009, will be presented to the Board of Directors in an upcoming meeting.

REPORTING INDICATORS AND SCOPE

Since 2005, the Group's Sustainable Development reporting has covered all activities over which it exerts operating control. The performance indicators were selected in consultation with competent in-house individuals who determined that the indicators are relevant to the Group's activities and its key orientations. It is the intention of the Group to align with the Global Reporting Initiative (GRI) [(1)].

The 2007 data presented in this section are different from those published in the 2007 Annual Report. The three main sources of difference are allowance for changes in Group structure, improvements to methodology and the correction of some reporting errors.

The processes used to accumulate the data were verified by the Group's Statutory Auditors (Ernst & Young Audit and Deloitte & Associés) for 2006 and 2007 data, and by the Group's Internal Control Department for 2008 data.

COMMUNICATION ON ENVIRONMENTAL AND SOCIAL PERFORMANCE

Imerys regularly reports on its environmental and social performance to stakeholders – employees, shareholders, public authorities, financial analysts, customers and suppliers – using the following specific communication tools:

- the Annual Report and brochure describes the trends in key indicators and main achievements for the year;
- Imerys' Sustainable Development Report, published every two years, gives an overview of the Group's goals and environmental and social aspects;
- the website www.imerys.com gives detailed information and is regularly updated;
- finally, the in-house magazine Imerys News, specifically intended for the Group's employees, provides an annual review of the local Sustainable Development initiatives recognized as part of the "Sustainable Development Challenge". Since the Challenge was launched in 2005, 131 projects have participated in the SD Challenge in the following categories: Environment (reduction of energy consumption, site restoration), Innovation, Human Resources and Community Relations. In 2008, the in-house jury gave awards to eight projects.

(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."

Imerys also takes part in global initiatives such as the Carbon Disclosure Project. Based on the information provided through these communication tools and regular dialog, Imerys is appraised at regular intervals by independent non-financial rating agencies – particularly Eiris, Ethifinance, Vigeo, and Innovest. Since September 2006, the Group has been included in the responsible investing index FTSE4Good, as well as the ASPI Eurozone® (Advanced Sustainable Performances Indices) index and Ethibel's "Excellence" investment register.

Finally, the Group regularly meets socially responsible institutional investors in specific meetings and conference calls.

SUSTAINABLE DEVELOPMENT CRITERIA FOR SUPPLIERS

The Group seeks to involve its suppliers in its Sustainable Development approach, particularly through its qualification process.

In that context, the Supplier Qualification System, a program intended to keep supply risks to a minimum and qualify suppliers, was launched in 2008 with the training of the Group's Purchasing Managers. More than 80 people were trained in Asia, Brazil, the United States and Europe. In parallel, the Group implemented the first stage of the assessment process.

The risk presented by some emerging countries, particularly in terms of Human Rights (forced or child labor) is a focus area. On this point, Imerys' suppliers are asked to certify that they comply with the United Nations' Universal Declaration of Human Rights or the relevant International Labour Organization's conventions. The second stage of the assessment process was begun in Asia and Brazil where several suppliers received the online self-assessment questionnaire. It is used to measure the supplier's compliance with Imerys' Sustainable Development criteria.

1.9.2 Environment

ENVIRONMENT ACTION PLAN

The Group began an environment initiative in November 2007 to implement a more systematic approach to environmental management in the operations. The following five aspects of the plan were rolled out in 2008:

- a regional Environmental training plan was undertaken and sessions were conducted in France, China, Brazil and the United States;
- five priority environmental protocols were emphasized: stability of dams and stockpiles, air emissions, water emissions, chemical management and post-mining restoration. Since April 2008, scorecards on those protocols have been presented quarterly to the Chief Executive Officer;
- a new instrument for reporting "environmental incidents" was set up in April 2008. As of the end of December 2008, 56 incidents were reported. Their analysis enabled the Group to determine the causes and implement corrective measures. Through regular measurement of these incidents, the Group will improve its environmental risk management program;
- a team dedicated to improving environmental performance was created to assist units that either have complex environmental issues or have recently joined Imerys. In 2008, the team took action on 27 of the Group's sites;
- finally, the EHS audit plan was refocused to focus in on certain environmental aspects. Further refinement of the new environmental aspect matrix is scheduled for 2009.

WATER CONSUMPTION

Imerys uses surface water and groundwater to process its minerals. After several treatment stages, process water is pumped into impoundments for reuse or is released to surface waters after purification. Imerys also pumps underground water to keep its quarries dry and in good working order. Imerys also uses water for various cleaning operations. Finally, some water is incorporated into final products such as kaolin slurry for paper manufacturers. Several Imerys operations perform dry minerals processing only. These operations use only small quantities of water.

The table below sets out data on Imerys' water consumption in the past two years, as the Group has collected data since 2007 only:

(Thousands of liters)	2008	2007
Water obtained from water suppliers	**8,045,736**	8,990,545
Water withdrawn from groundwater	**33,165,158**	38,899,463
Water withdrawn from surface water	**14,746,429**	18,033,390
Water obtained from other sources	**10,309,187**	9,923,508

WASTE

Imerys operations generate minimal industrial waste, because Imerys processes minerals mostly by mechanical (e.g., crushing) and physical (e.g., density separation) means. Imerys' processes consist of separating minerals with value for its customers from those with no market value. The minerals that currently have no perceived market value are typically stored on or near Imerys sites, as they have potential uses in the future as a result of technological innovations or new market opportunities. In many cases, these materials are also used in quarry restoration. For these reasons, the unused minerals do not qualify as "waste" by Imerys.

The table below sets out the data on waste generated by Imerys' activities in the past two years, as the Group has collected data since 2007 only:

(Metric tons)	2008	2007
Hazardous industrial waste	**1,981**	2,062
Recycled hazardous industrial waste	**307**	978
Non-hazardous industrial waste	**173,562**	154,246
Recycled non-hazardous industrial waste	**276,673**	199,127

SITE RESTORATION

Most Imerys mines are surface quarries. In order to extract mineral resources from these quarries, Imerys must remove the top layer of earth. Typically, the top layer is later used to backfill the mined area. To limit the environmental impact of this activity, Imerys requires its operations to maintain a mining remediation plan, which describes the methodologies to be implemented during the operational phase as well as during remediation. To support the mining remediation plan, Imerys requires its operations to conduct an environmental impact assessment consisting of three important items: (1) a baseline assessment of existing environmental conditions, (2) a description of the potential impacts of Imerys' activities on existing environmental conditions, and (3) recommendations for minimizing the potential impacts of Imerys' activities.

ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS)

The Group is committed to continual improvement of EHS performance through management systems. A self-assessment process has been developed that covers the key components of an effective management system. Imerys actively encourages each of its industrial sites to fulfill these requirements and provides them with assistance. Certification to ISO 14001 is also encouraged, but is not a Group requirement. The table below indicates the number of Imerys sites that are certified to ISO 14001 or the Eco-Management and Auditing Scheme (EMAS) and shows steady growth in that number since 2006.

	Number of ISO 14001 or EMAS certified sites		
	2008	2007	2006
Total	**61**	**54**	**41**

ENERGY CONSUMPTION AND AIR EMISSIONS

The key source of greenhouse gases (GHG) from Imerys' industrial sites is the use of energy such as fuel oil, natural gas and electricity. Energy at these sites is used to transform raw materials through processes such as crushing, heating, drying, classifying, refining, melting, sintering and calcining. In addition, some processes release carbon dioxide from the raw materials. For instance, clay containing calcium carbonate releases carbon dioxide when it is fired to produce tiles and bricks. Finally, carbon dioxide released in the supply chain, particularly in the transport and use of our products, should also be considered.

Twenty-two of Imerys' industrial sites take part in the European Union's emissions trading scheme. Emissions from the Imerys industrial sites were lower than their allocated emission quotas in 2008, the first year of Phase 2 of the trading scheme (2008-2012).

For several years, the Group has implemented action programs to improve the energy efficiency of its industrial activities and, as a result, reduce its greenhouse gas emissions. A Group Energy Manager, appointed in 2007, coordinates global energy management and ensures that operating activities develop and apply action plans to advance energy efficiency and reduce CO_2 emissions.

In 2008, the Group's energy network was reinforced:

- each operation appointed an energy manager and defined an energy savings plan. These energy savings plans are now monitored quarterly. Each of the main facilities in the Group, furthermore, defined an energy audit plan to supplement their energy savings plans;
- additional improvements in 2008 included development of a system for sharing information and best practices, and collection of energy performance indicators with increased frequency (quarterly versus annually).

Energy efficiency was also enhanced in 2008 through technical actions. For example:

- yields were improved by enhanced process monitoring and management;
- the Group also invested in developing processes and materials that use less energy or recover thermal energy;
- finally, the Group increased its use of biogas from municipal landfills to displace some of its fossil fuel use. Biomass and biogas now represent 4% of the Group's total energy consumption (almost 1 percentage point more than in 2007). Further uses of biomass and biogas are under development.

Overall, these actions enabled the Group to improve its energy efficiency by + 2.9% and reduce its CO_2 emission by 4.2% in 2008.

TOTAL CO_2 EMISSIONS RELATED TO ENERGY CONSUMPTION AND PRODUCTION PROCESSES [(1)]

(Thousands of tons)	Total CO_2 emissions		Of which CO_2 from energy use [(2)]		Of which CO_2 from process		Of which CO_2 from biomass	
	2008	2007	2008	2007	2008	2007	2008	2007
Total	**3,393**	**3,647**	**3,036**	**3,297**	**219**	**220**	**139**	**130**

(2) Excluding process and biomass.

ENERGY CONSUMPTION

(Thousands of Gj)	Total direct energy consumption in 2008	Electricity [(3)]	Natural gas	Other conventional fossil fuels	Biomass	Total direct energy consumption [(3)] in 2007
Total	**40,385**	**11,466**	**16,506**	**10,798**	**1,615**	**43,239**

(3) Net of resold electricity.

SO_x AND NO_x EMISSIONS

(Metric tons [(4)])	2008	2007
SOx	4,713	4,984
NOx	6,752	7,200

(4) SOx and NOx are estimated by applying generic conversion factors to each fuel source used. SOx and NOx from process are not yet included.

(1) In terms of energy consumption and CO_2 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 CO_2 emissions.*
- *On a few sites, Imerys subcontracts some activities, chiefly transport and mining. When data on fuel are available, particularly when Imerys buys the fuel, Imerys takes these data into account. In the event that the fuel is bought by contractors, the corresponding data have not been taken into account, because these data could not have been obtained with accuracy. Only data concerning companies over which Imerys exerts operating control have been taken into account.*
- *The GHG Protocol methodology was applied to 2008 and 2007 data to provide comparative information. For the United States, electricity emission factors are in accordance with "eGRID".*

1.9.3 Safety

Mining and minerals processing are environments requiring a strong safety culture to prevent accidents. Imerys operations have always recognized the importance of safety, and have long implemented safety programs. Since 2005, a series of strategic safety initiatives have been implemented to supplement these efforts and provide operations with the tools and training needed to achieve continuous and sustainable improvement in workplace safety. Since the launch of those programs, the Group's lost-time accident rate has been cut by 60%.

The following are the annual frequency and severity rates for the last three years:

	2008	2007	2006
Frequency rate (1)			
Imerys employees	*4.65*	*5.69*	*7.96*
Other employees (2)	*4.33*	*8.04*	*13.75*
Severity rate (3)			
Imerys employees	*0.20*	*0.18*	*0.24*
Other employees (2)	*0.07*	*0.15*	*0.24*

(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.

The Group's safety performance has improved very significantly. Unfortunately, fatal accidents have still occurred: in 2008, an Imerys employee and a contractor employee died when working for Imerys (3 contractor employees in 2007). To prevent such fatal accidents or serious injuries, the "Serious Six Initiative" was launched in early 2007. This set of protocols covers the activities that are associated with the highest risk of serious injuries and fatalities in the mining industry: (1) electrical safety; (2) "Lockout/Tagout"; (3) machine guarding; (4) working at heights; (5) mobile equipment (bulldozers, forklifts, haul tricks, etc.); and (6) ground control. Following the close of each quarter in 2008, the operations presented a self-assessment scorecard to the Chief Executive Officer on their implementation of these six protocols. This process has led to the implementation of relevant measures to ensure compliance. These corrective actions will be continued in 2009, particularly in newly acquired operations.

HEALTH

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

Dust exposure is regularly assessed across the Group. These assessments are focused mainly on employee exposure to mineral dust, particularly crystalline silica. Group standards and guidance documents have been created to support industrial sites in establishing an occupational dust management program (including risk assessment, exposure monitoring, control measures and health surveillance) and raise employees' awareness of the risks related to dust exposure.

Imerys' European subsidiaries take part in the "Agreement on Workers' Health Protection through the Good Handling and Use of Crystalline Silica and Products containing it". This agreement, signed on 25 April 2006, consists of 17 European Employer and Employee associations, representing 14 sectors handling, using or producing crystalline silica or products containing it. The first report on the application of the agreement was published in June 2008.

REACh

The European Union Regulation on the Registration Evaluation and Authorization of Chemicals (REACh) requires all European manufacturers and importers of products to register, evaluate and obtain authorization for the substances present in the products. An exemption in the regulations covers "minerals which occur in nature" which significantly reduces the impact of these new regulations on Imerys. However, the Group has identified a small number of its products that are subject to registration and is implementing appropriate measures to comply with REACh with respect to these products. Moreover, Imerys has established internal REACh workgroups that will incorporate the changes resulting from the REACh initiative into its supply chain, without a material adverse impact on the Group's operations.

1.9.4 Regulatory compliance and auditing

In every country where it operates, Imerys is subject to various environmental, health and safety regulations. To ensure compliance with these regulations, Imerys' operations are audited as mandated by the Imerys EHS Charter signed by the Chief Executive Officer. The Group Vice President Environment, Health & Safety is responsible for coordinating the EHS Audit program under a specific policy and procedure. Beyond regulations, the EHS Audit program also monitors compliance with all 27 protocols defined by Imerys which cover areas such as air emissions, water quality, waste management, noise pollution, health and safety.

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 *(in euros)*		
	2008	2007 (1)	2006	2008	2007 (1)	2006
Total	**15**	**16**	**19**	**45,496**	**64,483**	**50,648**

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

Since 2006, the number of prosecutions and the amount of fines have remained relatively low.

1.9.5 Community relations

Developing relations with communities near the Group's industrial and mining sites is a crucial factor in maintaining the long-term viability of these sites. Open dialog with local authorities and associations helps to reduce the possibility of negative outcomes from Imerys' business (e.g., noise and dust). Furthermore, such open dialogue enables Imerys' operations to understand how they can become involved in local economic development.

The Group's operations are based in extremely diverse areas. Consequently, the Group's decentralized management approach is appropriate for responding to community relations issues. The flexibility of this approach enables each operation to adapt to the local values, constraints and potentials 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. In the mining and production operations, the senior manager is the plant manager, mine manager or equivalent. Under the community relations protocol, the senior manager is required to create a stakeholder inventory and craft a plan for continuous improvement of stakeholder relations.

Assessment of the protocol's deployment in the Group is in progress and will result in a mid-term action plan.

1.9.6 Human Resources

The Human Resources Department's mission is to enable the Group to have the people needed for its external and organic growth, and to ensure that its organization evolves in an efficient, coordinated manner.

With that in mind, it develops and implements principles and processes in conjunction with the Group's decentralized management philosophy and in compliance with the relevant national legislation.

Human Resources professionals are responsible in their operations for the entire function, reporting directly to the line manager. There is also regional and country coordination to leverage important synergies for employment or industrial relations issues and to roll out Group programs.

HUMAN RESOURCES PRINCIPLES & MAIN AREAS OF ACTION

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

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

The Group is committed to complying with local legislation 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 these principles apply to a number of key areas including the following:

- **recruitment**: attract the most desirable candidates, both to support organic growth and to take on new businesses. A Recent Graduates Program was launched in early 2008 to provide the Group the resources needed for its long-term growth. In 2009, it will concentrate on key emerging countries such as China or Ukraine;
- **mobility**: fill vacancies with existing skills within the Group. For that purpose, Imerys has set up common tools and processes throughout the Group, including annual performance reviews and succession plans for its principal managers. This internal mobility goal is a priority for Human Resources teams, so specialized committees meet regularly on the issue;
- **training**: enable every employee to develop his or her talents and foster the sharing of best practices. In parallel to the initiatives taken by businesses, the Group carries out more targeted actions for senior managers, and to strengthen professional expertise in selected fields (e.g. finance, geology, marketing);
- **compensation and benefits**: have coordinated, competitive systems that take into account both the results of the entity where employees work and their individual performance. While national 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 changes to benefit systems are carried out at the initiative of the Group Human Resources Department. In 2008, Imerys set up a uniform Business Travel Assistance for the entire Group. This insurance covers all Group employees while on business travel, whether in their home country or abroad. It is effective 24/7 Moreover, as of the beginning of 2008 almost 3,000 employees enjoy improved medical coverage or new benefits such as death and disability insurance. This is the case for most Chinese or South American employees, for example. The Group intends to give its employees a level of coverage that is competitive in their countries and acceptable with respect to its standards;
- **industrial relations**: the Group aims to build constructive relations with its employees and their representatives in accordance with local regulations.

  European Works Council (EWC)**:** created in 2001, the EWC meets once a year in a plenary session. 15 countries (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Portugal, Slovenia, Spain, Sweden, United Kingdom) are represented by a 16-member employee delegation. The EWC's five officers meet at least twice a year. The agreement organizing the workings of the Council was renewed by all employee representatives in late 2005 for four years. It includes many progress points on industrial dialog, including expert assistance for personnel representatives.

  The need to improve the efficiency and productivity of the Group's businesses may lead to internal restructuring plans and job cuts. In such situations, the Group's policy is to give priority to finding internal mobility solutions for the employees concerned and to set up accompanying training programs and measures in order to provide the help needed to look for a job or fulfill 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 businesses. 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, which was overhauled in 2008 to make it clearer and more comprehensive. The intranet now gives access to the main information from the homepage and includes a new section on training,
  - 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 magazine's layout changed in 2008 with the creation of new sections such as "Product Knowledge" and "Community Relations",
  - in 2008, the Group published two new brochures. The first, Imerys' Code of Business Conduct and Ethics is available on the Group's public website. *For more information on the Code, see chapter 4 section 4.2 of the Annual Report*. The second, "Crisis Management & Communication", was designed for site managers and their management teams. It describes the behavior to adopt when an entity, particularly an industrial facility, has to cope with a sensitive situation.
- **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. The accuracy of indicators launched in 2007 (professional training, disability, age pyramid and seniority) has improved.

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

  In 2008, the Human Resources Department built a Management Database in accordance with current regulations on the exchange and protection of personal data. As of the end of 2008, it contained approximately 200 profiles of executives and senior managers. This new management tool gives fast access to Group employees' professional information and the components of their compensation. It should soon include approximately 1,000 profiles.

HUMAN RESOURCES KEY PERFORMANCE INDICATORS

EMPLOYEE HEADCOUNT

	12/31/2008	12/31/2007	12/31/2006
Total Group as on 12/31	17,016	17,552	15,776
Average annual headcount	17,913	16,534	n.a.

As on December 31, 2008, the Group had 17,016 employees, of which 903 are on fixed-term contracts, i.e. 5% of the total workforce. Fixed-term contracts are most frequently used in China (11% of employees). The employee headcount totaled 17,552 as of December 31, 2007 (of which 1,207 fixed-term contracts).

To estimate the Group's total workforce, temporary personnel and on-site subcontractors have been added (2,074 people as on December 31, 2008) and interns (81 as on December 31, 2008). The countries that make most use of external manpower are Brazil (346), France (323), South Africa (295), India and Vietnam.

In total, Imerys' total workforce (including interns, temps and on-site subcontractors) numbered 19,171 as on December 31, 2008 compared with 21,047 as on December 31, 2007.

During the year, the acquisition of Astron's activities in China (Imerys Astron China) in February 2008 increased the Group's headcount to approximately 18,200 employees. The workforce was stable overall until mid-year, when it decreased, mainly as a result of the end of the industrial restructuring of the Group's businesses in Cornwall (United Kingdom), the reorganization of Vatutinsky, a Ukrainian company acquired in 2007, and the restructuring programs carried out in businesses affected by the global economic crisis (with the Group deciding, in particular, not to renew 200 fixed-term contracts or replace retiring personnel).

The Group's headcount in 2008 averaged 17,913 employees for the year, compared with 16,534 in 2007 (of which 1,150 and 1,139 fixed-term contracts, respectively).

Employees by business group

	12/31/2008	12/31/2007
Minerals for Ceramics, Refractories, Abrasives & Foundry	6,471	6,421
Performance & Filtration Minerals	3,157	3,408
Pigments for Paper	2,517	2,783
Materials & Monolithics	4,627	4,718
Holding company	244	222
Total	**17,016**	**17,552**

Based on the organization set up in 2008, the distribution of employees among business groups was stable from 2007 to 2008. Minerals for Ceramics, Refractories, Abrasives & Foundry is the business group that employs the most people (38% of the Group's employees).

Employees by geographic zone

	12/31/2008	12/31/2007	12/31/2006
Western Europe	7,055	7,266	7,897
of which France	*3,429*	*3,486*	*3,666*
of which United Kingdom	*1,431*	*1,615*	*1,953*
Central Europe	1,422	1,895	1,083
North America (inc. Mexico)	2,726	3,174	3,042
of which United States	*2,345*	*2,794*	*2,661*
South America	1,306	1,315	1,223
of which Brazil	*855*	*867*	*895*
Asia-Pacific	3,623	3,069	1,834
of which China	*2,227*	*1,672*	*1,088*
of which India	*626*	*652*	-
Africa	884	833	697
Total	**17,016**	**17,552**	**15,776**

The significant rise in the workforce recorded in China results from the consolidation of Imerys Astron China in February 2008. The decrease in the headcount for Central Europe is due to the reorganization of the Ukrainian company Vatutinsky, which was acquired in 2007.

Employees by function

	12/31/2008		12/31/2007	
Operations – Production – Manufacturing	12,131	71.3%	12,906	73.5%
Logistics – Supply Chain – Purchasing	723	4.3%	645	3.7%
Research & Development – Geology	514	3.0%	516	2.9%
Sales & Marketing	1,294	7.6%	1,223	7.0%
Support & Administration	2,354	13.8%	2,262	12.9%
Total	**17,016**	**100.0%**	**17,552**	**100.0%**

The distribution of employees by function is very stable over time in the Group and within the different business groups.

Turnover

Turnover as indicated is analyzed as the number of voluntary departures in the year (excluding dismissals), compared with the previous year (as on 12/31/2007), for open-ended contracts only.

In 2008, turnover amounted to 9.0% for the entire scope of the Group (vs. 7.2% in 2007). The geographic zone with the highest turnover was Asia-Pacific (19.8%). On the other hand, the rate was low in South America (4%) and Europe (5.6%). Personnel turnover by business group was higher in Performance & Filtration Minerals (14%) than in the other business groups, where it did not exceed 8.0%.

For all causes of departure, excluding the end of fixed-term contracts, 2,998 people left the Group in 2008 – of which 43% economic dismissals, 35% resignations and 10% retirement – compared with 2,237 in 2007.

Recruitment effort

The recruitment effort in 2008 concerned 2,431 people (vs. 2,210 in 2007), 1,179 of whom were on open-ended contracts and 1,252 on fixed-term contracts. The countries who recruited the most employees on open-ended contracts were China, France, Brazil and the United States. Furthermore South Africa and China recruited high numbers of fixed-term employees (237 jobs). The business groups that made the biggest contributions to the recruitment effort were Minerals for Ceramics, Refractories, Abrasives & Foundry with 948 jobs (of which 523 open-ended) then Materials & Monolithics with 611 jobs, of which 423 on a fixed-term basis.

In parallel, 336 vacancies were filled by in-house candidates, including 137 in Western Europe.

DIVERSITY

Percentage of women by geographic zone

	12/31/2008		12/31/2007	
	All employees	Salaried employees	All employees	Salaried employees
Western Europe	15.2%	29.5%	15.7%	29.7%
Central Europe	19.6%	35.9%	15.7%	29.7%
North America	14.3%	33.6%	13.5%	32.3%
South America	11.1%	31.9%	10.2%	30.0%
Asia-Pacific	17.1%	28.5%	14.8%	25.7%
Africa	8.1%	14.8%	7.1%	12.0%
Total	**15.1%**	**30.2%**	**14.3%**	**29.2%**

The proportion of women in the Group's total workforce increased slightly compared with 2007 and 2006, particularly in Asia-Pacific. The proportion of women senior managers (members of support or line management teams) at Imerys was 8% in 2008 (9.5% in 2007); this proportion is marginal in the "workers" category.

Number of disabled employees

According to the definition used in the Group (application of national law or regulations or, as the case may be, according to the International Labour Organization), Imerys employs 242 people with a disability who have declared themselves as disabled with their Human Resources Department (vs. 246 in 2007).

Age and seniority

While 59% of Group employees are in the "40 and over" bracket, there is wide geographic 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 (28% of employees have 4-10 years' seniority, 26% more than 20 years). There are significant differences by geography. In South America, employees generally have less than three years' service (for 43% of employees); in Asia-Pacific and Africa, 70% of employees have less that 10 years' seniority; in North America and Europe, more than one-third of the workforce has more than 20 years' seniority.

INDUSTRIAL RELATIONS

In 2008, 5,019 working hours were lost due to strikes (12,065 in 2007 and 5,155 in 2006).

In 2008, 158 agreements were signed with the various employee representative bodies or unions in Group companies (146 in 2007 and 124 in 2006).

TRAINING

More than 250,000 actual training hours (corresponding to a precise program and content) were given out in 2008 (up 14% from 220,000 in 2007). Practical awareness training on health & safety procedures and measures accounts for 50% of all training hours, technical expertise 41% and management training 9%.

For the first time, Imerys reported the number of employees who received training at least once since the start of the year. The figure was approximately 9,800 in 2008, i.e. 58% of the Group's annual average workforce.

EMPLOYEE SHAREHOLDING

The Group did not carry out a new employee shareholding plan in 2008. Nevertheless, the Human Resources Department kept up its communication efforts with employee shareholders by sending them documentation translated into five languages in mid-year, whereas the usual financial documents are only printed in French and English.

The table below shows the number of Imerys employee shareholders according to their place of residence. Imerys has rolled out plans in 21 countries (marked with * in the table), but employee shareholders were located in 26 countries at year-end 2008 as a result of internal transfers.

	2008		2007		2006	
	Number of employee shareholders	Percentage of shareholders among total employees as on 12/31	Number of employee shareholders	Percentage of shareholders among total employees as on 12/31	Number of employee shareholders	Percentage of shareholders among total employees as on 12/31
France*	1,211	35.32%	1,375	39.44%	1,592	43.40%
United States*	662	28.23%	702	25.12%	748	28.10%
United Kingdom*	379	26.48%	389	24.08%	434	22.20%
Brazil*	256	29.94%	332	38.29%	383	42.79%
Germany*	157	22.02%	158	23.47%	168	25.57%
South Africa*	139	18.83%	140	20.58%	131	23.60%
Austria*	90	23.08%	91	23.33%	66	16.38%
Spain*	80	26.76%	56	17.07%	97	21.32%
Sweden*	63	17.31%	64	20.57%	70	24.30%
Italy*	56	20.22%	59	20.84%	64	21.91%
Switzerland*	48	25.26%	49	25.38%	49	26.77%
Mexico*	46	15.86%	47	15.66%	47	15.56%
Belgium*	45	22.28%	44	21.59%	47	23.85%
Malaysia*	33	22.60%	37	24.66%	38	27.53%
Canada*	29	31.87%	30	37.50%	38	48.10%
Thailand*	27	14.21%	27	13.91%	31	15.73%
Netherlands*	24	36.92%	25	42.37%	24	40.00%
Singapore*	15	36.59%	15	55.55%	15	57.69%
Slovenia*	6	6.52%	6	6.31%	6	5.94%
Australia	2	3.08%	-		-	
Hungary*	2	0.72%	2	0.67%	2	0.67%
China	1	0.04%	-		-	
Luxembourg	1	50.00%	-		-	
Portugal*	1	14.29%	6	85.70%	58	85.29%
Turkey	1	1.06%	-		-	
Vietnam	1	1.20%	-		-	
Total	**3,375**	**19.83%**	**3,653**	**20.81%**	**4,108**	**26.04%**

The decrease in the number of employee shareholders in the past 12 months is due to personnel turnover.

REPORTS ON THE FISCAL YEAR 2008

2

2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

2.1.1 Financial year 2008

In 2008, Imerys' environment was marked by a gradual downturn in American and European economic conditions. This slump worsened sharply in the fall, resulting in an unprecedented drop in sales volumes in the last few months of the year. New housing-related markets (building materials, ceramics, performance minerals) were particularly affected in both the United States and Europe. In the paper sector, demand decreased and the industrial base underwent further restructuring in developed countries, while trends remained positive in Asia. Global markets related to industrial equipment (refractories, abrasives, graphite, etc.) benefited from firm growth during the first nine months of the year but were severely hit in the 4th quarter by production stoppages, particularly in the steel and automotive industries.

As regards variable costs (energy, raw materials, freight, etc.), while some energy prices eased off towards the end of the year, other cost factors remained high, after the historical peaks reached in mid-year. As a result, inflation in those factors for 2008 as a whole was unprecedented. Finally, the dollar rate against the euro was lower than in 2007, despite an increase at the end of the year.

In 2008, in this difficult economic context, the Group's action plans were focused along the following lines:

- completing the extensive industrial performance improvement programs begun in 2007 in kaolins for paper and Minerals for Filtration;
- integrating the companies acquired since 2007, which are in the rationalization process and enable Imerys to strengthen its positions in developing economies, particularly Asia-Pacific.

Since the summer, priority has been given to:

- free cash flow generation through strict management of capital expenditure and working capital requirements;
- adjusting production assets to demand across all the Group's activities.

The Group's sales grew in 2008 (+ 1.4% vs. 2007), benefiting from the consolidation of the acquisitions made since 2007. Current operating income, however, showed a - 15.7% decrease, mainly reflecting the impact of the volume decreases recorded towards the end of the year in most markets. Net current income was also down - 15.7%.

(€ millions)	2008	2007	% current change
Consolidated Results			
Sales	3,449.2	3,401.9	+ 1.4%
Current operating income (1)	403.4	478.3	- 15.7%
Net current income, Group's share (2)	267.1	316.7	- 15.7%
Net income, Group's share	161.3	284.2	- 43.2%
Financing			
Current operating cash flow (3)	458.4	522.6	- 12.3%
Booked capital expenditure	238.1	367.0	- 35.1%
Shareholders' equity	1,546.3	1,663.6	- 7.0%
Net financial debt	1,566.1	1,343.0	+ 16.6%
Data per share (weighted average number)	62,801,382	63,330,652	- 0.8%
Net income from current operations, Group's share (2)	€4.25	€5.00	- 15.0%
Proposed dividend	€1.00	€1.90	- 47.4%

(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 tax on current operating income.

2.1.2 Detailed commentary on the Group's results

SALES UP + 1.4%, I.E. + 0.7% AT COMPARABLE GROUP STRUCTURE AND EXCHANGE RATES

Sales totaled €3,449.2 million in 2008, up + 1.4% from 2007 (+ 4.2% over 9 months; - 7.1% in 4th quarter).

For 2008, the increase in sales takes into account:

- A + €131.3 million net effect of changes in Group structure [(1)], i.e. + 3.9% (+ 4.5% over 9 months; + 2.0% in the 4th quarter);
- negative exchange rate impact, despite a firmer US dollar against the euro towards the end of the period (- €108.3 million, i.e. - 3.2%, of which - 4.8% over 9 months; + 1.4% in the 4th quarter).

At comparable Group structure and exchange rates, sales increased + 0.7% (+ 4.5% over 9 months; - 10.5% in the 4th quarter). This trend reflects:

- an improvement in the price/mix component for €151.4 million, reflecting record inflation in variable costs across all business groups (+ 4.5%, of which + 3.7% over 9 months; + 6.6% in the 4th quarter);
- a sharp decrease in sales volumes for - €127.2 million, which occurred in full in the 4th quarter (- 3.7% of which + 0.7% over 9 months; - 17.1% in the 4th quarter).

In terms of the geographic distribution of sales, Western Europe represents 53% of turnover, of which 19% for France. North America accounts for 19% and Japan & Australia 5%. Emerging countries now represent 23% of the Group's sales, a + 16% increase from 2007.

CURRENT OPERATING INCOME DOWN - 15.7%, I.E. - 13.5% AT COMPARABLE GROUP STRUCTURE AND EXCHANGE RATES

Current operating income, at €403.4 million, decreased - 15.7% compared with 2007 (- 9.3% over 9 months; - 35.5% in the 4th quarter). It includes:

- negative exchange rates impact for - €18.3 million (- €21.8 million over 9 months; + €3.5 million in the 4th quarter), primarily due to a currency translation effect;
- net effect of changes in Group structure for + €8.1 million.

Allowing for the effects of exchange rates and changes in Group structure, current operating income decreased by - €64.6 million (i.e. - 13.5% of which: - 6.0% over 9 months; - 36.8% in the 4th quarter):

- the sales efforts made throughout 2008 led to a substantial improvement in the price/mix component (+ €160.0 million). This was needed to offset fully the record inflation in variable costs during the period (- €159.3 million);
- fixed costs improved as expected (+ €14.5 million) as a result of the restructuring plans carried out in 2007 and 2008 and the cost reduction actions taken in all the Group's activities;
- the decrease in current operating income is therefore entirely due to the sharp drop in sales volumes towards the end of the year (- €79.3 million, of which - €57.4 million in the 4th quarter). This affected all the Group's activities, most heavily those that make the largest contributions to income.

The Group's operating margin worked out at 11.7% compared with 14.1% in 2007.

NET INCOME FROM CURRENT OPERATIONS DOWN - 15.7%

The Group's share of net income from current operations totaled €267.1 million in 2008 (€316.7 million in 2007), i.e. a - 15.7% decrease (- 4.8% over 9 months; - 45.4% in the 4th quarter).

In addition to the drop in current operating income, this decrease factors in:

- - €46.2 million in financial expense (- €55.7 million in 2007). The improvement is due to lower interest rates and gains on the settlement of exchange rate and interest rate transactions;
- a current tax charge of - €98.1 million (- €110.1 million in 2007), reflecting as expected a slight increase in the effective tax rate to 27.5% (26.0% in 2007). This rise particularly results from the very high depreciation of the Brazilian real against the US dollar.

At €4.25 compared with €5.00 in 2007, net current income per share was down - 15.0% from 2007, with a slight decrease in the weighted average number of outstanding shares, at 62,801,382 compared with 63,330,652 in 2007.

DECREASE IN NET INCOME

The Group's share of net income totaled €161.3 million in 2008, compared with €284.2 million in 2007. It includes - €105.8 million in other operating revenue and expenses, net of tax (- €32.5 million in 2007).

- - €40.6 million in cash expenses (restructuring, litigation) mainly related to the cost reduction programs implemented throughout the year, especially the measures taken in the 4th quarter to respond swiftly to the heavy downturn in demand. These programs particularly concerned kaolins and carbonates for paper activities, as well as Performance Minerals in the United

(1) Of which, 2008 acquisitions: 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).

States and the adjustment of refractory chamotte production in Ukraine;

- - €65.2 million in non-cash expenses relating to industrial asset depreciations resulting from the restructuring programs carried out in 2008 and an impairment recorded on goodwill in Performance Minerals in the United States.

SUBSTANTIAL CASH FLOW GENERATION, SOUND FINANCIAL STRUCTURE

Current operating cash flow [(1)] remained high at €458.4 million (€522.6 million in 2007). It takes into account:

- EBITDA [(2)] of €569.0 million (€646.7 million in 2007), i.e. a - 12.0% decrease;
- a notional tax charge on current operating income of - €110.6 million (- €124.6 million in 2007).

After the highest-ever level of capital expenditure in 2007 (€367.0 million booked, i.e. 186.1% of depreciation expense), the 2008 program still invested a significant amount in the Group's development (€238.1 million booked, i.e. 123.3% of depreciation expense), focusing on:

- sustaining existing industrial assets (€122.1 million);
- completing the extensive industrial performance improvement plans begun in 2007 (kaolins for paper and Minerals for Filtration). The targeted extension of some capacities (€116.0 million) mainly concerned andalusite production in China, Minerals for Refractories manufacturing in Europe, North America and South Africa, the development of carbonates for paper units in Asia and the supply of rectified structure bricks in Western France.

Efforts by the Group's teams helped to improve the working capital/ sales ratio (24.1% in 2008 vs. 24.8% in 2007). Consequently, changes in operating working capital formed a resource of + €32.3 million (vs. a use of - €4.9 million in 2007).

In total, current free operating cash flow [(3)] increased significantly to €253.4 million (€174.1 million in 2007).

After allowing for - €33.6 million financial expense, net of tax, (- €41.2 million in 2007) and other working capital and non-cash items, for a total of - €40.0 million (- €15.5 million in 2007), mainly relating to the settlement of tax downpayments that proved far greater than the likely amount of tax owed in 2009, current free cash flow [(4)] totaled €179.8 million (€117.4 million in 2007).

After completing the acquisition of the Chinese activities of Astron (Imerys Astron China), a specialist in zircon products, the Group's acquisition policy has been highly selective, particularly since the beginning of the global economic crisis in early autumn 2008. The total cash impact of external growth operations was - €155.8 million (- €33.8 million excluding Imerys Astron China) for the period (- €232.8 million in 2007).

Finally, Imerys paid out €119.7 million in dividends in 2008 (€116.0 million in 2007).

Consolidated net financial debt at the end of the period increased to €1,566.1 million, compared with €1,343.0 million as on December 31, 2007. It represents 101.3% of shareholders' equity (80.7% in 2007) and 2.8 times EBITDA (2.1 times in 2007).

The Group's financial structure is sound with €2,353.6 million in total financial resources with an average maturity of 5.5 years as on December 31, 2008. No significant refund is scheduled until the end of 2012, with repayment dates spaced out after that. Funded by bonds (in euros, US dollars and Japanese yen) and multi-currency bank debt (bilateral lines, syndicated credit), Imerys' currency debt structure is consistent with its activities' cash flow generation.

Taking difficult economic conditions into account, at the Annual General Meeting of April 29, 2009, the Board of Directors will propose payment of a dividend reduced to €1.00 per share, compared with €1.90 for financial 2007, i.e. a total of approximately €62.8 million, which represents 23.5% of the Group's share of net current income. This dividend will be paid out from July 7, 2009.

(1) EBITDA minus tax on current operating income.
(2) Current operating income plus depreciation expense and provisions.
(3) Current operating cash flow minus paid capital expenditure and change in operating working capital.
(4) Current operating free cash flow minus financial expense net of tax, and change in other working capital items and non-cash items (deferred taxes and financial provisions).

2.1.3 Commentary by business group

MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

(33% of the Group's consolidated sales)

(€ millions)	2008	2007	% Current change	% Comparable change (2)
Sales	1,159.9	1,051.2	+ 10.3%	+ 4,8%
Current operating income (1)	125.8	145.4	- 13.5%	- 9,0%
Booked capital expenditure	70.4	78.7	- 10.5%	n.a.

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

MARKETS

The business group's markets showed contrasting trends in 2008. The Minerals for Refractories, Fused Minerals (particularly refractories and abrasives) and Graphite (mobile energy) markets were all healthy in the first nine months when they benefited from a dynamic global market for industrial equipment (particularly steel, aluminum and glass), before slowing down very sharply towards the end of the year.

Ceramics markets remained affected throughout the year by the construction sector crisis in North America. In Europe, they went into a downturn at the end of the 1st quarter, because of the slump in the new construction sector.

HIGHLIGHTS

In Minerals for Refractories, to support demand growth on some markets, particularly due to substitution to other minerals, a refractory clay calciner was built in the Andersonville (Georgia, United States) plant and the andalusite production capacity extension in Yilong (China), a company acquired in 2007, is in progress. Integration of the Ukrainian company Vatutinsky Kombinat Vognetryviv (Vatutinsky) resulted in major adjustments to production assets.

Various optimization actions were taken to reduce costs in Minerals for Abrasives (Zschornewitz, Germany and Domodossola, Italy); optimization of Imerys Astron China's industrial and commercial assets continues but is however behind the initial schedule.

In Minerals for Ceramics, the consolidation of feldspar production units – one of which was acquired in 2007 in the United States – is well under way.

Capital expenditure totaled €70.4 million, i.e. 114.0% of depreciation expense, compared with €78.7 million in 2007.

PERFORMANCE

Sales in 2008 totaled €1,159.9 million. This figure takes into account the net effect of changes in Group structure for + €96.4 million, i.e. + 9.2%, and - €37.9 million in exchange rates impact (- 3.6%).

At comparable Group structure and exchange rates, sales rose + 4.8% during the period (of which + 9.4% over 9 months and - 8.2% in the 4th quarter).

Current operating income for 2008 was €125.8 million (€145.4 million in 2007). Allowing for exchange rates (- €6.2 million) and Group structure (- €0.3 million) effects, the business group's current operating income decreased by - €13.0 million. The significant improvement in the price/mix component offsets the rise in variable costs (mainly energy and raw materials). The change in current operating income reflects the significant drop in sales volumes towards the end of the year with many production stoppages by customers.

Operating margin was 10.9% (13.8% in 2007), which also reflects the integration of newly-acquired companies with profitability that remains lower than for the business group's other activities.

PERFORMANCE & FILTRATION MINERALS

(15% of the Group's consolidated sales)

(€ millions)	2008	2007	% Current change	% Comparable change (2)
Sales	526.5	564.5	- 6.7%	- 2,6%
Current operating income (1)	44.9	48.4	- 7.1%	- 10,6%
Booked capital expenditure	47.7	60.2	- 20.8%	n.a.

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

MARKETS

During the year, Performance Minerals markets (paint, plastic, ink, pharmaceuticals, etc.) went through a slump that worsened in the 2nd half with a downturn in construction markets in the main European countries. In North America, activity remained poor throughout the year with a further decrease in new housing compared with 2007. Filtration Minerals markets were stable overall, with demand softening at the very end of the year.

HIGHLIGHTS

A highlight of 2008 was the optimization of the industrial base in all activities.

In Performance Minerals, the reorganization of the European kaolin production platform was completed in the 2nd half of 2008 with the closure of the Devon (United Kingdom) site. In the United States, capacity adjustments continued, including the transfer of calcined kaolin operations from the Dry Branch facility to Sandersville and the adaptation of the Sylacauga plant (ground calcium carbonates).

In Minerals for Filtration (World Minerals), the industrial optimization plan for the activity in North America was completed with the modernization of the Lompoc (California, United States) plant.

In Argentina, the acquisition of Perfiltra S.A. in 2007, enabled the Group to develop its perlite production base in the region. Production assets were optimized to improve performance.

Finally, in October 2008, the acquisition of Kings Mountain Minerals, Inc. and Suzorite Mining, Inc., two companies that specialize in mining and processing mica, extended the mineral product range. With very high quality reserves and two production units (North Carolina, United States and Quebec, Canada), these activities achieve yearly sales of approximately US$ 20 million. They are a useful addition to the Performance Minerals offering (especially plastic and paint applications).

Capital expenditure totaled €47.7 million, i.e. 155.7% of depreciation expense, compared with €60.2 million in 2007.

PERFORMANCE

Sales, at €526.5 million in 2008, decreased - 6.7% from 2007. This decrease takes into account a negative exchange rates effect of - €29.8 million (- 5.3%) and a positive Group structure impact of + €6.7 million (+ 1.2%) [(1)]. At comparable Group structure and exchange rates, sales decreased - 2.6% (of which + 0.4% over 9 months and - 12.8% in the 4th quarter), with the improvement in the price/mix component not totally offsetting the impact of lower volumes, mainly recorded in Performance Minerals.

Current operating income totaled €44.9 million (€48.4 million in 2007). Excluding Group structure (+ €0.9 million) and exchange rates (+ €0.8 million) effects, the business group's operating performance was down - €5.1 million. The improvement in the price/mix component offset the rise in variable costs. Reorganizations carried out since 2007 led to a significant reduction in the fixed costs and overheads base in Performance Minerals, but also in Minerals for Filtration, where the Lompoc unit optimization plan was completed in the 2nd half of the year. This reduction limited the impact of the slump in volumes.

Operating margin was stable at 8.5% (8.6% in 2007).

PIGMENTS FOR PAPER

(22% of the Group's consolidated sales)

(€ millions)	2008	2007	% Current change	% Comparable change [(2)]
Sales	764.4	798.9	- 4.3%	- 0,5%
Current operating income [(1)]	55.2	83.9	- 34.2%	- 25,5%
Booked capital expenditure	63.5	174.7	- 63.7%	n.a.

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

MARKETS

In Pigments for Paper, global production of printing and writing papers decreased slightly over the period (- 1.8%) with a significant reduction in productions levels in the 4th quarter. Output continued to rise in Asia-Pacific (+ 2.6%). However, it decreased in Europe and North America, where the main papermakers continue to restructure.

HIGHLIGHTS

Cost base reduction efforts in kaolin for paper continued throughout the year. After the transfer of coating kaolin for paper production from the United Kingdom to Brazil, which was effective early in the year, the optimization of the new industrial and logistical platform was completed. In parallel, to adapt to lower demand, kaolin production capacities at the Sandersville (Georgia, United States) unit were reduced in the 3rd quarter. In addition, it was decided in the United Kingdom to restructure support functions and shut down the Salisbury GCC plant; this measure should be effective in the first few months of 2009.

At the same time, the business group continued its progress in calcium carbonates, which now account for more than half its sales volumes. In Asia-Pacific, where markets remain firm, the capital expenditure projects carried out in 2007 in Niigata (Japan) and Kerinci (Indonesia) are operating at full capacity.

(1) Xinlong (China, May 2007), Perfiltra (Argentina, May 2007), Kings Mountain Minerals, Inc. (USA, October 2008) and Suzorite Mining, Inc. (Canada, October 2008).

Capital expenditure totaled €63.5 million, i.e. 106.0% of depreciation expense, compared with €174.7 million in 2007.

PERFORMANCE

Sales, at €764.4 million in 2008, were down - 4.3% from 2007. This change takes into account the negative effect of exchange rates at - €27.0 million (- 3.4%). At comparable Group structure and exchange rates, sales were stable over the year (- 0.5%, of which + 2.6% over 9 months and - 10.1% in the 4th quarter), with the improvement in the price/mix component offsetting the lower volumes recorded in Europe and the United States.

Current operating income amounted to €55.2 million (€83.9 million in 2007). This result includes the negative impact of exchange rates (- €7.1 million). At comparable Group structure and exchange rates, the business group's operating performance was down - €21.4 million. In addition to the negative exchange rates effect, the business group was affected by very high inflation in its variable costs for most of the year, which was not fully offset by the price rises implemented. On the other hand, the restructuring of the Group's coating kaolin production base had the expected results.

Operating margin decreased to 7.2% (10.5% in 2007).

MATERIALS & MONOLITHICS

(30% of the Group's consolidated sales)

(€ millions)	2008	2007	% Current change	% Comparable change (2)
Sales	1,041.4	1,025.7	+ 1.5%	- 0,1%
Current operating income (1)	225.4	235.4	- 4.2%	- 6,3%
Booked capital expenditure	52.0	53.2	- 2.3%	n.a.

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

MARKETS

In Building Materials, business slumped significantly in the 2nd half after several years of steady growth. Over the year, housing starts were down almost - 15%. However, thanks to a more stable roofing market and to further penetration by clay bricks, sales volumes in France were down only - 6.8% for clay roof tiles and - 2% for clay bricks.

The Monolithic Refractories market benefited from buoyant business until the last few weeks of the year when demand fell as a result of some customers' production stoppages, particularly in the iron & steel sector.

HIGHLIGHTS

In that context, productivity improvement efforts continued in Building Materials. The new equipment installed on production lines in the Saint-Germer-de-Fly (Oise) clay roof tiles plant is working at full capacity. Moreover, capital expenditure projects to improve industrial efficiency were completed in the Sainte-Foy l'Argentière (Rhône) and Phalempin (Nord) units and a production line was stopped in Quincieux (Rhône).

In bricks in France, rectified brick production capacities were optimized at the Gironde-sur-Dropt (Gironde) plant in 2008 and are in the optimization process at the La Boissière du Doré (Loire-Atlantique) plant. Finally, given the slowdown on the construction market in France, the Bessens (Tarn-et-Garonne) plant is being shut down and its production relocated to other sites.

In November 2008, Imerys Terre Cuite signed a partnership agreement with EDF ENR (*Energies Renouvelables Réparties*, distributed renewable energies) to create a joint venture with the aim of developing and manufacturing efficient and innovative integrated photovoltaic roof tiles. The new entity intends to make electricity generation widespread on conventional roofs, particularly during roofing renovation.

In Monolithic Refractories, the year was marked by the successful integration of ACE, the Indian leader in the sector. External growth continued with the acquisition on April 30, 2008, of Svenska Silika Verken AB, a Swedish producer of monolithic refractory products (€13.0 million sales in 2007).

Capital expenditure totaled €52.0 million, i.e. 135.5% of depreciation expense, compared with €53.2 million in 2007.

PERFORMANCE

At €1,041.4 million, the business group's sales rose + 1.5% with a €31.6 millions (+ 3.1%) effect of changes in Group structure and a - €14.9 million (- 1.4%) exchange rates impact. At comparable Group structure and exchange rates, sales were stable for the year (- 0.1%, of which + 3.9% over 9 months and - 11.7% in the 4th quarter).

Current operating income is €225.4 million, compared with €235.4 million in 2007. Allowing for the effects of changes in Group structure (+ €6.2 million) and exchange rates (- €1.4 million), the business group's operating performance was down - €14.8 million. Over the period, this trend was entirely due to lower volumes, with the improvement in the price/mix component offsetting inflation in variable costs.

Operating margin remained high at 21.6%, (22.9% in 2007).

2.1.4 2009 Outlook

2008 will go down as an extremely disruptive year: the first three quarters were marked by record inflation in external costs; then, from the end of October, a dramatic fall in sales volumes affected the great majority of industrial sectors worldwide; finally, exchange rates were extremely volatile in 2008.

Despite that upheaval, Imerys proved that its business model is profitable, its activities generate cash flow and the Group is able to adapt swiftly to changing conditions.

In that crisis context, the Group's priorities are:

- generating free cash flow thanks to cutting working capital requirements and capital expenditures;
- reducing the fixed costs and overheads base everywhere in order to adjust the Group's structures to lower demand.

The growth in current free operating cash flow, at €253 million in 2008 (vs. €174 million in 2007), reflects the first effects of the measures taken, which will continue to be implemented in 2009.

Mobilization of all teams around these goals will enable Imerys to keep its room to maneuver and consolidate its world leadership in industrial minerals.

2.1.5 Human Resources

The Group's workforce numbered 17,016 as at year-end 2008 (17,552 employees as on December 31, 2007), with the following changes during the period: the headcount totaled approximately 18,200 employees in February after the acquisition of Astron's activities in China (Imerys Astron China), then was stable overall until decreasing in mid-year, primarily because of industrial reorganization in Cornwall (United Kingdom), the reorganization of the Ukrainian company Vatutinsky acquired in 2007, and restructuring programs in the activities affected by the global economic crisis.

These changes shaped the Human Resources teams' activity in 2008 to a large extent. For the integration of recently-acquired companies in particular, the changes were supported by an extensive recruitment program and a significant number of in-house promotions. In practical terms, more than 25 managers (i.e. 2/3 of senior management vacancies) were promoted to significant responsibilities during the 1st half. The difficult international environment for most of the Group's activities since late autumn makes efficient internal mobility even more crucial.

As regards the restructuring programs in progress, in accordance with its policy, Imerys strives to mobilize all internal and external placement solutions through personalized training and support measures.

2.1.6 Sustainable Development

The Group's international scope gives it particular responsibilities with respect to its employees, its shareholders, the communities where it is based and the environment.

Sustainable Development strategy is defined by a Steering Committee, three members of which are also on the Executive Committee. The Board of is increasingly attentive to Sustainable Development risks and issues. Plans and results in this area were examined in January 2009 by the Audit Committee. The findings of that review will be presented to the Board of Directors at its next meeting. They concern all aspects of Sustainable Development: safety, environment, community relations, human rights, human resources, Corporate Governance and the products of the future.

Safety is a top priority for Imerys. Thanks to the mobilization of the Group's people, the lost-time accident rate has been cut by more than 60% since 2005. To make further progress, Imerys is stepping up its preventive efforts in the six areas that cause the most serious accidents and systematically analyzes accidents to draw lessons for the Group.

As regards the environment, beyond compliance with local regulations, Imerys has developed eight common environmental standards for all its activities. To step up improvement, in 2008 the Group began rolling out an Environment Action Plan based on the Safety Plan methodology.

Finally, the Group fosters the integration of its activities into their environment through active involvement with local communities. Since late 2007, a protocol for community relations has set down commitment principles.

2.1.7 Corporate Governance

As regards Governance, a highlight of 2008 was a change in the composition of the Board of Directors with the cooptation in July 2008 of Mr. Amaury de Sèze in succession to Mr. Paul Desmarais, Jr., and the resignation of Mr. Grégoire Olivier in November. On February 13, 2008, on the proposal of the Chief Executive Officer, the Board also appointed Mr. Jérôme Pecresse as Chief Operating Officer of the Company.

The Board conducted the annual self-appraisal of its functioning and work, which it judged satisfactory. At the same time, it was decided to extend the duties of the Audit Committee by having it review the Group's Sustainable Development policy and monitor its results, which were the focus of Imerys' third specific report on the issue, published in July 2008.

Finally, in its last meeting of the year, the Board carefully examined the recommendations arising from the AFEP-MEDEF Corporate Governance Code on the compensation of corporate officers. It considered that they were perfectly in line with the Corporate Governance implemented by the Company for several years and was satisfied to note that most of them were already implemented. Consequently, the Board confirmed that Imerys would now use the AFEP-MEDEF Corporate Governance Code, as amended by those new recommendations, as a reference, and would give its reasons in the event that any provisions were not applied.

2.1.8 The Company's business in 2008

The Company made a net profit of €87.1 million in 2008, a + €36.8 million increase compared with the previous period.

An operating loss of - €35.9 million was recorded, - €6.8 million less than the previous year. This trend is due to an increase in operating expenses of + €3.4 to €61.8 million. At the same time, operating revenue decreased by - €3.4 million to €26.0 million.

Financial income of €68.8 million was posted in 2008, up form €54.3 million in 2007. The Company collected €171.2 million in dividends in 2008, compared with €109.8 million in 2007. The Company also recorded a net exchange rate loss of - €38.1 million in 2008, as against - €15.5 million in 2007. Finally, net financial expenses increased by + €24.6 million. This trend is mainly due to the increase in financial debt as well as the net loss on hedging instruments on raw materials which increased + €12.3 million from 2007.

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.

Current income amounted to €32.9 million in 2008, compared with €25.2 million in 2007.

Exceptional income totaled - €2.4 million in 2007, mainly resulting from the loss on the transfer of the Imerys Argentina loan to Mircal Argentina. For 2008, it amounted to - €2.1 million and was mainly comprised of exceptional restructuring expenses.

With respect to 2008, Imerys SA recorded a tax revenue of €56.2 million, as a result of the tax consolidation of the group of French companies headed by Imerys SA.

Changes in balance sheet items reflect on the one hand, subscription to the capital increases of Mircal China for €6.9 million and Mircal for €487.4 million and, on the other hand, payment in full of the capital of Imerys (Shanghai) Investment Management Company Limited for €1.3 million as well as the creation of four new French entities without activity to date, whose share capital, paid in full, amounts to €37,000 each (Parnasse 26, Parnasse 27, Parnasse 28 and Parnasse 29).

This balance sheet structure also reflects a - €320.9 million decrease in loans related to investment securities through the repayment of loans granted in 2007.

Financial resources simultaneously increased by + €238.4 million due to the use of bilateral drawings.

As of December 31, 2008, the Company's financial debt was made up of the following items:

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Financial debts	2,330,239	1,299,611	150,596	880,032
Other debts	26,222	26,222	-	-
Deferred revenue	-	-	-	-
Unrealized exchange rate gains	55,438	55,438	-	-
Total	**2,411,899**	**1,381,271**	**150,596**	**880,032**

INVENTORY OF SUBSIDIARIES AND EQUITY INTERESTS, AND MARKETABLE SECURITIES

Information concerning subsidiaries and equity interests as of December 31, 2008 can be found in Note 34 to the statutory financial statements.

Pursuant to Article L. 232-7 of the Code of Commerce, the inventory of marketable securities is given below:

Nature	Quantity	Average cost price per unit *(€)*	Closing price December 2008 *(€)*
SICAV Calyon	79	223,872.12	223,872.12
SICAV Natexis	333	55,323.49	55,323.49

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

As of December 31, 2008, the Company's share capital was made up as follows:

As of December 31, 2008	Number of shares	% of interest	% of voting rights (1)
Pargesa Netherlands BV	17,196,462	27.39%	35.35%
Belgian Securities BV (2)	19,177,186	30.54%	37.04%
M&G Investment Management Ltd (3)	3,533,526	5.63%	3.64%
Vanguard Precious Metals and Mining Funds (4)	3,380,000	5.38%	3.49%
Group employees	216,441	0.35%	0.32%
Owned by the Group	0	0.00%	0.00%
Public	19,282,975	30.71%	20.16%
Total	**62,786,590**	**100.00%**	**100.00%**

(1) Total voting rights: 96,987,573.

(2) A 100% subsidiary of the Bruxelles Lambert group.

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

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

In 2008, the Company acquired 370,000 treasury shares directly on the market at the average unit price of €47.36. On December 18, 2008, the Board of Directors approved the capital reduction by cancellation of these shares.

Consequently, as of December 31, 2008, the Company does not hold any treasury shares.

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

	2008	2007	2006
	For the 2007 period	For the 2006 period	For the 2005 period
Gross dividend per share	€1.90	€1.80	€1.65
Net dividend per share	€1.90	€1.80	€1.65
Total net distribution	**€119.0 million**	**€114.2 million**	**€104.8 million**

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

Type of indicators *(in euros)*	2008	2007	2006	2005	2004
I - Capital and other shares at the end of the period					
Share capital	125,573,180	126,253,712	126,669,240	127,943,730	126,900,040
Number of ordinary shares at the end of the period	62,786,590	63,126,856	63,334,620	63,971,865	63,450,020
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	3,448,082	3,103,391	2,989,870	2,987,703	2,973,228
II - Transactions and income for the period					
Pre-tax sales	23,164,643	23,535,868	25,059,348	25,664,553	21,372,751
Income before income taxes, legal profit-sharing and amortization, depreciation and provisions	43,655,864	37,035,044	92,329,448	67,707,841	266,349,245
Income taxes	56,232,494	27,399,525	22,162,068	24,236,094	18,488,138
Legal employee profit-sharing payable for the period	-	-	-	-	-
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	87,063,223	50,239,678	113,398,743	99,995,690	282,616,145
Distributed income (excluding withholding tax)	118,974,880	114,185,084	104,823,279	94,961,064	79,289,415
III - Earnings per share (1)					
Income after income taxes, legal profit-sharing and before amortization, depreciation and provisions	1.59	1.02	1.81	1.44	4.49
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	1.39	0.80	1.79	1.56	4.45
Net dividend per share	1.00 (2)	1.90	1.80	1.65	1.50
IV - Employees					
Average number of employees for the period	130.33	105.33	98.83	87.50	83.50
Payroll for the period	11,619,474	10,525,905	8,564,526	7,616,359	6,833,112
Amount paid as social contribution for the period	5,782,541	5,926,112	5,030,033	5,212,818	4,107,491
- of which profit-sharing	900,000	1,128,996	1,010,532	882,542	694,646

(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, 2009.

OTHER INFORMATION

In the 2008 period, no change in accounting methods occurred.

2008 SUBSEQUENT EVENTS AND 2009 OUTLOOK

In 2009, the Company will continue its activity of providing services to its subsidiaries and continue to manage financial risks for the entire Group.

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

- Sustainable Development, Environment, Human Resources data, Risks (Chapter 1 – The Group's Business).
- Innovation, Research & Technology (Chapter 1 – The Group's Business).
- Composition and functioning of the Board of Directors, list of offices and functions held by corporate officers and amount of compensation; benefits of corporate officers, stock options and free shares; corporate officers' transactions in Imerys securities (Chapter 3 – Corporate Governance).
- Risk factors (Chapter 4 – Risks and internal control).
- Main subsidiaries and affiliates (Chapter 5 – Financial statements).
- Changes in accounting methods (Chapter 5 – Financial statements).
- Use of financial instruments (Chapter 5 – Financial statements).
- Subsequent events (Chapter 5 – Financial statements).
- Information on share capital (including Group employees' interest in the capital of the Company and table summarizing existing financial authorizations and share buyback programs) and items likely to have an impact in the event of a public offer (Chapter 6 – General information).
- Amount of the dividends paid with respect to the previous three financial years
(Chapter 7 – Ordinary and Extraordinary Shareholders' General Meeting of April 29, 2009).

2.2. STATUORY AUDITORS' 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, 2008

(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, 2008 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, 2008 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

The accounting estimates adopted for the financial statements for the year ended December 31, 2008 were prepared in a context of heavy market volatility and uncertain economic outlooks. These conditions are described in Note 5.1 to the consolidated financial statements. It is in this context and in accordance with Article L. 823-9 of the French Company Law (*Code de Commerce*) relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

Imerys 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 3.13, 5.1 and 20 to the consolidated financial statements. We analyzed the procedures performed to implement this impairment test and the cash flow forecasts and assumptions used and verified that these notes provide appropriate disclosures. As part of our assessments, we have verified the reasonableness of these estimates.

As specified in Notes 3.19, 5.1 and 25.1 to the consolidated financial statements, Imerys recognizes employee benefits with respect to the defined benefit plans. These commitments, some of which are backed by financial assets, are valued by an independent actuary. Our work consisted in reviewing the data used, assessing the reasonableness of the assumptions adopted and verifying that the Notes contained the appropriate disclosures.

Derivative instruments are analyzed with a view to their qualification as hedging instruments and recognized according to the methods described in Note 3.21 and valued by third parties operating in financial markets as specified in Note 26.4. Based on the documentation available, our work consisted in assessing the relevance of the qualification in hedging transactions and the reasonableness of the assumptions adopted for determining the year-end fair value of derivative instruments.

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 also verified the information presented in the Group management report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, March 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	Deloitte & Associés
Jean-Roch VARON	Nicholas L. E. ROLT

2.2.2 Statutory Auditors' Report on the financial statements

Fiscal year ended December 31, 2008

(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, 2008 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, 2008 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:

As stated in the accounting policies note to the financial statements concerning long-term investments, investments in subsidiaries are valued by taking into account both percentage of shareholders' equity they represent and future profitability forecasts. Our procedures consisted in assessing the data and assumptions on which these estimates are based and reviewing the calculations performed by the Company. On this basis, 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 the specific verifications required by law in accordance with professional standards applicable in France.

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,

- the fair presentation of the information given in the Board of Directors' management report in respect of remuneration and benefits granted to the relevant company officers and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in current function. As mentioned 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 personally in or on behalf of your Company.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests, and 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 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	Deloitte & Associés
Jean-Roch VARON	Nicholas L. E. ROLT

CORPORATE GOVERNANCE

3

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.

At its meeting on December 18, 2008, the Board of Directors confirmed that Imerys would henceforth use the AFEP-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, 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 2008

The Company's shareholders, at their Ordinary and Extraordinary General Meeting of April 30, 2008, approved the renewal for a further period of three years of the terms of office as Directors of Mr. Aimery Langlois-Meurinne, Mr. Gérard Buffière, Mr. Aldo Cardoso, Mr. Maximilien de Limburg Stirum and Mr. Jacques Veyrat. 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.

At its meeting of July 30, 2008, the Board of Directors appointed Mr. Amaury de Sèze in succession to Mr. Paul Desmarais Jr., who resigned. This appointment will be submitted for ratification at the Shareholders' General Meeting of April 29, 2009.

Finally, Mr. Grégoire Olivier offered the Board of Directors his resignation from his Directorship in the Company, which ended following the Board meeting of November 3, 2008. A replacement was not made and the total number of Directors of the Company was consequently reduced to 13.

COMPOSITION

On the date of the present Annual Report, the composition of the Board of Directors is as follows:

Name	Age	Nationality	Position	Date of 1st appointment	Year of renewal of term of office (1)	Number of shares owned	Independent member
Aimery LANGLOIS-MEURINNE	65	French	Chairman	09/22/1987	2011	80,000	No (2)
Gérard BUFFIÈRE	64	French	Director and Chief Executive Officer	05/03/2005	2011	27,000 (3)	No (4)
Aldo CARDOSO	53	French	Director	05/03/2005	2011	1,500	Yes
Jacques DRIJARD	66	French	Director	09/25/1996	2009	600	No (2) (5)
Jocelyn LEFEBVRE	51	Franco-Canadian	Director	06/16/1994	2009	900	No (2)
Eric LE MOYNE de SÉRIGNY	62	French	Director	06/12/1996	2009	680	No (6)
Maximilien de LIMBURG STIRUM	37	Franco-Belgian	Director	05/03/2005	2011	600	No (2)
Gilbert MILAN	56	French	Director	05/02/2006	2009	600	Yes
Jean MONVILLE	64	French	Director	05/02/2007	2010	600	Yes
Robert PEUGEOT	58	French	Director	11/04/2002	2010	600	Yes
Thierry de RUDDER	59	Franco-Belgian	Director	03/13/2000	2010	1,000	No (2)
Amaury de SÈZE	63	French	Director	07/30/2008	2010	6,680	No (2)
Jacques VEYRAT	46	French	Director	05/03/2005	2011	600	Yes
Total						**121,360 (7)**	

(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 Annual Report); 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) In June 2008, Mr. Le Moyne de Sérigny lost his quality of independence because of the length of his successive terms of office within Imerys (more than 12 years).
(7) i.e. 0.19% of capital and 0.18% of voting rights as on December 31, 2008.

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 36,373,648 shares as of December 31, 2008 *(see chapter 6, paragraph 6.3.1 of the Annual Report)*.

Pursuant to statutory provisions, the terms of office of Chairman and Vice-Chairman 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, 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 user* 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. On those basis, the Appointments & Compensation Committee has considered in June 2008 that Mr. Le Moyne de Sérigny lost his quality of independence because of the length of his successive terms of office within Imerys (more than 12 years).

CHANGES PLANNED IN 2009

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, 2009 *(see chapter 7, paragraph 7.1.3 and section 7.4 of the Annual Report)* the renewal of the terms of office as Directors of Mr. Jacques Drijard, Mr. Jocelyn Lefebvre, Mr. Eric Le Moyne de Sérigny and Mr. Gilbert Milan for a further period of three years, i.e. until the end of the General Meeting called in 2012 to rule on the financial statements for financial 2011.

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 granted that status to Mr. Milan. It was confirmed that independent status still did not apply to Mr. Drijard and Mr. Lefebvre as representatives of a controlling shareholder in the Company and to Mr. Le Moyne de Sérigny because of the length of his successive terms as a Director of Imerys.

3.1.3 Information on the Directors**

MAIN ACTIVITY AND OTHER RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS IN 2008

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 Chief Executive Officer of Pargesa Holding S.A. (Switzerland).

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN FRENCH AND FOREIGN COMPANIES IN 2008:

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, IDI (France).

* *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.

** *As notified individually to the Company by each of the Board of Directors members concerned, in function as of December 31, 2008.*

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 2008:

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.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN FRENCH AND FOREIGN COMPANIES IN 2008:

Responsibilities:

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

JACQUES DRIJARD

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

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

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN FRENCH AND FOREIGN COMPANIES IN 2008:

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 B.V. (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 2008:

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 2008:

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, Richelieu Finance (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 Solvay business school, Brussels, 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 2008:

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: Corné Port Royal, Distripar, 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).

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 Chairman of Fnac Eveil & Jeux.

LIST OF ACTIVITIES AND OTHER RESPONSIBILITIES IN FRENCH AND FOREIGN COMPANIES IN 2008:

Main activity:

- Chairman of Fnac Eveil & Jeux (Toys, games & creative leisure – France).

Other responsibilities:

- Chairman: Milinvest Ventures (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 2008:

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).
- 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
Route de Gizy — 78140 Vélizy-Villacoublay (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 2008:

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 (Belgium); E.P.F. (Etablissements Peugeot Frères), Faurecia, Holding Rainier, 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 Construccion, 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 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 than 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 2008:

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-Elysées – 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 2008:

Main activity:

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

Other responsibilities:

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

JACQUES VEYRAT

Director
Born on November 4, 1962
Work address:
Louis Dreyfus SAS – 152, avenue Malakoff – 75016 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 2008:

Main activity:

- Chairman & Chief Executive Officer: Louis Dreyfus (Processing, trading and merchandizing of agricultural and energy commodities – France).
- Chairman & Chief Executive Officer: Neuf Cegetel (Telecommunications – France), until April 15, 2008.

Other responsibilities:

- Chief Executive Officer: Louis Dreyfus Technologies (France); Kurosawa BV (Netherlands).
- Director: Direct Energie, Imerys, Tajan (France).
- Member of the Supervisory Board: Altamir Amboise, Eurazeo (France).

LIST OF RESPONSIBILITIES HELD BY THE MEMBERS OF THE BOARD, 2004-2007

	2007	2006	2005	2004
Aimery LANGLOIS-MEURINNE	■ 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).	■ 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).	■ 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).	■ Director-Chief Executive Officer: Pargesa Holding S.A. (Switzerland). ■ Chairman of the Supervisory Board: Imerys. ■ Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg). ■ Director and Vice-Chairman of Investment Committee and Management Committee: Sagard Private Equity Partners (France).
Gérard BUFFIÈRE	■ Director and Chief Executive Officer: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France).	■ Director and Chief Executive Officer: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France).	■ Director and Chief Executive Officer: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France).	■ Chairman of the Managing Board: Imerys. ■ Chairman of the Board of Directors: Financière du Parc Duquesne (France). ■ Manager: Société Immobilière Buffière (France).
Aldo CARDOSO	■ Director: Mobistar (Belgium); Accor, Gaz de France, Imerys, Orange, Rhodia (France). ■ Censor: Axa Investment Managers, Bureau Veritas (France).	■ Director: Mobistar (Belgium); Accor, Gaz de France, Imerys, Orange, Rhodia (France). ■ Censor: Axa Investment Managers, Bureau Veritas (France).	■ Lecturer, Institut d'Etudes Politiques de Paris. ■ Director: Mobistar (Belgium); Axa Investment Managers, Gaz de France, Imerys, Orange, Rhodia (France). ■ Censor: Bureau Veritas (France).	■ Lecturer, Institut d'Etudes Politiques de Paris ■ Director: Mobistar (Belgium); Axa Investment Managers, Gaz de France, Orange, Penauille Polyservices, Rhodia (France).

	2007	2006	2005	2004
Jacques DRIJARD	■ Chief Executive Officer Adjoint: 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).	■ Chief Executive Officer Adjoint: 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).	■ Chief Executive Officer Adjoint: 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: Orior Holding S.A. (Switzerland). ■ Director: Imerys (France); Pargesa Netherlands BV (Netherlands); Orior Food S.A. (Switzerland).	■ Chief Executive Officer Adjoint: 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: Orior Holding S.A. (Switzerland). ■ Member of the Supervisory Board: Imerys. ■ Director: Pargesa Netherlands BV (Netherlands); Orior Food S.A. (Switzerland).
Jocelyn LEFEBVRE	■ 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).	■ 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).	■ 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).	■ 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). ■ Member of the Supervisory Board: Imerys. ■ Director: Suez-Tractebel S.A. (Belgium); AFE (France); Project Sloane (Great Britain); RTL Group (Luxembourg).
Eric LE MOYNE de SÉRIGNY	■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Istac S.A., Richelieu Finance (France).	■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Istac S.A., Richelieu Finance (France).	■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Director: Imerys, Istac S.A., Richelieu Finance (France).	■ Chairman of the Managing Board: Alternative Leaders France S.A. (France). ■ Member of the Supervisory Board: Imerys. ■ Director: Istac S.A., Richelieu Finance (France).

	2007	2006	2005	2004
Maximilien de LIMBURG STIRUM	■ 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).	■ 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).	■ 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).	■ Vice-President Investments: Compagnie Nationale à Portefeuille (Belgium). ■ Director: Distripar, Disport International, Editions Dupuis, GB-INNO-BM, Gegotec, Innofund, Quick Restaurants, Safe Insurance (Belgium); Finance et Management, Société du Louvre (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	■ Chief Executive Officer: Fnac Eveil & Jeux, Milinvest Ventures (France). ■ Director: Imerys (France). ■ Manager: Milinvest (France).	■ Chief Executive Officer: Milinvest Ventures (France). ■ Director: Imerys (France). ■ Manager: Milinvest (France).	■ Chief Executive Officer: Deventis Conseil, Milinvest Ventures (France). ■ Manager: Milinvest (France).	■ Chief Executive Officer: Deventis Conseil, Milinvest Ventures (France). ■ Manager: Milinvest (France).
Jean MONVILLE	■ 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).	■ 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).	■ Chairman of the Board of Directors: Amec Spie (France). ■ Director-Chief Executive Officer: Amec (Great Britain).	■ Chairman of the Board of Directors: Amec Spie (France). ■ Director-Chief Executive Officer: Amec (Great Britain).

	2007	2006	2005	2004
Robert PEUGEOT	■ Chairman & Chief Executive Officer: F.F.P. (France). ■ Member of the Strategic Committee and Audit Committee: PSA Peugeot Citroën (France). ■ Chairman & Chief Executive Officer: 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 Construccion, 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).	■ 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 Construccion, 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).	■ 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 Construccion, S.A. (Spain). ■ Manager: CHP Gestion, Rodom (France).	■ 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, Imerys (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, 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 Construccion, S.A. (Spain). ■ Manager: CHP Gestion, Rodom (France).
Thierry de RUDDER	■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); Imerys, Suez, Total (France).	■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); Imerys, Suez, Total (France).	■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Director: Compagnie Nationale à Portefeuille S.A., Suez-Tractebel (Belgium); Imerys, Suez, Total (France).	■ Delegate Director: Groupe Bruxelles Lambert S.A. (Belgium). ■ Member of the Supervisory Board: Imerys (France). ■ Director: Compagnie Nationale à Portefeuille SA, Suez-Tractebel (Belgium); Suez, Total (France).

	2007	2006	2005	2004
Amaury de SÈZE	■ 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. (Guernesey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France).	■ 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, Novasaur SAS, Vivarte SA (France); PAI Europe IV UK General Partner Ltd (Great-Britain); PAI Europe III General Partner N.C., PAI Europe IV General Partner N.C. (Guernesey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France).	■ 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. (Guernesey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France).	■ Chief Executive Officer: Financière PAI Partners SAS, Financière PAI SAS, PAI Partner SAS (France). ■ Chairman of the Board of Directors: Cobepa (Belgium); PAI Partners UK Ltd (Great-Britain). ■ Director: Erbe SA, Gepeco SA, Groupe Bruxelles Lambert (Belgium); Power Corporation du Canada (Canada); Eiffage, Groupe Industriel Marcel Dassault, Novalis SAS (France); PAI Europe III UK General Partner Ltd (Great-Britain); PAI Europe III General Partner N.C. (Guernesey); PAI Partners Srl, Saeco SpA (Italy); Pargesa Holding SA (Switzerland). ■ Member of the Supervisory Board: Gras Savoye SCA, Publicis Groupe (France). ■ Representative of NHG SA (France).
Jacques VEYRAT	■ 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).	■ 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).	■ 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).	■ Chairman & Chief Executive Officer: Neuf Telecom (France). ■ Chief Executive Officer: Rodart (France). ■ Vice-Chairman of the Supervisory Board: Tajan (France). ■ Director: 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; this is particularly the case for the member Directors of the Audit Committee, who are chosen for their financial competence.

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 their respective terms of office.

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, sequestration 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 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.

2008	
Number of meetings	5
Average actual attendance rate of members	79%

2009	
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

The Board of Directors carried out its traditional annual review and appraisal of its own and its Committees' workings and activity for 2008. At its last meeting in 2008, each of its members was given 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 12, 2009.

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 2008, 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 and monitored its results, which were described in Imerys' 3rd Sustainable Development report, published in July 2008.

To improve its efficiency and that of its Committees further, the Board also judged that the following new suggestions by its members should be retained and implemented:

- periodic presentations of the Group's Sustainable Development policy to the Board after its review by the Audit Committee;
- further efforts to provide the Board and its Committees with meetings notice preparation files more in advance, insofar as possible.

The Board also encouraged those Directors who wished to ask to accompany the Chief Executive Officer (or a member of the Executive Committee) on one of his regular visits to the Group's key sites in order to grasp its activities more fully.

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, particularly the recommendations resulting from the AFEP-MEDEF Corporate Governance Code. On that occasion, each of the Company's Directors was given an updated version of the Directors' Vade-Mecum.

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 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 Annual Report.

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, 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 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 1st appointment to the Committee	Independent member status
Aimery LANGLOIS-MEURINNE, Chairman	June 17, 1993	No
Jacques DRIJARD, Vice-Chairman	March 26, 1998	No
Aldo CARDOSO	May 2, 2007	Yes
Jocelyn LEFEBVRE	March 27, 1996	No
Eric LE MOYNE de SÉRIGNY	July 26, 2004	No (1)
Jean MONVILLE (2)	February 12, 2009	Yes
Thierry de RUDDER	May 9, 2000	No
Amaury de SÈZE (3)	July 30, 2008	No

(1) Mr. Le Moyne de Sérigny lost in June 2008 his quality of independence because of the length of his successive terms of office within Imerys (more than 12 years).

(2) Mr. Jean Monville was appointed on February 12, 2009 in succession of Mr. Gilbert Milan.

(3) Mr. Amaury de Sèze was appointed on July 30, 2008 in succession of Mr. Paul Desmarais, Jr.

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.

2008	
Number of meetings	9
Average actual attendance rate of members	85%

2009	
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 & Vice-President Strategy, 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 2008

At the start of the year, the Strategic Committee first examined, as in other years, the initial items for the closing of the 2007 financial statements. Throughout the year, the Committee monitored the management and development actions taken by the Group's Executive Management and ensured that they were in line with Imerys' strategy as defined by the Board of Directors. In that respect, the Committee studied the evolution of Imerys' business and its monthly and quarterly financial statements and the way they reflected said actions.

The Committee conducted to its satisfaction the traditional retrospective review of the performance of the main capital expenditure and acquisition projects completed in 2003 and 2004. The Committee also continued to monitor the progress made by the Innovation Department in order to accelerate the Group's internal growth.

Furthermore, the Strategic Committee regularly examined and approved the key stages and main economic and contractual aspects of the most significant external growth projects. That examination particularly concerned in 2008 the acquisition of Kings Mountain Minerals Inc (United States) and Suzorite Mining Inc (Canada) both specialized in mica mining and processing, and of Astron in China.

The Committee also looked into the efforts made by Imerys to improve the monitoring, hedging and consumption of energy by the Group. It was also informed of the initiatives set up by the Human Resources Department to strengthen the Group's capacity to generate its future managers.

Moreover, the Strategic Committee was kept regularly informed of the evolution of the Group's financial structure. It was also consulted on the Company's general financing strategy, particularly in terms of the fit between the Group's financial resources and its activity's currency exposure.

Finally, in its last meeting of the year, the Strategic Committee reviewed the Group's 2009 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.

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."

COMPOSITION

The Appointments and Compensation Committee is composed of the following three members, which must include the Chairman of the Board of Directors who is also Chairman of the Committee:

Name	Date of 1st appointment to the Committee	Independent member status
Aimery LANGLOIS-MEURINNE, Chairman	November 3, 1987	No
Robert PEUGEOT	May 3, 2005	Yes
Jacques VEYRAT	February 14, 2007	Yes

At its meeting of February 14, 2007, the Board confirmed that, following the appointment of Mr. Jacques Veyrat in succession to Mr. Grégoire Olivier, the composition of the Committee complied 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.

2008	
Number of meetings	2
Average actual attendance rate of members	83%

2009	
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.

The Secretary of the Committee is the Group Vice-President Human Resources, who draws up the minutes of its meetings.

ACTIVITY IN 2008

The Appointments and Compensation Committee was first consulted during its different meetings on the composition of the Board of Directors and of its Committees. On that occasion, the Committee examined the situation of each member of the Board of Directors with respect to the definition of "independence" adopted by the Board at its May 3, 2005 meeting. The Committee also checked that the composition of the Audit Committee and of the Appointments and Compensation Committee complied with the 2/3 proportion of independent members recommended by the AFEP-MEDEF Corporate Governance Code.

Moreover, in its January 2008 session the Committee approved the appointment of Mr. Jérôme Pecresse as Chief Operating Officer on the proposal of the Chief Executive Officer; he is in charge of assisting the Chief Executive Officer in implementing strategy and examining the Group's major reorganization and capital expenditure projects.

The Committee then assessed the performance of the Chief Executive Officer. In that respect, it defined the variable part of his individual compensation owed with respect to financial 2007 and payable in 2008, according to the personal and financial goals assigned to him. At its April session, the Committee gave its agreement on the definition of the Chief Operating Officer's compensation. It also issued recommendations on setting the quantitative and qualitative goals for the Chief Executive Officer and the members of the Executive Committee for the purposes of determining the variable part of their compensation for 2008.

The Committee also examined the draft amendment to the employment contract of the Chief Executive Officer, which was drawn up for the purposes of clarification and compliance with the provisions of the law of August 21, 2007 in favor of work, employment and spending power ("TEPA Law"), particularly the payment of contractual severance compensation. The Committee also gave its opinion on the changes made to the defined-benefit pension scheme particularly for the purposes of securing and specifying some of its provisions with respect to market practices and regulatory constraints.

Moreover, the Committee examined, with the support of a specialized external consultant, the possible evolution of the group's long-term retention policy in order to take account of the extension of its scope and the latest market practices. It recommended that the Board increase the number of beneficiaries of the grant policy for "performance shares" awarded subject to conditions by combining it with the existing policy for granting Imerys stock subscription options. It examined the terms, conditions and beneficiaries of the proposed plans intended for the Group's executives and holders of key positions with a view to retention. The Committee also issued its recommendations on the quantity of shares to be held by the Chief Executive Officer and the Chief Operating Officer with respect to their offices in 2008, in accordance with the new legal obligations.

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 & Vice-President Strategy, 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. Its Chairman must be an independent Director.

Name	Date of 1st appointment to the Committee	Independent member status
Aldo CARDOSO, Chairman	May 3, 2005	Yes
Jocelyn LEFEBVRE	March 27, 1996	No
Jean MONVILLE	May 2, 2007	Yes

At its meeting of April 30, 2008, the Board confirmed that, following the resignation of Mr. Eric Le Moyne de Sérigny due to the loss of his quality of independence, the composition of the Audit Committee complied 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.

2008	
Number of meetings	5
Average actual attendance rate of members	100%

2009	
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 & Vice-President Strategy. He draws up the minutes of Committee meetings, which are kept available to the Statutory Auditors.

ACTIVITY IN 2008

As is traditional, the Audit Committee conducted an in-depth examination of the corporate and consolidated financial statements for 2007 and the semi-annual financial statements for 2008; it also examined the main items ahead of the cut-off of the financial statements for 2008. As part of that work, it looked into the various income statement items, particularly the composition of "Other income and expense", the balance sheet and the statement of changes in financial position. On that occasion it also checked, after hearing the Statutory Auditors, the relevance and consistency of the accounting methods used by the Group.

The Committee also examined the quality and reliability of the internal control implemented in the Group for the gathering, consolidation and monitoring of the accounting, financial and management information provided to the Board of Directors. For that purpose, it read the reports issued by the internal auditors and their new manager presented the new organization of her department, its activity report for the period from June 2007 to the end of 2008, the main development lines for the Group's audit plans and the proposed assignment program for 2009.

Early in the year, the Committee also reviewed the draft report on internal control for financial 2007 before its adoption by the Chairman of the Board of Directors and heard the Statutory Auditors for that purpose.

For the first time, the Audit Committee also examined the Group's Sustainable Development policy and monitored its results, which were set out in Imerys' third Sustainable Development report, published in July 2008.

In its last meetings of the year, the Committee particularly focused on the slump on financial markets, the volatility of the interest rate market and the deterioration of the general economic environment. At that time it reviewed the main accounting or financial impacts that were likely to result for the Group. Finally, the Committee drew up its work program for 2009, particularly the new list of methods and practices implemented by the Group for recording certain significant items in its balance sheet or consolidated income statement that it intended to examine.

An additional meeting was scheduled and held on January 30, 2009 to enable the Committee to complete its traditional review of the Group's risks with respect to the previous year. It mainly concerned the results of the work of the Internal Risk & Control Department with respect to 2008, particularly the update of the mapping of the Group's major risks, and the report of managers of the Legal, Environment, Health & Safety and Sustainable Development support departments on the Group's main risks and actions under their scopes of expertise or responsibility. The Committee did not note any major cause for concern in the risks existing in those areas. The Committee again welcomed the Group's progress and achievement in 2008 of its work safety goals.

The examinations and reviews conducted by the Committee in 2008 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. 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 Annual Report, 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 1st appointment	Year of renewal of term of office	Number of shares owned
Gérard BUFFIÈRE	65	French	Director and Chief Executive Officer	05/03/2005	2011	27,000 56.287 units FCPE* Imerys Actions
Jérôme PECRESSE	42	French	Chief Operating Officer	02/13/2008	2011	680 56.287 units FCPE* Imerys Actions

* *FCPE Imerys Actions, created under employee shareholder plans (see chapter 6, paragraph 6.2.5 of the Annual Report); 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, 2008, the Executive Committee is comprised, in addition to the Chief Executive Officer, of the following:

Line managers	Support managers
Jérôme Pecresse, Chief Operating Officer (Minerals for Ceramics, Refractories, Abrasives & Foundry)	**Christophe Daulmerie** (Finance & Strategy)
Christian Schenck, Deputy Chief Executive Officer (Materials & Monolithics)	**Denis Musson** (Legal & Corporate Support)
Olivier Hautin (1) (Pigments for Paper)	**Thierry Salmona** (Innovation, Research & Technology & Business Support)
Daniel Moncino (1) (Perfomance & Filtration Minerals)	**Bernard Vilain** (Human Resources)

(1) As from February 13, 2008.

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 2008.

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 allocated to each of the Board members in office in 2008 was as follows:

(euros)	2008	2007
A. LANGLOIS-MEURINNE, Chairman	208,500	209,000
P. DESMARAIS, Jr., Vice-Chairman (1)	25,500	26,500
G. BUFFIÈRE (2)	-	-
A. CARDOSO	71,000	33,000
J. DRIJARD	44,500	38,500
J. LEFEBVRE	44,500	40,000
E. Le MOYNE de SÉRIGNY	41,000	38,500
M. de LIMBURG STIRUM	24,000	24,000
G. MILAN	28,000	34,000
J. MONVILLE (3)	42,500	-
G. OLIVIER (4)	24,000	27,000
R. PEUGEOT	24,000	27,000
T. de RUDDER	33,000	36,000
J. VEYRAT	24,500	26,500
Total	**635,000**	**560,000** (5)

(1) Director until July 30, 2008.
(2) Chief Executive Officer – does not receive attendance fees.
(3) Director as from May 2, 2007.
(4) Director until November 3, 2008.
(5) This amount does not include the amount of €51,500 paid in 2007 to Mr. Yves-René Nanot, as his term of office ended at the General Meeting of May 2, 2007.

Pursuant to the AMF Recommendation of December 22, 2008:

- these amounts represent the entirety of the compensation paid in 2008 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 of January 1, 2007, is as follows:

Gross amounts (euros)

Board of Directors	Chairman	150,000 fixed per year
	All members	20,000 fixed per year – 1,000 per attended meeting
Strategic Committee	Chairman	25,000 fixed per year
	All members and other Directors	1,500 per attended meeting
Audit Committee	Chairman	25,000 fixed per year
	All members	2,000 per attended meeting
	Other Directors	1,500 per attended meeting
Appointments and Compensation Committee	Chairman	15,000 fixed per year
	All members and other Directors	1,500 per attended meeting

To encourage the participation of the Directors in the work of Committees of which they are not members, the Board decided to award them a fixed attendance fee of €1,500 for each Committee meeting in which they take part.

3.3.2 Executive Management

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commence and the recommendations resulting from the AFEP-MEDEF Corporate Governance Code, the information given hereafter concerns the compensation paid to executive corporate officers only. For the Company, this concerns the Chief Executive Officer and the Chief Operating Officer.

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 variable part of the compensation owed with respect to the financial year is paid the following year, when the items needed to calculate it are known after the closure of the Group's definitive financial statements for the financial year in question. Its calculation is based on criteria for economic performance and personal goals set by the Board of Directors on the recommendation of the Appointments and Compensation Committee.

For the Chief Executive Officer, these criteria related in 2008, on one hand, to growth in the Group's net current income (for 60%) and, on the other hand, to the achievement of a goal for the cash flow generated by the Group during the year (for 40%). Furthermore, a coefficient ranging from 0.8 to 1.2 is applied to the amount thus obtained according to the achievement of specific goals for the year in question. The achievement of those goals is measured and noted annually by the Board of Directors. The ceiling for the variable part of the Chief Executive Officer's compensation is set at 120% of the fixed amount of his salary.

The Chief Executive Officer does not receive any attendance fees in his capacity as Director of the Company.

For the Chief Operating Officer, the criteria for determining his variable compensation in 2008 related to: growth in the Group's net current income and the achievement of a goal set for the cash flow generated by the Group during the year (for 35%); the achievement of specific financial goals for the Ceramics, Refractories, Abrasives & Foundry business group, which he manages (35%); and the achievement of personal goals (30%). The ceiling for the variable part of the Chief Operating Officer's compensation is set at 70% of the fixed amount of his salary.

AMOUNT

AMOUNT PAID IN 2008 AND 2007

The amount and breakdown of the compensation and benefits paid (fixed and variable parts) by the Group to its Executive Management during financial years 2008 and 2007 are as follows:

(euros)	2008		2007	
Executive corporate officers' name and position	Amounts due	Amounts paid	Amounts due	Amounts paid
Gérard Buffière, Chief Executive Director				
Fixed part	630,000	630,000	630,000	630,000
Variable part	nc	724,500	724,500	660,000
Exceptional compensation	-	-	-	755,460 (1)
Attendance fees	-	-	-	-
Benefits (2)	3,024	3,024	3,024	3,024
Employee profit sharing (3)	-	-	-	-
Total	**633,024 (4)**	**1,357,524**	**1,357,524**	**2,048,484**
Jérôme Pecresse, Chief Operating Officer				
Fixed part	360,000	360,000	n.a (5)	n.a
Variable part	nc	160,000	n.a	n.a
Exceptional compensation	-	-	n.a	n.a
Attendance fees	-	-	n.a	n.a
Benefits (2)	2,514	2,514	n.a	n.a
Employee profit sharing (3)	nc	15,807	n.a	n.a
Total	**362,514 (4)**	**538,321**	**n.a**	**n.a**

(1) This amount corresponds to an exceptional bonus plan from which Gérard Buffière benefited when he was in charge (2000-2002) of the Group's former Pigments & Additives business group.

(2) These benefits solely consist of the supply of a company car.

(3) Pursuant to the Employee Profit Sharing Agreement entered into by the Company.

(4) These amounts do not include the variable compensation owed with respect to financial year 2008 which will be paid in 2009 once determined by the Board of Directors.

(5) Jérôme Pecresse was not a corporate officer of Imerys in 2007.

The above amounts include all the compensation 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 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 35 to the consolidated financial statements*.

Moreover, the amount of the five highest compensations paid by the Company with respect to 2008 was certified by the Statutory Auditors.

AMOUNT TO BE PAID IN 2009

At its meeting on February 12, 2009, the Board of Directors decided to maintain for 2009 the fixed compensation of the Chief Executive Officer and the Chief Operating Officer at the same amount as in 2008. The fixed compensation of the members of the Executive Committee was also frozen for 2009.

At its next meeting, the Board of Directors will 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 2008. Consequently, it will determine the amount of the variable compensation owed with respect to said financial year, to be paid to them in 2009. 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 2009.

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 "do not compete" 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, the non-cumulative holding of a corporate office with an employment contract would 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 the Group's French companies who met the restrictive eligibility criteria. The plan is managed by an external insurance company.

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) of 60% of their reference salary, said salary being limited at present to eight times the annual French social security ceiling;
- subject to a pay-in ceiling equal to 25% of said reference salary.

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.

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 €1,648,000 as at the end of 2008 (compared with €1,650,000 as at end 2007 for two beneficiaries: the Chief Operating Officer having been appointed for the first time on February 13, 2008).

This collective supplementary pension plan with defined benefits was amended by the Board of Directors at its meeting on February 13, 2008. In particular, the amendments concerned in particular the definition of the objective category of the beneficiaries of the regime: "any senior manager or executive with the status of an Imerys SA employee and a member of the Executive Committee, with at least ten years' service in the Imerys Group, including two full years in that body"; this category includes the Chief Executive Officer and the Chief Operating Officer in particular. Consequently, according to legal provisions, the Statutory Auditors were informed of this collective supplementary pension plan as well as these amendments for the drafting of their special report on the regulated agreements which was submitted and approved at the Combined General Meeting of April 30, 2008.

3.4 IMERYS STOCK OPTIONS*

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 of 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 actual or likely beneficiaries of stock subscription options are the Group's executives (Chief Executive Officer, Executive Committee members, business group and division 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 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 Appointments and Compensation Committee is currently examining the Group's policy on grants of stock subscription options and will submit to the Board at the appropriate time its recommendations with a view to complying with those new legal provisions. The provisions particularly subject the grant of options in favor of executive corporate officers to an allocation for the benefit of all employees in the company concerned and at least 90% of all employees of its French subsidiaries or, as the case may be, to a profit-sharing agreement being entered into in the Company for the benefit of at least 90% of all employees of its French subsidiaries, or to 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 Annual Report)*.

* *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.*

CHARACTERISTICS OF GRANTED OPTIONS

As of 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. The grant usually takes place just after the Annual General Meeting.

The duration of the options granted under the plans set up since May 2000 is between 9½ and 10 years, compared with 8 years for previously granted options.

The options granted since 1996 are definitively vested (except in the event of the beneficiary's dismissal, resignation of departure from the Group) after the end of the third year following their allotment or, if earlier, on the date of the beneficiary's retirement after the age of 60 (reference age included in plans from 2004), his/her cessation of activity for incapacity or his/her death. The only exception concerns grants made within employee shareholding operations, for which the options are dependent on the employee's investment in Imerys shares with immediate vesting.

OPTION EXERCISE CONDITIONS

Definitively vested options may be exercised at any time, except in the event of the beneficiary's death or, as from the 2004 option plan, departure from the Group.

However, the beneficiary must bear any additional costs and taxes borne by the Company in the event that applicable local regulations provide for a longer immobilization period than three years (this period is four years in France for plans adopted as from April 2001).

Exercise by the beneficiary must comply with certain minimum amounts (currently set for all plans adopted as from 1998 at 1,000 options, any whole multiple of 1,000 or the balance of outstanding options if less than 1,000).

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 if the company employing him or her is excluded from the Group, 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 (except, however, in the event of his or her death, incapacity or retirement).

DATE OF RECORD OF SHARES RESULTING FROM THE EXERCISE OF OPTIONS

As from January 1, 2005, 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 at Euronext Paris, 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 2008

497,925 share subscription options at the exercise price of €58.24 per share were granted on April 30, 2008 to 183 managers and executives of the Group residing in France or in other countries (vs. 160 in 2007).

Apart from the option granted to the Chief Operating Officer (the Chief Executive Officer did not benefit from stock subscription options in 2008), 198,150 were granted to the 10 [(1)] beneficiaries receiving the most options.

CHANGES IN THE NUMBER OF OPTIONS IN 2008 [(2)]

The total number of share subscription options in existence on December 31, 2008 is 3,448,082, representing 5.20% of Imerys' share capital on that date after dilution; their weighted average exercise price is €54.63.

In 2008, 123,500 share subscription options were cancelled; 29,734 were exercised by 72 beneficiaries at a weighted average price of €31.67.

(1) This number may be greater than 10 in some years because an equal number of options was granted to several bénéficiaires.

(2) Including options granted under employee shareholder plans.

3.4.2 Options granted by the Company to its executive corporate officers (1)

GRANTS IN 2008

	Date of Plan	Nature of options	Valuation of options* *(euros)*	Number of options granted in 2008	Exercise price *(euros)*	Exercise period
Gérard Buffière, Chief Executive Officer	-	-	-	-	-	-
Jérôme Pecresse, Chief Operating Officer	April 30, 2008	Share subscription options	219,300	28,000	58.24	April 30, 2011 to April 29, 2018

(*) Valuated at the time of their grant as used with respect to the application of IFRS 2, before the spread of the expense over the acquisition period.

The Board of Directors, pursuant to the recommendations of the Appointments and Compensation Committee, decided that the Chief Operating Officer shall be obliged to hold, on a registered basis and until the date of the end of his term as a corporate officer of Imerys, a number of shares resulting from the exercise of granted options corresponding to at least 25% of the net acquisition gains from that exercise (net of the corresponding obligatory taxes and contributions the amount needed to fund that exercise).

No share subscription options were granted to the Chief Executive Officer during financial 2008, given the exceptional free share grant in his favor *(see paragraph 3.5.2 of the present chapter)*.

In accordance with the AFEP-MEDEF recommendations published in October 2008, the Board of Directors will examine, at its next grant of options to executive corporate officers, the performance conditions that it intends to put on their exercise; it will set the maximum percentage of options that may be granted in relation to their individual compensation and the total envelope voted by the shareholders, as well the proportion of shares to be kept by each of them following the exercise of those options.

HOLDINGS AND CHANGES

The total number of stock options held by the incumbent corporate officers (Chief Executive Officer and Chief Operating Officer) as on December 31, 2008 is 798,870 (compared with 647,735 as on December 31, 2007 - Chief Executive Officer), i.e. 1.21% of Imerys' share capital on that date after dilution; their weighted average exercise price is €50.91.

No share subscription options were exercised by any corporate officers during financial 2008.

(1) This information only concerns the options granted by the Company and does not include any Imerys share purchase options that may be granted to corporate officers by the controlling shareholders that they represent.

3.4.3 Details of 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, 2008:

	April 2008	May 2007	Nov. 2006 (1)	May 2006	May 2005	May 2004	Oct. 2003 (1)	May 2003	Oct. 2002 (1)	May 2002	Oct. 2001 (1)	May 2001	Nov. 2001 (1)	May 2000	Total
INITIAL GRANT															
Authorization: date of Shareholders' General meeting	04/30/08	05/03/05	05/03/05	05/03/05	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	
Date of Board of Directors / Supervisory Board or Managing Board meeting	04/30/08	05/02/07	11/07/06	05/02/06	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	
Opening date of option exercise period (2)	04/30/11	05/03/10	02/01/07	05/03/09	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	
Option expiration date	04/29/18	05/01/17	11/06/16	05/01/16	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	
Share subscription price	€58.24	€70.51	€66.96 (3)	€68.27	€57.58	€48.89	€40.62	€28.31	€29.44	€32.75	€24.73	€28.50	€27.14	€32.18	
Total number of initial beneficiaries	183	160	2,932	171	171	166	925	201	1,474	181	1,416	169	1,961	145	
Total number of options granted of which	497,925	560,000	38,770	640,000	635,000	840,000	37,424	747,720	68,328	652,000	73,784	711,240	72,808	570,520	6,145,519
- to G. Buffière (4)	*-*	*60,000*	*15*	*90,000*	*80,000*	*260,000 (5)*	*60*	*80,000*	*60*	*30,000*	*60*	*32,000*	*40*	*28,500*	*660,735*
- to J. Pecresse (6)	*28,000*	*23,000*	*15*	*22,500*	*20,000*	*36,000*	*60*	*21,400*	*60*	*9,000*	*60*	*8,560*	*40*	*5,700*	*174,395*
- to the ten (7) Group employees who received the most options	*198,150*	*154,000*	*150*	*157,500*	*140,000*	*109,600*	*360*	*145,580*	*720*	*90,000*	*n.a*	*n.a*	*n.a*	*n.a*	*996,060*
CHANGE DURING FINANCIAL 2008															
Number of options remaining to be exercised on 01/01/2008	n.a	560,000	38,625	619,700	578,700	624,500	32,488	314,680	37,630	127,000	29,164	72,780	25,564	42,560	3,103,391
Number of shares subscribed in 2008 of which:	n.a	n.a	-	n.a	-	3,000	1,144	16,850	1,180	6,000	808	-	752	-	29,734
- by G. Buffière (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- by J. Pecresse (6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- by the 10 (7) Group employees who exercised the most options	*n.a*	*n.a*	*-*	*n.a*	*-*	*3,000*	*600*	*16,850*	*600*	*6,000*	*600*	*-*	*400*	*-*	*28,050*
Number of options cancelled (8) in 2008	(3,500)	(55,300)	-	(46,500)	(12,200)	(6,000)	-	-	-	-	-	-	-	-	(123,500)
Number of options remaining to be exercised on 12/31/2007 (9) of which:	494,425	504,700	38,625	573,200	566,500	615,500	31,344	297,830	36,450	121,000	28,356	72,780	24,812	42,560	3,448,082
- by G. Buffière (4)	-	60,000	15	90,000	80,000	260,000 (5)	60	80,000	60	30,000	60	32,000	40	15,500	647,735
- by J. Pecresse (6)	28,000	23,000	15	22,500	20,000	36,000	60	21,400	60	-	60	-	40	-	151,135

(1) Employee Shareholder Plans.
(2) Not including longer tax immobilization periods that may be applicable locally.
(3) Except for different subscription prices applicable locally.
(4) Director, Chief Executive Officer.
(5) Of which 200,000 pursuant to the Group's achievement of economic and financial results in financial years 2004 to 2006.
(6) Chief Operating Officer.
(7) This number may be greater or less than 10 in some years.
(8) Following the beneficiaries' departure from the Group.
(9) Following cancellation and exercise of the aggregate number of options since the date of approval of the plan in question, and any reintegrations.

3.5 FREE SHARES

3.5.1 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 April 2008 to grant each beneficiary a total number of rights giving access to share capital, composed in principle for 70% of stock subscription options, with the remainder (30%) 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 Appointments and Compensation Committee is currently examining the Group's policy on grants of stock subscription options and will submit to the Board at the appropriate time its recommendations with a view to complying with those new legal provisions. The provisions particularly subject the grant of options in favor of executive corporate officers to an allocation for the benefit of all employees in the company concerned and at least 90% of all employees of its French subsidiaries or, as the case may be, to a profit-sharing agreement being entered into in the Company for the benefit of at least 90% of all employees of its French subsidiaries, or to 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 Annual Report)*.

MAIN CHARACTERISTICS OF FREE SHARES

VESTING OF SHARES

The granted 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 for any reason whatsoever before the expiry of the vesting period entails the loss of all rights to the vesting of his or her free shares.

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 which period they may dispose freely of the shares.

FREE SHARE PLANS ADOPTED IN 2008

96,232 free shares, of which 56,232 subject in principle to the achievement of economic performance goals ("performance shares"), were granted in 2008 to 184 Group managers residing in France or abroad.

The vesting and number of the performance shares granted with respect to the plan adopted by the Board in April 2008 are conditioned by and proportionate to the achievement of a goal of average annual growth 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, 25,592 free shares were granted to the 10 [(1)] beneficiaries receiving the highest number of those shares.

(1) This number may be greater than 10 because of the grant of an equal number of free shares to several of the beneficiaries concerned.

DETAILS OF FREE SHARE PLANS IN FORCE

	Grant date	Number of beneficiaries	Number of shares granted	Number of shares cancelled in 2008	Vesting date of shares	Date of end of share immobilization period	Number of shares as on 12/31/2008
2006 free share plan	May 2, 2006	2	9,750	4,500	March 13, 2009	March 15, 2011	5,250
2008 free share plan	April 30, 2008	184	96,232	375	April 30, 2011	April 30, 2013	95,857

3.5.2 Free shares granted by the Company to its executive corporate officers

	Date of Plan	Number of shares granted in 2008	Valuation of shares (1) *(euros)*	Vesting date	Availability date	Performance conditions
Gérard Buffière, Chief Executive Officer	April 30, 2008	40,000	1,920,643	April 30, 2010	April 30, 2012	No
Jérôme Pecresse, Chief Operating Officer	April 30, 2008	3,000	93,990 (2)	April 30, 2011	April 30, 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) At the end of December 2008, the Company judged that performance conditions would not be affected and consequently did not record any expense in that respect in the consolidated accounts (see note 9 to the consolidated financial statements).

In April 2008, in accordance with the recommendations of the Appointments and Compensation Committee, the Board of Directors decided not to grant stock subscription options to the Chief Executive Officer but to award him, on an exceptional basis, free shares subject to his remaining an employee or corporate officer of the Group until April 29, 2010. The Chief Executive Officer asked the Board to review its initial proposal in order to reduce significantly the number of free shares to be granted to him because of the deterioration in the market environment and the Group's activities. Agreeing to the Chief Executive Officer's request, the Board decided to limit his grant to 40,000 free shares.

The Board of Directors, pursuant to the recommendations of the Appointments and Compensation Committee and in accordance with legal provisions, decided at its meeting of April 30, 2008 that the Chief Executive Officer and the Chief Operating Officer shall both be obliged to hold, on a registered basis and until the date on which their duties as corporate officers of Imerys end, at least 25% of the free shares vested with respect to the grant made in 2008.

No free shares had been previously granted to either executive corporate officer.

In accordance with the AFEP-MEDEF recommendations published in October 2008, the Board of Directors will examine, at the time of the newt grants of free shares to the executive corporate officers, the performance conditions that it intends to put on their vesting; it will set, as the case may be, the maximum percentage of shares that may be granted to them in relation to their individual compensation and the total envelope voted by the shareholders, the proportion of shares to be kept by each of them and, finally, the number of shares they must acquire in addition upon the availability of the granted shares.

3.6 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.

This obligation to refrain from trading applies to any transaction in Imerys securities, with the exception however of subscription or purchase by the exercise of options. The Board of Directors examined the recommendation of the AFEP-MEDEF Corporate Governance Code favoring of the removal of that exception to the obligation to refrain from trading imposed by the Group on its executive corporate officers. The Board judged that the removal of that exception was not justified, as 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. The Board of Directors examined the possible extension of that prohibition, in accordance with the recommendation of the AFEP-MEDEF Corporate Governance Code, to cover risk hedging transactions by executive corporate officers who are beneficiaries of stock options and/or performance shares. The Board considered that the prohibition was not warranted at Imerys, given the seniority in the Group of the current members of the Company's Executive Management and the policies implemented by the Company until now on the compensation and grant of stock options and/or free shares to them, and that the possibility of protecting part of the assets built up during their career in the Group against possible risks corresponded to a legitimate, conventional goal in individual capital management. Moreover, the Board judged that the transparency of such hedging transactions was fully guaranteed by the individual obligation to declare to AMF all transactions made in securities in the Company, pursuant to legal and regulatory provisions.

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 2008 and, as the case may be, any related persons, as declared to the AMF and published on its website.

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	50,000	Acquisition (1)	1	€1,528,750
Aldo Cardoso	Director	Shares	800	Acquisition	1	€35,167
Belgian Securities BV	Controlling shareholder (2)	Shares	2,178,408	Acquisition	85	€103,607,348
Groupe Bruxelles Lambert	Controlling shareholder (2)	Put options	1,206,998	Sale	26	€1,937,704
Groupe Bruxelles Lambert	Controlling shareholder (2)	Shares	100,000	Acquisition (3)	2	€5,250,000

(1) Following the exercise of call options on shares granted by a shareholder in the Company (Pargesa).

(2) Person related to the Directors of the Company (Aimery Langlois-Meurinne, Paul Desmarais, Jr., Thierry de Rudder and Amaury de Sèze), representing its controlling shareholder.

(3) Following the exercise of put options on shares.

RISK FACTORS AND INTERNAL CONTROL

4

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 related 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 improve the price/mix component, develop innovative, high value-added new products, penetrate new markets, and control production costs and overheads or even reduce them in the event of a prolonged major recession. 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.

The Group's acquisition strategy enables it to accelerate regularly the development of its geographic positions, its minerals offering, its conversion processes and its application technologies.

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 Annual Report)*. 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.

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 Executive Management, the Strategic Committee and/or the Board of Directors *(see chapter 3, section 3.1 of the Annual Report)*.

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 Annual Report*.

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)*.

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 where it operates.

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 Annual Report.*

RAW MATERIALS

Raw materials account for approximately 19.5% of the Group's current operating expenses. Trends in the cost of those material and their supply conditions may, therefore, affect its operating margin when Imerys' market position does not allow it to pass the adverse impact through to its customers.

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 Annual Report)*. For other critical raw materials, supplies are secured through long-term contracts and/or supplier diversity. 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 *(for more information, refer to chapter 1, section 1.9 of the Annual Report)*. 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.

COUNTRY

(See Note 36 to the consolidated financial statements)

ENERGY PRICES

(See Note 26.5 to the consolidated financial statements)

CUSTOMER-SUPPLIER RELATIONS

In 2008, sales to Imerys' 10 largest customers represented 17.2% of the Group's consolidated sales, with no customer accounting individually for more than 4% of total sales. Similarly, purchases from Imerys' 10 largest suppliers (including transport and energy) represent 11.1% of the Group's total purchases, with no supplier accounting individually for more than 3% of total purchases.

To date, the Group estimates that it has no significant risk of dependency with respect to its customers and suppliers.

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.

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 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. These 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 and four training sessions were carried out.

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 Annual Report*.

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: number and geographic dispersal of industrial sites, many of which are of moderate size, in each operating activity; high 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 an access security audit for each site.

Furthermore, the potential financial impact that may arise from property damages or sites' temporary operating stoppages is covered through an insurer that is internationally recognized for its reputation and financial solidity under an insurance coverage program combined with a sound risk prevention program *(see paragraph 4.1.5 of 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

LEGAL PROCEDURES

(See Note 25.2 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 (i) 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 neighborhood disturbances) or resulting from a possible breach of certain contractual obligations, or (ii) to 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 Department 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 & Strategy Department and Group Auditors after every half-year. The General Counsel makes a summary presentation of claims to the Audit Committee as part of its annual examination of the risks facing the Group.

Although the outcome of all outstanding actions and claims cannot be foreseen with certainty, taken individually or as a whole, their settlement, even if adverse for the Group companies involved, is not likely to have any material impact on the Company or Group's financial statements. The amount of provisions booked for management risks is €37.4 million as of December 31, 2008 (€39.9 million as of December 31, 2007). The likely term of these provisions is from 2009 to 2013.

More generally, as of the date of the present Annual Report, 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 Annual Report, no other major contracts have been signed by any Group company in the two years prior to the date of the present Annual Report 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.

4.1.4 Risks relating to financial markets

(See Notes 23.4 and 26.5 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 (rated A by AM Best and Standard & Poors) and the "Excess" policy with AXA (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, 2009. Apart from exceptions, applicable standard excesses are €15,000 euros per claim but may amount to 10% of the claim (with a ceiling of €200,000 per claim) for claims over €150,000, outside Canada and the United States where they amount to US$ 100,000 and US$ 250,000 respectively.

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.

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 €120 million per claim.

The current Group property damage and business interruption program was renewed on January 1, 2009 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 2008. 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 12, 2009.

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 Annual Report*. 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 Annual Report*. 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 Annual Report*. 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 Chief Executive Officer and the Chief Operating Officer, 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

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.

To define its internal control reference matrix, structure its approach and provide for the qualification of its system, the Group draws on the framework published in May 2006 by the workgroup organized by AMF (the French Securities Regulator). That matrix includes the objectives and the components of the AMF framework.

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 departments 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 departments in their scope of responsibility and regular audits conducted by the Internal Audit Department. 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 Chief Executive Officer and the Chief Operating Officer. 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 Annual Report*. In particular, the Audit Committee reviews at least once a year the processes set up and results obtained in terms of risks analysis and appraisal of internal control mechanisms.

These specialized Committees perform their duties under the responsibility of the Board of Directors.

Executive Management and the Executive Committee

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 departments. 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 departments

The corporate Finance & Strategy, Legal & Corporate Support, Human Resources, Innovation, Research & Technology & Business Support, Geology and Environment, Health & Safety Departments have a twofold mission: organize and control the Group's operations in their respective spheres of expertise and provide technical assistance to operating activities in those fields when necessary. This central support core, together with the cross-Group Departments (Purchasing and Information Systems), enables the Group not only to benefit from the scale effects related to its size and from better sharing of skills, but also to ensure that all the operations in those fields are carried out in a framework of secure, consistent management and control.

Through their presence and organization, central support functions make a significant contribution to the Group's internal control mechanisms. The managers of these departments have functional authority over the managers whose missions come under their scope of expertise in operating activities.

Internal Audit Department

The Internal Audit Department 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 Department'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 Department has a centralized organization with a team of 7 Auditors based in Paris (covering Europe, Africa and the Americas), 1 Auditor in Beijing and 2 Auditors in Shanghai (covering Asia-Pacific and all information systems).

Internal Control Department

The Internal Control Department reports to the Legal & Corporate Support Department and works closely with the Internal Audit Department. Its mission is to coordinate the continuous improvement of internal control mechanisms in the Group. To do so, it is in charge of the three following activities:

- risk analysis;
- administration of Group policies and procedures (including their Group-wide dissemination);
- overall review of internal control practices in the Group.

All this work is done in cooperation with the Group's support departments and the main line managers of each activity.

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 departments in the following areas: Finance, Strategy, Tax, Information Systems; Legal, Insurance and Internal Control; Human Resources; Purchasing, Geology, Environment, Health & Safety, Research & Technology. These 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.

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 three other Group policies in addition to the Code of Business Conduct and Ethics: the anti-fraud policy, the anti-trust policy and the employee relations policy.

Major internal communication efforts have been made. The Code of Business Conduct and Ethics is presented at many in-house seminars, the internal magazine often devotes an article to it, and web training, initially created in the United States and followed by all American employees in 2007, is being prepared in Europe. In 2009, a group communication campaign will focus on it.

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 Department through specialized information system assignments.

Imerys is organized around a small number of ERP systems selected by the Group in which they are to be deployed in order to achieve support and maintenance synergies as well as satisfactory consistency, but also to allow for the size of operations and geographic zones where they are to be rolled out.

For the consolidation and reporting of its accounting and financial information, the Group uses a single software package in all its entities.

Furthermore, tools for consolidating and monitoring the most important non-financial data have been set up Group-wide. Depending on the case, they are used to achieve the following goals:

- obtaining better vision of the performance of the Group's different activities, preventing or solving any difficulties and fostering or measuring improvement (e.g. consolidation and reporting of representative indicators for managing human resources and environment, health or safety);
- ensuring accurate management of some data and contributing to the monitoring of the data's compliance with the legal or regulatory obligations that apply to the Group and with Group rules (e.g. consolidation and reporting of legal and administrative information on the Group's subsidiaries and interests and their company officers; management of intra-group bank accounts and cash flows).

HUMAN RESOURCES MANAGEMENT PRINCIPLES

Human Resources management contributes to Imerys' internal control system by enabling the Group to ensure that its employees have a relevant skill level with respect to their responsibilities, that they are aware of those responsibilities and that they are informed about and observe the Group's rules.

In that respect, a set of rules has been drawn up to ensure that the decisions taken comply with applicable international laws and agreements, control the integrity of salary determination and payment processes, supervise the setup of benefits and gather and process information. Other Human Resources policies have been drawn up covering areas such as employee relations, industrial relations, 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 Department defines standards and checks practices. In addition, senior managers may not be recruited without the involvement of the Human Resources Department and, as the case may be, the relevant support departments.

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 for examining individual situations (e.g. identifying high-potentials or outstanding performance), succession plans and key organizational questions.

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.

TARGETED INTERNAL COMMUNICATIONS

Internal communication is organized around a central department that is part of the Group Human Resources Department 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.

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 CONCERNING THE ACCURACY OF ACCOUNTING AND FINANCIAL INFORMATION

The control mechanism and the procedures for the production of the accounting and financial information are uniform throughout the Group. This mechanism is made up of a cross-Group accounting organization, consistent accounting standards, a single consolidated reporting system and a quality control of the internal and external financial and accounting information that is produced.

Organization of the accounting and financial function

Accounting and financial operations are managed by the Group's Finance & Strategy Department. Its central organization includes:

- an accounting and consolidation function, 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 function, 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 function, which is particularly in charge of preparing and consolidating data on financial debt and on the Group's financial income/expense. Its main missions concern the centralized management and optimization of the Group's debt and financial resources and management of interest rate and liquidity and currency risk;
- a tax function, 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's Finance & Strategy Department.

Accounting framework

The general rules described in the "Blue Book" apply to all the Group's operating and legal entities. 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 crossfunctional teams in every activity and on the control of the overall consistency of assumptions and methods by the Reporting and Consolidation Department.

The reporting system enables the Group to accurately monitor monthly results (income statement and cash flow) and financial data for operating activities and to compare them with the budget and results for the corresponding period in the previous financial year. Local line managers comment on management indicators and the main variations are analyzed by the Reporting and Consolidation Department.

Consolidation process

A single accounting consolidation system handles all information from every Group operating and legal entity.

To guarantee the quality and accuracy of its financial information, Imerys has set up a "Magnitude" unified reporting system for both the collection of management information and production of the consolidated financial statements. The system is deployed in all the Group's entities. It is sourced from local accounting data by interface, by retrieving the necessary data from the financial modules of entities' ERP systems or by manual input.

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 Department 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 Department'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 2008, Imerys began its second review of internal control mechanisms for nine of the Group's significant processes (Sales, Purchases, Capital Expenditure, Fixed Asset Management, Mining, Payroll, Treasury, Account Closing & Consolidation, IT Security) in 18 of its main entities that contribute to more than 50% of consolidated sales.

In accordance with its three-year plan, Imerys' goal by 2010 is to cover in its main entities all the main operating and support processes that may generate material risks for the Group.

The results of self-assessments are validated by the controllers and general managers of the concerned activities. They are reviewed and discussed with the Internal Control Department to ensure that answers are consistent and assessments are relevant. The final results are annually presented to the Group's Executive Committee and the Audit Committee.

In late 2008, the Internal Audit Department began to integrate into its audit program a validation of the answers given in the internal control questionnaires for audited entities that completed a self-assessment of their internal control practices.

4.2.2 Statutory Auditors' Report

Prepared in accordance with Article L. 225-235 of the French Compagny Law *(Code de Commerce)* on the report prepared by the Chairman of the Board of Directors of Imerys.

Fiscal year ended December 31, 2008

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, 2008.

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 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 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 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 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 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	Deloitte & Associés
Jean-Roch VARON	Nicholas L. E. ROLT

FINANCIAL STATEMENTS

5

5.1 CONSOLIDATED FINANCIAL STATEMENTS

5.1.1 Consolidated income statement

(€ millions)	Notes	2008	2007	2006
Revenue	*6*	3,449.2	3,401.9	3,288.1
Raw materials and consumables used	*7*	(1,268.5)	(1,159.9)	(1,102.1)
External expenses	*8*	(890.7)	(867.7)	(827.4)
Staff expenses	*9*	(652.3)	(685.4)	(660.4)
Taxes and duties		(53.0)	(47.9)	(48.6)
Amortization, depreciation and impairment losses		(193.2)	(197.4)	(206.7)
Other operational revenue and expenses	*10*	11.9	34.7	15.9
Current operating income		**403.4**	**478.3**	**458.8**
Income on asset disposals		0.1	(1.3)	16.5
Impairment losses, restructuring and litigation		(115.0)	(44.7)	(192.3)
Other operating revenue and expenses	*11*	**(114.9)**	**(46.0)**	**(175.8)**
Operating income		**288.5**	**432.3**	**283.0**
Income from securities	*13*	4.1	5.7	4.6
Gross financial debt expense	*13*	(61.1)	(63.7)	(53.9)
Net financial debt expense		**(57.0)**	**(58.0)**	**(49.3)**
Other financial revenue	*12*	231.9	50.5	67.9
Other financial expenses	*12*	(221.2)	(48.2)	(65.3)
Financial income (loss)		**(46.3)**	**(55.7)**	**(46.7)**
Income taxes	*14*	(88.9)	(96.6)	(51.5)
Share in net income of associates		10.4	6.9	5.2
Net income		**163.7**	**286.9**	**190.0**
of which:				
Net income, Group share	*15*	161.3	284.2	187.4
Net income, minority interests		2.4	2.7	2.6
Net income, Group share	*15*	**161.3**	**284.2**	**187.4**
of which:				
Net income from current operations, Group share	*15*	267.1	316.7	308.3
Other net operating revenue and expenses, Group share	*11*	(105.8)	(32.5)	(120.9)

(in €)				
Net basic earnings per share from current operations	*16*	4.25	5.00	4.86
Net basic earnings per share	*16*	2.57	4.49	2.95
Diluted net earnings per share	*16*	2.56	4.49	2.95

Average exchange rate euro/USD	*1.4708*	*1.3702*	*1.2557*

5.1.2 Consolidated balance sheet

(€ millions)	Notes	2008	2007	2006
CONSOLIDATED ASSETS				
Goodwill	17	899.4	860.7	793.1
Intangible assets	18	45.0	49.3	22.8
Mining assets	19	395.6	399.6	437.8
Property, plant and equipment	19	1,314.0	1,280.9	1,175.0
Investments in associates	21	50.0	42.9	34.1
Available-for-sale financial assets	23.2	7.1	9.0	12.8
Other financial assets	23.3	13.8	11.3	11.3
Other receivables	23.3	40.4	46.8	18.9
Derivative financial assets	26.2	18.7	5.6	41.3
Deferred tax assets	27	55.9	59.4	49.3
Total non-current assets		**2,839.9**	**2,765.5**	**2,596.4**
Inventories	22	611.0	502.0	490.6
Trade receivables	23.3	523.3	623.4	614.7
Other receivables	23.3	154.2	133.3	113.7
Derivative financial assets	26.2	1.1	(0.6)	0.3
Marketable securities and other financial assets		4.4	5.3	4.1
Cash and cash equivalents	26.2	214.0	173.4	181.2
Total current assets		**1,508.0**	**1,436.8**	**1,404.6**
TOTAL CONSOLIDATED ASSETS		**4,347.9**	**4,202.3**	**4,001.0**
CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY				
Capital	24	125.6	126.3	126.7
Premiums		115.8	131.7	158.9
Reserves		1,123.7	1,097.5	1,157.1
Net income, Group share		161.3	284.2	187.4
Shareholders' equity, Group share		**1,526.4**	**1,639.7**	**1,630.1**
Minority interests		**19.9**	**23.9**	**16.3**
Shareholders' equity		**1,546.3**	**1,663.6**	**1,646.4**
Provisions for employee benefits	25.1	133.2	177.7	235.0
Other provisions	25.2	153.7	150.5	164.5
Loans and financial debts	26.2	1,054.7	1,021.1	892.8
Other debts	26.3	13.6	23.0	27.1
Derivative financial liabilities	26.2	19.2	12.5	13.5
Deferred tax liabilities	27	75.4	53.9	52.4
Total non-current liabilities		**1,449.8**	**1,438.7**	**1,385.3**
Other provisions	25.2	20.8	14.8	18.4
Trade payables		337.9	321.5	296.8
Income taxes payable		13.4	30.0	24.9
Other debts	26.3	199.7	240.3	217.9
Derivative financial liabilities	26.2	49.8	2.8	5.9
Loans and financial debts	26.2	727.3	388.0	360.7
Bank overdrafts	26.2	2.9	102.6	44.7
Total current liabilities		**1,351.8**	**1,100.0**	**969.3**
TOTAL CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY		**4,347.9**	**4,202.3**	**4,001.0**
Net financial debt	26.2	**1,566.1**	**1,343.0**	**1,086.1**
Closing exchange rate euro/USD		*1.3917*	*1.4721*	*1.3170*

5.1.3 Consolidated cash flow statement

(€ millions)	2008	2007	2006
Cash flow from operating activities			
Cash flow generated by current operations *(appendix 1)*	576.3	612.9	549.5
Interests paid	(46.6)	(58.4)	(54.2)
Income taxes on current operating income and financial income (loss)	(127.1)	(118.0)	(107.0)
Dividends received	4.4	2.6	2.1
Cash flow generated by other operating revenue and expenses *(appendix 2)*	(41.8)	(41.2)	(31.2)
Cash flow from operating activities	**365.2**	**397.9**	**359.2**
Cash flow from investing activities			
Acquisitions of property, plant and equipment and intangible assets	(247.9)	(351.9)	(217.0)
Acquisitions of investments in consolidated entities after deduction of cash acquired	(142.6)	(191.4)	(21.5)
Acquisitions of available-for-sale financial assets	-	-	(1.0)
Disposals of property, plant and equipment and intangible assets	20.9	27.5	39.9
Disposals of investments in consolidated entities after deduction of cash disposed of	0.9	18.4	10.3
Disposals of available-for-sale financial assets	0.3	-	0.1
Net change in financial assets	(0.6)	(0.4)	1.1
Paid-in interests	2.9	2.8	3.5
Cash flow from investing activities	**(366.1)**	**(495.0)**	**(184.6)**
Cash flow from financing activities			
Capital increases	0.9	15.9	22.6
Capital decreases	(17.4)	(42.1)	(83.4)
Disposals (acquisitions) of treasury shares	11.5	(13.6)	39.2
Dividends paid to shareholders	(119.0)	(114.2)	(104.8)
Dividends paid to minority interests	(0.7)	(1.8)	(1.3)
Loan issues	490.8	503.4	3.8
Loan repayments	(15.2)	(402.8)	(37.5)
Net change in other debts	(205.1)	93.9	8.5
Cash flow from financing activities	**145.8**	**38.7**	**(152.9)**
Change in cash and cash equivalents	**144.9**	**(58.4)**	**21.7**
Cash and cash equivalents at the beginning of the period	**70.8**	**136.5**	**121.1**
Change in cash and cash equivalents	144.9	(58.4)	21.7
Impact of changes due to exchange rate fluctuations	(4.4)	(7.3)	(6.3)
Impact of changes in accounting policies	(0.1)	-	-
Cash and cash equivalents at the end of the period	**211.2**	**70.8**	**136.5**
Cash and cash equivalents	214.0	173.4	181.2
Bank overdrafts	(2.8)	(102.6)	(44.7)

APPENDIX 1

(€ millions)	2008	2007	2006
Net income	**163.7**	**286.9**	**190.0**
Adjustments for:			
Income taxes	88.9	96.6	51.5
Share in net income of associates	(10.4)	(6.9)	(5.2)
Impairment losses on goodwill	48.9	0.1	0.2
Other operating revenue and expenses excluding impairment losses on goodwill	66.0	45.9	175.6
Net operating amortization and depreciation	191.5	194.9	203.6
Net operating impairment losses on assets	7.5	3.1	1.7
Net operating provisions	(29.7)	(27.3)	(19.1)
Dividends	(0.3)	(0.2)	(0.2)
Net interests of revenue and expenses	56.5	60.7	48.4
Revaluation gains and losses	(5.7)	3.1	10.6
Income from current disposals of property, plant and equipment and intangible assets	(9.4)	(16.4)	(14.4)
Change in the working capital requirement	**8.8**	**(27.6)**	**(93.2)**
Inventories	*(94.6)*	*(21.2)*	*(25.8)*
Trade accounts receivable, advances and down payments received	*105.1*	*(11.6)*	*(23.7)*
Trade accounts payable, advances and down payments paid	*21.8*	*27.9*	*(17.3)*
Other receivables and debts	*(23.5)*	*(22.7)*	*(26.4)*
Cash flow generated by current operations	**576.3**	**612.9**	**549.5**

APPENDIX 2

(€ millions)	2008	2007	2006
Other operating revenue and expenses	**(114.9)**	**(46.0)**	**(175.8)**
Adjustments for:			
Impairment losses on goodwill *(Note 20)*	48.9	0.1	0.2
Other net operating amortization and depreciation	16.2	20.6	123.5
Other net operating provisions	(5.7)	(34.2)	21.3
Income from non-recurring disposals of property, plant and equipment and intangible assets	-	0.2	(15.1)
Income from disposals of consolidated investments and available-for-sale financial assets	(0.1)	1.1	(1.4)
Income taxes paid on other operating revenue and expenses	13.8	17.0	16.1
Cash flow generated by other operating revenue and expenses	**(41.8)**	**(41.2)**	**(31.2)**

5.1.4 Consolidated statement of changes in shareholders' equity

(€ millions)	Number of shares outstanding	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves and accumulated income	Total Group share	Total minority interests	Total share-holders' equity
Shareholders' equity as of January 1, 2006	**63,971,865**	**127.9**	**219.5**	**(36.9)**	**(1.1)**	**73.8**	**1,288.8**	**1,672.0**	**14.2**	**1,686.2**
of which income taxes directly recognized in equity	-	-	-	-	-	3.3	-	3.3	-	3.3
Gains (losses) on cash flow hedges	-	-	-	-	2.2	-	-	2.2	-	2.2
Change in translation reserve	-	-	-	-	-	(110.1)	-	(110.1)	(1.7)	(111.8)
Total income and expense of the period recognized in equity	**-**	**-**	**-**	**-**	**2.2**	**(110.1)**	**-**	**(107.9)**	**(1.7)**	**(109.6)**
2006 net income	-	-	-	-	-	-	187.4	187.4	2.6	190.0
Total income and expense of the period	**-**	**-**	**-**	**-**	**2.2**	**(110.1)**	**187.4**	**79.5**	**0.9**	**80.4**
Dividend (€1.65 per share)	-	-	-	-	-	-	(104.8)	(104.8)	(1.3)	(106.1)
Capital increases	687,755	1.4	20.2	-	-	-	-	21.6	1.0	22.6
Capital decreases	(1,325,000)	(2.6)	(80.8)	-	-	-	-	(83.4)	-	(83.4)
Impact on minority interests of scope changes and capital increases	-	-	-	-	-	-	-	-	1.5	1.5
Transactions on treasury shares	-	-	-	39.2	-	-	-	39.2	-	39.2
Share option-based payments	-	-	-	-	-	-	6.0	6.0	-	6.0
Shareholders' equity as of January 1, 2007	**63,334,620**	**126.7**	**158.9**	**2.3**	**1.1**	**(36.3)**	**1,377.4**	**1,630.1**	**16.3**	**1,646.4**
of which income taxes directly recognized in equity	-	-	-	-	-	5.2	-	5.2	-	5.2
Gains (losses) on cash flow hedges	-	-	-	-	2.8	-	-	2.8	-	2.8
Change in translation reserve	-	-	-	-	-	(128.4)	-	(128.4)	(1.3)	(129.7)
Total income and expense of the period recognized in equity	**-**	**-**	**-**	**-**	**2.8**	**(128.4)**	**-**	**(125.6)**	**(1.3)**	**(126.9)**
2007 net income	-	-	-	-	-	-	284.2	284.2	2.7	286.9
Total income and expense of the period	**-**	**-**	**-**	**-**	**2.8**	**(128.4)**	**284.2**	**158.6**	**1.4**	**160.0**
Dividend (€1.80 per share)	-	-	-	-	-	-	(114.2)	(114.2)	(0.9)	(115.1)
Capital increases	398,779	0.8	13.6	-	-	-	-	14.4	1.5	15.9
Capital decreases	(606,543)	(1.2)	(40.9)	-	-	-	-	(42.1)	-	(42.1)
Impact on minority interests of scope changes and capital increases	-	-	-	-	-	-	1.1	1.1	5.6	6.7
Transactions on treasury shares	-	-	-	(13.6)	-	-	-	(13.6)	-	(13.6)
Share option-based payments	-	-	-	-	-	-	5.4	5.4	-	5.4
Shareholders' equity as of January 1, 2008	**63,126,856**	**126.3**	**131.6**	**(11.3)**	**3.9**	**(164.7)**	**1,553.9**	**1,639.7**	**23.9**	**1,663.6**
of which income taxes directly recognized in equity	-	-	-	-	-	8.9	-	8.9	-	8.9
Gains (losses) on cash flow hedges	-	-	-	-	(70.6)	-	(0.6)	(71.2)	-	(71.2)
Change in translation reserve	-	-	-	-	-	(85.2)	-	(85.2)	(1.5)	(86.7)
Total income and expense of the period recognized in equity	**-**	**-**	**-**	**-**	**(70.6)**	**(85.2)**	**(0.6)**	**(156.4)**	**(1.5)**	**(157.9)**
2008 net income	-	-	-	-	-	-	161.3	161.3	2.4	163.7
Total income and expense of the period	**-**	**-**	**-**	**-**	**(70.6)**	**(85.2)**	**160.7**	**4.9**	**0.9**	**5.8**
Dividend (€1.90 per share)	-	-	-	-	-	-	(119.0)	(119.0)	(0.7)	(119.7)
Capital increases	29,734	-	0.9	-	-	-	-	0.9	-	0.9
Capital decreases	(370,000)	(0.7)	(16.7)	-	-	-	-	(17.4)	-	(17.4)
Impact on minority interests of scope changes and capital increases	-	-	-	-	-	-	-	0.0	(4.2)	(4.2)
Transactions on treasury shares	-	-	-	11.3	-	-	-	11.3	-	11.3
Share option-based payments	-	-	-	-	-	-	6.0	6.0	-	6.0
Shareholders' equity as of December 31, 2008	**62,786,590**	**125.6**	**115.8**	**0.0**	**(66.7)**	**(249.9)**	**1,601.6**	**1,526.4**	**19.9**	**1,546.3**
of which income taxes directly recognized in equity	-	-	-	-	0.9	20.0	-	20.9	-	20.9
Proposed dividend (€1.00 per share)	-	-	-	-	-	-	(62.8)	(62.8)	-	(62.8)
Shareholders' equity after allocation as of January 1, 2009	**62,786,590**	**125.6**	**115.8**	**0.0**	**(66.7)**	**(249.9)**	**1,538.8**	**1,463.6**	**19.9**	**1,483.5**

5.1.5 Notes to the consolidated financial statements

ACCOUNTING PRINCIPLES AND POLICIES

Note 1 Accounting principles

In accordance with the European regulation no. 1606/2002 of July 19, 2002, Imerys, a group present in the extraction and adding value to industrial minerals, with its headquarters in Paris, 154 rue de l'Université and whose share is admitted to trading on the Euronext Paris stock exchange main market, prepares financial statements in compliance with IFRSs (International Financial Reporting Standards) adopted within the European Union at the balance sheet date. IFRSs adopted within the European Union correspond to the texts as approved by the IASB (International Accounting Standards Board) except:

- the carve out of the paragraphs addressing macro hedging in standard IAS 39 on financial instruments; and
- the texts effective at the balance sheet date and not adopted within the European Union *(Note 4)*.

As of December 31, 2008, the transactions, events and conditions existing within the Group being however concerned by none of these exceptions, there is for Imerys no divergence between the full IFRS referential and IFRSs adopted within the European Union.

Upon first-time adoption of IFRSs, Imerys presented an opening balance sheet as of January 1, 2004 that included a retrospective application of IFRSs, limited by some optional exemptions provided for by standard IFRS 1 on first-time adoption of IFRSs and exercised by the Group. Thus, business combinations 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 consolidated reserves. Finally, translation differences of consolidated foreign entities have been reclassified in the consolidated reserves.

Note 2 Changes in accounting policies

New texts: anticipated applications

The following text, adopted within the European Union as of December 31, 2008, is applied by anticipation with regard to the effective date provided by the IFRS referential.

IFRS 8, Operating Segments. This standard, effective as of January 1, 2009 in the agenda of the IASB, is applied by anticipation in 2008. The Board of Directors of February 13, 2008 changed the operational organization of the Group into four business groups: Minerals for Ceramics, Refractories, Abrasives & Foundry; Performance & Filtration Minerals; Pigments for Paper and Materials & Monolithics. Each of the operating segments is engaged in the production and rendering of related goods and services presenting common commercial synergies. The application of this standard has no impact on the allocation of goodwill to CGUs. Comparative information provided in *Notes 30 and 31* is restated.

The following text, applicable in the IFRS referential as of December 31, 2008 is applied by anticipation with regard to the effective date provided by the European Union.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This interpretation, effective as of January 1, 2009 in the agenda of the European Union is applied by anticipation in 2008. The application of this text addressing the interaction between future reductions in contributions and minimum funding requirements increases the amount of the "Unrecognized assets due to a limit on prepaid assets" disclosed in *Note 25.1* by €0.1 million.

New texts: applications upon effective dates

The following texts, adopted within the European Union as of December 31, 2008, are applied at the effective dates provided by the IFRS referential.

Amendments to IFRS 7 and IAS 39: Reclassification of Financial Assets. These amendments, effective as of July 1, 2008 in the agenda of the IASB suppress the interdiction to reclassify certain non-derivative financial assets out of the category to which they had been initially assigned and thus authorize, in rare circumstances, certain changes in the intentions of the holder. The Group did not perform any reclassification authorized by these amendments between the financial assets categories disclosed in *Note 23.1*.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions. This interpretation, effective as of January 1, 2008 in the agenda of the IASB and applicable to share options involving several Group entities, has no impact on the "Salaries" expense disclosed in *Note 9*.

Voluntary change in accounting policy: balance sheet presentation of non-current termination benefits

Termination benefits belong to the accounting nature of employee benefits. The majority of these benefits, due as a result of restructuring, was presented until December 31, 2007 as "Other provisions" with provisions for restructuring, whilst the indemnities due as a result of individual layoffs appeared as "Provisions for employee benefits". In order to ensure the consistency between accounting nature and balance sheet presentation, all termination indemnities are now presented as "Provisions for employee benefits" in *Note 25.1*. Termination indemnities due as a result of restructuring and previously classified as "Other provisions" amounted to €12.1 million as of December 31, 2007 and €35.7 million as of December 31, 2006. Comparative information provided in *Notes 25.1 and 25.2* has been restated.

Note 3 Summary of the main accounting policies

3.1 Financial statements

The objective of financial statements is to present a true and fair view of the financial position, of the financial performance and of the cash flows of Imerys. They are established on a going concern basis. The presentation conventions are identical from one period to the other to ensure comparability and are modified only if the change is required by a standard or interpretation, or results in more reliable and more relevant information. Items of similar nature or function are aggregated in separate positions in accordance with their materiality. Upon recognition, assets and liabilities on the one hand and revenue and expenses on the other are not offset unless required by a standard or an interpretation. Assets and liabilities are classified by increasing 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 balance sheet date. Period revenue and expenses are presented by nature in the income statement of the period. They are only included in the cost of an asset or a liability when required by a standard or an interpretation.

Operating income includes the current operating income and other operating revenue and expenses. The current operating income reflects the performance of the Group's ordinary activities. The other operating revenue and expenses correspond to items of revenue and expenses resulting from a limited number of well identified, non-recurring and significant events, such as the impact of a restructuring or the disposal of shares in a consolidated business.

The financial income (loss) mainly includes the cost of indebtedness, foreign exchange differences *(Note 3.8)*, the interest cost related to the unwinding of the discount of provisions for environment, assets dismantling and mine sites restoration *(Note 3.18)* and impairment losses on financial assets. The interest cost related to the unwinding of the discount of provisions for employee benefits is recognized in the current operating income *(Note 3.19)*.

The financial statements are closed by the Board of Directors of Imerys SA, the Mother Company of the Group. These financial statements are disclosed in millions of Euros with one decimal rounded up to nearest tenth. Imerys publishes annual financial statements as of December 31, and interim financial statements as of June 30. These financial statements are disclosed in millions of euros with one decimal rounded up to the nearest tenth. Transactions whose impact relates to the interim closing are recognized and measured in accordance with the same rules as those of annual financial statements. However, materiality is considered with respect to the interim financial results and not annual financial results.

3.2 Operating segments

The operating segments reported by Imerys correspond to the four business groups followed each month by the Executive Management in its business reporting: Minerals for Ceramics, Refractories, Abrasives & Foundry (mainly for floor tiles, sanitaryware, porcelain as well as high-temperature and abrasive industries); Performance & Filtration Minerals (for the plastics, rubber, coatings, sealants and adhesives, health, beauty and nutrition markets); Pigments for Paper (filler and coating products for paper) and Materials & Monolithics (construction materials mainly in clay and protection of high-temperature industrial tools). Each of these operating 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 3.13)* followed by the Executive Management in its business reporting. The financial information presented by operating segment is measured in accordance with the accounting policies used for the preparation of the Group financial statements. The transactions between operating segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

3.3 Earnings per share

The Imerys financial statements disclose basic earnings per share and diluted earnings per share. Basic earnings per share is broken down further as net basic earnings per share from current operations and net basic earnings per share. 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. The denominator excludes treasury shares *(Note 3.17)*. As Imerys is granting share options *(Note 3.17)*, the weighted average number of ordinary shares defined above is increased, for the calculation of the diluted earnings per share, by the weighted average number of ordinary shares that would be issued if all dilutive options would be exercised at the balance sheet date. The number of dilutive options is calculated by comparison 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.

3.4 Accounting policies, errors and estimates

A change in accounting policies is applied only if it is required by a standard or an interpretation, or results in more reliable and more relevant information. 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. An error, when discovered, is also adjusted retrospectively.

In the absence of applicable text or sufficient detail of existing texts, the Executive Management has defined accouting recognition and measurement policies on three subjects: acquisition of minority interests of an entity controlled by the Group *(Note 3.9)*, greenhouse gas allowances *(Note 3.10)* and mining assets *(Note 3.11)*.

Uncertainties inherent to business activity require the use of estimates for the preparation of the financial statements. Estimates result from judgements intended to provide a reasonable assessment of the latest reliable information available. An estimate is revised to reflect changes in circumstances, new information available and effects related to experience. Changes in estimates are accounted for prospectively: they have an impact on the period over which they were performed and where required, over subsequent periods.

3.5 Events after the balance sheet date

Events occurring between the balance sheet date 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 that existed at the balance sheet date.

3.6 Entities controlled by the Group

The entities controlled by the Group, i.e. those over which Imerys has the power to govern the financial and operating policies, are consolidated. Their assets, liabilities, revenues and expenses thus contribute to the various positions of the balance sheet and income statement of the Group. The impact of intra-group transactions on all positions of the financial statements is eliminated. Negative minority interests of consolidated entities are allocated against the Group share. No entity is consolidated under the proportionate consolidation method.

3.7 Entities under significant influence of the Group

The investments held in entities under significant influence of the Group, i.e. in which Imerys has the power to participate to the financial and operating policies without however governing these, are measured under the equity method. The shares held in the net assets and income statement of these entities are thus presented in distinct positions of the assets and income statement of the Group.

3.8 Foreign currency translation

The Imerys financial statements are stated in Euro. The accumulated impact of the translation of financial statements of entities in foreign currencies is recognized in consolidated equity. Assets and liabilities of foreign entities are translated at the closing rate and their revenue and expenses at the average rate of the current period.

Non-monetary assets and liabilities related to transactions in foreign currencies which are measured at historical cost are translated at the rate of the day or the average rate of the month of the initial transaction. Except for derivative financial instruments *(Note 3.21)*, monetary assets and liabilities related to transactions in foreign currencies are translated at the closing rate. The foreign exchange differences are recognized in financial income (loss), except for those generated by financial assets and liabilities qualified as net investments in a foreign operation and for monetary assets and liabilities that are part of net investments in a foreign operation, which are recognized in consolidated equity. When a foreign entity is sold, the accumulated impact of the translation of its financial statements, as well as the financial assets and liabilities qualified as hedges are accounted for in the income statement.

3.9 Goodwill

Goodwill is measured as the excess paid by Imerys over its share of interest in the fair value of a business combination. Determined upon the date of acquisition, it represents the capacity of the combination to generate future cash flows beyond that fair value. It includes the fair value of identifiable assets, liabilities and contingent liabilities of the business combination. Its measurement is finalized over the twelve months following the date of acquisition. Any excess of the Group's share of interest in the fair value of a business combination over the cost of acquisition is credited to the income statement of the period of acquisition. The previously described treatments also apply to every increase in interest performed after the date of acquisition. Goodwill related to foreign business combinations is accounted for in the functional currency and translated in the Group financial statements in accordance with the rules applicable to the translation of financial statements of foreign entities *(Note 3.8)*. Goodwill is not depreciable. It is allocated to the individual assets or the Cash-Generating Units that benefit from the synergies of the combination and is subject to a first impairment test *(Note 3.13)* before the balance sheet date 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.

3.10 Intangible assets

Intangible assets controlled by Imerys are recognized as assets over their useful lives. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. Expenditures related to the Group research teams to improve the quality and properties of products and satisfy the customers' requirements at the lowest cost generally do not meet the recognition criteria of a development intangible asset as defined by standard IAS 38 on intangible assets and are recognized as expenses as incurred. As the greenhouse gases allowances attributed to Imerys exceed the Group's actual emissions *(Note 18)*, the rights received are recognized as intangible assets for a carrying amount of zero. The cost of intangible assets is amortized on a straight-line basis over the useful lives indicated hereafter:

Trademarks, patents and licenses	5 to 40 years
Software	1 to 5 years

Where the carrying amount of an intangible asset ceases to be recoverable, it is written-down to its recoverable amount on the basis of an impairment test *(Note 3.13)*.

3.11 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 recognized as expenses as incurred.

Extraction rights are recognized as intangible assets. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. The cost of these rights is amortized on the basis of extracted quantities.

Mineral reserves are recognized as property, plant and equipment. They are measured initially at acquisition cost excluding subsoil, increased by expenditures incurred to determine the tonnage of ore present in the deposit. Overburden works performed to enable access to the deposit are recognized as property, plant and equipment. Their initial measurement incorporates their production cost and the discounted value of restoration or dismantling obligations resulting from the deterioration caused by the construction of these assets *(Note 3.18)*. Mining assets recognized as property, plant and equipment are subsequently measured at cost decreased by accumulated depreciation calculated on the basis of extracted quantities. Subsoil is not depreciated.

Mining assets recognized as intangible assets and property, plant and equipment are allocated to Cash-Generating Units as the other assets of the Group and are subject to the same impairment tests *(Note 3.13)*.

3.12 Property, plant and equipment

Property, plant and equipment are recognized as assets 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 are measured initially 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 borrowings that finance the construction of property, plant and equipment is recognized as an expense. 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 accounted for as expenses. The cost of property, plant and equipment incorporates, in particular for industrial facilities, the discounted value of restoration or dismantling obligations, where a present obligation exists *(Note 3.18)*.

Property, plant and equipment are subsequently measured at cost, decreased by accumulated depreciation and any impairment loss. It is depreciated on a straight-line basis over the useful lives indicated hereafter. These ranges reflect, where appropriate, the useful lives of the components included in property, plant and equipment:

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

Land is not depreciated. Where the carrying amount of an item of property, plant and equipment ceases to be recoverable, it is written-down to its recoverable amount on the basis of an impairment test *(Note 3.13)*.

3.13 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, are allocated to a CGU.

An impairment test 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 unfavorable trend. The main indicators are significant changes in the entities' activities, significant changes in interest rates, technological level, obsolescence and level of performance of assets. 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 *(Note 28)* adjusted by the "Change in other items of working capital" *(Note 29)*. Except where specifically justified by the Executive Management *(Note 5.1)*, these flows are considered over a period of five years extended on the basis of a perpetual growth model. The discount rates are determined by reference to an assessment of the weighted average cost of capital of the groups present in the sector of extraction and adding value to minerals, adjusted by a country-market risk premium of minus 50, 0, plus 50 or plus 100 basis points.

3.14 Non-current assets held for sale and discontinued operations

When at the balance sheet 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 balance sheet 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 net of disposal costs. 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 3.13)* and are to be abandoned as part of a single co-ordinated plan, they qualify as discontinued operations and their related flows are disclosed separately in the income statement and in the cash flow statement.

3.15 Inventories

Inventories are recognized at the date of transfer of risks, rewards and control. Upon the sale, an expense is recognized at the date the related revenue is accounted for. Inventories are measured at the lower of the cost of production and net realizable value. 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 according to the conditions existing at the balance sheet date.

3.16 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 of standard IAS 39 on financial instruments: “available-for-sale financial assets”, “financial assets at fair value through profit or loss” and “loans and receivables”. The designation of a financial asset to a category commands its recognition and measurement mode.

Available-for-sale financial assets

Investments in entities over which Imerys exercises neither control *(Note 3.6)* nor significant influence *(Note 3.7)* and which the Group does not intend to sell in the short run, are designated as available-for-sale financial assets. They are recognized as assets at the transaction date, i.e. the date of the purchase commitment and are maintained at a carrying amount that is representative of their fair value. The changes of the latter are recognized in the consolidated shareholders’ equity except negative changes in the fair value of available-for-sale financial assets presenting objective evidence of impairment which are recognized in the income statement.

Financial assets at fair value through profit or loss

Investments in marketable securities with a view to short-term disposal are designated as financial assets at fair value through profit or loss. They are recognized as assets between the purchase and sales transaction dates and the changes in fair value are recognized in the financial income (loss) according to market prices published at the end of the period.

Loans and receivables

Loans. Loans are measured at amortized cost. When after its initial recognition, a loan proves to be partially or fully irrecoverable, it is individually written-down to its recoverable value according to the conditions existing at the balance sheet date.

Trade receivables. A trade receivable is recognized with respect to a sale of goods upon transfer of the risks, rewards and control. A receivable is recognized with respect to the rendering of services to the extent of the percentage of completion of services at the balance sheet 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. Trade receivables are designated as loans and receivables. After their initial recognition, they are measured at their amortized cost. If a receivable proves to be partially or fully irrecoverable, it is individually written-down to its recoverable amount according to the conditions existing at the balance sheet date.

Cash and cash equivalents. Cash includes 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 consolidated cash flow statement, cash and cash equivalents also include bank overdrafts presented as liabilities.

3.17 Equity instruments

Treasury shares

Imerys shares purchased by the Group in the framework of the share buyback program authorized by the Shareholders’ General Meeting are accounted for at acquisition cost as a decrease in equity. No result is recognized upon any subsequent disposal and the corresponding gain or loss is accounted for directly 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. 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 as 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 Group economic performance conditions. The assumptions related to the probability of acquisition of rights are revised at each balance sheet date.

3.18 Provisions

A provision is recognized as soon as it becomes probable that a present obligation resulting from a past event shall require a settlement whose amount can be measured reliably. Provisions are recognized against the income statement except for provisions for assets dismantling and some provisions for mine sites restoration whose counterpart is included in the cost of the related assets, especially for industrial buildings and mining overburden works *(Notes 3.11 and 3.12)*.

The measurement of a provision corresponds to the best estimate of the amount required to settle the obligation. Provisions whose settlement is expected within twelve months after the balance sheet date or whose settlement may occur at any time are not discounted. Provisions whose settlement is expected after twelve months after the balance sheet date are discounted. The discount rates of such provisions reflect the specific risks of the liability, i.e. time value of money and monetary inflation and are calculated at each balance sheet date. A discount rate is determined by country for each type of provision, taking into consideration the timing of settlement of each type of obligation: environment, assets dismantling, mine sites restoration and provisions for defined employee benefits *(Note 3.19)*. Changes in discounted provisions due to a revision of the amount of the obligation, of its timing or of its discount rate are recognized against the current operating income or, for provisions recognized against assets, as an adjustment of the cost of the latter. The unwinding of the discount representative of the passage of time is recognized as a debit in the financial income (loss) *(Note 3.1)* except for that of provisions for employee benefits *(Note 3.19)* that is recognized as a debit in the current operating income *(Note 3.1)*.

3.19 Employee benefits

Imerys contributes, according to 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.

Moreover, some entities grant retirement and medical benefits to their employees that they themselves manage or outsource. These plans, by which the Group is committed to a level of benefits on a legal, regulatory or contractual basis, are defined benefit plans. Plan obligations are measured according to the Projected Unit Credit Method and use financial and demographic actuarial assumptions. These are used to measure the present value of services rendered over the period on the basis of an estimated salary at retirement date. Provisions (or assets) recognized in the balance sheet correspond to the discounted value of the obligation, decreased by the fair value of plan assets, unrecognized past service cost and unrecognized actuarial differences. The discount rates are calculated at each balance sheet date by reference to the rates of bonds issued by companies rated AA and if unavailable, by reference to the rates of Government bonds. The periodic cost of defined benefit plans is recognized against the current operating income, except for the impact of curtailments caused by a restructuring, which are recognized against the other operating revenue and expenses *(Note 3.1)*.

Unrecognized past service cost is progressively included in the measurement of provisions (or assets) recognized in the balance sheet by a straight-line amortization against the current operating income over an estimate of the average vesting period of the rights. Actuarial differences are reflected in the provisions (or assets) recognized in the balance sheet 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 against the current operating income over an estimate of the average remaining working lives of beneficiaries (corridor method). The impact of the unwinding of the discount representative of the passage of time is recognized as a debit to the current operating income *(Note 3.1)*. Any curtailment or settlement and related actuarial differences and unrecognized past service costs are recognized in the income statement as they occur.

3.20 Non derivative financial liabilities

Loans and other financial liabilities are designated as financial liabilities measured at amortized cost. Loans are initially measured at the fair value of the amount received, less direct 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.

3.21 Derivative financial instruments

Imerys uses derivative financial instruments to reduce its exposure to currency, interest rate and energy price risks. This hedging policy, centrally defined and operated by the Corporate Treasury Department, is presented periodically to the Board of Directors and takes no speculative position. Hedging instruments are negotiated on over-the-counter markets with first-rank banking institutions.

The currency risk is hedged by currency forwards, currency swaps and foreign exchange options. These instruments are used to hedge receivables, debts, firm commitments, highly probable transactions in foreign currencies and net investments in foreign operations *(Note 3.8)*. Furthermore, in order to reduce their exposure to the foreign exchange transaction risk, Group entities issue, to the extent it is possible, the invoices related to their trade activity in their functional currencies. Where this is not the case, the exchange risk related to trade receivables and debts may be subject to hedging on an individual basis. The interest rate risk is hedged by interest rate swaps and interest rate options. The energy price risk is hedged by forward and option contracts.

The exclusive purpose of the financial instruments used by Imerys 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 the income statement of the period.

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 each balance sheet date. Derivatives are measured at fair value upon initial recognition. Subsequently, the fair value is re-measured at each balance sheet date by reference to market terms. Derivatives recognized in the balance sheet at the balance sheet date are allocated between 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.

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 income statement at each balance sheet date. The impact in the income statement 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 each balance sheet date, the effective portion of the hedge is recognized in equity and the ineffective portion in the income statement. When the effect of the hedged transaction is recognized in the income statement, the effective portion recognized in equity is recycled in the income statement, symmetrically to the recognition of the hedged item.

Hedge of a net investment in a foreign operation

The foreign exchange differences generated by the net assets held by the Group in foreign currencies may be hedged. At each balance sheet date, the effective portion of the hedge is recognized in equity and the ineffective portion in the income statement. Upon disposal of the foreign operation, the effective portion recognized in equity is recycled in the income statement.

3.22 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 accounting values of assets and liabilities in the consolidated balance sheet, 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. 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 in the period over which these elements remain recoverable. Tax rates and laws used are those that are enacted or substantively enacted at the balance sheet date and shall be applicable over the period of reversal of the timing difference. Deferred taxes are not discounted. In the consolidated balance sheet, deferred tax assets and liabilities are offset by tax entity, i.e. by legal entity or tax consolidation group *(Note 27)*.

Current and/or deferred taxes are recognized in the same level of profit or loss as the related losses. That principle of linking the tax to its base also applies to the transactions directly recognized in equity.

Note 4 Standards and interpretations effective after the balance sheet date

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

The following texts are effective within the IFRS referential at the balance sheet date but their adoption process within the European Union is in progress at that date. They may thus not be applied at the balance sheet date and represent in this respect a source of divergence between the full IFRS referential and the IFRS standards adopted within the European Union.

As of December 31, 2008, the interpretation IFRIC 12, Service Concession Arrangements is effective within the IFRS referential but is not adopted within the European Union. This interpretation however does not concern the transactions, events and conditions existing within the Group.

Texts effective after the balance sheet date and adopted within the European Union

The texts hereafter will be effective within the IFRS referential after the balance sheet date but their adoption process within the European Union is complete at that date. Although earlier application is permitted, the Group did not elect to apply these by anticipation in 2008.

Amendment to IFRS 2, Share-Based Payment: Vesting Conditions and Cancellations. This amendment clarifies the vesting conditions of the rights by an explicit limitation to the conditions of service and conditions of performance. It also clarifies that all cancellations follow an identical treatment, irrespective of whether the decision was originally taken by the entity or another party. This amendment is applicable as of January 1, 2009.

Amendment to IAS 1, Presentation of Financial Statements. This amendment applicable as of January 1, 2009 will mainly result in the split of the current statement of changes in shareholders' equity into two separate statements reporting owner changes in equity on the one hand and items of income and expense directly recognized in equity on the other hand.

Amendment to IAS 23, Borrowing Costs. This amendment 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 will have no impact on the measurement of the majority of the Group's ordinary industrial investment projects.

Besides, interpretation IFRIC 13, Customer Loyalty Programmes is adopted within the European Union as of December 31, 2008 but does not concern the transactions, events or conditions existing within the Group.

Texts effective after the balance sheet date and not adopted within the European Union

The texts hereafter will be effective within the IFRS referential after the balance sheet date and their adoption process within the European Union is in progress at that date.

Revised IFRS 3, Business Combinations. This revision whose application is expected as of January 1, 2010 will result in changes in the rules applicable to the recognition and measurement of business combinations, for transactions of acquisition and disposal of interests.

Amendment to IAS 27, Consolidated and Separate Financial Statements. This amendment whose application is expected as of January 1, 2010 draws the consequences of revised IFRS 3 on the standard addressing consolidation rules.

Amendment to IAS 39: Eligible Hedged Items. This amendment, whose application as of January 1, 2010 has to be confirmed, specifies the principles of hedge accounting of standard IAS 39 on financial instruments in two situations: one-sided risk in a hedged item and inflation in a hedged financial item. The Group is currently investigating the impact of this interpretation.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. This interpretation whose application is expected as of January 1, 2009 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 operations of the Group.

Improvements to IFRSs. This continuous project provides a series of various non-urgent but necessary amendments to IFRSs.

Besides, the texts hereafter are not adopted within the European Union as of December 31, 2008 and do not concern the transactions, events or conditions existing within the Group: Revised IFRS 1, First Time Adoption of IFRS; 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; IFRIC 15, Agreements for the Construction of Real Estate; and IFRIC 17, Distributions of Non-cash Assets to Owners.

Note 5 Information specific to the December 31, 2008 closing

5.1 Significant judgments and estimates

The closing of the 2008 financial statements took place within the context of a financial crisis that progressively gave rise to an economic crisis. This context revealed for some assets and liabilities specific measurement issues. Indeed, the very strong volatility of the markets that remained active over the fourth quarter of the period such as equities and bonds has required a close examination of the rate of return on the assets allocated to the financing of employee benefits. Furthermore, the rarefaction of bonds issuing and the deterioration of the credit risk of some issuers has required specific vigilance on the quality and liquidity of the indices used to discount employee benefits obligations. Lastly, the spread of the crisis to the economy has been assessed to reflect its consequences on the cash flows and discount rates assumptions used in the impairment tests. All these issues are developed hereafter.

Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, expected rate of return on assets, medical cost trend rate) and demographic assumptions (salary increase rate, employees' turnover rate, mortality rate) estimated by the Executive Management with the assistance of an independent actuary *(Note 25.1)*. The difficulty to assess these assumptions, inherent to the long term character of the plans, has been increased over the fourth quarter of the period by two elements. On the one hand, investment markets have undergone losses within a context of extreme volatility disrupting the foresight of their future yields. As a consequence, the Executive Management has judged, after consultation of the Group's independent actuary, that the assumptions of expected rate of return on assets would not exceed in 2009 those of 2008 and would be assessed at 5.93% on average. On the other hand, bonds issues rated AA (high quality) used to set the discount rates became scarce as a result of the deterioration of the credit risk of some issuers, bringing into question the liquidity of reference bond indices. In this respect the composition of the Iboxx index, formerly adopted by the Group as reference index to assess the discount rates of the most significant plans for the euro zone and the United Kingdom, was subject to a correction on January 2, 2009 in its composition as published as of December 31, 2008 so as to reflect the downgrading in the credit rating of some issuers occurred in December 2008. As this correction reflects facts and circumstances existing at the balance sheet date, the Executive Management has judged that the composition to be retained for the index would be the first index published in January 2009, so as to make the corrected Iboxx index comparable with the other available indices as of December 31, 2008. Discount rates represent a major actuarial assumption whose impact of the change on the financial statements is however lessened by the corridor method *(Note 3.19)*. The sensitivity of the financial statements to their change is disclosed in *Note 25.1*.

Impairment tests

Impairment tests verify whether the carrying amount of assets will be recovered by sufficient cash flows. These correspond in majority to values in use, i.e. to cash flows discounted at rates reflecting the more or less important levels of country-market risks within the industrial minerals sector. These tests require judgments and estimates on three main elements: forecasted cash flows, weighted average cost of capital of the sector and positioning with respect to the latter of the 11 Cash-Generating Units (CGUs) of the Group *(Note 20)* in terms of country-market risk. The limited foresight resulting from the economic context of the 2008 closing led the Executive Management to set aside cash flows of the next five years normally used over stable periods *(Note 3.13)* and retain the most recent budget data, extrapolated at a prudent 2.0% growth rate and adjusted for some CGUs where that rate was not able to reflect a realistic growth profile. In terms of weighted average cost of capital for the sector, the Executive Management maintained its usual assessment sources (external consensus of analysts and internal models) to assess a rate of 8.0% (7.5% in 2007 and 2006) reflecting the higher expectation of capital providers in a period of uncertainty. Lastly, the positioning of the 11 CGUs around the 8.0% rate of the sector by means of country-market risk premiums ranging from minus 50 to plus 100 basis points, brings the Group's average discount rate at 8.3% (8.0% in 2007 and 2006). The sensitivity of impairment tests to the changes in forecasted cash flows and discount rates is disclosed in *Note 20*.

5.2 Main consolidated entities

Pigments for Paper (PP)

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

Performance & Filtration Minerals (PFM)

The business group strengthens its range of minerals with the acquisition over the 2nd half of 2008 of Kings Mountain Minerals in the United States and Suzorite Mining in Canada, companies specialized in the extraction and transformation of mica. Over the 2nd half of 2007, the business group had acquired the Argentine perlite producer Perfiltra.

Materials & Monolithics (M&M)

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

Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF)

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

Countries	Entities	Business groups	Consolidation method(1)	% of interests(2)
France				
	AGS	CRAF	FC	99.50
	Ardoisières d'Angers	M&M	FC	100.00
	Calderys France	M&M	FC	100.00
	Charges Minérales du Périgord	PP	FC	100.00
	Damrec	CRAF	FC	100.00
	Imerys Ceramics France	CRAF/PFM	FC	99.99
	Imerys Kiln Furniture France	M&M	FC	100.00
	Imerys Minéraux France	PFM	FC	100.00
	Imerys	Holding	FC	Parent
	Imerys Services	Holding	FC	100.00
	Imerys Tableware France	CRAF	FC	100.00
	Imerys TC	M&M	FC	100.00
	Mircal	Holding	FC	100.00
	Mircal Europe	Holding	FC	100.00
	World Minerals France	PFM	FC	100.00
Europe				
Germany				
	Calderys Deutschland	M&M	FC	100.00
	Imerys Tableware Deutschland	CRAF	FC	100.00
	Mineralien Schiffahrt Spedition und Transport	PP	EM	50.00
	Treibacher Schleifmittel	CRAF	FC	100.00
	Treibacher Schleifmittel Zschornewitz	CRAF	FC	100.00
Austria				
	Calderys Austria	M&M	FC	100.00
	Treibacher Schleifmittel	CRAF	FC	100.00
Belgium				
	Calderys Belgium	M&M	FC	100.00
	Imerys Minéraux Belgique	PP/PFM	FC	100.00
	Timcal Belgium	CRAF	FC	100.00
Spain				
	Celite Hispanica	PFM	FC	100.00
	Europerlita Espanola	PFM	FC	100.00
	Imerys Kiln Furniture Espana	M&M	FC	97.11
	Imerys Tiles Minerals Espana	CRAF	FC	100.00
Hungary				
	Calderys Magyarorszag	M&M	FC	100.00
	Imerys Kiln Furniture Hungary	M&M	FC	100.00
Italy				
	Calderys Italia	M&M	FC	100.00
	Gran Bianco Carrara	PFM	FC	100.00
	Imerys Minerali	PP	FC	100.00
	Imerys Tiles Minerals Italia	CRAF	FC	100.00
	Spica	CRAF	FC	85.87
	Treibacher Schleifmittel	CRAF	FC	100.00
	World Minerals Italia	PFM	FC	100.00

(1) FC: full consolidation – EM: equity method.

(2) Identical to the percentage of control.

Countries	Entities	Business groups	Consolidation method[1]	% of interests[2]
Luxembourg				
	World Minerals International Sales	PFM	FC	100.00
Great Britain				
	Calderys UK	M&M	FC	100.00
	Electro Furnace Products	CRAF	FC	100.00
	Imerys Minerals	CRAF/PFM/PP	FC	100.00
	Imerys UK	Holding	FC	100.00
Russia				
	Calderys	M&M	FC	100.00
Slovenia				
	Treibacher Schleifmittel	CRAF	FC	100.00
Sweden				
	Calderys Nordic	M&M	FC	100.00
	Imerys Mineral	PP	FC	100.00
Switzerland				
	Timcal	CRAF	FC	100.00
Ukraine				
	Calderys Ukraine	M&M	FC	74.90
	Vatutinsky Kombinat Vognetryviv	CRAF	FC	85.83
United States				
	Advanced Minerals Corporation	PFM	FC	100.00
	Americarb	PP	FC	100.00
	Celite Corporation	PFM	FC	100.00
	C-E Minerals	CRAF	FC	100.00
	Ecca Calcium Products	PFM/PP	FC	100.00
	Harborlite Corporation	PFM	FC	100.00
	Imerys Carbonates	PFM/PP	FC	100.00
	Imerys Clays	PFM/PP	FC	100.00
	Imerys Kaolin	PFM/PP	FC	100.00
	Imerys Marble	PFM	FC	100.00
	Imerys Paper Carbonates	PP	FC	100.00
	Imerys USA	Holding	FC	100.00
	Kentucky Tennessee Clay Company	CRAF	FC	100.00
	KT Feldspar Corporation	CRAF	FC	100.00
	Muscle Shoals Minerals	CRAF	FC	100.00
	Treibacher Schleifmittel North America	CRAF	FC	100.00
	Universal America	CRAF	FC	100.00
Rest of the World				
South Africa				
	Calderys South Africa	M&M	FC	73.97
	Ecca Holdings	CRAF	FC	73.97
	Rhino Minerals	CRAF	FC	73.97
	Samrec	CRAF	FC	73.97
Argentina				
	Imerys Argentina	PP	FC	100.00
Australia				
	Imerys Minerals Australia	PP	FC	100.00
Brazil				
	Imerys Do Brasil Comercio de Extracao de Minerios	PP	FC	100.00
	Imerys Rio Capim Caulim	PP	FC	100.00
	Treibacher Schleifmittel Brasil	CRAF	FC	100.00
Canada				
	Imerys Canada	PP	FC	100.00
	Timcal Canada	CRAF	FC	100.00

(1) FC: full consolidation – EM: equity method.

(2) Identical to the percentage of control.

Countries	Entities	Business groups	Consolidation method(1)	% of interests(2)
Chile				
	Celite Chile	PFM	FC	100.00
China				
	Imerys Astron New Materials	CRAF	FC	100.00
	Imerys Pigments Wuhu	PP	FC	100.00
	Yingkou Imerys Astron Chemical	CRAF	FC	100.00
	Zibo Imerys Astron Advanced Materials	CRAF	FC	100.00
India				
	ACE Calderys	M&M	FC	99.80
Japan				
	Calderys Japan	M&M	FC	100.00
	Imerys Minerals Japan	PP	FC	100.00
Malaysia				
	Imerys Minerals Malaysia	PP	FC	100.00
Mexico				
	Celite Mexicana	PFM	FC	100.00
	KT Clay de Mexico	CRAF	FC	100.00
	Liquid Quimica Mexicana	PFM	FC	100.00
New Zealand				
	Imerys Tableware New Zealand	CRAF	FC	100.00
Taiwan				
	Calderys Taiwan	M&M	FC	100.00
	Imerys Minerals Taiwan	PP	FC	100.00

(1) FC: full consolidation – EM: equity method.

(2) Identical to the percentage of control.

5.3 Currency rates

The rates of the main foreign currencies used for the preparation of the consolidated financial statements are indicated hereafter:

(€)	Foreign	2008		2007		2006	
Countries	currencies	Closing	Average	Closing	Average	Closing	Average
Argentina	ARS	4.8065	4.6411	4.6425	4.2701	4.0500	3.8599
Australia	AUD	2.0274	1.7416	1.6757	1.6352	1.6691	1.6669
Brazil	BRL	3.2524	2.6726	2.6075	2.6628	2.8164	2.7338
Canada	CAD	1.6998	1.5594	1.4449	1.4682	1.5281	1.4237
China	CNY	9.4956	10.2236	10.7524	10.4161	10.2793	10.0146
Denmark	DKK	7.4506	7.4560	7.4583	7.4506	7.4560	7.4591
United States	USD	1.3917	1.4708	1.4721	1.3702	1.3170	1.2557
Great Britain	GBP	0.9525	0.7963	0.7334	0.6843	0.6715	0.6817
Hungary	HUF (100)	2.6670	2.5151	2.5373	2.5137	2.5177	2.6430
Japan	JPY (100)	1.2614	1.5245	1.6493	1.6122	1.5693	1.4603
New Zealand	NZD	2.4191	2.0770	1.9024	1.8629	1.8725	1.9374
South Africa	ZAR	13.0667	12.0590	10.0298	9.6602	9.2124	8.5348
Czech Republic	CZK	26.8750	24.9463	26.6280	27.7674	27.4850	28.3418
Sweden	SEK	10.8700	9.6152	9.4415	9.2507	9.0404	9.2544
Switzerland	CHF	1.4850	1.5874	1.6547	1.6425	1.6069	1.5729
Thailand	THB	48.2850	48.4753	43.8000	44.2086	46.7700	47.6143

5.4 Events after the balance sheet date

The annual consolidated financial statements as of December 31, 2008 were closed by the Board of Directors on February 12, 2009. No event after the balance sheet date is to be reported.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 6 Revenue

(€ millions)	2008	2007	2006
Sales of goods	3,043.2	3,027.5	2,940.2
Rendering of services	406.0	374.4	347.9
Revenue	**3,449.2**	**3,401.9**	**3,288.1**

Revenue amounts to €3,449.2 million in 2008 (€3,401.9 million in 2007 and €3,288.1 million in 2006), i.e. an increase of + 1.4% (+ 3.46% in 2007 and + 7.98% in 2006), including a negative effect of - €108.3 million due to foreign currency changes (- €102.0 million in 2007 and - €16.6 million in 2006). At comparable structure and foreign currency rates, it increases by + 0.7% (+ 4.2% in 2007 and + 3.2% in 2006).

Note 7 Raw materials and consumables used

(€ millions)	2008	2007	2006
Raw materials	(596.2)	(462.6)	(408.2)
Energy	(392.3)	(361.4)	(360.0)
Chemicals	(72.9)	(71.1)	(72.6)
Other raw materials	(168.1)	(171.9)	(173.9)
Merchandises	(141.1)	(122.4)	(120.2)
Change in inventories	94.5	21.2	25.7
Property, plant and equipment produced by the entity	7.6	8.3	7.1
Total	**(1,268.5)**	**(1,159.9)**	**(1,102.1)**

Note 8 External expenses

(€ millions)	2008	2007	2006
Freight	(414.5)	(391.3)	(384.0)
Operating leases	(45.7)	(46.3)	(47.7)
Subcontracting	(106.4)	(101.7)	(90.6)
Maintenance and repair	(91.7)	(97.4)	(84.6)
Fees	(46.5)	(47.3)	(50.3)
Other external expenses	(185.9)	(183.7)	(170.2)
Total	**(890.7)**	**(867.7)**	**(827.4)**

Note 9 Staff expenses

(€ millions)	2008	2007	2006
Salaries	(496.2)	(524.5)	(511.7)
Social contributions	(105.1)	(105.6)	(96.7)
Net change in defined benefit plans	26.3	18.3	20.5
Contributions to defined benefit plans	(37.0)	(28.5)	(28.0)
Contributions to defined contribution plans	(17.5)	(17.6)	(17.1)
Other employee benefits	(6.3)	(6.2)	(6.4)
Profit-sharing	(16.5)	(21.3)	(21.0)
Total	**(652.3)**	**(685.4)**	**(660.4)**

Imerys attributes share options whose payment is performed in shares created for that purpose, as well as free shares. The row "Salaries" includes the cost of the corresponding plans, broken down as follows:

	Number of options	Exercice price *(€)*	Maturity	Volatility [1]	Turnover rate	Average dividend rate	Performance conditions	Fair value of the option (Black & Scholes) *(€)*	Total cost of each plan *(€M)*	2006 cost of the plans *(€M)*	2007 cost of the plans *(€M)*	2008 cost of the plans *(€M)*
Share option plans												
2003	747,720	28.31	5 years	20.0%	13.1%	3.3%	-	5.51	(3.6)	(0.7)	-	-
2004	640,000	48.88	5 years	20.0%	11.8%	3.3%	-	7.13	(3.9)	(1.4)	(0.5)	-
2004	200,000	48.88	5 years	20.0%	16.7%	3.3%	-	7.13	(1.2)	(0.4)	(0.1)	-
2005	635,000	57.58	6 years	20.0%	11.8%	3.2%	-	8.36	(4.6)	(1.6)	(1.6)	(0.6)
2006	640,000	68.27	6 years	17.5%	11.8%	3.1%	-	8.97	(5.0)	(1.1)	(1.7)	(1.7)
2006 ESP	38,770	66.55	5 years	17.5%	0.0%	3.1%	-	8.57	(0.3)	(0.3)	-	-
2006 Other	-	-	-	-	-	-	-	-	-	(0.4)	-	-
2007	560,000	70.51	5 years	20.0%	11.8%	3.1%	-	12.40	(6.1)	-	(1.4)	(2.0)
2008	497,925	58.24	5 years	19.0%	12.1%	3.0%	-	8.88	(3.9)	-	-	(0.9)
Free shares plans												
2006	9,750	-	3 years	-	-	3.1%	51.0%	63.08	(0.3)	(0.1)	(0.1)	(0.1)
2008 [2]	51,232	-	3 years	-	11.8%	3.0%	0.0%	52.86	-	-	-	-
2008	45,000	-	2 years	-	11.8%	3.0%	-	54.44	(2.2)	-	-	(0.7)
Cost of plans recognized as staff expenses										**(6.0)**	**(5.4)**	**(6.0)**
Weighted average exercise price *(€)*										29.74	36.22	31.67

(1) Revised in accordance with market conditions at the balance sheet date.

(2) The performance conditions having a remote probability of fulfillment, the cost of the plan was assessed at 0.

The general policy for the granting of Imerys share 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 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 according to the Group's overall performance or to specific events;
- 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 option plans granted after November 7, 2002.

	April 2008	May 2007	November 2006	May 2006	May 2005	May 2004	October 2003	May 2003	Total
Share option expiration date	04/29/2018	05/01/2017	11/06/2016	05/01/2016	05/02/2015	05/02/2014	10/21/2013	05/05/2013	
Share subscription price	€58.24	€70.51	€66.96	€68.27	€57.58	€48.89	€40.62	€28.31	
Number of share options outstanding as of 01/01/2006	**-**	**-**	**-**	**-**	**625,000**	**778,700**	**37,244**	**650,060**	**2,091,004**
Number of share options granted	-	-	38,770	640,000	-	-	-	-	678,770
Number of share options exercised	-	-	-	-	-	-	(952)	(197,060)	(198,012)
Number of share options cancelled	-	-	-	(3,400)	(24,900)	(12,000)	(8)	-	(40,308)
Number of share options outstanding as of 01/01/2007	**0**	**0**	**38,770**	**636,600**	**600,100**	**766,700**	**36,284**	**453,000**	**2,531,454**
Number of share options granted	-	560,000	-	-	-	-	-	-	560,000
Number of share options exercised	-	-	(145)	-	-	(137,800)	(3,796)	(138,320)	(280,061)
Number of share options cancelled	-	-	-	(16,900)	(21,400)	(4,400)	-	-	(42,700)
Number of share options outstanding as of 01/01/2008	**0**	**560,000**	**38,625**	**619,700**	**578,700**	**624,500**	**32,488**	**314,680**	**2,768,693**
Number of share options granted	497,925	-	-	-	-	-	-	-	497,925
Number of share options exercised	-	-	-	-	-	(3,000)	(1,144)	(16,850)	(20,994)
Number of share options cancelled	(3,500)	(55,300)	-	(46,500)	(12,200)	(6,000)	-	-	(123,500)
Number of share options outstanding as of 12/31/2008	**494,425**	**504,700**	**38,625**	**573,200**	**566,500**	**615,500**	**31,344**	**297,830**	**3,122,124**
Number of share options exercisable as of 12/31/2008	**-**	**-**	**-**	**-**	**566,500**	**615,500**	**31,344**	**297,830**	**1,511,174**
Weighted average remaining contractual life (years)									**6.9**

Note 10 Other current operational revenue and expenses

(€ millions)	2008	2007	2006
Other revenue	38.1	35.6	41.3
Income on asset disposals	9.5	17.5	15.1
Grants received	6.0	1.3	1.2
Other expenses	(43.0)	(30.4)	(43.3)
Net change in operating provisions	1.3	10.7	1.6
Total	**11.9**	**34.7**	**15.9**
of which:			
Revenue	100.4	99.1	68.3
Expenses	(88.5)	(64.4)	(52.4)

Note 11 Other operating revenue and expenses

(€ millions)	2008	2007	2006
Income on disposals of consolidated investments	0.1	(1.1)	1.4
Income on non-recurring asset disposals	-	(0.2)	15.1
Restructuring expenses paid	(55.6)	(58.2)	(47.3)
Impairment losses on restructuring	(16.3)	(22.5)	(123.5)
Change in provisions for restructuring and litigation	5.8	36.1	(21.3)
Impairment losses on goodwill	(48.9)	(0.1)	(0.2)
Other operating revenue and expenses - gross	**(114.9)**	**(46.0)**	**(175.8)**
of which:			
Revenue	56.3	70.8	63.0
Expenses	(171.2)	(116.7)	(238.8)
Income taxes	9.1	13.4	54.9
Other operating revenue and expenses - net, Group share	**(105.8)**	**(32.5)**	**(120.9)**

Other operating revenue and expenses of the period

The other operating revenue and expenses in 2008 amount to - €105.8 million after income taxes, of which - €40.6 million in cash and - €65.2 million with no cash impact. Among the other operating revenue and expenses of the period, - €59.9 million after income taxes are recognized in the Performance & Filtration Minerals business group, - €48.9 million of which correspond to the impairment of the goodwill of the Performance Minerals North America activity *(Note 20)* 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 have been mainly employed in the restructuring of its kaolins and carbonates activities, mainly in North America and Latin America.

Other operating revenue and expenses of prior periods

The other operating revenue and expenses in 2007 mainly corresponded to the restructuring of the Filtration activity in North America for an amount of - €8.4 million after income taxes and to the restructuring of the North American Performance Minerals activity for an amount of - €16.8 million after income taxes.

In 2006, the reorganization of the Group's kaolin production in Great Britain had resulted in the recognition of an impairment loss on industrial and mining assets located in Cornwall and Devon, as well as additional provisions for restoration and of social liabilities. This reorganization, which had no impact on the carrying amount of goodwill, amounted to - €87.0 million after income taxes. The other operating revenue and expenses of 2006 also included an amount of - €45.0 million after income taxes recognized in relation to other restructuring actions taken throughout the Group, mainly in Latin America and continental Europe. The gain generated over the 2nd half of 2006 by the disposal of one floor of the Group's former headquarters in Paris amounted to €6.0 million after income taxes.

Note 12 Financial instruments

Financial instruments result from contracts whose execution symmetrically creates a financial asset of one party to the contract and a financial liability or an equity instrument of the other party. As financial instruments correspond to a large number of different contracts, these are classified in categories by standard IAS 39 on financial instruments. Among these, the following categories exist at Imerys.

Available for sale financial assets. Investments in non consolidated entities (absence of control and significant influence of the Group).

Financial assets and liabilities at fair value through profit or loss. Marketable securities and derivatives not eligible to hedge accounting.

Loans and receivables. Trade receivables, tax receivables other than income taxes, cash and cash equivalents.

Financial liabilities at amortized cost. Bonds, bank loans, trade payables, tax debts other than income taxes, bank overdrafts.

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

Notes 12, 13, 23 and 26 present disclosures on financial instruments in accordance with the above categories. The classification logic of financial assets and liabilities recognized in the balance sheet *(Notes 23 and 26)* transversally applies to their changes in the income statement *(Notes 12 and 13)*. For example, "Revenue" is classified as "Loans and receivables" as its balance sheet counterparts in "Trade receivables" or "Cash and cash equivalents" belong to that category. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column "Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments" that includes the elements related to:

Financial assets and liabilities excluded from the scope of standard IAS 39. 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).

As of December 31, 2008

The table hereafter discloses the items of income, expenses, gains and losses before income taxes recognized in the income statement and in equity in 2008 by categories of financial instruments. The detail of rows “Other financial revenue” and “Other financial expenses” is disclosed in *Note 13*.

		Assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss				Hedge derivatives		
(€ millions)	2008	Available-for-sale financial assets	Marketable securities	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Fair value hedge	Cash flow hedge	
Income statement									
Operating income									
Revenue	3,449.2	-	-	-	3,449.2	-	-	-	-
Raw materials and consumables used	(1,268.5)	-	-	-	-	(1,369.4)	-	(10.9)	111.8
External expenses	(890.7)	-	-	-	-	(890.7)	-	-	-
Taxes and duties	(53.0)	-	-	-	-	(53.0)	-	-	-
Other operational revenue and expenses	11.9	-	-	-	30.6	(38.8)	-	(2.3)	22.4
Income on asset disposals	0.1	(0.2)	-	-	-	-	-	-	0.3
Financial income (loss)									
Income from securities	4.1	-	4.1	-	-	-	-	-	-
Gross financial debt expense	(61.1)	-	-	-	-	(74.6)	7.0	6.5	-
Other financial revenue	231.9	0.3	-	(2.9)	4.7	184.2	38.4	7.2	-
Other financial expenses	(221.2)	(0.1)	-	2.0	(0.2)	(177.7)	(37.2)	(4.0)	(4.0)
Shareholders’ equity									
Revenue and expenses recognized in shareholders’ equity	(73.6)	-	-	-	-	-	-	(73.6)	-
Revenue and expenses recycled to the income statement	2.1	-	-	-	-	-	-	2.1	-
Net profit (loss)		**0.0**	**4.1**	**(0.9)**	**3,484.3**	**(2,420.0)**	**8.2**	**(75.0)**	**-**
of which:									
Impairment losses in income statement	(17.0)	(0.1)	-	-	(10.1)	-	-	-	(6.8)
Reversals of impairment losses in income statement	10.6		-	-	4.5	-	-	-	6.1

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

	Fair value hedge				Cash flow hedge		
(€ millions)	2008	Change in fair value of the hedged items	Effective portion of hedges	Ineffective portion of hedges	2008	Effective portion of hedges	Ineffective portion of hedges
Income statement							
Operating income							
Raw materials and consumables used	-	-	-	-	(10.9)	(10.9)	-
Other operational revenue and expenses	-	-	-	-	(2.3)	(0.2)	(2.1)
Financial income (loss)							
Gross financial debt expense	7.0	-	7.0	-	6.5	6.5	-
Other financial revenue	38.4	-	38.4	-	7.2	6.3	0.9
Other financial expenses	(37.2)	(30.3)	(6.9)	-	(4.0)	(3.8)	(0.2)
Shareholders’ equity							
Revenue and expenses recognized in shareholders’ equity	-	-	-	-	(73.6)	(73.6)	-
Revenue and expenses recycled to the income statement	-	-	-	-	2.1	2.1	-

As of December 31, 2007

The table hereafter discloses the items of income, expenses, gains and losses before income taxes recognized in the income statement and in equity in 2007 by categories of financial instruments. The detail of rows “Other financial revenue” and “Other financial expenses” is disclosed in *Note 13*.

		Assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss				Hedge derivatives		
(€ millions)	2007	Available-for-sale financial assets	Marketable securities	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Fair value hedge	Cash flow hedge	
Income statement									
Operating income									
Revenue	3,401.9	-	-	-	3,401.9	-	-	-	-
Raw materials and consumables used	(1,159.9)	-	-	-	-	(1,199.5)	-	2.8	36.8
External expenses	(867.7)	-	-	-	-	(867.7)	-	-	-
Taxes and duties	(47.9)	-	-	-	-	(47.9)	-	-	-
Other operational revenue and expenses	34.7	-	-	-	33.5	(29.7)	-	0.9	30.0
Income on asset disposals	(1.3)	(1.3)	-	-	-	-	-	-	-
Financial income (loss)									
Income from securities	5.7	-	5.7	-	-	-	-	-	-
Gross financial debt expense	(63.7)	-	-	-	-	(70.4)	1.5	5.2	-
Other financial revenue	50.5	1.0	-	0.6	0.9	72.1	(24.4)	(0.8)	1.1
Other financial expenses	(48.2)	(1.3)	-	(1.1)	-	(66.8)	23.5	1.5	(4.0)
Shareholders’ equity									
Revenue and expenses recognized in shareholders’ equity	9.5	-	-	-	-	-	-	9.5	-
Revenue and expenses recycled to the income statement	(6.7)	-	-	-	-	-	-	(6.7)	-
Net profit (loss)		**(1.6)**	**5.7**	**(0.5)**	**3,436.3**	**(2,209.9)**	**0.6**	**12.4**	**-**
of which:									
Impairment losses in income statement	(14.1)	(1.3)	-	-	(6.0)	-	-	-	(6.8)
Reversals of impairment losses in income statement	12.0	0.8	-	-	4.5	-	-	-	6.7

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

		Fair value hedge				Cash flow hedge	
(€ millions)	2007	Change in fair value of the hedged items	Effective portion of hedges	Ineffective portion of hedges	2007	Effective portion of hedges	Ineffective portion of hedges
Income statement							
Operating income							
Raw materials and consumables used	-	-	-	-	2.8	2.8	-
Other operational revenue and expenses	-	-	-	-	0.9	(1.7)	2.6
Financial income (loss)							
Gross financial debt expense	1.5	-	1.5	-	5.2	5.2	-
Other financial revenue	(24.4)	(6.6)	(17.2)	(0.6)	(0.8)	(0.2)	(0.6)
Other financial expenses	23.5	16.7	6.6	0.2	1.5	0.6	0.9
Shareholders’ equity					-		
Revenue and expenses recognized in shareholders’ equity	-	-	-	-	9.5	9.5	-
Revenue and expenses recycled to the income statement	-	-	-	-	(6.7)	(6.7)	-

As of December 31, 2006

The table hereafter discloses the items of income, expenses, gains and losses before income taxes recognized in the income statement and in equity in 2006 by categories of financial instruments. The detail of rows "Other financial revenue" and "Other financial expenses" is disclosed in *Note 13*.

		Assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss				Hedge derivatives		
(€ millions)	2006	Available-for-sale financial assets	Marketable securities	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Fair value hedge	Cash flow hedge	
Income statement									
Operating income									
Revenue	3,288.1	-	-	-	3,288.1	-	-	-	-
Raw materials and consumables used	(1,102.1)	-	-	-	-	(1,150.7)	-	7.2	41.4
External expenses	(827.4)	-	-	-	-	(827.4)	-	-	-
Taxes and duties	(48.6)	-	-	-	-	(48.6)	-	-	-
Other operational revenue and expenses	15.9	-	-	-	40.4	(31.6)	-	(8.0)	15.1
Income on asset disposals	16.5	0.1	-	-	-	-	-	-	16.4
Financial income (loss)									
Income from securities	4.6	-	4.6	-	-	-	-	-	-
Gross financial debt expense	(53.9)	-	-	-	-	(64.5)	9.5	1.1	-
Other financial revenue	67.9	1.8	-	(1.1)	1.6	90.0	(23.2)	(2.1)	0.9
Other financial expenses	(65.3)	(0.8)	-	1.1	(0.1)	(85.7)	22.5	1.0	(3.3)
Shareholders' equity									
Revenue and expenses recognized in shareholders' equity	5.0	-	-	-	-	-	-	5.0	-
Revenue and expenses recycled to the income statement	(2.8)	-	-	-	-	-	-	(2.8)	-
Net profit (loss)		**1.1**	**4.6**	**0.0**	**3,330.0**	**(2,118.5)**	**8.8**	**1.4**	**-**
of which:									
Impairment losses in income statement	(12.3)	(0.8)	-	-	(4.6)	-	-	-	(6.9)
Reversals of impairment losses in income statement	11.9	0.1	-	-	6.7	-	-	-	5.1

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

		Fair value hedge				Cash flow hedge	
(€ millions)	2006	Change in fair value of the hedged items	Effective portion of hedges	Ineffective portion of hedges	2006	Effective portion of hedges	Ineffective portion of hedges
Income statement							
Operating income							
Raw materials and consumables used	-	-	-	-	7.2	7.2	-
Other operational revenue and expenses	-	-	-	-	(8.0)	(5.5)	(2.5)
Financial income (loss)							
Gross financial debt expense	9.5	-	9.5	-	1.1	1.1	-
Other financial revenue	(23.2)	-	(22.5)	(0.7)	(2.1)	(0.5)	(1.6)
Other financial expenses	22.5	22.5	-	-	1.0	0.6	0.4
Shareholders' equity							
Revenue and expenses recognized in shareholders' equity	-	-	-	-	5.0	5.0	-
Revenue and expenses recycled to the income statement	-	-	-	-	(2.8)	(2.8)	-

Note 13 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 12.

(€ millions)		Assets and liabilities within the scope of standard IAS 39 on financial instruments							Assets and liabilities excluded from the scope of standard IAS 39 on financial instruments
			Financial assets and liabilities at fair value through profit or loss				Hedge derivatives		
		Available-for-sale financial assets	Marketable securities	Derivatives not eligible to hedge accounting	Loans and receivables	Financial liabilities at amortized cost	Fair value hedge	Cash flow hedge	
As of December 31, 2008									
Income from securities	4.1	-	4.1	-	-	-	-	-	-
Gross financial debt expense	(61.1)	-	-	-	-	(74.6)	7.0	6.5	-
Net financial debt expense	**(57.0)**	**0.0**	**4.1**	**0.0**	**0.0**	**(74.6)**	**7.0**	**6.5**	**0.0**
Dividends	0.2	0.2	-	-	-	-	-	-	-
Net exchange rate differences	11.4	-	-	0.9	-	10.9	-	-	(0.4)
Expenses and revenue on derivative instruments	(0.4)	-	-	(1.8)	-	-	1.2	0.2	-
Unwinding expense	(3.6)	-	-	-	-	-	-	-	(3.6)
Other financial revenue and expenses	3.1	-	-	-	4.5	(4.4)	-	3.0	-
Other financial revenue and expenses	**10.7**	**0.2**	**0.0**	**(0.9)**	**4.5**	**6.5**	**1.2**	**3.2**	**(4.0)**
Financial income (loss)	**(46.3)**	**0.2**	**4.1**	**(0.9)**	**4.5**	**(68.1)**	**8.2**	**9.7**	**(4.0)**
of which:									
Revenue	236.0	0.3	4.1	(2.9)	4.7	184.2	38.4	7.2	-
Expenses	(282.3)	(0.1)	-	2.0	(0.2)	(252.3)	(30.2)	2.5	(4.0)
As of December 31, 2007									
Income from securities	5.7	-	5.7	-	-	-	-	-	-
Gross financial debt expense	(63.7)	-	-	-	-	(70.4)	1.5	5.2	-
Net financial debt expense	**(58.0)**	**0.0**	**5.7**	**0.0**	**0.0**	**(70.4)**	**1.5**	**5.2**	**0.0**
Dividends	0.2	0.2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange rate differences	7.3	-	-	-	-	6.6	-	-	0.7
Expenses and revenue on derivative instruments	(1.0)	-	-	(0.5)	-	-	(0.9)	0.4	-
Unwinding expense	(3.7)	-	-	-	-	-	-	-	(3.7)
Other financial revenue and expenses	(0.5)	(0.5)	-	-	0.9	(1.3)	-	0.4	-
Other financial revenue and expenses	**2.3**	**(0.3)**	**0.0**	**(0.5)**	**0.9**	**5.3**	**(0.9)**	**0.8**	**(3.0)**
Financial income (loss)	**(55.7)**	**(0.3)**	**5.7**	**(0.5)**	**0.9**	**(65.1)**	**0.6**	**6.0**	**(3.0)**
of which:									
Revenue	56.2	1.0	5.7	0.6	0.9	72.1	(24.4)	(0.7)	1.0
Expenses	(111.9)	(1.3)	-	(1.1)	-	(137.2)	25.0	6.7	(4.0)
As of December 31, 2006									
Income from securities	4.6	-	4.6	-	-	-	-	-	-
Gross financial debt expense	(53.9)	-	-	-	-	(64.5)	9.5	1.1	-
Net financial debt expense	**(49.3)**	**0.0**	**4.6**	**0.0**	**0.0**	**(64.5)**	**9.5**	**1.1**	**0.0**
Dividends	0.2	0.2	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange rate differences	6.7	-	-	-	-	5.8	-	-	0.9
Expenses and revenue on derivative instruments	(1.9)	-	-	-	-	-	(0.7)	(1.2)	-
Unwinding expense	(3.2)	-	-	-	-	-	-	-	(3.2)
Other financial revenue and expenses	0.8	0.7	-	-	1.5	(1.5)	-	0.1	-
Other financial revenue and expenses	**2.6**	**0.9**	**0.0**	**0.0**	**1.5**	**4.3**	**(0.7)**	**(1.1)**	**(2.3)**
Financial income (loss)	**(46.7)**	**0.9**	**4.6**	**0.0**	**1.5**	**(60.2)**	**8.8**	**0.0**	**(2.3)**
of which:									
Revenue	72.6	1.8	4.6	(1.1)	1.6	90.0	(23.2)	(2.1)	1.0
Expenses	(119.3)	(0.9)	-	1.1	(0.1)	(150.2)	32.0	2.1	(3.3)

Note 14 Income taxes

Tax consolidation scope

Imerys SA and the majority of its French entities are included in a tax consolidation system which notably enables the Group to offset within the consolidated group potential profits and losses. The French tax consolidation scope was modified in 2008 by 5 outgoing entities. No entities entered the scope. The tax consolidation scope includes 24 entities as of December 31, 2008. Tax consolidations also exist in other countries, mainly in the United States, in Great Britain, in Spain, in Germany and in Italy.

Income taxes for the period

(€ millions)	2008	2007	2006
Income taxes payable for the period	(68.3)	(109.2)	(96.9)
Income taxes payable - Prior period adjustments	3.9	3.2	2.1
Income taxes payable	**(64.4)**	**(106.0)**	**(94.8)**
Deferred taxes due to changes in temporary differences	(24.6)	9.7	43.7
Deferred taxes due to changes in income tax rates	0.1	(0.3)	(0.4)
Deferred taxes	**(24.5)**	**9.4**	**43.3**
Total	**(88.9)**	**(96.6)**	**(51.5)**

(€ millions)	2008	2007	2006
Current operating income taxes payable	(78.2)	(123.1)	(110.9)
Current operating deferred taxes	(19.8)	13.0	4.5
Income taxes on current operating income	**(98.0)**	**(110.1)**	**(106.4)**
Income taxes payable on other operating revenue and expenses	13.8	17.1	16.1
Deferred taxes on other operating revenue and expenses	(4.7)	(3.6)	38.8
Income taxes on other operating revenue and expenses	**9.1**	**13.5**	**54.9**
Total	**(88.9)**	**(96.6)**	**(51.5)**

Income taxes paid over the period

The amount of income taxes paid in 2008 amounts to €113.3 million (€101.0 million in 2007 and €90.9 million in 2006).

Tax reconciliation excluding non-recurring items

	2008	2007	2006
Legal tax rate in France (including surtax and contribution)	34.4%	34.4%	34.4%
Impact of national rate differences	(2.9%)	(1.1%)	(1.1%)
Impact of permanent differences and tax incentives	(4.4%)	(4.3%)	(6.0%)
Impact of unrecognized tax losses utilized	(1.2%)	(1.0%)	(0.6%)
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.2%	0.8%	0.9%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	0.4%	(2.8%)	(1.8%)
Effective tax rate on current operating and financial income (loss) (1)	**27.5%**	**26.0%**	**25.8%**

(1) Income taxes on current operating income (€98.0 million) divided by the sum of the current operating income (+ €403.4 million) and financial income (loss) (- €46.3 million).

Tax reconciliation including non-recurring items

	2008	2007	2006
Legal tax rate in France (including surtax and contribution)	34.4%	34.4%	34.4%
Impact of national rate differences	(3.8%)	(1.2%)	0.4%
Impact of permanent differences and tax incentives	1.6%	(4.7%)	(10.9%)
Impact of unrecognized tax losses utilized	(1.8%)	(1.1%)	(0.8%)
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.6%	0.6%	1.5%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	4.7%	(2.3%)	(2.8%)
Effective tax rate on operating and financial income (loss)	**36.7%**	**25.7%**	**21.8%**

The row "Other" in the above table includes for 2.3% the impact of a portion of the effect of the strong devaluation of the Brazilian Real over the fourth 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 15 Net income, Group share

(€ millions)	2008	2007	2006
Current operating income	403.4	478.3	458.8
Financial income (loss)	(46.3)	(55.7)	(46.7)
Income taxes on current operating income *(Note 14)*	(98.0)	(110.1)	(106.4)
Share in net income of associates	10.4	6.9	5.2
Minority interests	(2.4)	(2.7)	(2.6)
Net income from current operations, Group share	**267.1**	**316.7**	**308.3**
Effective tax rate on current operating income	*27.5%*	*26.0%*	*25.8%*
Net income of discontinued operations or held for sale	-	-	-
Other operating revenue and expenses - net *(Note 11)*	(105.8)	(32.5)	(120.9)
Net income, Group share	**161.3**	**284.2**	**187.4**

Note 16 Earnings per share

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

(€ millions)	2008	2007	2006
Numerator			
Net income from current operations, Group share	267.1	316.7	308.3
Impact of financial income (loss) on share options	0.3	3.6	3.1
Net income from current operations attributable to ordinary equity holders used for the calculation of the diluted earnings per share	267.4	320.3	311.4
Net income, Group share	161.3	284.2	187.4
Impact of financial income (loss) on share options	0.3	3.6	3.1
Net income attributable to ordinary equity holders used for the calculation of the diluted earnings per share	161.6	287.7	190.5
Denominator			
Weighted average number of shares used for the calculation of the basic earnings per share	62,801,382	63,330,652	63,475,098
Impact of share option conversion	234,589	730,853	923,988
Weighted average number of shares used for the calculation of the diluted earnings per share	63,035,971	64,061,505	64,399,086
Basic earnings per share[1] (in €)			
Net basic earnings per share from current operations	4.25	5.00	4.86
Net basic earnings per share	2.57	4.49	2.95
Diluted net earnings per share from current operations	4.24	5.00	4.84
Diluted net earnings per share	2.56	4.49	2.95

(1) Group share.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 17 Goodwill

(€ millions)	2008	2007	2006
Opening balance			
Gross amount	860.9	793.5	823.8
Impairment losses	(0.2)	(0.4)	(8.5)
Carrying amount	**860.7**	**793.1**	**815.3**
Acquisitions	111.4	112.9	4.7
Disposals	-	(6.7)	-
Adjustments and reclassifications	(0.1)	-	3.5
Impairment losses	(48.9)	(0.1)	(0.2)
Foreign exchange differences	(23.7)	(38.5)	(30.2)
Carrying amount	**899.4**	**860.7**	**793.1**
Closing balance			
Gross amount	951.3	860.9	793.5
Impairment losses	(51.9)	(0.2)	(0.4)
Carrying amount	**899.4**	**860.7**	**793.1**

The goodwill recognized upon acquisitions mainly represents development prospects of the acquired entities within the Imerys group. Impairment losses on goodwill are disclosed in *Note 20*.

Purchase accounting finalized in 2008

Universal Ceramic Materials (UCM). On April 2, 2007, Imerys acquired 95.8% of the voting rights of the British group UCM further to its recommended takeover bid launched on February 15. UCM produces fused zirconia for the refractories, advanced ceramics and automotive industries and fused magnesia which is primarily used in the manufacture of electrical heating elements. As of December 31, 2008, definitive goodwill amounts to €16.7 million after measurement of provisions for employee benefits and fair value measurement of property, plant and equipment and inventories.

The Feldspar Corporation (TFC). On September 4, 2007, Imerys acquired 100.0% of the voting rights of the American company TFC from the North American group Zemex Corporation. Holding mineral reserves, TFC mines, produces and markets feldspath and kaolin mainly through ceramics applications. After fair value measurement of intangible assets, property, plant and equipment, mineral reserves and inventories, the definitive excess of the fair value of the assets and liabilities of this entity over its acquisition cost was recognized in the current operating income of the period.

ACE Refractories (ACE). On September 24, 2007, Imerys acquired 99.8% of the voting rights of the Indian company ACE from the Indian LBO fund, ICICI Venture. ACE is the Indian leader in providing monolithic refractory solutions and operates in the steelmaking, cement and thermal power plant sectors. Definitive goodwill recognized as of December 31, 2008 takes into consideration the fair value measurement of intangible assets, inventories as well as measurement of provision for employee benefits.

The fair values of assets, liabilities and contingent liabilities of the entities whose purchase accounting was finalized in 2008 is analyzed as follows:

	UCM		TFC		ACE		Others		Total
(€ millions)	Carrying amounts before the acquisition	Final fair values at the acquisition date	Carrying amounts before the acquisition	Final fair values at the acquisition date	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									
Intangible assets	-	-	0.4	1.1	11.2	1.3	0.1	0.5	2.9
Property, plant and equipment	19.9	17.6	24.1	27.3	23.3	22.4	16.9	16.4	83.7
Other receivables	-	-	-	-	-	-	0.4	0.4	0.4
Deferred tax assets	1.5	2.3	1.2	1.2	-	-	1.8	1.9	5.4
Assets - current									
Inventories	11.4	11.5	12.0	6.4	6.2	6.4	7.2	4.6	28.9
Trade receivables	9.9	9.9	3.2	3.2	7.1	7.1	4.9	4.9	25.1
Other receivables	1.5	1.5	0.5	0.2	2.0	2.0	3.7	3.7	7.4
Marketable securities and other financial assets	-	-	-	-	2.2	2.2	-	-	2.2
Cash and cash equivalents	2.4	2.4	(0.2)	(0.2)	0.9	0.9	5.9	5.9	9.0
Total assets	**46.6**	**45.2**	**41.2**	**39.2**	**52.9**	**42.3**	**40.9**	**38.3**	**165.0**
Minority interests	-	-	-	-	-	-	2.2	2.2	2.2
Liabilities - non-current									
Provisions for employee benefits	3.5	3.5	-	-	0.5	0.5	0.6	0.6	4.6
Other provisions	0.3	0.3	3.2	3.2	4.7	4.7	6.4	6.4	14.6
Loans and financial debts	-	-	-	-	20.3	20.3	-	-	20.3
Other debts	-	-	-	-	-	-	0.2	0.2	0.2
Deferred tax liabilities	2.2	4.1	-	2.4	1.5	(1.0)	-	0.6	6.1
Liabilities - current									
Trade payables	5.0	5.0	1.5	1.5	4.4	4.4	2.4	2.1	13.0
Income taxes payable	1.0	1.0	-	-	0.2	0.2	0.3	0.3	1.5
Other debts	1.4	1.4	0.1	0.1	1.6	1.6	7.0	7.0	10.1
Loans and financial debts	14.9	14.9	-	-	-	-	8.4	8.4	23.3
Total liabilities	**28.3**	**30.2**	**4.8**	**7.2**	**33.2**	**30.7**	**27.5**	**27.8**	**95.9**
Fair value of the acquired equity	**18.3**	**15.0**	**36.4**	**32.0**	**19.7**	**11.6**	**13.4**	**10.5**	**69.1**
Revaluation of previously acquired interests	-	-	-	-	-	-	(1.2)	(1.2)	(1.2)
Goodwill	**13.4**	**16.7**	**(6.0)**	**(1.6)**	**57.2**	**65.3**	**36.4**	**39.4**	**119.8**
Cost of business combinations	**31.7**	**31.7**	**30.4**	**30.4**	**76.9**	**76.9**	**48.6**	**48.7**	**187.7**
of which acquisition fees	1.8	1.8	1.7	1.7	0.5	0.5	2.2	2.2	6.2

Provisional purchase accounting as of December 31, 2008

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. Goodwill determined as of December 31, 2008 is determined provisionally. Since its acquisition, Astron contributed for €67.9 million to the Group revenue and for - €2.2 million to the net income. If the acquisition had been effective as of January 1, 2008, revenue would have amounted to €74.1 million and the net loss to - €2.4 million.

Others. The purchase accounting of the entities 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) is provisional as of December 31, 2008.

The fair values of the assets, liabilities and contingent liabilities of the entities whose purchase accounting is provisional as of December 31, 2008 is analyzed as follows:

	Astron		Others		Total
(€ millions)	Carrying amounts before the acquisition	Provisional fair values at the acquisition date	Carrying amounts before the acquisition	Provisional fair values at the acquisition date	Provisional fair values at the acquisition date
Assets - non-current					
Intangible assets	0.1	0.1	0.3	0.3	0.4
Property, plant and equipment	12.0	13.4	24.3	23.8	37.2
Other receivables	-	-	-	-	0.0
Deferred tax assets	0.6	1.1	-	-	1.1
Assets - current					
Inventories	20.1	18.6	7.1	6.8	25.4
Trade receivables	15.0	15.0	4.3	4.3	19.3
Other receivables	13.5	13.5	0.8	0.8	14.3
Marketable securities and other financial assets	-	-	0.1	0.1	0.1
Cash and cash equivalents	4.2	4.2	0.2	0.2	4.4
Total assets	**65.5**	**65.9**	**37.1**	**36.3**	**102.2**
Minority interests	-	-	-	-	0.0
Liabilities - non-current					
Provisions for employee benefits	-	-	-	-	0.0
Other provisions	0.9	0.9	3.6	3.6	4.5
Loans and financial debts	-	-	-	-	0.0
Other debts	-	-	0.2	0.2	0.2
Deferred tax liabilities	0.5	0.5	(0.1)	(0.3)	0.2
Liabilities - current					
Trade payables	11.8	11.8	1.8	1.8	13.6
Income taxes payable	-	-	0.1	0.1	0.1
Other debts	20.0	20.0	3.6	3.6	23.6
Loans and financial debts	12.9	12.9	1.1	1.1	14.0
Total liabilities	**46.1**	**46.1**	**10.3**	**10.1**	**56.2**
Fair value of acquired equity	**19.4**	**19.8**	**26.8**	**26.2**	**46.0**
Revaluation of previously acquired interests	-	-	-	-	-
Goodwill	**93.1**	**93.1**	**-**	**-**	**93.1**
Cost of business combinations	**112.5**	**112.9**	**26.8**	**26.2**	**139.1**
of which acquisition fees	1.0	1.0	0.9	0.9	1.9

Reconciliations

The following table details the "Acquisitions" row of the first table of *Note 17*.

(€ millions)	2008
Goodwill of 2008 business combinations	93.1
Adjustment of the cost of business combinations prior to 2008	13.1
Goodwill on 2008 increases in shares of interest[1]	5.2
Goodwill - Acquisitions	**111.4**

(1) Of which Mikro Minerals (Turkey) and Gran Bianco (Italy).

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

(€ millions)	Astron	Other incoming entities in 2008	Increases in shares of interest and purchase price adjustments	2007 acquisition cost of entities consolidated in 2008	Total
Cost of business combinations	(112.9)	(26.2)	(8.6)	0.7	(147.0)
Payables related to business combinations of the period	-	-	-	-	0.0
Cash paid	**(112.9)**	**(26.2)**	**(8.6)**	**0.7**	**(147.0)**
Cash from acquired entities	4.2	0.2	-	-	4.4
Acquisition cost of investments consolidated in 2008 after deduction of cash acquired	**(108.7)**	**(26.0)**	**(8.6)**	**0.7**	**(142.6)**

Note 18 Intangible assets

(€ millions)	Software	Trademarks, patents and licences	Mining and use rights	Other	Total
Opening balance: January 2006					
Gross amount	43.4	12.6	5.4	22.1	83.5
Amortization	(26.1)	(7.8)	(0.6)	(13.2)	(47.7)
Carrying amount	**17.3**	**4.8**	**4.8**	**8.9**	**35.8**
Acquisitions	1.3	0.2	0.3	3.4	5.2
Acquisitions resulting from business combinations	(0.5)	(0.1)	(3.3)	(3.1)	(7.0)
Disposals	-	(0.1)	-	(0.1)	(0.2)
Net increases in amortization	(8.0)	(0.4)	(0.1)	(0.7)	(9.2)
Impairment losses recognized in net income	0.1	-	-	-	0.1
Foreign exchange differences	(0.5)	(0.3)	(0.2)	(0.2)	(1.2)
Reclassification and other	1.5	-	0.9	(3.1)	(0.7)
Opening balance: January 2007					
Gross amount	39.9	12.6	2.7	17.9	73.1
Amortization	(28.7)	(8.5)	(0.3)	(12.8)	(50.3)
Carrying amount	**11.2**	**4.1**	**2.4**	**5.1**	**22.8**
Acquisitions	2.5	1.2	13.3	16.9	33.9
Acquisitions resulting from business combinations	-	0.4	0.6	0.6	1.6
Disposals	(0.1)	-	-	(0.4)	(0.5)
Net increases in amortization	(7.8)	(0.3)	(0.1)	(0.8)	(9.0)
Impairment losses recognized in net income	-	-	-	-	-
Foreign exchange differences	(0.8)	(0.2)	0.4	(0.5)	(1.1)
Reclassification and other	9.2	-	(0.5)	(7.1)	1.6
Opening balance: January 2008					
Gross amount	50.0	12.7	16.4	26.7	105.8
Amortization	(35.8)	(7.5)	(0.3)	(12.9)	(56.5)
Carrying amount	**14.2**	**5.2**	**16.1**	**13.8**	**49.3**
Acquisitions	0.9	0.3	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
Closing balance: December 2008					
Gross amount	50.4	12.9	14.2	27.2	104.7
Amortization	(38.9)	(7.7)	(0.4)	(12.7)	(59.7)
Carrying amount	**11.5**	**5.2**	**13.8**	**14.5**	**45.0**

For its sole production activity of roof tiles and bricks of the business group Materials & Monolithics, Imerys is in the scope of the European directive no. 2003/87/CE dated October 13, 2003 which establishes within the Community a market for emission rights of greenhouse gases. At the end of the first year of the second period of the European market (2008-2012), Imerys used 81.0% of the greenhouse gas emission quotas granted to the sites concerned in France (80.0% in 2007 and 91.3% in 2006). In accordance with *Note 3.10*, no liability has been recognized and the rights received have been accounted for as intangible assets for a carrying amount of zero.

Note 19 Property, plant and equipment

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction	Other	Total
Opening balance: January 2006						
Gross amount	604.1	517.0	2,412.8	141.4	202.4	3,877.7
Depreciation	(106.9)	(224.9)	(1,615.2)	(2.5)	(154.4)	(2,103.9)
Carrying amount	**497.2**	**292.1**	**797.6**	**138.9**	**48.0**	**1,773.8**
Acquisitions	24.5	11.8	60.5	105.9	11.3	214.0
Acquisitions resulting from business combinations	22.4	(5.6)	32.6	(10.5)	1.4	40.3
Disposals	(1.3)	(4.6)	(4.2)	(0.3)	(1.5)	(11.9)
Net increases in depreciation	(33.5)	(18.6)	(124.4)	(0.7)	(16.3)	(193.5)
Impairment losses recognized in net income	(37.3)	(3.2)	(87.9)	-	(0.4)	(128.8)
Impairment losses reversed in net income	0.3	1.6	3.1	-	0.3	5.3
Foreign exchange differences	(27.1)	(13.9)	(38.8)	(3.0)	(1.6)	(84.4)
Reclassification and other	(7.4)	12.0	130.8	(138.0)	0.6	(2.0)
Opening balance: January 2007						
Gross amount	578.8	487.4	2,554.2	92.9	177.0	3,890.3
Depreciation	(141.0)	(215.8)	(1,784.9)	(0.6)	(135.2)	(2,277.5)
Carrying amount	**437.8**	**271.6**	**769.3**	**92.3**	**41.8**	**1,612.8**
Acquisitions	26.0	7.4	113.3	167.0	11.3	325.0
Acquisitions resulting from business combinations	4.7	17.7	44.1	6.1	12.3	84.9
Disposals	(1.5)	(14.1)	(15.4)	(0.2)	(1.7)	(32.9)
Net increases in depreciation	(31.8)	(13.3)	(125.9)	-	(13.9)	(184.9)
Impairment losses recognized in net income	(9.0)	(2.7)	(15.7)	(0.1)	(0.1)	(27.6)
Impairment losses reversed in net income	-	1.2	3.9	-	0.1	5.2
Foreign exchange differences	(29.3)	(14.3)	(42.7)	(12.9)	(1.5)	(100.7)
Reclassification and other	2.7	6.3	31.1	(44.0)	2.6	(1.3)
Opening balance: January 2008						
Gross amount	540.9	446.2	2,488.3	208.4	182.7	3,866.5
Depreciation	(141.3)	(186.4)	(1,726.3)	(0.2)	(131.8)	(2,186.0)
Carrying amount	**399.6**	**259.8**	**762.0**	**208.2**	**50.9**	**1,680.5**
Acquisitions	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)
Closing balance: December 2008						
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)
Carrying amount	**395.6**	**281.8**	**864.8**	**130.1**	**37.3**	**1,709.6**

Property, plant and equipment controlled under finance leases are recognized in the balance sheet for an amount of €5.1 million as of December 31, 2008 (€8.4 million as of December 31, 2007 and €11.0 million as of December 31, 2006). It essentially relates to freight material. Commitments for future finance lease rent payments amount to €0.7 million for 2009, €4.6 million from 2010 to 2014 and €0.9 million beyond.

Note 20 Impairment losses

Assumptions

The assumptions of impairment tests are part of the significant judgments and estimates of the Executive Management as of December 31, 2008 *(Note 5.1)*.

Fair value less costs to sell. The fair value corresponds in the majority of cases to prices of recent sales transactions of similar assets.

Value in use. The forecasted cash flows used to determine the value in use result from the 2009 budget extended at a rate of 2.0% in a perpetual growth model. The few situations in which this method did not result in a realistic growth profile have been subject to more detailed forecasts.

Discount rate. The average discount rate after income taxes amounts to 8.3% in 2008 (8.0% in 2007 and 2006). It is based upon the weighted average cost of capital of the industrial minerals sector of 8.0% (7.5% in 2007 and 2006), adjusted depending upon the tested assets by a country-market risk premium of minus 50 to plus 100 basis points. The results obtained from this calculation after income taxes are identical to those which would have been obtained with cash flows and rates before income taxes as required by standard IAS 36 on impairment of assets.

Test on the Cash-Generating Units (CGUs)

Every year, Imerys systematically carries out impairment tests on all its CGUs insofar as goodwill is present in all the Group's CGUs. The table below presents the gross amount and accumulated impairment losses by CGU. The Board of Directors of February 13, 2008 having changed the operational organization of the Group, the CGU Performance Minerals South America separately disclosed in 2007 has been merged, in accordance with the new organisation, into the CGU Pigments for Paper. Comparative information provided in the table below has been restated.

	2008			Carrying amount	
(€ millions)	Gross amount	Write-down	Carrying amount	2007	2006
Pigments for Paper	149.8	-	149.8	152.7	160.0
Performance Minerals North America	51.6	(51.6)	-	48.8	54.6
Performance Minerals Europe	32.0	-	32.0	33.9	35.4
Clay Roof Tiles & Bricks France	3.7	-	3.7	3.7	3.7
Clay Roof Tiles & Bricks International	-	-	-	-	6.7
Monolithic Refractories	152.7	-	152.7	160.3	97.7
Kiln Furniture	32.3	-	32.3	34.0	34.0
Minerals for Ceramics	94.9	-	94.9	105.5	99.6
Minerals for Refractories	52.8	-	52.8	51.6	48.5
Fused Minerals	247.4	(0.2)	247.2	143.8	130.0
Minerals for Filtration	110.8	-	110.8	103.9	102.4
Graphite & Carbon	22.5	-	22.5	21.8	19.8
Holdings	0.7	-	0.7	0.7	0.7
Total	**951.2**	**(51.8)**	**899.4**	**860.7**	**793.1**

In 2008, this test results in the recognition of an impairment loss on the entire carrying amount of the goodwill of the Performance Minerals North America CGU (products for the North-American building and construction, coatings, plastics, agriculture and horticulture markets) whose amount totals USD71.9 million. Measured in the balance sheet at the closing rate at €51.6 million, the impairment loss recognized in the income statement as "Other operating revenue and expenses" *(Note 11)* is measured at the average rate at €48.9 million.

Sensitivity of the impairment test on the CGUs to the changes in forecasted cash flows and discount rates. This analysis does not have any impact on the impairment tests on the individual assets.

Scope. Assets of the CGUs of the Group net of accumulated depreciation and impairment losses recognized up to December 31, 2008.

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 require the recognition of an impairment loss of €6.9 million on the industrial assets of the Performance Minerals North America CGU, whilst an increase of 100 basis points in discount rates would require the recognition of an impairment loss of €25.3 million on the industrial assets of this CGU. The assets of the Performance Minerals North America CGU tested in this simulation are net of the €51.6 million loss recognized in 2008 as impairment of the goodwill of this CGU. No impairment loss would however be recognized on the other CGUs of the Group.

Test on the individual assets

In addition to the test carried out on CGUs, impairment indicators may require the immediate performance of this test in case of an unfavorable evolution on an individual asset. The resulting impairment losses recognized in 2008 amount to €19.1 million (€27.7 million in 2007 and €129.0 million in 2006).

Impairment losses of the period. The impairment loss of €19.1 million recognized in the "Other operating revenue and expenses" of the period mainly relates to the restructuring of the industrial facilities of the Pigments for Paper business group for €10.6 million and the Materials and Monolithics business group for €4.5 million.

Prior periods impairment losses. The main impairment loss recognized in 2007 related to the industrial facilities of the Performance Minerals & Pigments business group in North America. The impairment loss amounted to €18.7 million. The corresponding impairment had been recognized in other operating revenue and expenses. In 2006, the Group mainly impaired industrial and mining assets in Great Britain for an amount of €88.7 million as well as the Brazilian precipitated calcium carbonate (PCC) production capacities for an amount of €9.3 million.

Note 21 Investments in associates

(€ millions)	2008	2007	2006
Opening balance	**42.9**	**34.1**	**31.9**
Of which carrying amount of goodwill	3.3	1.6	1.6
Acquisitions	-	3.8	1.2
Disposals	(0.6)	-	-
Income	10.4	6.9	5.2
Dividends paid	(4.2)	(2.4)	(1.9)
Other	1.5	0.5	(2.3)
Closing balance	**50.0**	**42.9**	**34.1**
Of which carrying amount of goodwill	3.4	3.3	1.6

Imerys only has a significant influence on the decisions of financial and operational management of the entities below, their ordinary activities being controlled by the other associates.

	Share in capital held *(in %)*			Share in net shareholders' equity *(€ millions)*		
Entities	2008	2007	2006	2008	2007	2006
MST Mineralien Schiffahrt	50.0	50.0	50.0	28.0	23.0	22.2
Calderys Iberica Refractarios	49.9	49.9	49.9	5.7	5.1	4.6
Other investments	-	-	-	16.3	14.8	7.3
Total	**-**	**-**	**-**	**50.0**	**42.9**	**34.1**

The table below presents the key figures of the main associates. The data of the most important associate, MST Mineralien Schiffahrt, stem from the most recent financial statements Imerys has access to, i.e. those of the September 30 annual closing.

(€ millions)	Share in net income			Revenue			Total balance sheet		
Entities	2008	2007	2006	2008	2007	2006	2008	2007	2006
MST Mineralien Schiffahrt	7.0	3.8	3.8	84.1	75.0	71.6	120.2	111.1	99.6
Calderys Iberica Refractarios	1.1	0.9	0.7	30.7	22.8	19.7	24.6	18.5	14.8
Other investments	2.3	2.2	0.7	-	-	-	-	-	-
Total	**10.4**	**6.9**	**5.2**						

Note 22 Inventories

	2008			2007			2006		
(€ millions)	Gross amount	Write- down	Carrying amount	Gross amount	Write- down	Carrying amount	Gross amount	Write- down	Carrying amount
Raw materials	235.4	(11.7)	223.7	195.7	(11.4)	184.3	180.2	(8.7)	171.5
Work in progress	64.4	(0.1)	64.3	45.3	(0.1)	45.2	39.4	(0.2)	39.2
Finished goods	274.5	(7.6)	266.9	241.5	(7.8)	233.7	247.7	(7.6)	240.1
Merchandises	56.7	(0.6)	56.1	39.2	(0.4)	38.8	41.1	(1.3)	39.8
Total	**631.0**	**(20.0)**	**611.0**	**521.7**	**(19.7)**	**502.0**	**508.4**	**(17.8)**	**490.6**

Note 23 Financial assets

23.1 Categories of financial assets

The tables hereafter enable to evaluate the significance of financial instruments for the Group's consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in *Note 12*. These carrying amounts are representative of fair value.

(€ millions)		Assets within the scope of standard IAS 39 on financial instruments						Assets excluded from the scope of standard IAS 39 on financial instruments
			Financial assets at fair value through profit or loss			Hedge derivatives		
		Available-for-sale financial assets	Marketable securities	Derivatives not eligible to hedge accounting	Loans and receivables	Fair value hedge	Cash flow hedge	
As of December 31, 2008								
Non-current assets								
Available-for-sale financial assets	7.1	7.1	-	-	-	-	-	-
Other financial assets	13.8	-	-	-	6.0	-	-	7.8
Other receivables	40.4	-	-	-	39.9	-	-	0.5
Derivative financial assets	18.7	-	-	-	-	17.6	1.1	-
Current assets								
Trade receivables	523.3	-	-	-	523.3	-	-	-
Other receivables	154.2	-	-	-	95.0	-	-	59.2
Derivative financial assets	1.1	-	-	(0.4)	-	1.0	0.5	-
Marketable securities and other financial assets	4.4	-	4.4	-	-	-	-	-
Cash and cash equivalents	214.0	-	-	-	214.0	-	-	-
As of December 31, 2007								
Non-current assets								
Available-for-sale financial assets	9.0	9.0	-	-	-	-	-	-
Other financial assets	11.3	-	-	-	6.0	-	-	7.8
Other receivables	46.8	-	-	-	39.9	-	-	0.5
Derivative financial assets	5.6	-	-	-	-	17.6	1.1	-
Current assets								
Trade receivables	623.4	-	-	-	623.4	-	-	-
Other receivables	133.3	-	-	-	95.0	-	-	59.2
Derivative financial assets	(0.6)	-	-	(0.4)	-	1.0	0.5	-
Marketable securities and other financial assets	5.3	-	5.3	-	-	-	-	-
Cash and cash equivalents	173.4	-	-	-	173.4	-	-	-
As of December 31, 2006								
Non-current assets								
Available-for-sale financial assets	12.8	12.8	-	-	-	-	-	-
Other financial assets	11.3	-	-	-	9.6	-	-	1.7
Other receivables	18.9	-	-	-	16.3	-	-	2.6
Derivative financial assets	41.3	-	-	0.6	-	32.8	7.9	-
Current assets								
Trade receivables	614.7	-	-	-	614.7	-	-	-
Other receivables	113.7	-	-	-	85.0	-	-	28.7
Derivative financial assets	0.3	-	-	-	-	-	0.3	-
Marketable securities and other financial assets	4.1	-	4.1	-	-	-	-	-
Cash and cash equivalents	181.2	-	-	-	181.2	-	-	-

23.2 Available-for-sale financial assets

(€ millions)	2008	2007	2006
Opening balance	**9.0**	**12.8**	**16.0**
Acquisitions	0.4	0.8	2.1
Disposals	(0.5)	(1.3)	(0.8)
Changes in fair value	0.5	1.2	-
Changes in the scope of consolidation	(1.4)	(4.2)	(3.0)
Exchange rate differences	(0.6)	(0.2)	(0.5)
Other	(0.3)	(0.1)	(1.0)
Closing balance	**7.1**	**9.0**	**12.8**

23.3 Receivables and other financial assets

The table hereafter discloses the change over three periods of other assets, other receivables and trade receivables. Other non-current financial assets correspond to loans and deposits and to assets related to employee benefits *(Note 25.1)*. 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.

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Opening balance: January 2006					
Gross amount	13.6	31.5	613.0	104.6	762.7
Write-down	(3.3)	(17.6)	(22.7)	(5.5)	(49.1)
Carrying amount	**10.3**	**13.9**	**590.3**	**99.1**	**713.6**
Net change of the period	(0.3)	22.8	12.3	20.7	55.5
Write-down	(0.1)	0.8	1.7	(4.9)	(2.5)
Changes in the scope of consolidation	0.8	-	15.2	3.0	19.0
Exchange rate differences	(0.2)	(1.2)	(16.2)	(4.1)	(21.7)
Other	0.8	(17.4)	11.4	(0.1)	(5.3)
Opening balance: January 2007					
Gross amount	14.6	34.5	634.4	122.4	805.9
Write-down	(3.3)	(15.6)	(19.7)	(8.7)	(47.3)
Carrying amount	**11.3**	**18.9**	**614.7**	**113.7**	**758.6**
Net change of the period	0.4	31.9	10.5	(3.1)	39.7
Write-down	0.2	0.5	(1.1)	(4.6)	(5.0)
Changes in the scope of consolidation	3.2	0.2	19.0	10.1	32.5
Exchange rate differences	(0.3)	(2.8)	(20.6)	(4.2)	(27.9)
Other	(3.5)	(1.9)	0.9	21.4	16.9
Opening balance: January 2008					
Gross amount	13.4	62.1	642.0	141.4	858.9
Write-down	(2.1)	(15.3)	(18.6)	(8.1)	(44.1)
Carrying amount	**11.3**	**46.8**	**623.4**	**133.3**	**814.8**
Net change of the period	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
Closing balance: December 2008					
Gross amount	15.9	62.9	542.8	170.3	791.9
Write-down	(2.1)	(22.5)	(19.5)	(16.1)	(60.2)
Carrying amount	**13.8**	**40.4**	**523.3**	**154.2**	**731.7**

23.4 Management of risks arising from financial assets

Credit risk

The credit risk is the risk that a debtor does not reimburse his debt at the due date. This risk, that mainly has an impact on the category of loans and receivables, 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. Entities may hedge the credit risk through credit insurance contracts or warranties *(Note 35)*. At the balance sheet date, loans and receivables are reduced to their recoverable amount by an individual write-down. As of December 31, 2008, loans and receivables are written-down by €60.2 million (€44.1 million as of December 31, 2007 and €47.3 million as of December 31, 2006). The Group's maximum exposure to credit risk before credit insurance and warranties thus amounts to €731.7 million as of December 31, 2008 (€814.8 million as of December 31, 2007 and €758.6 million as of December 31, 2006). 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
Opening balance: January 2006	**(3.3)**	**(17.6)**	**(22.7)**	**(5.5)**	**(49.1)**
Increases	(0.1)	(0.1)	(4.9)	(5.3)	(10.4)
Utilizations	-	0.9	6.6	0.4	7.9
Changes in the scope of consolidation	-	-	(0.1)	-	(0.1)
Exchange rate differences	0.1	1.7	0.8	0.6	3.2
Other	-	(0.5)	0.6	1.1	1.2
Opening balance: January 2007	**(3.3)**	**(15.6)**	**(19.7)**	**(8.7)**	**(47.3)**
Increases	-	-	(5.7)	(5.3)	(11.0)
Utilizations	0.2	0.5	4.6	0.7	6.0
Changes in the scope of consolidation	-	(0.5)	0.9	0.1	0.5
Exchange rate differences	-	1.6	0.6	0.8	3.0
Other	1.0	(1.3)	0.7	4.3	4.7
Opening balance: January 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
Closing balance: December 2008	**(2.1)**	**(22.5)**	**(19.5)**	**(16.1)**	**(60.2)**

Trade receivables do not bear interest and are generally due between 30 to 90 days. Some trade receivables may be past due without being impaired, for example where hedged by a credit insurance contract or a warranty.

(€ millions)	2008	2007	2006
Past due trade receivables that are not impaired:			
Since less than 30 days	60.1	56.9	62.3
Since 30 to 89 days	19.1	16.6	13.7
Since 90 days and more	10.0	10.2	9.4
Total of undue trade receivables and past-due and impaired trade receivables	434.1	539.7	529.3
Trade receivables	**523.3**	**623.4**	**614.7**

Transactional currency 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 Euro. In the assets, the transactional currency risk has an impact on trade receivables within the category of loans and receivables. The Group recommends that the entities have their sales contracts stated in the currencies in which they prepare their financial statements so as to limit their exposure. Where they are not in a position to follow that recommendation, they are authorized to use hedging instruments. In that case, they are required to rely upon the Corporate Treasury Department that proposes instruments adapted to their transactions. The entities have to provide the Corporate Treasury Department with the amounts and dates of their highly probable future sales transactions up to 18 months.

Note 24 Capital

Management principles

The management of capital presents three main fields: consolidated shareholders' equity, share options and share repurchases. The management of consolidated shareholders' 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 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 share-based payments and to perform the cancellations necessary to offset the share option grants.

Consolidated shareholders' 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, 2008:

- consolidated shareholders' equity amounts to €1,483.5 million (€1,663.6 as of December 31, 2007 and €1,646.4 million as of December 31, 2006) on the basis of which the Board of Directors proposes a dividend per share of €1.00 (€1.90 in 2007 and €1.80 in 2006);
- 3,448,082 share options, representing 5.20% of the capital of Imerys SA after dilution, are attributed (3,103,391 share options, i.e. 4.69% of the capital after dilution, as of December 31, 2007 and 2,989,870 share options, i.e. 4.51% of the capital after dilution, as of December 31, 2006);
- the Group holds at the end of the purchase, sale and cancellation transactions of the period no Imerys share (200,000 as of December 31, 2007 and 0 as of December 31, 2006).

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 shareholders' equity. These ratios as well as their amounts at the balance sheet date are presented in *Note 26.5*.

Period activity

- On December 18, 2008, the Board of Directors cancelled 370,000 treasury shares bought directly on the market by the Company during financial 2008 and assigned them in their entirety for cancellation under the share buyback program approved by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007 and the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008. This cancellation of treasury shares led to a reduction in the Company's capital by a nominal amount of €740,000.
- On January 9, 2009, the Chief Executive Officer noted that, on December 31, 2008, the share capital had been increased by a nominal amount of €59,468 as a result of the exercise in 2008 of 29,734 subscription 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, 2008 totaled €125,573,180; it was made up of 62,786,590 shares with €2 par value of which 34,200,983 enjoyed double voting rights pursuant to Article 22 of Imerys' by-laws. Finally, the total number of voting rights attached to existing shares was 96,987,573.

Share capital did not change and the number of voting rights did not change significantly between December 31, 2008 and the date of the present Annual Report.

Taking into account the 3,448,082 share options granted to certain employees and executives and not yet exercised on December 31, 2008, Imerys' potential share capital - with all rights exercised - was €132,469,344 as on January 1, 2009.

No directly registered shares have been pledged by the Company.

Note 25 Provisions

25.1 Provisions for employee benefits

(€ millions)	2008	2007	2006
Retirement plans	105.3	144.7	175.3
Medical plans	13.7	13.9	15.7
Other long-term benefits	5.8	5.7	5.8
Termination benefits	8.4	13.4	38.2
Total	**133.2**	**177.7**	**235.0**

Actuarial assumptions

The actuarial assumptions used for the measurement of defined benefit plans (retirement and medical plans as well as other long-term benefits) are part of the significant judgments and estimates of the Executive Management as of December 31, 2008 *(Note 5.1)*. These data represent the weighted average of the amount of obligations or assets, depending on whether the assumptions enter the calculation of obligations or assets.

	France			Other European countries			North America			Asia - Oceania			Other		
(in %)	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Discount rates	5.6	5.5	4.5	6.2	5.7	5.2	5.5	6.0	6.0	4.0	5.0	3.0	9.2	8.1	9.2
Expected rates:															
Of return on plan assets	3.9	4.1	4.0	5.5	5.8	6.0	8.2	8.2	8.2	6.0	6.5	1.6	8.0	7.5	9.8
Of return on reimbursement rights	-	-	-	4.0	4.0	4.0	-	-	-	-	-	-	-	-	-
Expected rates of salary increases	2.9	3.0	3.4	2.7	3.6	3.3	4.1	4.1	4.0	4.3	4.1	3.7	6.6	6.8	4.0
Medical cost trend rates	-	-	-	-	-	-	8.2	9.0	9.0	-	-	-	7.4	6.7	7.5

Sensitivity of the 2009 net expense to a change in discount rate on the plans in Pound Sterling.

Scope. Plans in Pound Sterling representing at the balance sheet date of financial statements the total of obligations in Pound Sterling and 60.8% of the Group's obligations.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Decrease of €2.4 million (respectively increase of €1.2 million) in the 2009 net expense.

Sensitivity of the 2009 net expense to a change in discount rate on the plans in US Dollar.

Scope. Plans in US Dollar representing at the balance sheet date of financial statements the total of obligations in US Dollar and 24.9% of the Group's obligations.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Decrease of €1.3 million (respectively increase of €0.6 million) in the 2009 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 €0.4 million (respectively decrease of €0.3 million) on the obligation of medical defined benefit plans.

The amounts contributed to external institutions to finance some defined benefit plans are invested as indicated hereafter:

(in %)	2008	2007	2006
Shares	37.0	37.2	69.1
Bonds	54.3	54.4	30.4
Monetary	4.4	4.2	0.2
Real estate	4.3	4.2	0.3
Total	**100.0**	**100.0**	**100.0**

Net expense

	Retirement			Medical			Other long-term employee benefits			Total		
(€ millions)	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Interest cost	50.8	51.3	51.2	0.8	0.9	1.1	0.3	0.3	0.2	51.9	52.5	52.5
Current service cost	10.4	13.9	14.2	0.1	0.1	0.3	0.4	0.4	0.3	10.9	14.4	14.8
Expected return on:												
Plan assets	(50.8)	(54.6)	(55.4)	-	-	-	-	-	-	(50.8)	(54.6)	(55.4)
Reimbursement rights	(0.2)	(0.2)	0.1	-	-	-	-	-	-	(0.2)	(0.2)	0.1
Plan assets ceiling	(1.5)	0.3	(1.5)	-	-	-	-	-	-	(1.5)	0.3	(1.5)
Past service cost	-	-	0.7	-	-	(0.2)	0.2	0.1	-	0.2	0.1	0.5
Actuarial (gains) and losses	0.4	-	(0.2)	0.1	-	-	(0.1)	(0.3)	1.1	0.4	(0.3)	0.9
Curtailments and settlements	(0.7)	(0.9)	(13.6)	(0.2)	0.1	(1.5)	-	-	(0.1)	(0.9)	(0.8)	(15.2)
Recognized net expense	**8.4**	**9.8**	**(4.5)**	**0.8**	**1.1**	**(0.3)**	**0.8**	**0.5**	**1.5**	**10.0**	**11.4**	**(3.3)**
Effective return on:												
Plan assets	65.6	(61.9)	(64.4)	-	-	-	-	-	-	65.6	(61.9)	(64.4)
Reimbursement rights	-	(0.1)	(0.1)	-	-	-	-	-	-	-	(0.1)	(0.1)

Change in the discounted value of obligations

	Retirement			Medical			Other long-term employee benefits			Total		
(€ millions)	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening obligations	**950.4**	**1,000.5**	**1,060.3**	**13.4**	**15.3**	**21.2**	**5.7**	**5.8**	**4.7**	**969.5**	**1,021.6**	**1,086.2**
Incoming entities	-	27.1	1.3	-	-	0.6	-	-	0.1	-	27.1	2.0
Outgoing entities	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)	-
Interest cost	50.8	51.3	51.5	0.7	0.9	1.1	0.3	0.3	0.2	51.8	52.5	52.8
Current service cost	10.4	13.9	14.8	0.1	0.1	0.2	0.5	0.4	0.3	11.0	14.4	15.3
Benefit payments	(57.6)	(60.8)	(54.9)	(1.3)	(1.3)	(1.4)	(0.5)	(0.6)	(0.5)	(59.4)	(62.7)	(56.8)
Employee contributions	2.1	3.2	3.5	-	-	-	-	-	-	2.1	3.2	3.5
Plan amendments	2.3	1.6	1.0	-	-	(0.1)	0.2	0.1	-	2.5	1.7	0.9
Curtailments and settlements	(1.4)	(1.2)	(15.9)	(0.2)	0.4	(1.6)	-	-	(0.1)	(1.6)	(0.8)	(17.6)
Actuarial (gains) and losses	(73.1)	(5.7)	(56.0)	(1.1)	(0.4)	(2.5)	(0.2)	(0.3)	1.1	(74.4)	(6.4)	(57.4)
Reclassification	(0.3)	4.8	-	-	-	-	0.3	-	-	-	4.8	-
Exchange rate differences	(151.7)	(84.2)	(5.1)	0.3	(1.6)	(2.2)	(0.1)	-	-	(151.5)	(85.8)	(7.3)
Closing obligations	**731.9**	**950.4**	**1,000.5**	**11.9**	**13.4**	**15.3**	**6.2**	**5.7**	**5.8**	**750.0**	**969.5**	**1,021.6**
of which:												
Obligations funded by plan assets	673.9	886.9	937.7	-	-	-	0.4	-	-	674.3	886.9	937.7
Obligations funded by reimbursement rights	18.1	18.0	20.6	-	-	-	-	-	-	18.1	18.0	20.6
Unfunded obligations	39.9	45.5	42.2	11.9	13.4	15.3	5.8	5.7	5.8	57.6	64.6	63.3

Change in fair value of plan assets and reimbursement rights

	Retirement			Medical			Other long-term employee benefits			Total		
(€ millions)	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening assets	**863.9**	**875.6**	**834.0**	**-**	**-**	**-**	**-**	**-**	**-**	**863.9**	**875.6**	**834.0**
Incoming entities	-	22.6	-	-	-	-	-	-	-	-	22.6	-
Expected return on:												
Plan assets	50.8	54.6	55.4	-	-	-	-	-	-	50.8	54.6	55.4
Reimbursement rights	0.2	0.2	0.1	-	-	-	-	-	-	0.2	0.2	0.1
Benefit payments	(52.2)	(56.2)	(54.9)	-	-	(1.4)	-	-	(0.5)	(52.2)	(56.2)	(56.8)
Employer contributions	34.5	31.1	34.2	-	-	1.4	-	-	0.5	34.5	31.1	36.1
Employee contributions	2.1	3.2	3.5	-	-	-	-	-	-	2.1	3.2	3.5
Plan amendments	-	-	-	-	-	-	-	-	-	-	-	-
Curtailments and settlements	(0.8)	(0.3)	(3.1)	-	-	-	-	-	-	(0.8)	(0.3)	(3.1)
Actuarial gains and (losses)	(116.6)	7.2	9.0	-	-	-	-	-	-	(116.6)	7.2	9.0
Reclassification	(0.4)	4.8	-	-	-	-	0.4	-	-	-	4.8	-
Exchange rate differences	(155.9)	(78.9)	(2.6)	-	-	-	-	-	-	(155.9)	(78.9)	(2.6)
Closing assets	**625.6**	**863.9**	**875.6**	**-**	**-**	**-**	**0.4**	**-**	**-**	**626.0**	**863.9**	**875.6**
of which fair value:												
Of plan assets	620.0	858.6	870.2	-	-	-	0.4	-	-	620.4	858.6	870.2
Of reimbursement rights	5.6	5.3	5.4	-	-	-	-	-	-	5.6	5.3	5.4

The expected amount of contributions for 2009 is of €41.0 million.

Transition from funded status to assets (provisions) in the balance sheet

	Retirement			Medical			Other long-term employee benefits			Total		
(€ millions)	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Obligations funded by plan assets	(673.9)	(886.9)	(937.7)		-	-	(0.4)	-	-	(674.3)	(886.9)	(937.7)
Fair value of plan assets	620.0	858.6	870.2		-	-	0.4	-	-	620.4	858.6	870.2
Funded status	**(53.9)**	**(28.3)**	**(67.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(53.9)**	**(28.3)**	**(67.5)**
Unfunded obligations	(39.9)	(45.5)	(42.2)	(11.9)	(13.4)	(15.3)	(5.8)	(5.7)	(5.8)	(57.6)	(64.6)	(63.3)
Obligations funded by reimbursement rights	(18.1)	(18.0)	(20.6)	-	-	-	-	-	-	(18.1)	(18.0)	(20.6)
Fair value of reimbursement rights	5.6	5.3	5.4	-	-	-	-	-	-	5.6	5.3	5.4
Unrecognized past service cost	3.1	0.9	(0.6)	-	-	-	-	-	-	3.1	0.9	(0.6)
Net unrecognized actuarial differences	7.2	(49.1)	(39.9)	(1.8)	(0.5)	(0.4)	-	-	-	5.4	(49.6)	(40.3)
Unrecognized assets due to a limit on prepaid assets	(1.6)	(3.0)	(2.8)	-	-	-	-	-	-	(1.6)	(3.0)	(2.8)
Assets (provisions) in the balance sheet	**(97.6)**	**(137.7)**	**(168.2)**	**(13.7)**	**(13.9)**	**(15.7)**	**(5.8)**	**(5.7)**	**(5.8)**	**(117.1)**	**(157.3)**	**(189.7)**
of which:												
Provisions	(105.3)	(144.7)	(175.3)	(13.7)	(13.9)	(15.7)	(5.8)	(5.7)	(5.8)	(124.8)	(164.3)	(196.8)
Plan assets	2.1	1.7	1.7	-	-	-	-	-	-	2.1	1.7	1.7
Reimbursement rights	5.6	5.3	5.4	-	-	-	-	-	-	5.6	5.3	5.4

Change in assets (provisions) in the balance sheet

(€ millions)	Retirement			Medical			Other long-term employee benefits			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening assets (provisions) in the balance sheet	**(137.7)**	**(168.2)**	**(206.9)**	**(13.9)**	**(15.7)**	**(18.8)**	**(5.7)**	**(5.8)**	**(4.7)**	**(157.3)**	**(189.7)**	**(230.4)**
Incoming entities	-	(4.5)	(1.6)	-	-	(0.6)	-	-	(0.1)	-	(4.5)	(2.3)
Outgoing entities	-	0.1	0.3	-	-	-	-	-	-	-	0.1	0.3
Recognized net expense	(8.4)	(9.8)	4.5	(0.8)	(1.1)	0.3	(0.8)	(0.5)	(1.5)	(10.0)	(11.4)	3.3
Credits to reimbursement rights	-	(0.1)	0.1	-	-	-	-	-	-	-	(0.1)	0.1
Contributions	39.9	35.9	32.7	1.3	1.3	1.4	0.6	0.6	0.5	41.8	37.8	34.6
Exchange rate differences	8.6	8.9	2.7	(0.3)	1.6	2.0	0.1	-	-	8.4	10.5	4.7
Closing assets (provisions) in the balance sheet	**(97.6)**	**(137.7)**	**(168.2)**	**(13.7)**	**(13.9)**	**(15.7)**	**(5.8)**	**(5.7)**	**(5.8)**	**(117.1)**	**(157.3)**	**(189.7)**
of which:												
Provisions	(105.3)	(144.7)	(175.3)	(13.7)	(13.9)	(15.7)	(5.8)	(5.7)	(5.8)	(124.8)	(164.3)	(196.8)
Plan assets	2.1	1.7	1.7	-	-	-	-	-	-	2.1	1.7	1.7
Reimbursement rights	5.6	5.3	5.4	-	-	-	-	-	-	5.6	5.3	5.4

Change in employee benefits aggregates

(€ millions)	Retirement					Medical					Other long-term employee benefits				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Obligations funded by plan assets	(673.9)	(886.9)	(937.7)	(993.9)	(771.9)	-	-	-	-	-	(0.4)	-	-	-	-
Fair value of plan assets	620.0	858.6	870.2	828.7	644.4	-	-	-	0.4	-	0.4	-	-	-	-
Funded status	**(53.9)**	**(28.3)**	**(67.5)**	**(165.2)**	**(127.5)**	**0.0**	**0.0**	**0.0**	**0.4**	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Unfunded obligations	(39.9)	(45.5)	(42.2)	(45.2)	(31.0)	(11.9)	(13.4)	(15.3)	(21.2)	(16.7)	(5.8)	(5.7)	(5.8)	(4.7)	(4.5)
Obligations funded by reimbursement rights	(18.1)	(18.0)	(20.6)	(21.2)	(17.8)	-	-	-	-	-	-	-	-	-	-
Fair value of reimbursement rights	5.6	5.3	5.4	5.3	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) of the period															
On obligations	73.1	5.7	56.0	(88.0)	(23.3)	1.1	0.4	2.6	(1.8)	(0.6)	0.2	0.3	(1.1)	0.3	(0.6)
On plan assets	(116.4)	7.2	9.0	69.3	-	-	-	-	-	-	-	-	-	-	-
On reimbursement rights	(0.2)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-

25.2 Other provisions

(€ millions)	2008	2007	2006
Other non-current provisions	153.7	150.5	164.5
Other current provisions	20.8	14.8	18.4
Total	**174.5**	**165.3**	**182.9**

The other provisions can be broken down as follows:

(€ millions)	Management risks	Environment and site restoration	Other	Total
Opening balance: January 2006	**49.4**	**86.5**	**20.7**	**156.6**
Increases	5.5	13.7	24.3	43.5
Utilizations	(3.4)	(7.9)	(15.5)	(26.8)
Non-utilized decreases	(2.0)	(0.1)	(3.8)	(5.9)
Changes in the scope of consolidation	1.8	5.7	13.1	20.6
Unwinding expense	-	3.2	-	3.2
Exchange rate differences	(2.2)	(2.6)	(1.8)	(6.6)
Reclassification and other	(4.1)	0.2	2.2	(1.7)
Opening balance: January 2007	**45.0**	**98.7**	**39.2**	**182.9**
Increases	13.0	(4.0)	11.2	20.2
Utilizations	(9.1)	(7.0)	(13.8)	(29.9)
Non-utilized decreases	(6.3)	(0.2)	(7.7)	(14.2)
Changes in the scope of consolidation	0.6	1.2	2.3	4.1
Unwinding expense	-	3.7	-	3.7
Exchange rate differences	(1.7)	(5.4)	(1.8)	(8.9)
Reclassification and other	(1.6)	4.2	4.8	7.4
Opening balance: January 2008	**39.9**	**91.2**	**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
Closing balance: December 2008	**37.4**	**91.3**	**45.8**	**174.5**

The Group is exposed to litigation and claims arising from its ordinary activities. These risks relate to allegations of personal or financial injury caused by third parties implicating the civil liability of the Group's entities, the potential breach of some of their contractual obligations or employee, property and environmental law issues. The Group also has certain contractual indemnity obligations attributable to disposals of assets in the past. The provisions recognized with respect to such management risks amount to €37.4 million as of December 31, 2008 (€39.9 million as of December 31, 2007 and €45.0 million as of December 31, 2006). These provisions have a probable maturity between 2009 and 2013.

In addition, Imerys records provisions intended to cover environmental risks resulting from the Group's industrial activity as well as provisions for the restoration of mine sites at the end of their exploitation. These provisions amount to €91.3 million as of December 31, 2008 (€91.2 million as of December 31, 2007 and €98.7 million as of December 31, 2006). The corresponding obligations have probable maturities between 2009 and 2013 for €42.4 million, between 2014 and 2023 for €20.9 million and for €28.0 million from 2024 and after.

The other provisions mainly relate to legal and social litigation. As of December 31, 2008, they amount to €45.8 million (€34.2 million as of December 31, 2007 and €39.2 million as of December 31, 2006). Other provisions have a probable maturity between 2009 and 2013.

Note 26 Financial liabilities

26.1 Categories of financial liabilities

The tables hereafter enable to evaluate the significance of financial instruments for the Group's consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in *Note 12*. 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, the fair value is equal to the market value at the balance sheet date. For unlisted bonds, the fair value is obtained by discounting the future flows at the risk-free rate. The measurements presented in these analyses include accrued interests.

As of December 31, 2008

(€ millions)	2008	Liabilities within the scope of standard IAS 39 on financial instruments: Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss (derivatives not eligible to hedge accounting)	Hedge derivatives: Fair value hedge	Hedge derivatives: Cash flow hedge	Liabilities excluded from the scope of standard IAS 39 on financial instruments
Non-current liabilities						
Loans and financial debts	1,054.7	1,039.5	(9.2)	20.0	-	4.4
Other debts	13.6	10.8	-	-	-	2.8
Derivative financial liabilities	19.2	-	3.0	9.3	6.9	-
Current liabilities						
Trade payables	337.9	337.9	-	-	-	-
Other debts	199.7	103.3	-	-	-	96.4
Derivative financial liabilities	49.8	-	-	0.5	49.3	-
Loans and financial debts	727.3	728.2	-	-	(1.6)	0.7
Bank overdrafts	2.9	2.9	-	-	-	-

The fair value of fixed rate bonds included in the row “Loans and financial debts” is inferior to their carrying amount by €109.5 million:

(millions)			Interest rate		(€ millions)		
Nominal amount	Maturity	Quotation	Nominal	Effective	Carrying amount	Fair value	Difference
JPY7,000.0	9/16/2033	Unlisted	3.40%	3.47%	56.0	75.5	19.5
USD140.0	8/6/2013	Unlisted	4.88%	4.98%	102.6	115.1	12.5
USD30.0	8/6/2018	Unlisted	5.28%	5.38%	22.0	27.1	5.1
EUR300.0	4/25/2014	Listed	5.13%	5.42%	310.6	264.8	(45.8)
EUR500.0	4/18/2017	Listed	5.00%	5.09%	517.7	416.9	(100.8)
				Total	**1,008.9**	**899.4**	**(109.5)**

As of December 31, 2007

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

The fair value of fixed rate bonds included in the row “Loans and financial debts” is inferior to their carrying amount by €29.8 million:

(millions)			Interest rate		(€ millions)		
Nominal amount	Maturity	Quotation	Nominal	Effective	Carrying amount	Fair value	Difference
JPY7,000.0	9/16/2033	Unlisted	3.40%	3.47%	42.9	51.4	8.5
USD140.0	8/6/2013	Unlisted	4.88%	4.98%	97.0	98.2	1.2
USD30.0	8/6/2018	Unlisted	5.28%	5.38%	20.8	21.5	0.7
EUR300.0	4/25/2014	Listed	5.13%	5.42%	310.6	307.3	(3.3)
EUR500.0	4/18/2017	Listed	5.00%	5.09%	517.7	480.8	(36.9)
				Total	**989.0**	**959.2**	**(29.8)**

As of December 31, 2006

(€ millions)	2006	Liabilities within the scope of standard IAS 39 on financial instruments: Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss (derivatives not eligible to hedge accounting)	Hedge derivatives: Fair value hedge	Hedge derivatives: Cash flow hedge	Liabilities excluded from the scope of standard IAS 39 on financial instruments
Non-current liabilities						
Loans and financial debts	892.8	885.3	-	(0.2)	-	7.7
Other debts	27.1	20.6	-	-	-	6.5
Derivative financial liabilities	13.5	-	-	14.2	(0.7)	-
Current liabilities						
Trade payables	296.8	296.8	-	-	-	-
Other debts	217.9	112.2	-	-	-	105.7
Derivative financial liabilities	5.9	-	-	0.5	5.4	-
Loans and financial debts	360.7	337.8	-	20.0	0.3	2.6
Bank overdrafts	44.7	44.7	-	-	-	-

The fair value of fixed rate bonds included in the row "Loans and financial debts" exceeds their carrying amount by €16.9 million:

(millions)			Interest rate		(€ millions)		
Nominal amount	Maturity	Quotation	Nominal	Effective	Carrying amount	Fair value	Difference
JPY7,000.0	9/16/2033	Unlisted	3.40%	3.47%	44.8	54.2	9.4
USD140.0	8/6/2013	Unlisted	4.88%	4.98%	115.1	106.8	(8.3)
USD30.0	8/6/2018	Unlisted	5.28%	5.38%	24.6	23.4	(1.2)
EUR300.0	4/25/2014	Listed	5.13%	5.42%	301.6	314.1	12.5
EUR309.7	5/7/2007	Listed	6.00%	6.04%	321.0	325.5	4.5
				Total	**807.1**	**824.0**	**16.9**

26.2 Financial debt

The net financial debt is used in the management of the Group's financial resources. This indicator is used in particular in the calculation of financial ratios that the Group has to comply with under financing agreements entered into with financial markets *(Note 26.5)*. The link between this indicator and the consolidated balance sheet is presented in the following table whilst its change is disclosed in *Notes 28 and 29*.

(€ millions)	2008	2007	2006
Derivative financial assets	(19.8)	(5.0)	(41.6)
– Less operational hedging instruments	*1.4*	*0.5*	*1.4*
Marketable securities and other financial assets	(4.4)	(5.3)	(4.1)
Cash and cash equivalents	(214.0)	(173.4)	(181.2)
Loans and financial debts - non-current	1,054.7	1,021.1	892.8
Derivative financial liabilities	69.0	15.3	19.4
– Less hedging instruments on energy	*(51.0)*	*(0.8)*	*(6.0)*
Loans and financial debts - current	727.3	388.0	360.7
Bank overdrafts	2.9	102.6	44.7
Net financial debt	**1,566.1**	**1,343.0**	**1,086.1**

26.3 Other debts

The table hereafter analyzes other non-current debts:

(€ millions)	2008	2007	2006
Income taxes payable	0.8	2.9	4.6
Tax debts	-	-	2.6
Social debts	0.5	1.2	0.6
Other	12.3	18.9	19.3
Total	**13.6**	**23.0**	**27.1**

The table below analyzes other current debts:

(€ millions)	2008	2007	2006
Capital expenditure payables	40.3	52.3	48.1
Tax debts	20.7	30.3	21.6
Social debts	94.0	108.0	104.0
Other	44.7	49.7	44.2
Total	**199.7**	**240.3**	**217.9**

26.4 Derivative instruments

As of December 31, 2008, all hedging derivative instruments were measured on the basis prices at the balance sheet date provided by third parties active on financial markets. The fair value in the balance sheet is as follows by type of derivative:

	2008			2007			2006		
(€ millions)	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate instruments									
Forward contracts	18.7	17.4	1.3	5.5	14.1	(8.6)	40.7	13.5	27.2
Options	-	1.8	(1.8)	0.1	(1.6)	1.7	0.6	(0.1)	0.7
Foreign exchange instruments									
Forward contracts	0.1	20.2	(20.1)	(0.2)	3.5	(3.7)	(1.2)	(0.3)	(0.9)
Options	(0.4)	5.3	(5.7)	(0.9)	(1.5)	0.6	-	0.1	(0.1)
Energy risk instruments									
Forward contracts	0.4	1.3	(0.9)	-	0.5	(0.5)	3.0	0.2	2.9
Options	1.0	23.0	(22.0)	0.5	0.3	0.2	(1.6)	5.9	(7.5)
Total	**19.8**	**69.0**	**(49.2)**	**5.0**	**15.3**	**(10.3)**	**41.6**	**19.4**	**22.2**
of which:									
Non-current	18.7	19.2	(0.5)	5.6	12.5	(6.9)	41.3	13.5	27.8
Current	1.1	49.8	(48.7)	(0.6)	2.8	(3.4)	0.3	5.9	(5.6)
of which:									
Operational hedge instruments	1.4	51.0	(49.6)	0.5	0.8	(0.3)	1.4	6.1	(4.7)
Financing hedge instruments	18.4	18.0	0.4	4.5	14.5	(10.0)	40.1	13.3	26.8

Fair value hedges

As of December 31, 2008, the Group holds interest rate derivatives intended to hedge the exposure to changes in fair value of the different loans. These derivatives hedge the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the issuer. The hedged loans as well as the interest rate derivatives 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

Cash flow hedges

As of December 31, 2008, the Group holds a certain number of derivative instruments intended to hedge some of its future purchases or sales in foreign currencies, a portion of its debt at floating rate and part of its energy consumption in the United States, in Great Britain and in France. The following table discloses the amounts before income taxes of the cash flow hedges recognized in equity as well as those reclassified to the income statement.

(€ millions)	Exchange rate risk	Interest rate risk	Energy risk	Total
Opening balance: January 2006	**0.0**	**0.5**	**(1.6)**	**(1.1)**
Revenue and expenses recognized in shareholders' equity	(0.5)	3.2	(3.3)	(0.6)
Revenue and expenses recycled to the income statement	-	1.1	1.7	2.8
Opening balance: January 2007	**(0.5)**	**4.8**	**(3.2)**	**1.1**
Revenue and expenses recognized in shareholders' equity	1.9	(8.1)	2.3	(3.9)
Revenue and expenses recycled to the income statement	0.4	5.2	1.1	6.7
Opening balance: January 2008	**1.8**	**1.9**	**0.2**	**3.9**
Revenue and expenses recognized in shareholders' equity	(24.5)	(15.2)	(33.9)	(73.6)
Revenue and expenses recycled to the income statement	(2.5)	(6.5)	11.1	2.1
Closing balance: December 2008	**(25.2)**	**(19.8)**	**(22.6)**	**(67.6)**
of which reclassification to profit or loss expected in 2009	(25.2)	(19.8)	(22.6)	(67.6)

Net investment hedging in foreign entities

Imerys hedges part of its net investments in foreign entities by loans or exchange rate swaps. These transactions aim at hedging the Group's exposure to the exchange rate risks on these investments. Exchange rate gains or losses on these transactions are recognized in shareholders' equity together with exchange rate gains or losses of net investments in these entities. As of December 31, 2008, the main loans and exchange rate swaps hedging net investments in foreign entities are the following: USD724.1 million, JPY2,182.3 million and CHF35.0 million (USD281.4 million, JPY2,182.3 million and CHF45.0 million as of December 31, 2007 and JPY1,000.0 million and CHF45.0 million as of December 31, 2006).

26.5 Management of risks arising from financial liabilities

Transactional currency 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 Euro. In the liabilities, the transactional currency risk has an impact on trade payables within the category of liabilities at amortized cost. The management of that risk presents characteristics that are identical to that of the transactional currency risk related to financial assets *(Note 23.4)*.

Liquidity risk

Borrower's liquidity. As a borrower, the Group faces the liquidity risk to that extent that it has to meet the repayment obligations of its financial liabilities. As of December 31, 2008, the maturity of financial liabilities on issue is analyzed as follows:

	2009		2010-2014		2015 and later	
(€ millions)	Capital	Interests	Capital	Interests	Capital	Interests
Eurobond / EMTN	-	42.2	361.1	192.5	520.6	57.3
Private placements (EMTN and others)	-	7.9	102.6	32.8	78.1	57.6
Bond issues	**0.0**	**50.1**	**463.7**	**225.3**	**598.7**	**114.9**
Commercial paper issues	205.5	-	-	-	-	-
July 2013 syndicated credit	150.2	0.2	-	-	-	-
Miscellaneous bilateral facilities	334.7	0.4	-	-	-	-
Miscellaneous facilities due within one year	28.8	-	-	-	-	-
Total gross financial debt	**719.2**	**50.7**	**463.7**	**225.3**	**598.7**	**114.9**
Net cash and cash equivalents	(215.5)	-	-	-	-	-
Total net financial debt	**503.7**	**50.7**	**463.7**	**225.3**	**598.7**	**114.9**
Trade payables	337.9	-	-	-	-	-
Other debts	199.7	-	13.6	-	-	-
Total operating debts	**1,041.3**	**50.7**	**477.3**	**225.3**	**598.7**	**114.9**

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)	2009	2010-2014	2015 and later	Total
Debt at fixed rate on issue	-	413.1	598.7	1,011.8
Swap fixed rate into floating rate on issue	356.1	(300.6)	(55.5)	0.0
Debt at floating rate on issue	363.1	351.2	55.5	769.8
Net cash and cash equivalents	(215.5)	-	-	(215.5)
Total net financial debt	**503.7**	**463.7**	**598.7**	**1,566.1**

As of December 31, 2008, Imerys is legally updating its Euro Medium Term Note program (EMTN). Imerys intends to complete this update after the publication of its 2008 financial statements. The total amount of the program is €1.0 billion. Subject to its legal update, it would be used to issue notes considered as ordinary bonds of a minimum maturity of 1 month and a maximum maturity of 30 years. As of December 31, 2008, outstanding securities total €454.3 million (€454.3 million as of December 31, 2007 and €454.3 million as of December 31, 2006). As of December 31, 2008, Imerys also has a French commercial paper program limited to €800.0 million (€800.0 million as of December 31, 2007 and €800.0 million as of December 31, 2006). The program is rated P-2 by Moody's (P-2 as of December 31, 2007 and P-2 as of December 31, 2006). As of December 31, 2008, outstanding securities total €205.5 million (€365.8 million as of December 31, 2007 and €320.0 million as of December 31, 2006). As of December 31, 2008, Imerys has access to €1,323.0 million of available bank facilities (€1,321.0 million as of December 31, 2007 and €1,325.0 million as of December 31, 2006), part of which secures the €205.5 million commercial paper issue in accordance with the financial policy of the Group.

The main restrictive terms and conditions existing in certain bilateral credit facilities, part of the bond issues under private placements and the syndicated credit are as follows:

- purpose: general corporate financing requirements;
- obligations in terms of financial ratio compliance:
  - the ratio consolidated net financial debt/consolidated shareholders' 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, 2008, the ratio amounts to 1.01 (0.81 as of December 31, 2007 and 0.66 as of December 31, 2006);
  - 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, 2008, the ratio amounts to 2.75 (2.08 as of December 31, 2007 and 1.69 as of December 31, 2006).
- 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.

Medium-term financial resources provided by bilateral or syndicated bank credit facilities may be used for very short drawing periods (from 1 to 12 months) while remaining available for longer maturities (5 years). The market liquidity thus belongs to the risks followed in the management of the Group's financial resources.

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

(€ millions)	2008	2007	2006
Maturity less than one year	-	-	359.7
Maturity from one to five years	1,473.5	621.0	1,375.0
Maturity beyond five years	880.0	1,707.9	473.7
Total financial resources	**2,353.6**	**2,328.9**	**2,208.4**
Average life span *(years)*	5.5	6.4	4.6

(€ millions)	2008	2007	2006
Eurobond / EMTN	803.0	800.0	609.7
Private placements (EMTN and others)	227.7	207.9	273.7
Bond resources	**1,030.7**	**1,007.9**	**883.4**
Average life span *(years)*	7.6	8.4	5.3
Syndicated credit	750.0	750.0	750.0
Miscellaneous bilateral facilities	572.9	571.0	575.0
Bank resources	**1,322.9**	**1,321.0**	**1,325.0**
Average life span *(years)*	3.9	4.9	3.9
Total financial resources	**2,353.6**	**2,328.9**	**2,208.4**
Average life span *(years)*	5.5	6.4	4.6

Over the past three years, Imerys has sought to maintain the amount of its financial resources at approximately €2.0 billion (€2,353.6 million as of December 31, 2008, €2,328.9 million as of December 31, 2007 and €2,208.4 million as of December 31, 2006) and to lengthen their maturity. As of December 31, 2008, Imerys has a long-term rating of Baa2 by Moody's (Baa2 as of December 31, 2007 and as of December 31, 2006). Imerys manages the amount of its financial resources by comparing it regularly with the amount of its utilizations in order to measure by difference the financial liquid borrowings to which the Group may have access. The robustness of financial resources is assessed on the basis of their amounts and average maturity. The table below measures the amount of available financial resources after the repayment of financing from uncommitted resources. It measures the Group's real exposure to an illiquidity crisis on both financial and banking markets.

	2008			2007			2006		
(€ millions)	Resources	Utilization	Available	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	1,030.7	1,030.7	-	1,007.9	1,007.9	-	883.4	883.4	-
Commercial papers	-	205.5	(205.5)	-	365.8	(365.8)	-	320.0	(320.0)
Committed bank facilities	1,322.9	484.4	838.5	1,321.0	-	1,321.0	1,325.0	-	1,325.0
Bank facilities and accrued interests	-	32.4	(32.4)	-	33.9	(33.9)	-	23.3	(23.3)
Other debts and facilities	-	28.6	(28.6)	-	11.5	(11.5)	-	-	-
Resources, utilizations and available amounts	**2,353.6**	**1,781.6**	**572.0**	**2,328.9**	**1,419.1**	**909.8**	**2,208.4**	**1,226.7**	**981.7**

As of December 31, 2008, available financial resources, after repayment of uncommitted resources, total €572.0 million (€909.8 million as of December 31, 2007 and €981.7 million as of December 31, 2006), which gives the Group substantial room to maneuver and is a guarantee of financial stability.

Conversion of financial statements risk

The conversion of financial statements risk is the risk generated by the conversion in euro of financial statements of entities in foreign currencies.

Sensitivity of consolidated equity and income to the consequences of changes in US Dollar and Pound Sterling on the conversion in euro of the financial statements prepared in these two foreign currencies. This analysis is not measuring the consequences of changes in US Dollar and Pound Sterling on the measurement of operating and financing contracts stated in these two foreign currencies (transactional currency risk).

Scope. December 31, 2008 equities in US Dollar converted at USD1.3917 (closing rate), 2008 incomes in US Dollar converted at USD1.4708 (average rate), December 31, 2008 equities in Pound Sterling converted at GBP0.9525 (closing rate), 2008 incomes in Pound Sterling converted at GBP0.7963 (average rate).

Variables. + 5.0% USD/EUR (respectively - 5.0%) and + 5.0% GBP/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 lead where necessary to management orientations.

Results. Impact of the USD/EUR conversion on consolidated equity of + 2.05% (respectively of - 2.05%); on net income from current operations (net income before other operating revenue and expenses) of + 0.40% (respectively of - 0.40%). Impact of the GBP/EUR conversion on consolidated equity of + 0.60% (respectively of - 0.60%); on net income from current operations of + 0.28% (respectively of - 0.28%).

The objective of Imerys is to manage the conversion of financial statements risk through the proportion of its financial debts stated in foreign currencies. To that extent, any exchange rate fluctuation affecting net assets in foreign currencies is, to a certain extent, offset by a symmetrical effect resulting from the exchange rate fluctuation concerning its financial debts in the corresponding foreign currencies.

In that framework, Imerys carried out foreign currencies swaps for a notional amount remeasured at €248.9 million as of December 31, 2008 (€261.5 million as of December 31, 2007 and €39.7 million as of December 31, 2006). The table below describes the financial debt before and after the impact of these foreign currencies swaps.

(€ millions)	2008			2007			2006		
	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap
Euro	1,293.1	(248.9)	1,044.2	1,219.2	(261.5)	957.7	1,032.1	(39.7)	992.4
US Dollar	383.4	177.7	561.1	122.8	(90.6)	32.2	132.5	(5.8)	126.7
Japanese Yen	72.3	(22.1)	50.2	53.1	9.8	62.9	46.3	26.0	72.3
Other foreign currencies	32.8	93.3	126.1	24.0	342.3	366.3	15.8	19.5	35.3
Total	**1,781.6**	**0.0**	**1,781.6**	**1,419.1**	**0.0**	**1,419.1**	**1,226.7**	**0.0**	**1,226.7**

As of December 31, 2008, 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	1,044.2	561.1	50.2	126.1	1,781.6
Net cash and cash equivalents	(83.2)	(33.5)	(12.1)	(86.7)	(215.5)
Net financial debt	**961.0**	**527.6**	**38.1**	**39.4**	**1,566.1**

Interest rate risk

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

Sensitivity of the “Net financial debt expense” to changes in interest rates.

Scope. Net financial debt as of December 31, 2008.

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 variable rate debt) is remplaced upon settlement date by a variable rate debt (respectively fixed rate debt). In reality, such changes would influence other parameters having impacts on the “Net financial debt expense” and could lead where necessary to management orientations.

Results. Increase in the “Net financial debt expense” of €4.4 million (respectively decrease of €4.4 million).

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

The Group’s policy is to obtain financing mainly in euro, the most accessible financial resource and at a fixed rate. Medium-term fixed-rate bond issues are converted to floating rates using interest rate swaps. In the framework of its general management policy, the Group defined the various derivative instruments to be used solely to hedge risks on firm and highly probable commitments. These products include interest rate swaps, options - including caps, floors, swaptions and futures. The Group does not authorize the use of derivatives for speculative purposes. Finally, given anticipated trends in interest rates in 2008, the Group fixed the interest rate for part of its future financial debt (2009-2013) on various terms.

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of December 31, 2008:

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Debt at fixed rate on issue	831.2	124.6	56.0	-	1,011.8
Swap fixed rate into floating rate	(200.0)	(100.6)	(55.5)	-	(356.1)
Total debt at fixed rate	**631.2**	**24.0**	**0.5**	**0.0**	**655.7**
Debt at floating rate on issue	461.9	258.8	16.3	32.8	769.8
Net cash and cash equivalents	(83.2)	(33.5)	(12.1)	(86.7)	(215.5)
Swap fixed rate into floating rate	200.0	100.6	55.5	-	356.1
Exchange rate swap	(248.9)	177.7	(22.1)	93.3	0.0
Total debt at floating rate	**329.8**	**503.6**	**37.6**	**39.4**	**910.4**
Total net financial debt	**961.0**	**527.6**	**38.1**	**39.4**	**1,566.1**

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

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Exposure at floating rate before hedging	**329.8**	**503.6**	**37.6**	**39.4**	**910.4**
Fixed rate hedges	(100.0)	(373.6)	-	-	(473.6)
Swap at average rate of:	*4.99%*	*3.48%*	-	-	3.80%
Capped rate hedges	(400.0)	(14.4)	-	-	(414.4)
Cap at average rate of:	*4.57%*	*5.27%*	-	-	4.59%
Exposure at floating rate after hedging	**(170.2)**	**115.6**	**37.6**	**39.4**	**22.4**

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

(€ millions)	2009 less than 1 year	2010-2014 1 to 5 years	2015 and later beyond 5 years
Total exposure before hedging	**910.4**	**910.4**	**910.4**
Fixed rate hedges	(473.6)	(473.6)	-
Swap at average rate of:	*3.80%*	*3.80%*	-
Capped rate hedges	(414.4)	-	-
Cap at average rate of:	*4.59%*	-	-
Total exposure after hedging	**22.4**	**436.8**	**910.4**

Energy price risk

The energy price risk is the risk whereby the cash flow due by an entity in relation to an energy purchase may be subject to a deterioration caused by a rise in the market price of that energy source. Imerys is exposed to the price risk of the energies that enter into the production cycle of its activities, mainly natural gas, electricity and coal to a lesser extent. The Group's geographical locations and supply sources are diversified.

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. 4.0% of the observed price as of December 31, 2008 ; + €1.00 in the price of the MWH of electricity, i.e. 1.5% in the price observed as of December 31, 2008 ; and + €1.00 in the price of the MWH of coal, i.e. 10.0% of the observed price as of December 31, 2008. The behaviour of specific contractual clauses (for example indexed, regulated or fixed prices) is not simulated: it is assumed that all contracts react identically.

Results. Impact of the change in the price of natural gas on the energy consumption of - €4.6 million; impact of the change in the price of electricity on the energy consumption of - €3.2 million; impact of the change in the price of coal on the energy consumption of - €1.3 million.

Confronted with the energy price risk, the Group makes important efforts to pass on energy price increases to the selling price of its products. Furthermore, the management of the price risk of natural gas, both in Europe and the United States, is centralized, the Corporate Treasury Department being responsible for implementing the framework and resources needed for the application of a common management policy, which includes appropriate use of the financial instruments available in those markets.

Since 2006, the Group has strengthened its research programs on alternative energy sources as well as its projects on the reduction of energy consumption. In May 2007, a Group Energy Supervisor has been appointed to coordinate the analysis, monitoring and control programs on energy consumption. Since 2008, energy managers are designated at site level as well as at activity levels. Each site has to prepare an energy savings plan and energy audits are carried out on the main facilities. The sharing of good practices is fostered by the implementation of appropriate systems.

	Net notional amounts (in MWh)	Maturities
Underlying position	**4,511,898**	**< 12 months**
Management transactions	2,200,530	< 12 months

The detail of the transactions entered into to hedge the energy price risk is disclosed in *Note 27* of the financial statements of Imerys SA.

Note 27 Income taxes

Change in deferred taxes

(€ millions)	2008	Income	Translation	Scope and reclassification	2007	2006
Deferred tax assets	55.9	(3.7)	(2.1)	2.3	59.4	49.3
Deferred tax liabilities	(75.4)	(20.8)	2.3	(3.0)	(53.9)	(52.4)
Net deferred tax position	**(19.5)**	**(24.5)**	**0.2**	**(0.7)**	**5.5**	**(3.1)**

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

Deferred tax breakdown by nature

The breakdown by temporary differences of deferred tax assets and liabilities and deferred income taxes is as follows:

	Income	Balance sheet		
(€ millions)	Deferred tax expense 2008	2008	2007	2006
Deferred tax assets				
Provision for employee benefits	(11.6)	22.2	36.0	45.5
Other provisions	7.0	36.3	31.1	36.3
Property, plant and equipment	5.2	47.8	38.2	42.7
Intangible assets	(0.6)	0.6	1.4	1.9
Financial assets	(2.2)	3.1	4.3	6.1
Current assets and liabilities	0.4	21.6	19.6	18.1
Tax losses carried forward	0.9	14.9	14.0	12.3
Other	15.8	28.6	15.6	19.7
Total	**14.9**	**175.1**	**160.2**	**182.6**
Deferred tax liabilities				
Property, plant and equipment	(18.5)	(162.4)	(138.1)	(154.5)
Intangible assets	-	(0.8)	(0.8)	(0.6)
Financial assets	(10.8)	(16.9)	(6.1)	(7.0)
Current assets and liabilities	(1.8)	(6.5)	(4.5)	(4.5)
Other	(8.3)	(8.0)	(5.2)	(19.1)
Total	**(39.4)**	**(194.6)**	**(154.7)**	**(185.7)**
Net deferred tax position		**(19.5)**	**5.5**	**(3.1)**
Net deferred tax revenue	**(24.5)**			

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, 2008, these deferred tax assets amount to €14.9 million (€14.0 million as of December 31, 2007 and €12.3 million as of December 31, 2006) 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, 2008 to respectively €99.8 million (€103.9 million as of December 31, 2007 and €91.0 million as of December 31, 2006) and €28.7 million (€22.5 million as of December 31, 2007 and €25.0 million as of December 31, 2006), of which €82.2 million and €28.6 million expire after 2013 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 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. The Group assesses that the related deferred tax liability unrecognized as of December 31, 2008 amounts to €4.8 million (€4.4 million as of December 31, 2007).

RECONCILIATION OF THE NET FINANCIAL DEBT

The net financial debt is used in the management of the Group's financial resources. This indicator is used in particular in the calculation of financial ratios that the Group has to comply with under financing agreements entered into with financial markets *(Note 26.5)*. The link between this indicator and the consolidated balance sheet is presented in *Note 26.2*. The following notes present the change in the net financial debt over the period in two steps: from current operating income to current free operating cash flow *(Note 28)* and from current free operating cash flow to the change in net financial debt *(Note 29)*.

Note 28 Current free operating cash flow

(€ millions)	2008	2007	2006
Current operating income	403.4	478.3	458.8
Operating amortization, depreciation and impairment losses	193.2	197.4	206.7
Net change in operating provisions	(27.6)	(29.0)	(22.1)
Operating cash flow before taxes (EBITDA)	**569.0**	**646.7**	**643.4**
Depreciation of leased assets	-	-	(3.1)
Provisions for mining assets	0.2	0.5	0.3
Notional taxes on current operating income	(110.8)	(124.6)	(118.5)
Effective tax rate on current operating income	*27.5%*	*26.0%*	*25.8%*
Current net operating cash flow	**458.4**	**522.6**	**522.1**
Intangible assets	(4.0)	(34.0)	(5.2)
Property, plant and equipment(1)	(201.5)	(299.4)	(189.9)
Overburden mining assets	(32.6)	(33.6)	(31.0)
Debts on acquisitions	(10.7)	14.4	9.1
Paid capital expenditures	**(248.8)**	**(352.6)**	**(217.0)**
Increases in asset amortization and depreciation	*193.1*	*197.2*	*203.1*
Recognized capital expenditures / asset depreciation ratio(2)	*123.3%*	*186.1%*	*111.3%*
Carrying amount of current asset disposals	**11.5**	**9.0**	**7.5**
Change in the operational working capital requirement	**32.3**	**(4.9)**	**(66.8)**
of which:			
Inventories	(94.6)	(21.2)	(25.8)
Trade accounts receivable, advances and down payments received	105.1	(11.6)	(23.7)
Trade accounts payable, advances and down payments paid	21.8	27.9	(17.3)
Current free operating cash flow	**253.4**	**174.1**	**245.8**
(1) Of which acquisition of assets under finance lease	*(0.9)*	*(0.7)*	*-*

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

Note 29 Change in net financial debt

(€ millions)	2008	2007	2006
Current free operating cash flow	**253.4**	**174.1**	**245.8**
Financial income (loss)	(46.3)	(55.7)	(46.7)
Financial impairment losses and unwinding of the discount	4.1	4.4	4.4
Change in interests paid / received	-	5.2	(2.3)
Income taxes on financial income (loss)	12.7	14.5	12.1
Change in income tax debt	(48.8)	2.6	3.8
Change in deferred taxes on current operating income	19.8	(10.5)	(4.4)
Change in other items of working capital	(23.4)	(22.7)	(26.4)
Change in fair value	4.2	3.1	10.6
Dividends received from associates and other	4.1	2.4	2.1
Current free cash flow	**179.8**	**117.4**	**199.0**
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	(155.8)	(232.8)	(32.0)
Acquisitions of available-for-sale financial assets		-	(1.0)
External growth	**(155.8)**	**(232.8)**	**(33.0)**
Disposals of investments in consolidated entities after deduction of the net debt disposed of	0.9	38.6	1.2
Disposals of available-for-sale financial assets	0.3	-	0.1
Non-recurring disposals of property, plant and equipment and intangible assets	-	2.1	17.9
Disposals	**1.2**	**40.7**	**19.2**
Cash flow from other operating revenue and expenses	(42.4)	(41.2)	(31.2)
Dividends paid to shareholders and minority interests	(119.7)	(116.0)	(106.1)
Financing requirement	**(136.9)**	**(231.9)**	**47.9**
Transactions on shareholders' equity	(5.0)	(39.8)	(21.6)
Net change in financial assets	(0.3)	(0.2)	2.0
Change in net financial debt	**(142.2)**	**(271.9)**	**28.3**
Net financial debt at the beginning of the period	**(1,343.0)**	**(1,086.1)**	**(1,140.0)**
Change in net financial debt	(142.2)	(271.9)	28.3
Impact of changes due to exchange rate fluctuations	(63.2)	22.3	19.0
Impact of changes in fair value of interest rate hedges	(20.0)	(2.9)	4.3
Impact of changes in accounting policies and other	2.3	(4.4)	2.3
Net financial debt at the end of the period	**(1,566.1)**	**(1,343.0)**	**(1,086.1)**

INFORMATION BY OPERATING SEGMENTS

The operating segments reported by Imerys correspond to the four business groups followed by the Executive Management in its business reporting: Minerals for Ceramics, Refractories, Abrasives & Foundry; Performance & Filtration Minerals; Pigments for Paper and Materials & Monolithics. The holding structures dedicated to the centralized financing of the Group are no operating segments. In *Notes 30 and 31*, their aggregates are thus presented in a reconciliation column with inter-segment eliminations.

Note 30 Consolidated income statement by operating segments

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

As of December 31, 2008

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Inter-segment eliminations & holdings aggregates	Total Imerys group
External revenue	514.0	762.5	1,040.7	1,132.0	-	3,449.2
of which:						
Sales of goods	442.8	619.2	950.5	1,030.7	-	3,043.2
Rendering of services	71.2	143.3	90.3	101.2	-	406.0
Inter-segment revenue	12.5	1.9	0.7	27.9	(43.0)	0.0
Revenue	**526.5**	**764.4**	**1,041.4**	**1,159.9**	**(43.0)**	**3,449.2**
Amortization, depreciation and impairment losses	(30.7)	(59.9)	(38.4)	(61.8)	(2.4)	(193.2)
Net operating provisions	0.4	(3.6)	(0.3)	5.7	(0.9)	1.3
Current operating income	**44.9**	**55.2**	**225.4**	**125.8**	**(47.9)**	**403.4**
Operating income	(21.7)	27.5	219.2	119.6	(56.1)	288.5
Financial income (loss)	5.9	(13.9)	(3.5)	5.6	(40.4)	(46.3)
of which:						
Interest revenue	0.5	3.8	1.1	1.6	1.9	8.9
Interest expenses	(0.2)	(2.0)	(1.9)	(2.6)	(54.3)	(61.0)
Share in net income of associates	-	7.2	1.3	1.9	-	10.4
Income taxes	(3.6)	(19.7)	(67.7)	(27.0)	29.1	(88.9)
Net income	**(19.4)**	**1.1**	**149.3**	**100.1**	**(67.4)**	**163.7**

As of December 31, 2007

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Inter-segment eliminations & holdings aggregates	Total Imerys group
External revenue	551.6	796.4	1,025.3	1,028.2	0.4	3,401.9
of which:						
Sales of goods	484.5	674.4	935.4	933.2	-	3,027.5
Rendering of services	67.0	122.1	89.9	95.0	0.4	374.4
Inter-segment revenue	12.9	2.4	0.4	22.9	(38.6)	0.0
Revenue	**564.5**	**798.8**	**1,025.7**	**1,051.1**	**(38.2)**	**3,401.9**
Amortization, depreciation and impairment losses	(34.4)	(64.6)	(37.1)	(58.8)	(2.5)	(197.4)
Net operating provisions	3.1	5.9	(3.8)	4.4	1.1	10.7
Current operating income	**48.4**	**83.9**	**235.3**	**145.4**	**(34.7)**	**478.3**
Operating income	5.6	89.9	230.8	135.4	(29.4)	432.3
Financial income (loss)	5.3	(0.7)	(1.7)	0.4	(59.0)	(55.7)
of which:						
Interest revenue	0.4	0.9	0.3	1.8	3.4	6.8
Interest expenses	(1.1)	(1.1)	(1.3)	(1.6)	(60.0)	(65.1)
Share in net income of associates	-	3.8	1.2	1.9	-	6.9
Income taxes	1.4	(14.4)	(76.9)	(40.5)	33.8	(96.6)
Net income	**12.3**	**78.6**	**153.4**	**97.2**	**(54.6)**	**286.9**

As of December 31, 2006

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Inter-segment eliminations & holdings aggregates	Total Imerys group
External revenue	568.8	813.6	934.6	969.6	1.5	3,288.1
of which:						
Sales of goods	500.2	691.4	871.6	877.0	-	2,940.2
Rendering of services	68.6	122.2	63.0	92.6	1.5	347.9
Inter-segment revenue	16.2	2.5	0.5	23.7	(42.9)	0.0
Revenue	**585.0**	**816.1**	**935.1**	**993.3**	**(41.4)**	**3,288.1**
Amortization, depreciation and impairment losses	(37.1)	(74.0)	(38.6)	(54.5)	(2.5)	(206.7)
Net operating provisions	(2.2)	4.2	(4.5)	3.7	0.4	1.6
Current operating income	**50.9**	**77.8**	**214.4**	**145.8**	**(30.1)**	**458.8**
Operating income	6.6	(28.5)	198.2	131.0	(24.3)	283.0
Financial income (loss)	16.5	(0.4)	(1.5)	(1.8)	(59.5)	(46.7)
of which:						
Interest revenue	0.4	0.9	0.9	3.0	2.7	7.9
Interest expenses	(0.8)	(1.6)	(1.3)	(1.4)	(48.8)	(53.9)
Share in net income of associates	-	4.1	0.7	0.4	-	5.2
Income taxes	3.4	20.8	(66.5)	(37.6)	28.4	(51.5)
Net income	**26.5**	**(4.0)**	**130.9**	**92.0**	**(55.4)**	**190.0**

Note 31 Consolidated balance sheet by operating segments

As of December 31, 2008

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Inter-segment eliminations & holdings aggregates	Total Imerys group
Goodwill	142.8	149.8	188.7	417.4	0.7	899.4
Property, plant and equipment and intangible assets	398.6	575.3	343.6	427.5	9.6	1,754.6
Inventories	67.8	112.1	136.7	294.4	-	611.0
Trade receivables	78.8	91.0	186.5	180.7	(13.7)	523.3
Other receivables - current and non-current	16.9	77.9	30.4	49.8	19.6	194.6
Capital employed - Assets	**704.9**	**1,006.1**	**885.9**	**1,369.8**	**16.2**	**3,982.9**
Investments in associates	-	36.2	7.1	8.3	-	51.6
Segment assets	**704.9**	**1,042.3**	**893.0**	**1,378.1**	**16.2**	**4,034.5**
Unallocated assets						313.4
Total assets						**4,347.9**
Trade payables	46.2	71.1	111.1	131.0	(21.5)	337.9
Other debts - current and non-current	33.1	41.0	81.6	55.1	2.5	213.3
Income taxes payable	1.3	(6.8)	2.6	21.2	(4.9)	13.4
Capital employed - Liabilities	**80.6**	**105.3**	**195.3**	**207.3**	**(23.9)**	**564.6**
Provisions	70.3	47.6	66.7	69.1	54.0	307.7
Segment liabilities	**150.9**	**152.9**	**262.0**	**276.4**	**30.1**	**872.3**
Unallocated liabilities						1,929.3
Total current and non-current liabilities						**2,801.6**
Total capital employed	**624.3**	**900.8**	**690.6**	**1,162.5**	**40.1**	**3,418.3**
Increases in goodwill	6.4	1.4	3.8	99.7	-	111.3
Acquisitions of property, plant and equipment and intangible assets	(51.6)	(72.4)	(46.9)	(72.1)	(4.9)	(247.9)

As of December 31, 2007

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Inter-segment eliminations & holdings aggregates	Total Imerys group
Goodwill	186.6	152.7	198.0	322.7	0.7	860.7
Property, plant and equipment and intangible assets	354.6	602.1	337.7	428.9	6.5	1,729.8
Inventories	63.4	102.4	118.8	217.4	-	502.0
Trade receivables	90.4	107.6	237.9	196.9	(9.4)	623.4
Other receivables - current and non-current	13.4	81.0	21.6	50.3	13.7	180.0
Capital employed - Assets	**708.4**	**1,045.8**	**914.0**	**1,216.2**	**11.5**	**3,895.9**
Investments in associates	-	30.7	5.5	6.7	-	42.9
Segment assets	**708.4**	**1,076.5**	**919.5**	**1,222.9**	**11.5**	**3,938.8**
Unallocated assets						263.5
Total assets						**4,202.3**
Trade payables	41.9	75.4	116.4	106.8	(19.0)	321.5
Other debts - current and non-current	43.4	62.8	99.4	60.4	(2.7)	263.3
Income taxes payable	3.6	(0.1)	3.1	29.4	(6.0)	30.0
Capital employed - Liabilities	**88.9**	**138.1**	**218.9**	**196.6**	**(27.7)**	**614.8**
Provisions	64.6	66.5	67.1	70.2	74.5	342.9
Segment liabilities	**153.5**	**204.6**	**286.0**	**266.8**	**46.8**	**957.7**
Unallocated liabilities						1,581.0
Total current and non-current liabilities						**2,538.7**
Total capital employed	**619.5**	**907.7**	**695.1**	**1,019.6**	**39.2**	**3,281.1**
Increases in goodwill	9.3	3.8	64.5	35.3	-	112.9
Acquisitions of property, plant and equipment and intangible assets	(51.5)	(167.4)	(54.3)	(78.9)	0.2	(351.9)

As of December 31, 2006

(€ millions)	Performance & Filtration Minerals	Pigments for Paper	Materials & Monolithics	Minerals for Ceramics, Refractories, Abrasives, & Foundry	Inter-segment eliminations & holdings aggregates	Total Imerys group
Goodwill	192.3	160.1	142.1	297.9	0.7	793.1
Property, plant and equipment and intangible assets	391.9	538.8	321.2	376.8	6.9	1,635.6
Inventories	66.1	113.4	106.0	205.1	-	490.6
Trade receivables	99.4	116.0	224.3	185.6	(10.6)	614.7
Other receivables - current and non-current	10.8	57.7	20.8	35.1	8.2	132.6
Capital employed - Assets	**760.5**	**986.0**	**814.4**	**1,100.5**	**5.2**	**3,666.6**
Investments in associates	-	26.5	4.6	3.0	-	34.1
Segment assets	**760.5**	**1,012.5**	**819.0**	**1,103.5**	**5.2**	**3,700.7**
Unallocated assets						300.3
Total assets						**4,001.0**
Trade payables	39.7	68.4	106.0	101.8	(19.1)	296.8
Other debts - current and non-current	40.5	61.3	93.5	53.3	(3.7)	244.9
Income taxes payable	5.0	2.9	3.4	17.9	(4.3)	24.9
Capital employed - Liabilities	**85.2**	**132.6**	**202.9**	**173.0**	**(27.1)**	**566.6**
Provisions	72.6	92.3	72.5	67.8	112.7	417.9
Segment liabilities	**157.8**	**224.9**	**275.4**	**240.8**	**85.6**	**984.5**
Unallocated liabilities						1,370.0
Total current and non-current liabilities						**2,354.5**
Total capital employed	**675.3**	**853.4**	**611.5**	**927.5**	**32.3**	**3,100.0**
Increases in goodwill	11.6	5.3	(0.1)	(8.6)	-	8.2
Acquisitions of property, plant and equipment and intangible assets	(39.7)	(68.3)	(46.9)	(58.9)	(3.2)	(217.0)

Note 32 Geographical information

Revenue

(€ millions)	2008	2007	2006
By geographical location of the Group's entities			
France	841.6	858.9	817.4
Other European countries	1,327.7	1,353.2	1,283.3
North America	736.2	777.9	812.6
Asia-Oceania	394.6	267.7	236.4
Other countries	149.1	144.2	138.4
Revenue	**3,449.2**	**3,401.9**	**3,288.1**
By geographical location of the customers			
France	667.0	682.4	668.1
Other European countries	1,368.5	1,394.5	1,304.8
North America	693.5	727.8	780.8
Asia-Oceania	482.8	370.0	330.4
Other countries	237.4	227.2	204.0
Revenue	**3,449.2**	**3,401.9**	**3,288.1**

Assets by geographical location

(€ millions)	Goodwill	Property, plant and equipment and intangible assets	Total
As of December 31, 2008			
France	169.3	389.1	558.4
Other European countries	318.9	404.9	723.8
North America	124.5	518.8	643.3
Asia-Oceania	225.3	150.4	375.7
Other countries	61.4	291.4	352.8
Total	**899.4**	**1,754.6**	**2,654.0**
As of December 31, 2007			
France	169.3	371.1	540.4
Other European countries	340.7	463.6	804.3
North America	166.6	468.2	634.8
Asia-Oceania	120.5	141.6	262.1
Other countries	63.6	285.3	348.9
Total	**860.7**	**1,729.8**	**2,590.5**
As of December 31, 2006			
France	174.6	355.7	530.3
Other European countries	327.1	445.3	772.4
North America	186.2	493.4	679.6
Asia-Oceania	45.2	86.6	131.8
Other countries	60.0	254.6	314.6
Total	**793.1**	**1,635.6**	**2,428.7**

OTHER INFORMATION

Note 33 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 income statement and balance sheet item remains recognized with respect to this agreement as of December 31, 2008. The amount that had been recognized as an expense in 2007 as a compensation for the strategic assistance services provided by the Pargesa group totaled €0.8 million (€0.8 million in 2006). The amount that remained as a liability as of December 31, 2007 totaled €0.4 million (€0.4 million as of December 31, 2006).

Key management personnel of Imerys

The members of the key management personnel qualifying as related parties are the members of the Board of Directors and the 9 members of the Executive Committee (8 in 2007 and 9 in 2006), 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:

		Expense in the income statement			Liability in the balance sheet		
(€ millions)	Notes	2008	2007	2006	2008	2007	2006
Short-term benefits	1	(3.6)	(4.3)	(3.6)	0.6	1.7	1.4
Long-term benefits		-	-	-	-	-	-
Directors' fees	2	(0.7)	(0.6)	(0.6)	0.3	0.3	0.3
Defined benefit plans	3	(0.5)	(0.7)	(0.7)	3.6	2.7	2.4
Contributions to defined contribution plans		(0,3)	(0.3)	(0.3)	-	0.1	0.1
Termination benefits		-	-	-	-	-	-
Share-based payments	4	(2.3)	(1.9)	(2.0)	-	-	-
Total		**(7.4)**	**(7.8)**	**(7.2)**	**4.5**	**4.8**	**4.2**

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.

2) Directors' fees – These amounts correspond to the amount of Directors' fees paid to the members of the Board of Directors.

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 (6 from 2006 to 2007, 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 8 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.

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 2008 amounts to €34.5 million (€31.3 million in 2007 and €27.8 million in 2006), of which €18.2 million to Imerys UK Pension Fund Trustees Ltd. / ECC Combined Investment Fund (Great Britain) (€24.7 million in 2007 and €21.2 million in 2006) and €12.3 million to Sun Trust Bank (United States) (€2.7 million in 2007 and €3.4 million in 2006).

FCPE Imerys Actions

The FCPE Imerys Relais 2006 was created to collect the employee subscriptions for the Employee Shareholding Plan 2006. The FCPE Imerys Relais 2006 was merged into the FCPE Imerys Actions on February 20, 2007. It is managed by BNP Paribas Asset Management SAS. The management of the FCPE Imerys Actions is controlled by a Supervisory Board of 14 members, equally made up of shareholders' and Imerys representatives. As Imerys exercises together with the shareholders a joint control over the FCPE Imerys Actions, the FCPE Imerys Actions is a related party. The amounts recognized in 2008 for the FCPE Imerys Actions are insignificant.

Note 34 Commitments given

The Group's off balance sheet commitments include asset securities (mortgages, pledges, etc.) given on the Group's assets and the guarantees granted by Imerys and its entities, net of recognized liabilities.

The main commitments given by the Group are as follows:

(€ millions)	2008	2007	2006
Assets given as guarantee	21.2	11.0	18.6
Avals, sureties, guarantees	43.2	44.6	30.1
Other commitments	319.8	273.2	243.8
Total	**384.2**	**328.8**	**292.5**

Among the other commitments, two commitments related to a chartering contract and a storage and handling contract of a total amount of €167.1 million as of December 31, 2008 (€172.9 million as of December 31, 2007 and €172.9 million as of December 31, 2006) aim at guaranteeing the shipping logistics of the Group.

In addition, some of the Group's entities have operating lease commitments, in particular for offices, rail cars and trucks. Commitments for future rent payments amount to €22.3 million for 2009, €61.2 million from 2010 to 2013 and €102.4 million beyond.

Note 35 Commitments received

(€ millions)	2008	2007	2006
Assets received as guarantee	8.2	5.4	6.4
Avals, sureties, guarantees	5.4	1.0	0.6
Other commitments	26.7	26.8	30.4
Total	**40.3**	**33.2**	**37.4**

The other commitments mainly include operating lease commitments receveid for €12.7 million.

Note 36 Country risks

Due to their mining activity and the variety of their final markets, the Group's entities are located in numerous countries. Imerys thus can be exposed to certain risks peculiar to these countries which may have in the future a certain impact on its financial situation, its financial performance and its cash flow.

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 of 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, Ukraine, Venezuela and Zimbabwe where the Group is present. The revenue of the entities located in these countries represent in 2008 1.27% of the Group revenue (1.12% in 2007 and 0.77% in 2006) and 1.04% of the current operating income (1.04% in 2007 and 0.20% in 2006). The balance sheet total of these entities represents as of December 31, 2008 0.50% of the consolidated balance sheet (0.45% as of December 31, 2007 and 0.38% as of December 31, 2006) and - 0.08% of the consolidated shareholders' equity, Group share (+ 0.19% as of December 31, 2007 and + 0.03% as of December 31, 2006).

The fact that most of the Group's supply sources and final markets are located in developed countries limits the exposure to these country risks.

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 (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 2008, the net income of the Company comes to €87.1 million whereas the 2007 net income reached €50.2 million.

The main factors for the period were:

- the evolution of Group investment securities held directly or indirectly by the Company through the following transactions:
  - the subscription to the capital increase of Mircal for an amount of €487.4 million,
  - the subscription to the capital increase of Mircal China for an amount of €6.9 million,
  - the payment in full of the capital of Imerys (Shanghai) Investment Management Company Ltd. for an amount of €1.3 million.
- the evolution of financial resources:

  The financial debts of Imerys SA increase by €238.4 million in 2008 in order to finance mainly the acquisitions and growth of the Group.

  Loans related to investment securities decrease by €320.9 million in 2008. This decrease can be explained in particular by:
  - the transfer of a loan from a Brazilian subsidiary to Mircal for an amount of €33.9 million,
  - the transfer of a loan from a Brazilian subsidiary to Mircal Brésil for an amount of €67.4 million.

  These intra-group loan transfers have been carried out at their net book value without any impact on the income statement.

  The structure of financing means has not been modified compared to 2007.
- the increase in the operating loss:

  The operating expenses of the Company increase by €3.4 million in 2008. Similarly, operating revenue decrease by €3.4 million and reach €26.0 million. These differences can be mainly explained by the collection in 2007 of an indemnity of €5.0 million related to a technical hitch in one subsidiary. This indemnity was entirely reimbursed to the concerned subsidiary over the 2008 period.

5.2.1 Income statement

(€ thousands)	Notes	2008	2007	2006
Operating revenue		**25,959**	**29,345**	**27,145**
Rendering of services		23,165	23,536	25,059
Other revenue and decreases in provisions		1,065	5,534	855
Transfer of expenses		1,729	275	1,231
Operating expenses		**(61,835)**	**(58,422)**	**(50,707)**
Purchases and external services		(33,275)	(37,061)	(31,547)
Taxes and duties		(734)	(851)	(1,163)
Staff expenses		(17,402)	(16,452)	(13,595)
Amortization, depreciation, write-downs and provisions		(3,153)	(2,870)	(2,868)
Other expenses		(7,271)	(1,188)	(1,534)
Operating income		**(35,876)**	**(29,077)**	**(23,562)**
Financial income	*10*	**68,798**	**54,284**	**99,261**
Revenue from subsidiaries and affiliates		171,218	109,765	136,775
Net financial expenses		(54,428)	(29,848)	(25,435)
Increases and decreases in write-downs and provisions		(9,877)	(10,175)	(4,511)
Exchange rate gains and losses		(38,115)	(15,458)	(7,568)
Current income		**32,922**	**25,207**	**75,699**
Exceptional income (loss)	*11*	**(2,091)**	**(2,367)**	**15,538**
Exceptional revenue		102,737	3,846	127,044
Exceptional expenses		(104,828)	(6,213)	(111,506)
Income taxes	*12*	**56,232**	**27,400**	**22,162**
Net income		**87,063**	**50,240**	**113,399**

5.2.2 Balance sheet

(€ thousands)	Notes	2008	2007	2006
Assets				
Intangible assets	*13*	7,396	6,147	4,533
Accumulated amortization	*13*	(5,054)	(3,720)	(2,379)
Net intangible assets		**2,342**	**2,427**	**2,154**
Property, plant and equipment	*13*	5,696	5,330	4,974
Accumulated depreciation	*13*	(3,154)	(2,372)	(1,602)
Net property, plant and equipment		**2,542**	**2,958**	**3,372**
Investments	*14*	3,144,450	2,648,733	2,642,733
Write-downs	*14 - 20*	(3,003)	(3,003)	(3,003)
Net investments		**3,141,447**	**2,645,730**	**2,639,730**
Loans related to investment securities	*15 - 17*	824,563	1,145,463	862,650
Write-downs	*20*	0	0	(613)
Loans related to investment securities - net value		**824,563**	**1,145,463**	**862,037**
Other financial investments	*16 - 17*	2,959	2,907	2,962
Non-current assets		**3,973,853**	**3,799,485**	**3,510,255**
Other receivables	*17*	42,620	31,084	24,985
Derivative financial assets		2,497	2,855	6,121
Marketable securities	*18*	36,109	23,455	26,294
Cash and cash equivalents		3,522	3,940	2,488
Current assets		**84,748**	**61,334**	**59,888**
Regularization accounts	*17*	34,820	16,919	13,314
Total assets		**4,093,421**	**3,877,738**	**3,583,457**
Liabilities and shareholders' equity				
Share capital		125,573	126,254	126,669
Additional paid-in capital		115,803	131,704	158,944
Reserves		956,679	956,678	956,679
Retained earnings		350,763	419,498	420,285
Net income of the period		87,063	50,240	113,399
Shareholders' equity	*19*	**1,635,881**	**1,684,374**	**1,775,976**
Provisions for risks and charges	*20*	**45,641**	**34,024**	**23,683**
Financial debts	*21*	2,330,239	2,091,881	1,732,009
Other debts	*21*	25,089	17,853	21,435
Derivative financial liabilities	*21*	1,133	837	347
Debts		**2,356,461**	**2,110,571**	**1,753,791**
Regularization accounts	*21*	55,438	48,769	30,007
Total liabilities and shareholders' equity		**4,093,421**	**3,877,738**	**3,583,457**

5.2.3 Cash Flow Statement

(€ thousands)	2008	2007	2006
Cash flow from operating activities			
Net income	87,063	50,240	113,399
Expenses and revenue with no impact on cash flow			
Amortization and depreciation	2,878	2,788	2,885
Write-downs and provisions	10,439	9,740	(1,792)
Income on disposal of assets	33	2,475	(10,502)
Current operating cash flow before working capital changes	**100,413**	**65,243**	**103,990**
Change in the working capital requirement	**(4,966)**	**(9,490)**	**11,865**
Cash flow from operating activities	**95,447**	**55,753**	**115,855**
Cash flow from investing activities			
Acquisitions of assets			
Intangible assets and property, plant and equipment	(80)	(1,620)	(2,189)
Financial (investments and related assets)	(489,269)	(5,945)	(275,554)
Disposals of assets			
Intangible assets and property, plant and equipment	0	400	9,510
Financial (investments and related assets)	367	0	145,770
Cash flow from investing activities	**(488,982)**	**(7,165)**	**(122,463)**
Cash flow from financing activities			
Change in financial debts	321,665	378,381	(2,768)
Change in loans and other financial assets	219,660	(286,516)	142,911
Cash flow from financing activities	**541,325**	**91,865**	**140,143**
Capital operations			
Capital increase	942	14,444	21,672
Capital decrease by cancellation of treasury shares	(17,523)	(42,099)	(83,456)
Dividends paid	(118,973)	(114,185)	(104,824)
Cash flow from transactions on equity	**(135,554)**	**(141,840)**	**(166,607)**
Change in cash and cash equivalents	**12,236**	**(1,387)**	**(33,071)**
Cash and cash equivalents at the beginning of the period	27,395	28,782	61,853
Cash and cash equivalents at the end of the period	39,631	27,395	28,782
Change in cash and cash equivalents	**12,236**	**(1,387)**	**(33,071)**

DETAIL OF MOVEMENTS ON TREASURY SHARES

(€ thousands)	2008	2007	2006
Gross amount of treasury shares booked as investments as of January 1	**0**	**0**	**38,159**
Purchases of treasury shares	17,523	42,099	45,297
Sales of treasury shares	-	-	-
Treasury shares allocated to the Employee Shareholding Plan	-	-	-
Capital decrease by cancellation of treasury shares	(17,523)	(42,099)	(83,456)
Gross amount of treasury shares booked as investments as of December 31	**0**	**0**	**0**

5.2.4 Notes to the financial statements

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.

Note 1 Intangible assets

Intangible assets are valued at original cost. Software is depreciated over 3 years using the straight-line method.

Note 2 Property, plant and equipment

Property, plant and equipment are assessed at original 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
■ Other property, plant and equipment		
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 3 Long-term investments

The long-term investments are valued at original 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, 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 provision for depreciation 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 4 Receivables and debts in foreign currencies

Receivables and debts in foreign currencies are converted at closing rate.

Note 5 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 6 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 provision for depreciation, unrealized gains are not recognized.

Note 7 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, 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 retrospective method.

Imerys applies the recommendation no. CNC 2003-R01 applicable to the valuation and accounting for pension commitments and similar advantages.

Note 8 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 (exchange rate risk, interest rate risk, energy price risk).

The main instruments and risks are described hereafter:

- the derivative instruments used to cover the 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 cover the exchange rate risk. The expenses and revenues related to the hedging instruments are recognized symmetrically in the income statement to the expenses and revenues of hedged items;

- in order to cover 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 symmetrically in the income statement 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 9 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. 5 entities left the tax consolidation perimeter in 2008: Celite Europe, Céramiques de la Méditerranée, Marcel Rivereau, Minemet Holding, Parnasse 23 and no entity joined it. The tax consolidation perimeter included 24 entities as of December 31, 2008 mentioned below:

■ AGS	■ KPCL KVS
■ Ardoisières d'Angers	■ Mircal
■ Calderys France	■ Mircal Brésil
■ Charges Minérales du Périgord	■ Mircal China
■ Damrec	■ Mircal Europe
■ Imerys	■ Parimetal
■ Imerys Ceramics France	■ Parnasse 16
■ Imerys Kiln Furniture France	■ Imerys Foundry Minerals Europe (ex Parnasse 21)
■ Imerys Minéraux France	■ Parnasse 22
■ Imerys Services	■ Parnasse 25
■ Imerys Tableware France	■ PLR Réfractaires SAS U
■ Imerys TC	■ World Minerals France

Within the fiscal group headed by Imerys, the relationships are governed by a convention whose principles are summarized below:

- the tax consolidated entities benefit from a situation identical to the one that they would have had in the absence of tax consolidation;
- all additional expenses are recognized at Imerys which benefits in counterpart from any potential savings generated by this system.

NOTES TO THE INCOME STATEMENT

Note 10 Financial income

(€ thousands)	2008	2007	2006
Financial revenue			
Revenue from subsidiaries and affiliates (1)	171,218	109,765	136,775
Other investment income – Net (1)	120,448	118,357	116,044
Decreases in provisions and transfer of expenses	19,865	10,367	3,814
Exchange rate gains	143,389	31,889	46,768
	454,920	**270,378**	**303,401**
Financial expenses			
Financial interests and expenses on financial instruments (2)	174,876	148,205	141,479
Increases in financial amortization and provisions	29,742	20,542	8,325
Exchange rate losses	181,504	47,347	54,336
	386,122	**216,094**	**204,140**
Financial income	**68,798**	**54,284**	**99,261**
Of which:			
(1) revenue related to controlled entities	*223,155*	*169,242*	*192,177*
(2) expenses related to controlled entities	*42,266*	*25,064*	*22,152*

In 2008, the Company received €171.2 million of dividends.

As a holding company, Imerys manages its balance sheet 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 2008 a net exchange loss of €38.1 million (a loss of €15.5 million was realized in 2007 and a loss of €7.6 million in 2006) 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)	2008	2007	2006
Gains and losses on disposals of assets	(32)	(2,475)	10,501
Other exceptional revenue	6	152	175
Decreases in provisions and transfer of expenses	1,448	2,467	8,492
Increases in provisions	(1,497)	(2,190)	(2,232)
Other exceptional expenses	(2,016)	(321)	(1,398)
Exceptional income (loss)	**(2,091)**	**(2,367)**	**15,538**

The gains and losses on disposals of assets in 2008 mainly relate to two intra-group loan transfers (€33.9 million and €67.4 million) at net book value.

The decreases in provisions as of December 31, 2008 relate to a provision for Group restructuring (€1.0 million), a provision for headquarter restructuring (€0.3 million) and a provision for exceptional expenses (€0.1 million).

The increases in 2008 relate to a provision for risks (€0.3 million), a provision for Group restructuring (€1.0 million) and a provision for headquarter restructuring (€0.2 million).

The other exceptional expenses relate to expenses for Group restructuring (€1.7 million) and a real estate litigation (€0.3 million).

Note 12 Income taxes

(€ thousands)	2008	2007	2006
Taxes on long-term capital gains	-	-	-
Income taxes	56,232	27,400	22,162
Total	**56,232**	**27,400**	**22,162**

Breakdown of the tax expense of the Company

(€ thousands)	Result before taxes	Taxes	Result after taxes
Current income	32,922	-	32,922
Exceptional income (loss)	(2,091)	-	(2,091)
Impact of the tax consolidation	-	56,232	56,232
Total	**30,831**	**56,232**	**87,063**

In accordance with the terms of the tax 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 €56.2 million for the 2008 period.

As regards Imerys, the Company recognizes in 2008 a loss of €135.0 million that has been used by the consolidated group in accordance with the rules of tax consolidation. At the end of 2008, the balance of carried forward short-term losses amounts to €395.8 million.

Change in deferred taxes (deferred tax basis)

(€ thousands)	As of December 31, 2008		As of December 31, 2007		As of December 31, 2006	
Description	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Temporary differences						
Deductible next year	-	29,782	-	19,237	-	9,509
Deductible later	-	11,847	-	10,816	-	10,990
Deducted expenses or taxed revenue not yet recognized	28,591	55,438	9,444	48,766	7,391	30,005
Total	**28,591**	**97,067**	**9,444**	**78,819**	**7,391**	**50,504**
Potentially taxable items						
Special reserve for long-term capital gains	-	273,471	-	273,471	-	273,471
Others	-	-	-	-	-	-
Total	**-**	**273,471**	**-**	**273,471**	**-**	**273,471**

NOTES TO THE BALANCE SHEET

Note 13 Change in property, plant and equipment and intangible assets

(€ thousands)	Gross amount 12/31/2007	Acquisitions	Disposals	Gross amount 12/31/2008
Intangible assets	6,147	1,249	-	7,396
Property, plant and equipment	5,330	366	-	5,696
Total gross intangible assets and property, plant and equipment	**11,477**	**1,615**	**0**	**13,092**

(€ thousands)	Amortization and depreciation as of 12/31/2007	Increases	Decreases	Amortization and depreciation as of 12/31/2008
Amortization of intangible assets	3,720	1,334	-	5,054
Depreciation of property, plant and equipment	2,372	782	-	3,154
Total amortization and depreciation of intangible assets and property, plant and equipment	**6,092**	**2,116**	**0**	**8,208**

Note 14 Changes in the value of investment securities

The gross amount of equity interest varies by €495.7 million.

The main transactions relate to the following entities:

- the subscription to the capital increase of Mircal and Mircal China for an amount of €494.3 million;
- the payment in full of the capital of Imerys (Shanghai) Invest Management Company Ltd. for an amount of €1.3 million;
- the subscription to the capital increase of newly created entities as well as the transfer of Imerys Foundry Minerals Europe (ex-Parnasse 21) to Imerys TC for a total amount of €0.1 million.

Depreciation allowances remain unchanged since 2005. They come to €3.0 million and relate to investment securities of a subsidiary whose activity has ceased.

Note 15 Loans related to investment securities

The amount of loans related to investment securities decreases by €320.9 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 and 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 investment securities	**824,563**	**512,162**	**282,792**	**29,609**
Other financial investments	**2,959**	**-**	**44**	**2,915**
Other receivables				
Operating receivables	40,570	40,570	-	-
Bond issuance premium	2,050	306	1,417	327
Total other receivables	**42,620**	**40,876**	**1,417**	**327**
Regularization account				
Prepaid expenses	3,190	1,927	1,263	-
Bond issuance cost	3,036	455	1,877	704
Unrealized exchange rate losses	28,594	28,594	-	-
Total regularization account	**34,820**	**30,976**	**3,140**	**704**
Total	**904,962**	**584,014**	**287,393**	**33,555**

Note 18 Marketable securities

Net values

(€ thousands)	2008	2007	2006
SICAVs and mutual funds (1)	36,109	10,363	26,294
Treasury shares	-	13,092	-
Total	**36,109**	**23,455**	**26,294**

As of December 31, 2008, the gross amount of marketable securities amounts to €36.1 million. The impairment loss of €1.7 million recognized as of December 31, 2007 has been fully reversed for the 2008 period.

(1) Measurement of marketable securities as of December 31, 2008:

Nature	Quantity	Average cost price per unit *(€)*	Closing price December 2008 *(€)*
SICAV Calyon	79	223,872.12	223,872.12
SICAV Natexis	333	55,323.49	55,323.49

Note 19 Breakdown of changes in shareholders' equity

(€ thousands)	Number of shares	Capital	Premiums	Reserves[(1)]			Retained earnings	Income of the period	Total
				Legal	Regulated	Other			
Shareholders' equity as of 01/01/2006 before allocation of net income	63,971,865	127,944	219,453	12,725	273,471	670,482	425,113	99,996	1,829,184
Allocation of 2005 income	-	-	-	-	-	-	(4,828)	(99,996)	(104,824)
Movements of the period:									
Cancellation of 640,000 shares of €2	(640,000)	(1,280)	(36,879)	-	-	-	-	-	(38,159)
Cancellation of 685,000 shares of €2	(685,000)	(1,371)	(43,927)	-	-	-	-	-	(45,298)
Capital increase reserved for employees 50,000 shares of €2	50,000	100	2,607	-	-	-	-	-	2,707
Subscription of 637,755 shares by exercise of options	637,755	1,276	17,689	-	-	-	-	-	18,965
63,334,620 shares of €2	63,334,620	126,669	158,944	12,725	273,471	670,482	420,285	-	1,662,576
Net income as of 12/31/2006		-	-	-	-	-	-	113,399	113,399
Shareholders' equity as of 01/01/2007 before allocation of net income	63,334,620	126,669	158,944	12,725	273,471	670,482	420,285	113,399	1,775,975
Allocation of 2006 income	-	-	-	-	-	-	(787)	(113,399)	(114,186)
Movements of the period:									
Cancellation of 606,543 shares of €2	(606,543)	(1,213)	(40,886)	-	-	-	-	-	(42,099)
Subscription of 398,779 shares by exercise of options	398,779	798	13,646	-	-	-	-	-	14,444
63,126,856 shares of €2	63,126,856	126,254	131,704	12,725	273,471	670,482	419,498	-	1,634,134
Net income as of 12/31/2007	-	-	-	-	-	-	-	50,240	50,240
Shareholders' equity as of 01/01/2008 before allocation of net income	63,126,856	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 period:									
Cancellation of 370,000 shares of €2	(370,000)	(740)	(16,783)	-	-	-	-	-	(17,523)
Subscription of 29,734 shares by exercise of options	29,734	59	882	-	-	-	-	-	941
63,786,590 shares of €2	62,786,590	125,573	115,803	12,725	273,471	670,482	350,764	-	1,548,818
Net income as of 12/31/08	-	-	-	-	-	-	-	87,063	87,063
Shareholders' equity as of 01/01/2009 before allocation of net income	62,786,590	125,573	115,803	12,725	273,471	670,482	350,764	87,063	1,635,881
Proposal for allocation of income[(2)]	-	-	-	-	-	-	-	(87,063)	(87,063)
Shareholders' equity as of 01/01/2009 with proposal for allocation of income	62,786,590	125,573	115,803	12,725	273,471	670,482	350,764	-	1,548,818

(1) Imerys' shareholders' equity does not include revaluation differences.

(2) Proposed to the Shareholders' General Meeting on April 29, 2009.

The Shareholders' General Meeting on May 3, 2004 approved the split by four of the Imerys share's nominal amount. Since then, the nominal of the Imerys share is of €2.00.

For 2008, the capital movements are the following:

On December 18, 2008, the Company's Board of Directors approved of the capital decrease by cancellation of 370,000 treasury shares held at this date.

Finally, the Chief Executive Officer recorded on January 9, 2009 that as of December 31, 2008, the share capital had been increased in accordance with 29,734 exercised share options over the 2008 period, entitling to as many Imerys shares.

Detailed information is available *in paragraph 6.2 of chapter 6 of the Annual Report*.

Stock option subscription plans in force as of December 31, 2008

		Position as of 12/31/2007	Grant of options	Exercised options	Cancellations, regularizations	Position as of 12/31/2008
Plan	2000	42,560	-	-	-	42,560
Employee Shareholding Plan	2000	25,564	-	752	-	24,812
Plan	2001	72,780	-	-	-	72,780
Employee Shareholding Plan	2001	29,164	-	808	-	28,356
Plan	2002	127,000	-	6,000	-	121,000
Employee Shareholding Plan	2002	37,630	-	1,180	-	36,450
Plan	2003	314,680	-	16,850	-	297,830
Employee Shareholding Plan	2003	32,488	-	1,144	-	31,344
Plan	2004	624,500	-	3,000	6,000	615,500
Plan	2005	578,700	-	-	12,200	566,500
Plan	2006	619,700	-	-	46,500	573,200
Employee Shareholding Plan	2006	38,625	-	-	-	38,625
Plan	2007	560,000		-	55,300	504,700
Plan	2008	-	497,925	-	3,500	494,425
		3,103,391	**497,925**	**29,734**	**123,500**	**3,448,082**
Number of potential ordinary shares by exercise of share options						**3,448,082**

Number of shares

Position as of 12/31/2007	**63,126,856**
Number of shares created in 2008 by exercise of options	29,734
Cancellation of shares in 2008	(370,000)
Position as of 12/31/2008	**62,786,590**
Number of shares liable to be created	3,448,082
Total number of potential ordinary shares as of 12/31/2008	**66,234,672**

As of December 31, 2008, the exercise of all granted share options would dilute the share capital by 5.20%.

Note 20 Write-downs and provisions

(€ thousands) Type of write-downs and provisions	Amount at the beginning of the period	Increases			Decreases[1]			Amount at the end of the period
		Operating	Financial	Exceptional	Operating	Financial	Exceptional	
Write-down of assets								
Investments	3,003	-	-	-	-	-	-	3,003
Trade receivables	23		-	-	-	-	-	23
Loans related to investment securities	-	-	-	-	-	-	-	-
Non-consolidated investments	-	-	-	-	-	-	-	-
Bond issuance premium	846	-	306	-	-	-	-	1,152
Marketable securities	1,668	-	-	-	-	(1,668)	-	-
Total	**5,540**	-	**306**	-	-	**(1,668)**	-	**4,178**
Provisions for risks								
Management risks	4,045	-	27	1,156	(25)	-	(1,156)	4,047
Provisions for exchange rate losses	9,444	-	28,591	-	-	(9,444)	-	28,591
Staff-related risks	542	185	-	210	(35)	-	(292)	610
Environmental risks	6,275	-	363	-	-	-	-	6,638
Financial instruments	8,754	-	-	-	-	(8,754)	-	0
Risks on subsidiaries and investments	670	-	-	131	-	-	-	801
Subtotal	**29,730**	**185**	**28,981**	**1,497**	**(60)**	**(18,198)**	**(1,448)**	**40,687**
Provisions for charges								
Pensions	-	-	-	-		-	-	-
Future employee benefits	4,294	853	-	-	(193)	-	-	4,954
Other social contributions and tax expenses	-	-	-	-	-	-	-	-
Subtotal	**4,294**	**853**	-	-	**(193)**	-	-	**4,954**
Total	**34,024**	**1,038**	**28,981**	**1,497**	**(253)**	**(18,198)**	**(1,448)**	**45,641**
Grand Total	**39,564**	**1,038**	**29,287**	**1,497**	**(253)**	**(19,866)**	**(1,448)**	**49,819**

(1) Provisions decreased in accordance with used amounts for €1,157 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, 2008, the provision for financial risks has been fully reversed. 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, 2008 are described in *Note 25* and following.

The provision for future employee benefits is calculated in accordance with the following assumptions:

	Retirement France	Other long-term employee benefits
Discount rates	5.6%	5.6%
Expected rates of return on plan assets	3.8%	-
Expected rates of salary increases	3.5%	3.5%

Actuarial differences are recognized according to the corridor method.

Net expense

	Retirement			Other long-term employee benefits			Total		
(€ thousands)	2008	2007	2006	2008	2007	2006	2008	2007	2006
Interest cost	468	173	195	11	10	2	479	183	198
Current service cost	446	491	466	20	28	2	466	519	468
Expected return on assets	(281)	48	28	-	-	-	(281)	48	28
Past service cost	98	12	(12)	-	-	-	98	12	(12)
Actuarial (gains) and losses	32	6	(30)	(9)	(20)	195	23	(14)	165
Curtailments and settlements	-	-	-	-	-	-	-	-	-
Recognized net expense	**763**	**730**	**648**	**22**	**18**	**199**	**785**	**748**	**847**
Assets' effective return	(424)	(20)	(81)	-	-	-	(424)	(20)	(81)

Change in the discounted value of obligations

	Retirement			Other long-term employee benefits			Total		
(€ thousands)	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening obligations	**11,754**	**5,894**	**5,248**	**223**	**239**	**47**	**11,977**	**6,133**	**5,295**
Interest cost	468	173	195	11	10	2	479	183	197
Current service cost	446	491	466	20	28	2	466	519	468
Benefit payments	(484)	(82)	(19)	(26)	(34)	(7)	(510)	(116)	(26)
Plan amendments	139	150	165	-	-	-	139	150	165
Reclassification	-	4,824	-	-	-	-	-	4,824	-
Actuarial (gains) and losses	(593)	304	(162)	(9)	(20)	195	(602)	284	33
Closing obligations (1)	**11,730**	**11,754**	**5,894**	**219**	**223**	**239**	**11,949**	**11,977**	**6,133**
of which:									
Funded obligations	10,876	10,875	5,400	-	-	-	10,876	10,875	5,400
Unfunded obligations	854	879	494	219	223	239	1,073	1,102	733

(1) Of which retirement obligations to the benefit of the members of the Executive Management: €808 thousand in 2008, €947 thousand in 2007 and €1,098 thousand in 2006.

Change in fair value of plan assets

	Retirement			Other long-term employee benefits			Total		
(€ thousands)	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening assets	**6,951**	**2,107**	**2,026**	**-**	**-**	**-**	**6,951**	**2,107**	**2,026**
Expected return on assets	281	(48)	(28)	-	-	-	281	(48)	(28)
Benefit payments	(319)	-	(19)	-	-	(7)	(319)	-	(26)
Employer contributions	(70)	-	19	-	-	7	(70)	-	26
Reclassification (1)	-	4,824	-	-	-	-	-	4,824	-
Actuarial gains and (losses)	143	68	109	-	-	-	143	68	109
Closing assets	**6,986**	**6,951**	**2,107**	**-**	**-**	**0**	**6,986**	**6,951**	**2,107**

(1) The valuation of an existing plan was obtained with the obligation and the plan asset presented separately, as a result this plan is disclosed as such for clarity purposes.

Assets / liabilities in the balance sheet

	Retirement			Other long-term employee benefits			Total		
(€ thousands)	2008	2007	2006	2008	2007	2006	2008	2007	2006
Funded obligations	(10,876)	(10,875)	(5,400)	-	-	-	(10,876)	(10,875)	(5,400)
Fair value of assets	6,986	6,951	2,107	-	-	-	6,986	6,951	2,107
Funded status	**(3,890)**	**(3,924)**	**(3,293)**	**-**	**-**	**-**	**(3,890)**	**(3,924)**	**(3,293)**
Unfunded obligations	(854)	(879)	(494)	(219)	(223)	(239)	(1,073)	(1,102)	(733)
Unrecognized past service cost	304	261	124	-	-	-	304	261	124
Net unrecognized actuarial differences	(297)	471	240	-	-	-	(297)	471	240
Assets (provisions) in the balance sheet	**(4,737)**	**(4,071)**	**(3,423)**	**(219)**	**(223)**	**(239)**	**(4,956)**	**(4,294)**	**(3,662)**
of which provisions for:									
Retirement	-	-	(1)	-	-	-	-	-	(1)
Future employee benefits	(4,737)	(4,071)	(3,422)	(219)	(223)	(239)	(4,956)	(4,294)	(3,661)

Note 21 Debts and regularization accounts as of December 31, 2008

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Financial debts	2,330,239	1,299,611	150,596	880,032
Other debts	26,222	26,222	-	-
Deferred revenue	-	-	-	-
Unrealized exchange rate gains	55,438	55,438	-	-
Total	**2,411,899**	**1,381,271**	**150,596**	**880,032**

The various bank overdrafts and the syndicate loan 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	1,769,495
US Dollar	458,249
Pound Sterling	18,939
Japanese Yen	58,322
Other foreign currencies	25,234
Total	**2,330,239**

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	1,030,628	-	150,596	880,032
Commercial papers	205,500	205,500	-	-
Bank loans	465,212	465,212	-	-
Group financial current accounts	602,609	602,609	-	-
Bank overdrafts and accrued interests	26,290	26,290	-	-
Total	**2,330,239**	**1,299,611**	**150,596**	**880,032**

Note 22 Accrued receivables and payables

(€ thousands)	Accrued receivables	Accrued payables
Operating	0	1,759
Financial	7,899 (1)	1,243
Total	**7,899**	**3,002**

(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 is used up to €150.0 million as of December 31, 2008.

As of December 31, 2008, the amount of bilateral multi-currencies credit lines confirmed and available for the benefit of Imerys, is €537.0 million of which €307.5 million are utilized.

Other commitments given

	For the benefit of				
(€ thousands)	Subsidiaries	Equity interests	Other controlled entities	Other	Total
Avals, sureties, guarantees	43,726	-	76,171	21,171	**141,068**

Other commitments received

	Received from				
(€ thousands)	Subsidiaries	Equity interests	Other controlled entities	Other	Total
Avals, sureties, guarantees	-	-	-	-	**-**

In 2005, Imerys SA consented a debt abandonment with redemption clause to PLR Réfractaires SAS U for an amount of €2.5 million of which €0.7 million have been reimbursed in 2007. In 2008, the latter reimbursed the outstanding balance of €1.8 million.

Note 24 Other commitments in relation to subsidiaries

Considering the commitments which came to maturity in 2008, the amount of the global commitment comes to €31.2 million as of December 31, 2008.

Note 25 Commitments on exchange rate risks

As of December 31, 2008, the Company had net commitments regarding forward purchases and sales against euros divided up by foreign currencies as follows:

	Forward purchases	Forward sales	Forward purchases	Forward sales
	(foreign currency thousands)		*(€ thousands)*	
Australian Dollar	4,785	-	2,360	-
Canadian Dollar	-	1,800	-	1,059
Swiss Franc	-	57,350	-	38,620
Pound Sterling	-	45,455	-	47,722
Japanese Yen	4,382,050	1,614,800	34,740	12,802
Mexican Peso	122,400	-	6,407	-
Norwegian Krone	590	-	61	-
New Zealand Dollar	4,910	-	2,030	-
Swedish Krona	42,000	79,850	3,864	7,346
Thai Baht	-	349,000	-	7,228
US Dollar	20,000	264,420	14,371	189,998
South African Rand	-	66,000	-	5,051
Czech Koruna	4,700	-	175	-
Danish Krone	6,450	-	866	-
Hungarian Forint	208,000	280,350	780	1,051
Singapore Dollar	-	3,805	-	1,899
Total			**65,654**	**312,776**

These transactions have been carried out in order to hedge the 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 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, 2008, different hedging transactions (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 €700 million, JPY7 billion and USD750 million.

Note 27 Elements related to energy price risks

In accordance with its policy to manage centrally energy price risks which affect its subsidiaries, the Company has implemented different hedging options related to the identified risks as of December 31, 2008 at Imerys:

Hedging of energy price risks in the United States

In the United States, the Group will consume in 2009 approximately 5.3 million MMBTU (BTU: British Thermal Unit) of natural gas with supply contracts based on the NYMEX Henry Hub index listed in New York. As part of the management of its natural gas risk in the United States, the Group had as of December 31, 2008 various hedging transactions covering 2009.

All transactions on natural gas in the United States as of December 31, 2008 are described in the table below:

		Amounts in MMBTU	Maturities
Underlying position		**5,250,000**	**< 12 months**
Management transactions	Call	95,000	< 12 months
	Swaps	2,975,000	< 12 months

In the United States, the Group will consume in 2009 approximately 5.4 million gallons of heating oil, the price of which correlates with the NYMEX Heating Oil index listed in New York.

All transactions on heating oil in the United States as of December 31, 2008 are described in the table below:

		Amounts in gallons	Maturities
Underlying position		**5,376,344**	**< 12 months**
Management transactions	Swaps	1,428,000	< 12 months

Hedging of energy price risks in Great Britain

In Great Britain, the Group will consume in 2009 approximately 44.5 million therms with supply contracts based on the UK Natural Gas IPE index listed in London, and electricity contracts. All transactions on natural gas in Great Britain as of December 31, 2008 are described in the table below:

		Amounts in therms	Maturities
Underlying position		**44,469,201**	**< 12 months**
Management transactions	Swaps	7,501,000	< 12 months

Hedging of energy price risks in France

In France, the Group will consume in 2009 approximately 1,670.0 MWh of natural gas with supply contracts based on the fixed or floating barrel price of Brent listed in London (equivalent of 751,370 barrels). The 2009 supply contracts have been concluded at fixed price with the various suppliers.

		Amounts in MWh	Maturities
Underlying position		**1,670,000**	**< 12 months**
Management transactions	Swaps	1,081,240	< 12 months

The above-mentioned transactions mainly cover natural gas risks for 2009.

Note 28 Elements recognized under more than one balance sheet item (net value)

(€ thousands)	Total	Of which controlled entities[1]
Investment securities	3,141,447	3,141,022
Loans related to investment securities	824,563	823,875
Other financial investments	2,959	-
Operating receivables	40,570	12,231
Financial debts	2,330,239	602,623
Other debts	26,222	18,071

(1) The controlled entities are those that can be consolidated by full integration into the same group.

Note 29 Main shareholders

As of December 31, 2008	Number of shares	% of interest	% of voting rights[1]
Pargesa Netherlands BV	17,196,462	27.39%	35.35%
Belgian Securities BV[2]	19,177,186	30.54%	37.04%
M&G Investment Management Ltd.[3]	3,533,526	5.63%	3.64%
Vanguard Precious Metals and Mining Funds[4]	3,380,000	5.38%	3.49%
Group employees	216,441	0.35%	0.32%
Owned by the Group	0	0.00%	0.00%
Public	19,282,975	30.71%	20.16%
Total	**62,786,590**	**100.00%**	**100.00%**

(1) Total voting rights : 96,987,573.

(2) A 100% subsidiary of the Bruxelles Lambert Group.

(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 the Bruxelles Lambert group, which are respectively the parent companies of Netherlands BV and Belgian Securities BV.

Note 30 Headcount as of December 31, 2008

Employees of the entity	Non-executives	Executives	Total
Full-time	25	101	126
Part-time	3	1	4
Total	**28**	**102**	**130**

Note 31 Individual training rights as of December 31, 2008

As of December 31, 2008, the total number of training hours corresponding to the acquired rights in the framework of the individual training right amounts to 5,970 hours.

The number of hours not having been requested amounts to 4,911 hours.

Note 32 Remuneration of senior management

(€ thousands)	2008	2007	2006
Board of Directors[1]	657	616	625
Executive Management[2]	1,167	1,647	758
Total	**1,824**	**2,263**	**1,383**

(1) Directors' fees.

(2) Including the Chief Executive Officer from 2006 to 2008 and the Chief Operating Officer since 2008.

Note 33 Post closing events

No significant post closing event has to be notified for the Company.

Note 34 Table of subsidiaries and equity interests as of December 31, 2008

	Local units (thousands)			
	Capital as of 12/31/2008	Shareholders' equity other than share capital as of 12/31/2008	Number of shares held by Imerys	Type of securities
1 – Subsidiaries (at least 50% of equity held by Imerys)				
Imerys TC	161,228	719,026	80,613,850	shares of €2
Mircal	1,034,653	303,500	68,976,891	shares of €15
Imerys USA	367,005	472,668	1,000	shares of USD1
Imerys Services	38	217	2,499	shares of €15
Mircal Europe	56,365	569,939	56,365,195	shares of €1
Mircal China	12,937	(3,769)	1,293,700	shares of €10
Imerys (Shanghai) Investment Management Company Ltd.	14,404	(139)	1	shares of CNY14,404,000

	(€ thousands)								
	% of interest held by Imerys	Gross amount of securities held	Net amount of securities held	Loans and advances granted by Imerys and not repaid	Borrowings taken up by Imerys and not repaid	Sureties avals given by Imerys	Dividends collected by Imerys in 2008	2008 sales	2008 net income or loss
1 – Subsidiaries (at least 50% of equity held by Imerys)									
Imerys TC	100.00	758,369	758,369	-	105,628	-	119,309	483,614	102,843
Mircal	100.00	1,289,076	1,289,076	34,984	-	-	51,745	1	45,239
Imerys USA	100.00	513,530	513,530	174,134	-	47,702	-	-	(13,403)
Imerys Services	99.96	38	38	1,745	-	-	-	11,349	876
Mircal Europe	100.00	565,483	565,483	-	12,501	-	-	-	(13,495)
Mircal China	100.00	12,937	12,937	79	-	-	-	-	(3,604)
Imerys (Shanghai) Investment Management Company Ltd.	100.00	1,359	1,359	-	221	-	-	2,114	(14)
2 – Equity interests (10 to 50% of equity held by Imerys)									
		10	10	-	-	-	163	-	-
3 – Miscellaneous equity interests (in non-significant French entities)									
		3,418	414	687	149	-	-	-	-
Total		**3,144,220**	**3,141,216**	**211,629**	**118,499**	**47,702**	**171,217**	**497,078**	**118,442**

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.

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:

Periods	2008	2007	2006	2005	2004
Audit fees *(€ millions)*	7.1	6.9	6.7	6.2	3.9
Distribution					
Ernst & Young Audit	55%	53%	52%	59%	56%
Deloitte & Associés	40%	43%	44%	34%	36%
Other firms	5%	4%	4%	7%	8%

FEES AS OF DECEMBER 31, 2008

The total fees paid in 2008 to the two Statutory Audit firms of the Parent Company Imerys are as follows:

	Ernst & Young Audit			Deloitte & Associés		
(€ millions)	2008	2007	2006	2008	2007	2006
Audit						
■ Certification and auditing of individual and consolidated accounts	3.9	3.6	3.4	2.7	2.9	2.9
Imerys SA	*1.0*	*0.9*	*0.7*	*0.7*	*0.8*	*0.6*
Fully integrated subsidiaries	*2.9*	*2.7*	*2.7*	*2.0*	*2.1*	*2.3*
■ Other duties and services directly related to the audit mission	-	0.1	0.1	0.1	-	0.1
Imerys SA	-	*0.1*	-	-	-	-
Fully integrated subsidiaries	-	-	*0.1*	*0.1*	-	*0.1*
Subtotal	**3.9**	**3.7**	**3.5**	**2.8**	**2.9**	**3.0**
Other services rendered by the network to fully integrated subsidiaries						
■ Legal, fiscal, social	0.1	0.2	0.1	0.1	-	0.1
■ Other (to specify if > 10% of audit fees)	-	-	-	-	-	-
Subtotal	**0.1**	**0.2**	**0.1**	**0.1**	**-**	**0.1**
Total	**4.0**	**3.9**	**3.6**	**2.9**	**2.9**	**3.1**

GENERAL INFORMATION

6

6.1 INFORMATION CONCERNING THE COMPANY

CORPORATE NAME: IMERYS

This name was adopted by the Ordinary and Extraordinary Shareholders' Meeting of September 22, 1999. Until then, the Company's corporate name was Imetal.

REGISTERED OFFICE

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 the provisions of articles L. 225-17 to L. 225-56 and R. 225-15 to R. 225-34-1 of the French Code of Commerce and by its articles of association and by-laws.

The Company was incorporated in accordance with 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, 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.

No mechanism coming under law 2006-387 of March 31, 2006 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

- On December 18, 2008, the Board of Directors cancelled 370,000 self-held shares bought directly on the market by the Company during financial 2008 and assigned in their entirety for cancellation under the share buyback program approved by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007 and the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008. This cancellation of self-held shares led to a reduction in the Company's capital by a nominal amount of €740,000.
- On January 9, 2009, the Chief Executive Officer noted that, on December 31, 2008, the share capital had been increased by a nominal amount of €59,468 as a result of the exercise in 2008 of 29,734 subscription 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, 2008 totaled €125,573,180; it was made up of 62,786,590 shares with €2 par value of which 34,200,983 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of voting rights attached to existing shares was 96,987,573.

Share capital did not change and the number of voting rights did not change significantly between December 31, 2008 and the date of the present Annual Report.

Taking into account the 3,448,082 share subscription options granted to certain employees and executives and not yet exercised on December 31, 2008, Imerys' potential share capital – with all rights exercised – was €132,469,344 as on January 1, 2009.

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
2004	Division of par value by 4	-	-	-	2	-	63,482,980
	Cancellation of shares	(1,280,000)	(29,963,700)	(640,000)	2	125,685,960	62,842,980
	Exercise of stock options	1,214,080	16,743,319	607,040	2	126,900,040	63,450,020*
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*

* *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 by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007. 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 preferential subscription right or with cancellation of preferential subscription right, respectively;
- €110 million in total for all such issues.

Furthermore, the maximum nominal amount of loan securities that may be issued under these authorizations was set at €2.5 billion.

Moreover, the Board of Directors was authorized by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007 to:

- set 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;

* *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.*

- carry out 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 one or more times, any compound securities representing debts of the Company, within the global limit of €2.5 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.

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, share or other premiums within the limit of a maximum nominal amount of €10 million.

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.

None of these general authorizations were used in financial 2008. To date, there are no securities issued by Imerys that grant access, immediately or in the future, to its share capital.

As all of these authorizations will expire on July 1, 2009, their renewal on similar terms to existing authorizations will be proposed at the Shareholders' General Meeting of April 29, 2009. The new maximum nominal amount of the capital increases that may be carried out with cancellation of the preferential subscription right and that of the issues of compound securities representing debts of the Company would, however, be limited henceforth to €50 million (i.e. 40% of capital as on December 31, 2008) and €1 billion, respectively.

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 May 2, 2007 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 is set at €1.6 million, i.e. a maximum of 800,000 shares; the price of the shares to be issued must be determined in accordance with the provisions of article L. 3332-19 of the Labor Code.

This authorization was not used in financial 2008. As on the date of the present Annual Report, the Board of Directors does not plan to carry out a capital increase reserved for employees in 2009.

As this authorization will expire on July 1, 2009, its renewal on similar terms to existing authorization will be proposed at the Shareholders' General Meeting of April 29, 2009.

Stock subscription or purchase 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, and
- free shares of the Company.

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 497,925 subscription options and 96,232 free shares to Group employees and officers. Taking these grants into account, the aggregate balance of the current authorizations given to the Board of Directors as on December 31, 2008, was €6,211,686, i.e. 3,105,843 share subscription options or free shares.

These two authorizations will expire on June 29, 2011 *(for more details on the general policy for granting share subscription or purchase options and free shares, please refer to paragraphs 3.4.1 and 3.5.1 of chapter 3 of the Annual Report)*.

SHARE BUYBACK AUTHORIZATION

The Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 renewed the authorization previously granted by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007 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, 2008, i.e. 6,312,685 shares, and within the limit of a total purchase volume of €694.4 million. At the same Shareholders' General Meeting, the maximum purchase price was set at €110 per share.

The objective of this authorization is to enable the Company to make purchases of its own shares:

- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a code of conduct recognized by Autorité des marchés financiers ("AMF");
- for the purposes of employees' participation in shareholding plans set up by the Company or 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;
- for the purpose of the subsequent cancellation of the shares acquired by reducing the Company's capital, in particular in order to compensate any capital increases likely to result from the exercise of granted stock subscription options.

For details of the operations carried out under the share buyback programs in force during the past financial year, please refer to *paragraph 6.2.4. of the present chapter*.

As this authorization expires on October 29, 2009, its renewal on a similar basis will be proposed at the next General Meeting *(see chapter 7, paragraph 7.1.4. and section 7.4 of the Annual Report)*.

CANCELLATION OF COMPANY SHARES

The Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007 granted the Board of Directors the authorization to cancel Company shares held with respect to the share buyback programs authorized by its shareholders, within the limit of 10% of capital per 24-month period and to reduce the share capital accordingly.

The Board of Directors used this authorization to cancel:

- on December 18, 2007, 606,543 shares bought directly on the market by the Company in 2007;
- on December 18, 2008, 370,000 shares bought directly on the market by the Company in 2008.

As this authorization expires on May 1st, 2009, its renewal on a similar basis will be proposed at the General Meeting of April 29, 2009.

OTHER SECURITIES

As the decision to issue ordinary bonds is now 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 30, 2008 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.

Information on the bonds issued by the Company and outstanding on December 31, 2008, is given in *Note 26 to the consolidated financial statements*.

An overview of all the financial authorizations granted to the Board of Directors 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 that may result from the use of authorizations (%) (2)
General authorizations						
All securities, with preemptive subscription rights	May 2, 2007	July 1, 2009 (26 months)	€80 million	€2,500 million	-	38.92%
All securities, without preemptive subscription rights and with, as the case may be, a priority period granted by the Board of Directors	May 2, 2007	July 1, 2009 (26 months)	€80 million	€2,500 million	-	38.92%
Capitalization of reserves, earnings and issue or share premiums	May 2, 2007	July 1, 2009 (26 months)	n/a	n/a	-	n/a
Compensation for contributions in kind made of securities representing shares in or giving access to capital	May 2, 2007	July 1, 2009 (26 months)	€12.55 million (3)	€2,500 million	-	9.09%
Overall limit of general authorizations			**€110 million**	**€2,500 million**	**-**	**46.69%**
Specific authorizations in favor of employees and executives						
Shares reserved for Group employees under the Group Savings Plan without preemptive subscription rights	May 2, 2007	July 1, 2009 (26 months)	€1.6 million	n/a	-	1.26%
Share subscription options (4) and free share grants	April 30, 2008	June 29, 2011 (38 months)	€7.4 million	n/a	€1.19 million	5.57%
Overall limit of specific authorizations in favor of employees and executives			**€9 million**	**n/a**	**-**	**6.69%**
Authorized total			**€119 million**	**€2,500 million**	**€1.19 million**	**48.66%**

(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, 2008.

(3) i.e. 10% of share capital as on December 31, 2008.

(4) Potential dilution with respect to stock subscription options granted and not exercised as on the date of the present Annual Report is 5.20% (see chapter 3, section 3.4 of the Annual Report).

6.2.4 Share buyback programs

LEGAL FRAMEWORK OF SHARE BUYBACK PROGRAMS IMPLEMENTED IN 2008

As described in *paragraph 6.2.3. of the present chapter*, the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 renewed, in favor of the Board of Directors and for a period of 18 months, i.e. until October 29, 2009, the authorization previously granted by the Ordinary and Extraordinary Shareholders' General Meeting held on May 2, 2007 for the Company to buy back its own shares, in accordance with articles L. 225-209 et seq. of the French Code of Commerce.

The Board of Directors, at its meeting of April 30, 2008, 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. Pursuant to that delegation, the operations described below were carried out in 2008 in the framework of the programs authorized by the Shareholders' General Meeting.

On October 20, 2008, the Company terminated the liquidity contract entered into on May 24, 2004 with Rothschild & Cie Banque ("Rothschild"). Consequently and in accordance with applicable regulations, Rothschild sold on the market the remainder of Imerys shares registered in the liquidity account on the day of termination and returned the product of that sale, i.e. approximately €24 million, to the Company.

OPERATIONS CARRIED OUT IN 2008*

The following operations were carried out with respect to the Company's share buyback programs in 2008:

DETAILS OF PURCHASE AND SALE TRANSACTIONS MADE OUT IN 2008

	Transactions made from January 1 to April 30, 2008		Transactions made from May 1 to December 31, 2008	
Date of Shareholders' General Meeting authorizing the program	May 2, 2007		April 30, 2008	
	Aggregate gross flow		Aggregate gross flow	
	Purchase	Sale	Purchase	Sale
Transactions made by the Company				
Number of shares	350,000	-	20,000	-
Average price of transactions *(€)*	47.56	-	43.92	-
Total amount of transactions *(€)*	16,644,350	-	878,360	-
Transactions carried out via a liquidity contract				
Number of shares	477,265	527,265	912,075	1,062,075
Average price of transactions *(€)*	54.79	57.27	48.01	48.33
Total amount of transactions *(€)*	26,151,557	30,198,417	43,788,809	51,325,299

OVERVIEW OF PURCHASE AND SALE TRANSACTIONS CARRIED OUT IN 2008 AND NUMBER OF SELF-HELD SHARES AS ON DECEMBER 31, 2008

	Transactions made from January 1 to December 31, 2008	
	Aggregate gross flow	Aggregate gross flow
	Purchase	Sale
Number of shares	1,759,340	1,589,340
Average price of transactions *(€)*	49.71	51.29
Total amount of transactions *(€)*	87,463,076	81,523,716

Among the 1,759,340 Imerys shares acquired in 2008:

- 370,000 were acquired directly by the Company on the market in 2008 at an average price of €47.36 and were assigned for the purpose of subsequent cancellation by reducing the Company's capital;
- 1,389,000 shares were acquired via the liquidity contract in force until October 20, 2008, at an average price of €50.34.

* *All prices and amounts are given excluding fees and commission.*

Taking into account:

- the balance of shares held by the Company via the liquidity contract as on January 1, 2008, i.e. 200,000 shares,
- the purchase and sale transactions made during the year *(see table above)*,
- and the cancellation on December 18, 2008 of 370,000 self-held shares acquired directly by the Company on the market during the financial 2008,

no share was self-held by the Company as on December 31, 2008.

All transactions by the Company with respect to its share buyback programs, whether directly or via the liquidity contract, are made on a spot basis without any open purchasing or selling position being taken.

The bank fees relating to the purchase transactions made by the Company directly on the market in 2008 totaled €17,523.

OVERVIEW OF TRANSACTIONS MADE BY THE COMPANY FROM MARCH 1, 2008 TO MARCH 15, 2009

In accordance with AMF recommendations, the period in question begins on the day after the date as on which the report on the previous program was drawn up *(see chapter 5, paragraph 2.4 of the Annual Report 2007)*.

	Transactions made from March 1, 2008 to March 15, 2009					
	Aggregate gross flow		Open positions as on March 15, 2009			
			Open purchasing positions		Open selling positions	
	Purchases	Sales or transfers	Call options bought	Forward purchases	Call options sold	Forward sales
Number of shares	1,247,545	1,359,295				
Average maximum term	n/a	n/a				
Average transaction price (€)	50.13	50.51	nil	nil	nil	nil
Average exercise price (€)	n/a	n/a				
Total amount of transactions (€)	62,545,345	68,653,487				

As on March 15, 2009, the results of the share buyback program in force were as follows:

- percentage of capital directly or indirectly held by the Company itself: ns;
- number of securities held in portfolio: 250, it is specified that all the shares were assigned, on the acquisition date, for the purpose of granting free shares;
- number of shares cancelled in the past 24 months: 976,543;
- book value of portfolio: €5,989;
- market value of portfolio: €6,537.

The Company did not use any derivatives with respect to the share buyback program in force.

RENEWAL OF SHARE BUYBACK PROGRAM

As the authorization granted by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 expires on October 29, 2009, its renewal in favor of the Board of Directors will be proposed at the General Meeting of April 29, 2009, for a further period of 18 months, i.e. until October 28, 2010 *(see paragraph 7.1.4. and section 7.4 of chapter 7 of the Annual Report)*. The number of shares that may be acquired under the new authorization may not exceed 10% of the number of issued and outstanding shares as on January 1, 2009, i.e. 6,278,659 shares. The number of shares that may be held, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares making up the capital. Last, the maximum purchase price will be €80 per share, representing a maximum amount of investment by the Company of €502 million.

This new authorization will have the same objectives as previous programs, i.e. to enable the Company to make purchases of its own shares:

- for the purposes 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 subscription 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 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.

In accordance with the provisions of article L. 225-209 of the French of Commerce and articles 241-1 to 242-7 of AMF's General Regulations, the description of this new program 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, 2008, 0.35% of capital and 0.32% 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 1.9.6 of the Annual Report)*.

6.3 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

6.3.1 Distribution of share capital and voting rights

Changes in the distribution of share capital and voting rights over the past three years are as follows:

	As on 12/31/2006				As on 12/31/2007				As on 12/31/2008			
	Number of shares held	% of share capital	Voting rights attached	% of voting rights	Number of shares held	% of share capital	Voting rights attached	% of voting rights	Number of shares held	% of share capital	Voting rights attached	% of voting rights
PARGESA	17,091,712	26.99	34,183,424	35.09	17,246,462	27.32	34,338,174	35.38	17,196,462	27.39	34,288,174	35.35
GBL [(1)]	16,744,028	26.44	33,488,056	34.38	16,898,778	26.77	33,642,806	34.67	19,177,186	30.54	35,921,214	37.04
Sub-total	33,835,740	53.43	67,671,480	69.47	34,145,240	54.09	67,980,980	70.05	36,373,648	57.93	70,209,388	72.39
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
Vanguard Precious Metals and Mining Funds [(3)]	-	-	-	-	-	-	-	-	3,380,000	5.38	3,380,000	3.49
Group employees [(4)]	248,118	0.39	352,253	0.36	228,311	0.36	313,192	0.32	216,441	0.35	309,181	0.32
Self-held shares	-	-	-	-	200,000	0.32	-	-	-	-	-	-
Public	29,250,762	46.18	29,404,174	30.18	23,442,864	37.13	23,643,886	24.36	19,282,975	30.71	19,555,478	20.16
Total	**63,334,620**	**100.00**	**97,427,907**	**100.00**	**63,126,856**	**100.00**	**97,048,499**	**100.00**	**62,786,590**	**100.00**	**96,987,573**	**100.00**

(1) For the purposes of this table, GBL represents all the companies in Groupe Bruxelles Lambert. Shares in the Company have been held since December 15, 2004 by Belgian Securities BV, a subsidiary of Groupe Bruxelles Lambert.
(2) M&G Investment Management Limited belongs to the Prudential Plc group (Great Britain).
(3) Vanguard Precious Metals and Mining Funds belongs to the Vanguard group (United States).
(4) In accordance with the provisions of article L. 225-102 of the French Code of Commerce, only shares held by Group employees under the Groups Savings Plan appear in this table.

As on December 31, 2008 the members of the Board of Directors, including the Chief Executive Officer and the Chief Operating Officer, held on a personal basis 0.19% of the Company's capital and voting rights *(for more details, see chapter 3, paragraph 3.1.2 of the Annual Report)*.

6.3.2 Crossing of thresholds

On June 25, 2008, M&G Investment Management Ltd crossed below the 5% threshold of voting rights in the Company, with the number of Imerys shares that it held on that date, i.e. 3,533,526, representing 3.63% of existing voting rights (AMF Decision and Notice 208C1212).

On October 3, 2008, Vanguard Precious Metals and Mining Fund crossed above the 5% threshold of the Company's capital following the acquisition of 3,380,000 Imerys shares, representing 5.35% of outstanding capital on that date (AMF Decision and Notice 208C1973).

As of the date of the present Annual Report and to the best of Imerys' knowledge, no shareholder other than those mentioned in *paragraph 6.3.1 above* directly or indirectly holds more than 5% of voting rights.

6.3.3 Shareholders' agreement

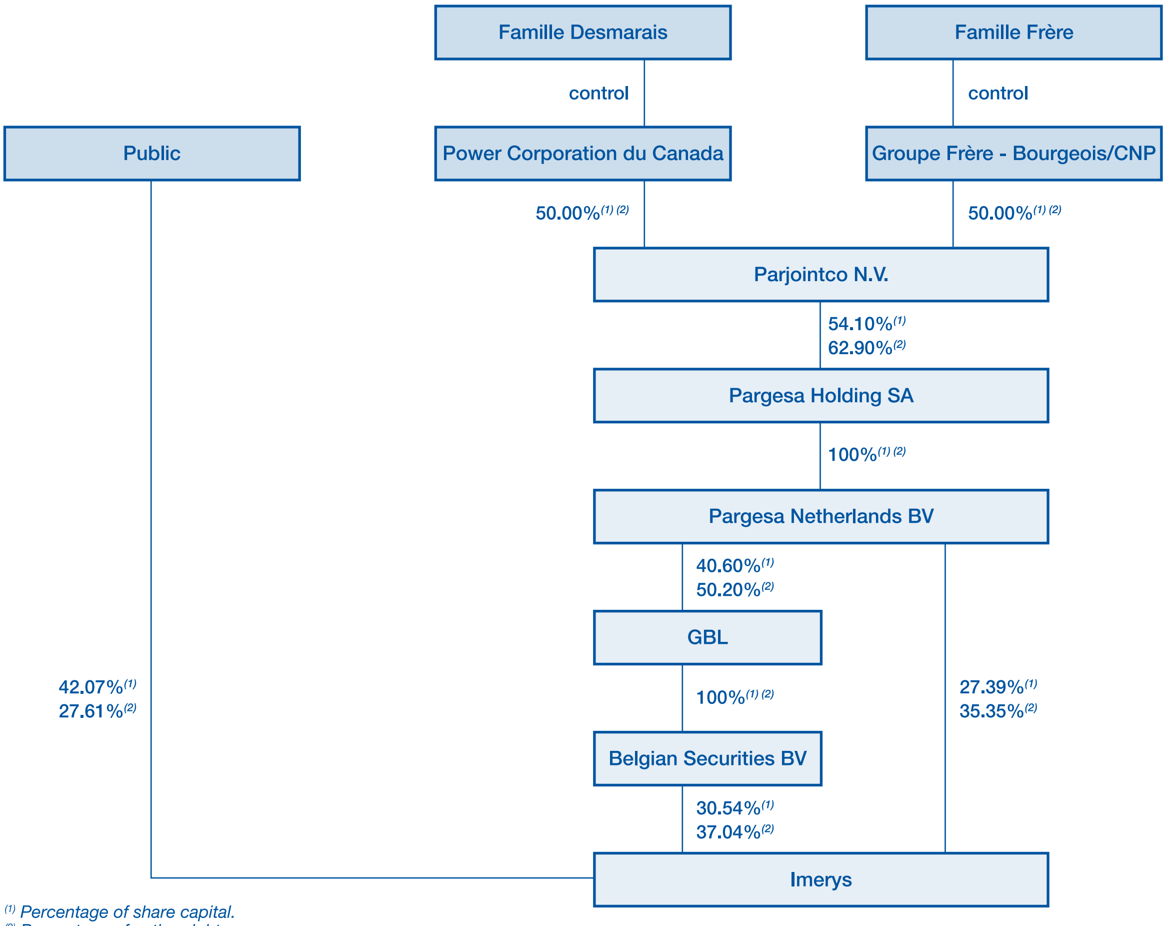
As of the date of the present Annual Report, the Company has not been informed of any agreement between the Company's shareholders.

6.3.4 Identification of bearer shareholders

Imerys asked Euroclear France to conduct a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 300,000 shares. This survey identified 1,546 bearer shareholders with over 400 shares that together represented 37.34% of share capital as on May 30, 2008 (of which 204 professional investors holding 36.16% 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, 2008 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 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 Pargesa-GBL group 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).

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-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.

Imerys shares are also included in the "FTSE4Good,"and "ASPI Eurozone®"* indexes that identify companies that are globally acknowledged for their good corporate citizenship in terms of Sustainable Development (respect for human rights and the environment, development of relationships with stakeholders). Imerys is also part of Ethibel’s "Excellence" investment register.

No shares in an Imerys subsidiary are traded on any stock exchange.

6.4.1 High and low prices from 2004 to 2008

Year *(euros)*	High	Low	Last price during financial year
2004	62.35	40.63	61.75
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

(Source: Euronext.)

* *Advanced Sustainable Performance Indices – Index managed by the ranking agency Vigeo.*

6.4.2 Trades since January 2007

			Total monthly trading volume		Average daily trading		
	Highest price *(€)*	Lowest price *(€)*	Number of shares	Capital *(M€)*	Number of shares	Capital *(M€)*	Number of trades
2007							
January	73.45	66.60	3,182,448	222.68	144,657	10.12	895
February	75.20	64.75	3,724,988	264.47	186,249	13.22	1,171
March	70.30	64.90	4,011,284	272.17	182,331	12.37	1,229
April	72.07	68.91	2,950,493	208.03	155,289	10.95	1,176
May	74.60	70.35	3,721,567	270.33	169,162	12.29	1,212
June	78.30	72.72	3,693,739	277.51	175,892	13.21	1,334
July	76.63	70.70	3,117,022	230.70	141,683	10.49	1,066
August	71.85	62.55	5,266,703	352.17	228,987	15.31	1,637
September	70.57	61.10	3,378,452	219.28	168,923	10.96	1,160
October	68.66	63.42	2,980,169	197.25	129,573	8.58	973
November	67.28	52.65	5,536,295	319.41	251,650	14.52	1,684
December	60.43	53.37	2,692,538	153.09	141,713	8.06	1,053
Total 2007			**44,255,698**	**2,987.09**			
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**			

(Source: Euronext.)

6.5 PARENT COMPANY/SUBSIDIARIES ORGANIZATION

As on December 31, 2008, the Group was made up of 308 companies in 47 countries.

Imerys, in its capacity as the Group's head company, as well as some of its local holding companies (United States, 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 total amount of €21.3 million in financial 2008 with respect to services provided to its subsidiaries.

The Group's main subsidiaries are listed in *Note 5.2 to the consolidated financial statements*.

6.6 DIVIDENDS

Imerys' policy with regard to distribution of dividends is based on earnings recorded for the financial year. Details of the proposed dividend payout with respect to financial year 2008 are given *in paragraph 7.1.1 and section 7.4 of chapter 7 of the Annual Report*.

The dividends distributed with respect to financial years 2003 to 2007 were as follows:

	2007	2006	2005	2004	2003
Weighted average number of outstanding shares	63,330,652	63,475,098	63,426,126	63,363,013	63,094,096
Group share of net income from current operations, per share	€5.00	€4.86	€4.53	€4.12	€3.48
Net dividend per share	€1.90	€1.80	€1.65	€1.50	€1.25
Gross dividend per share	€1.90	€1.80	€1.65	€1.50	€1.87
Total net distribution	€118.9 M	€114.2 M	€104.5 M	€95.0 M	€79.4 M

In accordance with article 243 bis of the French General Tax Code, the entire dividend proposed with respect to financial 2008 is eligible for the 40% discount from which private individuals domiciled in France for tax purposes may qualify. 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 an 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 corporate brochure, giving the key facts of the Annual Report about the Group's business, development during the financial year and financial results, published at the same time as the Group's Annual Report;
- an Annual Report served as Document de Référence (Reference Document) and registered with AMF;
- a half-yearly 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 2008, approximately 230 meetings were organized with more than 370 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 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.ct.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 & Strategy Function:
Telephone: + 33 (0) 1 49 55 66 55/Fax: + 33 (0) 1 49 55 63 98/e-mail: actionnaires@imerys.com

Imerys shares are serviced by the following bank:
CACEIS Corporate Trust
14. rue Rouget de Lisle
92862 Issy les Moulineaux Cedex 9
Telephone: + 33 (0) 1 57 78 34 44/Fax: + 33 (0) 1 49 08 05 80/e-mail: ct-contact@caceis.com

CACEIS Corporate Trust is more specifically at the service of registered shareholders for the management of their Imerys shares.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF APRIL 29, 2009

7

7.1 PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

The resolutions that the Board of Directors drew up at its February 12, 2009 session and asks you to adopt fall within the scope of the Ordinary General Meeting for resolutions 1 to 10, 13 and 20 and within the scope of the Extraordinary General Meeting for resolutions 11, 12 and 14 to 19.

7.1.1 Financial year 2008 - annual financial statements and allocation of earnings

(three resolutions within the scope of the Ordinary General Meeting)

We first submit to your approval the Company's financial statements (*first resolution*) and the Group's consolidated financial statements (*second resolution*) for financial year 2008.

The presentation of these financial statements and the description of the financial situation, business and results of the Group and the Company for the financial year just ended, as well as the various items of information required by current legal and regulatory provisions, appear in *chapter 5 of the Annual Report*, to which we ask you to refer.

You are then called upon to decide on the allocation of the Company's earnings for financial year 2008 (*third resolution*).

The Company's net income for the financial year just ended is €87,063,223.02, to which we propose that retained earnings appearing in the balance sheet of €350,763,429.98 be added in order to form a total distributable amount of €437,826,653.

We propose that this amount be allocated to the payment of a dividend of €1.00 per share for the 62,786,590 shares that make up the share capital as on January 1, 2009 *(see chapter 6, paragraph 6.2.1 of the of the Annual Report),* representing a total allocation of €62,786,590 and that the remainder be allocated to the "Retained earnings" account. The total amount of dividend paid out will be adjusted according to the number of shares that are issued or allocated following the exercise of stock subscription options and which are entitled to the dividend with respect to financial 2008 as on the date of payment of that dividend. Consequently, the amount allocated to retained earnings will be determined on the basis of the total amount of dividend effectively paid out. Finally, if the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that are not paid out as a result would be allocated to retained earnings.

The dividend will be paid from July 7, 2009.

In accordance with article 243 bis of the General Tax Code, you are reminded that all of the proposed dividend with respect to 2008 is eligible for the 40% allowance provided for by article 158 ter 2° 3 of the General Tax Code, from which private individuals domiciled in France for tax purposes may benefit. However, in accordance with article 117 quater of the General Tax Code, private individuals domiciled in France for tax purposes may, prior to the dividend payment date, opt for an 18% withholding.

You are also reminded that the sums paid out as dividends with respect to the previous three financial years was as follows:

As on:	12/31/2007	12/31/2006	12/31/2005
Net dividend per share	€1.90*	€1.80*	€1.65*
Number of shares compensated	62,618,358	63,443,658	63,529,260

* *Dividend eligible for the 40% allowance.*

With a net amount of €1.00 euro per share, the dividend payout for this year represents a 47.4% decrease compared with the dividend paid with respect to financial 2007.

7.1.2 Regulated agreements and commitments

(one resolution within the scope of the Ordinary General Meeting)

You are also called upon to rule on the special report by the Statutory Auditors relating to the regulated agreements and commitments governed by the provisions of articles L. 225-38 and L. 225-42-1 of the French Code of Commerce (*fourth resolution*).

You are reminded that the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 approved the following regulated agreements and commitments made by the Company in favor of corporate officers and authorized by the Board of Directors at its meeting on February 13, 2008:

- the collective supplementary pension plan with defined benefits, of which Mr. Gérard Buffière, Chief Executive Officer and Director, and Mr. Jérôme Pecresse, Chief Operating Officer, are among the beneficiaries as well as the amendments made to it;
- the amendments made to Mr. Gérard Buffière's employment contract which in particular sets down the performance criteria on which is dependent the grant of a departure indemnity to be paid to him in the event of termination of that contract at the Company's initiative.

As indicated in the above-mentioned Statutory Auditors' Special Report, no other regulated agreement or commitment governed by the provisions of articles L. 225-38 and L. 225-42-1 of the French Code of Commerce was entered into by the Company during financial 2008.

7.1.3 Composition of the Board of Directors

(five resolutions within the scope of the Ordinary General Meeting)

A second set of resolutions concerns the composition of the Board of Directors. Information on the powers of the Board and its specialized Committees, their current composition and the changes that occurred in 2008, their workings and activity during the year just ended, the independent status of their members, personal information concerning them and their main activities and corporate offices is given in *chapter 3 of the Annual Report* on Corporate Governance, to which we ask you to refer.

The term of office of the Directors is three years and one third of the offices are renewed every year.

The terms of office of Mr. Jacques Drijard, Mr. Jocelyn Lefebvre, Mr. Eric Le Moyne de Sérigny and Mr. Gilbert Milan will expire at the end of the present Meeting.

In accordance with the recommendations of the Appointments and Compensation Committee, you are asked to renew these terms of offices for a further three years, i.e. until the Shareholders' Meeting called in 2012 to rule on the management and financial statements for financial 2011 (*fifth to eighth resolutions*).

Moreover, at its meeting on July 30, 2008, the Board of Directors appointed Mr. Amaury de Sèze as a new member of the Board in succession to Mr. Paul Desmarais, Jr. for the remaining term of his office, i.e. until the Shareholders' General Meeting that will be called in 2010 to rule on the management and financial statements for financial 2009. You are therefore asked to ratify this appointment (*ninth resolution*).

In accordance with the principles used by the Company to determine the independent status of its Directors, after examining their personal situation, the Appointments and Compensation Committee acknowledged the "independence" of Mr. Gilbert Milan. However, independent status was not awarded to Mr. Drijard, Mr. Lefebvre and de Sèze, who represent the Company's controlling shareholders, or to Mr. Le Moyne de Sérigny, because of his successive terms of office within Imerys (more than 12 years).

Following the Shareholders' Meeting of April 29, 2009 and subject to its approval of the proposed renewals, the Board of Directors will be made up as follows:

Year of end of term of office	Name	Independent member
2010	Jean MONVILLE	Yes
	Robert PEUGEOT	Yes
	Thierry de RUDDER	No
	Amaury de SÈZE	No
2011	Aimery LANGLOIS-MEURINNE	No
	Gérard BUFFIERE	No
	Aldo CARDOSO	Yes
	Maximilien de LIMBURG STIRUM	No
	Jacques VEYRAT	Yes
2012	Jacques DRIJARD	No
	Jocelyn LEFEBVRE	No
	Eric Le MOYNE de SERIGNY	No
	Gilbert MILAN	Yes

7.1.4 Share buyback and self-held share cancellation program

(two resolutions, one within the scope of the Ordinary General Meeting and the other of the Extraordinary General Meeting)

SHARE BUYBACK PROGRAM

As the authorization to buy back the Company's shares on the market, previously given to the Board of Directors for a period of 18 months by the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008, expires before the 2010 Shareholders' General Meeting, you are asked to renew it now in accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and articles 241-1 to 241-6 of the General Regulations of AMF (*tenth resolution*). For further information concerning the Company's implementation in 2008 of its stock buyback program, you are invited to refer to *chapter 6, paragraph 6.2.4. of the Annual Report.*

You are reminded that the requested new authorization is intended to allow the repurchase of the Company's own shares, for the purposes of:

- the cancellation of the shares thus bought and by capital decrease in order to offset the dilution impact on the shareholders libely to result from the grant of stock subscription options and/or free shares;
- employees' participation in shareholding plans set up by the Company or the grant of share purchase options or free shares to employees and/or executives of the Company and/or the companies in its Group;
- the delivery or exchange of shares, with respect to external growth operations;
- ensuring the liquidity of the market through an investment services provider acting in the name and on behalf of the Company under a liquidity contract in accordance with a code of conduct recognized by AMF;
- and in general, for any purposes that are permitted or may come to be authorized by regulations in force.

The maximum number of shares that may be purchased shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2009, that is 6,278,659 shares. The number of shares that may be held, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares making up the capital. Last, the maximum purchase price would be set at €80 per share, representing a maximum amount of investment of €502 million.

CANCELLATION OF SELF-HELD SHARES

You are also asked to renew the authorization previously granted to the Board of Directors by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007 for the purposes of canceling all or part of the shares held by the Company in itself under its share buyback program, within the limit of 10% of its capital per 24-month period, by reducing its share capital accordingly and allocating the difference between the purchase value of the cancelled shares and their par value to available premiums and reserves (*nineteenth resolution*).

7.1.5 Financial authorizations

(seven resolutions, one within the scope of the Ordinary General Meeting and the six other of the Extraordinary General Meeting)

A set of financial authorizations was granted by the Shareholders' General Meeting in 1989 and then regularly renewed to enable the Company, at the appropriate time, to increase its permanent capital through the issue of various simple or compound securities of any kind whatsoever that give access, immediately or in the future, to shares in the Company. (convertible bonds, shares or bonds with equity warrants, equity notes, etc.). As the delegations of authority granted to the Board of Directors by the Shareholders' Meeting of May 2, 2007 expire in 2009, you are asked to renew them.

The resolutions thus put to you were designed to give the Board of Directors the greatest leeway and flexibility in choosing the issue arrangements that are most favorable to the Company and its shareholders and the most appropriate to the financial context of the time.

These issues may, at the choice of the Board of Directors, be made with preemptive subscription right for a global nominal amount of €80 million (*eleventh resolution*), without preemptive subscription right (*twelfth resolution*), or by the capitalization of premiums, reserves, income or other items (*thirteenth resolution*). The global nominal amount of capital increases that may be carried out without preemptive subscription right could not exceed €50 million (representing 40% of the share capital of the Company as on December 31, 2008). The cancellation of the preemptive subscription right would make it possible to call upon a greater number of investors, on both the French and international markets, and makes the issue process easier, particularly because of the shorter implementation period. The Board of Directors may, whatever the case, grant shareholders subscription priority for the period and according to the mechanism that it decides.

Within the framework of the eleventh and twelfth resolutions, it is also proposed that, in case of excess demand, the Board of Directors be authorized to increase the number of securities planned in the initial issue in the conditions set down by legal and regulatory provisions in force at the time of issue.

Furthermore, it is specified that, with respect to the delegation of authority provided in order to increase the share capital without preemptive subscription right, ordinary shares may be issued in compensation for securities that may be contributed to the Company under a public exchange offer for securities in the conditions set by article L. 225-148 of the Code of Commerce.

Moreover, you are asked to grant the Board of Directors the authority to issue compound debt securities comprised of a primary security and a secondary security for a maximum amount of €1 billion to which would be allocated the amounts of any issues made, as the case may be, with respect to the eleventh, twelfth and fifteenth resolutions (*fourteenth resolution*).

You are also called on to authorize the Board of Directors to carry out one or more share capital increases in compensation for contributions of securities in the event of contributions in kind made to the Company and comprised of securities representing shares in or giving access to capital, within the limit of 10% of share capital (*fifteenth resolution*).

Moreover, you are asked to give full powers to the Board of Directors to set the issue price of the shares and/or securities giving access to capital, in the event of the cancellation of the preemptive subscription right for shareholders, within the annual limit of 10% of the Company's capital (*sixteenth resolution*). This possibility, provided by the provisions of article L. 225-136,1° 2 of the French Code Commerce would enable the Company to carry out capital increases in the event of a downward trend in Imerys share prices, which might not be possible under the twelfth resolution. In the event of the use of this authorization, the issue price of the shares should be at least equal to the closing price for Imerys shares on the stock market the day before the issue, minus a possible 10% discount; the issue price of the compound securities giving access to capital shall be such that the sum immediately received by the Company plus, as the case may be, any sum that may be received later by the Company, is, for every ordinary share issued as a result of the issue of those securities, at least equal to the issue price of the shares above-mentioned.

The overall amount of the increases in share capital of the Company that could result from the use of the eleventh, twelfth, thirteenth and sixteenth authorizations would be set at €130 million. The additional amount of any shares to be issued to maintain, in accordance with the law and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital that exist on the issue date, as the case may be, shall be added to that amount. The maximum nominal amount of the debt securities that may be issued pursuant to the authorizations relating to the issue of securities giving access to capital, immediately or in the future, or compound debt securities granted by the eleventh, twelfth, fourteenth, fifteenth and sixteenth resolutions would be set at €1 billion (*seventeenth resolution*).

These authorizations would be granted for a period of 26 months and would replace the previous authorizations granted by the Ordinary and Extraordinary Shareholders' General Meeting of May 2, 2007, which would thus be rendered null and void.

7.1.6 Employee shareholding

(one resolution within the scope of the Extraordinary General Meeting)

You are asked to renew, for a further period of 26 months, the authorization previously granted to the Board of Directors by the Shareholders in the General Meeting of May 2, 2007 in order to carry out, in accordance with the provisions of articles L. 3332-1 et seq. of the French Labor Code, L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Code of Commerce, capital increases reserved for employees of Imerys and the French and foreign companies affiliated to it in the sense of article L. 225-180 of the French Code of Commerce that have joined the Group Savings Plan (*eighteenth resolution*). Subject to your approval, this delegation shall replace the previous authorization you granted which shall thus be rendered null and void.

The other conditions of the existing authorization remain unchanged. The nominal maximum increase in share capital is limited to €1.6 million and the minimum price of the shares to be issued shall be at least equal to 80% of the average stock market price for Imerys shares the day before the issue decision.

7.2 AUDITORS' 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

7.2.1 Statutory Auditors' Special Report on related party agreements and commitments

Fiscal year ended December 31, 2008

(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.

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 hereby inform you that apart from the commitments authorized by the Board of Directors on February 13, 2008, as mentioned in our special report dated March 28, 2008, and already approved by your combined general meeting of shareholders on April 30, 2008 in its fifth and sixth resolutions, we have not been notified of any agreement or commitment entered into during the year and subject to Articles L. 225-38 and L. 225-42-1 of the French Company Law (*Code de Commerce*).

Pursuant to the aforementioned commitments:

Group defined retirement benefit plan and its amendments:

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, Chief Operating Officer.

This plan was amended as at March 7, 2008 in order to make it compliant with Article 17 of Law no. 2007-1223 of August 21, 2007, intended to promote work, employment and purchasing power (the so-called " TEPA Act ").

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

This amendment to the employment agreement of Mr. Gérard Buffière was approved to make it compliant with Law no. 2007-1223 of August 21, 2007, intended to promote work, employment and purchasing power (the so-called " TEPA Act ").

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

Paris-La Défense and Neuilly-sur-Seine, March 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit
Jean-Roch VARON

Deloitte & Associés
Nicholas L. E. ROLT

7.2.2 Statutory Auditors' Report on the issue of shares and/or securities with retention and/or cancellation of preferential subscription rights

Combined Shareholders' Meeting of April 29, 2009

(11th, 12th, 15th and 16th resolutions)

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

Dear Shareholders,

As statutory auditors of your Company and pursuant to the engagement set forth in the French Company Law (*Code de Commerce*) and notably Articles L. 225-135, L. 225-136, and L. 228-92, we hereby report to you on the proposed delegation of powers to the Board of Directors to perform various issues of shares and/or securities, which are subject to adoption by the shareholders.

Your Board of Directors proposes, based on its report:

- that shareholders delegate to it, for a period of 26 months, the power to decide on the following transactions and set the final terms and conditions of these issues and, when necessary, asks that you waive your preferential subscription rights:
  - issues of ordinary shares and/or securities conferring access to the common stock of the Company or, in accordance with Article L. 228-93 of the French Company Law (*Code de Commerce*), of any company that holds directly or indirectly more than half of its common stock or in which it holds directly or indirectly more than half of the common stock, and/or conferring entitlement to the grant of debt instruments, with retention of preferential subscription rights (11th resolution),
  - issues of ordinary shares and/or securities conferring access to the common stock of the Company or, in accordance with Article L. 228-93 of the French Company Law (*Code de Commerce*), of any company that holds directly or indirectly more than half of its common stock or in which it holds directly or indirectly more than half of the common stock, and/or conferring entitlement to the grant of debt instruments, with cancellation of preferential subscription rights (12th resolution), it being noted that such securities may in particular be issued to remunerate securities transferred to the Company as part of a share exchange bid for securities satisfying the criteria set out in Article L. 225-148 of the French Company Law (*Code de Commerce*),
- that shareholders authorize it, by virtue of the 16th resolution and pursuant to the implementation of the delegation granted pursuant to the 12th resolution, to set the issue price within the annual legal limit of 10% of the common stock,
- that shareholders delegate to it, for a period of 26 months, the power to set the terms and conditions of an issue of ordinary shares and securities conferring access to the ordinary shares, to remunerate contributions in kind made to the Company or securities conferring entitlement to the common stock of the Company (15th resolution), up to the limit of 10% of the common stock.

The maximum nominal amount of potential share capital increases, immediately or in the future, may not exceed €80 million pursuant to the 11th resolution, and €50 million pursuant to the 12th resolution, up to a maximum overall ceiling of €130 million (17th resolution).

The maximum nominal amount of debt instruments issued may not exceed €1 billion (17th resolution) pursuant to the 11th, 12th, 14th and 15th resolutions.

The number of shares to be created in connection with the implementation of the delegations referred to in the 11th and 12th resolutions can be increased under the conditions set forth in Article L. 225-135-1 of the French Company Law, and within the limits indicated above and within the limit of the percentage of the issue initially set forth by prevailing legal and regulatory provisions at the time of the issue.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Company Law (*Code de Commerce*). Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts, and on certain other information concerning the issues, contained in this report.

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. Those standards require that we plan and perform procedures to verify the contents of the Board of Director's report in respect of these transactions and the terms and conditions governing the determination of the issue price of securities to be issued.

Subject to a subsequent review of the terms and conditions of proposed issues, we have no comment on the issue price determination terms and conditions presented in the Board of Director's report in respect of the 12th and 16th resolutions.

Furthermore, as this report does not specify the issue price determination terms and conditions for the shares to be issued as part of the implementation of the 11th and 15th resolutions, we cannot express an opinion on the choice of elements used to calculate the share issue price.

As the issue price of securities to be issued has not been set, we do not express an opinion on the final terms and conditions under which the issues will be performed and, as such, on the proposed cancellation of preferential subscription rights in the 12th, 15th and 16th resolutions.

In accordance with Article R. 225-116 of the French Company Law (Code de Commerce), we shall issue an additional report on the performance by your Board of Directors of any issues with cancellation of preferential subscription rights or of any issues of securities conferring access to the common stock, and/or conferring entitlement to the grant of debt instruments.

Paris-La Défense and Neuilly-sur-Seine, March 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	Deloitte & Associés
Jean-Roch VARON	Nicholas L. E. ROLT

7.2.3 Statutory Auditors' Report on the issue of securities conferring entitlement to the grant of debt instruments

Combined Shareholders' Meeting of April 29, 2009

(14th resolution)

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

Dear Shareholders,

As statutory auditors of your Company and pursuant to the engagement set forth in Article L. 228-92 of the French Company Law (*Code de Commerce*), we hereby report to you on the proposed delegation of powers to the Board of Directors to decide on the issue of securities conferring entitlement to the grant of debt instruments, a transaction which is subject to adoption by shareholders.

The maximum nominal amount of the proposed issue is €1 billion, a ceiling which applies jointly to the 11th, 12th, 14th and 15th resolutions.

Based on its report, the Board of Directors asks shareholders to delegate, for a period of 26 months, the necessary powers to decide on this transaction. When necessary, the Board of Directors will set the final terms and conditions of the debt instrument issue.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Company Law (*Code de Commerce*). Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts and on certain other information concerning the issue, contained in this report.

We performed the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors relating to this engagement. Those standards require perform procedures to verify the contents of the Board of Director's report relating to this transaction.

As the final terms and conditions of this issue have not been set, we do not express an opinion on the final terms and conditions under which the issue will be performed.

In accordance with Article R. 225-116 the French Company Law (*Code de Commerce*), we will issue an additional report, if necessary, when your Board of Directors uses this authorization.

Paris-La Défense and Neuilly-sur-Seine, March 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit

Jean-Roch VARON

Deloitte & Associés

Nicholas L. E. ROLT

7.2.4 Statutory Auditors' Report on the issue of shares and/or securities with cancellation of preferential subscription rights, reserved for employees

Combined Shareholders' Meeting of April 29, 2009

(18th resolution)

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

Dear Shareholders,

In our capacity as statutory auditors of your Company and pursuant to the engagement set forth in Articles L. 225-135, L. 225-138 and L. 228-92 of the French Company Law (*Code de Commerce*), we hereby report to you on the proposed delegation of powers to the Board of Directors to decide on a common stock increase via the issue of ordinary shares or securities with cancellation of shareholders preferential subscription rights, reserved for employees and corporate officers of the Company and/or French or foreign affiliated companies within the meaning of Article L. 225-180 of the French Company Law (*Code de commerce*), which are members of a corporate savings plan and which satisfy the other possible conditions required by the Board of Directors, a transaction which you have been requested to review. The total nominal amount of common stock increases, pursuant to this delegation, may not exceed €1.6 million.

This proposed issue is subject to your approval pursuant to the provisions of Article L. 225-129-6 of the French Company Law (*Code de Commerce*) and Articles L. 3332-18 et seq. of the French Employment Code.

Based on its report, the Board of Directors asks shareholders to delegate, for a period of 26 months, the necessary powers to decide on one or more issues and proposes that you waive your preferential subscription rights. When necessary, the Board of Directors will set the final issue terms and conditions of this transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Company Law (*Code de Commerce*). Our role is to express an opinion on the fair presentation of the quantified information extracted from the accounts, the proposed cancellation of preferential subscription rights and on certain other information concerning the issue, contained in this report.

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 content of the Board of Directors' report in respect of these transactions and the terms and conditions governing the determination of the issue price of securities to be issued.

Subject to the subsequent review of the terms and conditions of the proposed issuance, we have no comment to make on the terms and conditions for determining the share issue price as set forth in the Board of Directors' report.

As the share issue price has not yet been set, we can express no opinion on the final terms and conditions under which the issuance will be performed. As a result, we can express no opinion on the cancellation of your preferential share subscription rights which the Board of Directors has proposed.

In accordance with Article R. 225-116 the French Company Law (*Code de Commerce*), we will issue an additional report, if necessary, when your Board of Directors uses this authorization.

Paris-La Défense and Neuilly-sur-Seine, March 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	Deloitte & Associés
Jean-Roch VARON	Nicholas L. E. ROLT

7.2.5 Statutory Auditors' Report on the decrease in common stock via cancellation of shares purchased by the Company

Combined Shareholders' Meeting of April 29, 2009

(19th resolution)

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

Dear Shareholders,

In our capacity as statutory auditors of Imerys SA and pursuant to the engagement set forth in paragraph 7 Article L. 225-209 of the French Company Law (*Code de Commerce*) in respect of the common stock decreases by canceling shares purchased, we hereby report to you on our assessment of the terms and conditions of the proposed common stock decrease.

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. Those standards require that we perform the necessary procedures to examine whether the terms and conditions for the proposed common stock decrease are fair.

This transaction involves the purchase by the Company of its own shares, up to a maximum of 10% of the common stock, pursuant to the terms and conditions set forth in Article L. 225-209 of the French Company Law (*Code de Commerce*). This purchase authorization to be granted for a period of 18 months is subject to approval by the shareholders.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months, to cancel the shares purchased by the Company, pursuant to the share purchase authorization, up to 10% of the common stock by 24-month period.

We have no comments on the reasons for or the terms and conditions of the proposed common stock decrease, which, you are reminded, may only be performed subject to the prior approval by the Combined Shareholders' Meeting of the purchase by the Company of its own shares.

Paris-La Défense and Neuilly-sur-Seine, March 31, 2009

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	Deloitte & Associés
Jean-Roch VARON	Nicholas L. E. ROLT

7.3 AGENDA

Ordinary Part

- Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2008;
- approval of the Group's consolidated financial statements for the financial year ended on December 31, 2008;
- allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2008;
- approval of the Auditors' special report on regulated agreements and commitments governed by articles L. 225-38 and L. 225-42-1 of the French Code of Commerce;
- renewal of the Directorship of Mr. Jacques Drijard;
- renewal of the Directorship of Mr. Jocelyn Lefebvre;
- renewal of the Directorship of Mr. Eric Le Moyne de Sérigny;
- renewal of the Directorship of Mr. Gilbert Milan;
- ratification of the appointment of Mr. Amaury de Sèze as Director;
- authorization given to the Company to buy back its own shares.

Extraordinary Part

- Delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital with preemptive subscription right;
- delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares or securities giving access, immediately or in the future, to capital without preemptive subscription right;
- delegation of authority to the Board of Directors for the purposes of increasing capital by capitalization of premiums, reserves, income or other items;
- delegation of authority to the Board of Directors in order to carry out the issue of compound debt securities;
- delegation of powers to the Board of Directors for the purposes of increasing capital in compensation for contributions in kind comprised of securities representing shares in or giving access to capital, within the limit of 10% of capital per year;
- authorization to the Board of Directors to set the issue price of shares or securities giving access to capital, in the event of the cancellation of the preemptive subscription right, within the limit of 10% of capital per year;
- overall limitation of share capital increases;
- delegation of authority to the Board of Directors for the purposes of increasing capital by the issue of shares reserved for employees;
- authorization to the Board of Directors to reduce share capital by canceling shares held by the Company;
- powers.

7.4 DRAFT RESOLUTIONS

Ordinary part

FIRST RESOLUTION

Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2008

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report and the Auditors' general report pertaining to the Company's financial statements for the financial year ended on December 31, 2008 approves, as presented, such financial statements, as well as the transactions evidenced by such financial statements and summarized in such reports.

SECOND RESOLUTION

Approval of the Group's consolidated financial statements for the financial year ended on December 31, 2008

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report and the Auditors' report pertaining to the Group's consolidated financial statements for the financial year ended on December 31, 2008 approves, as presented, such financial statements as well as the transactions evidenced by such financial statements and summarized in such reports.

THIRD RESOLUTION

Allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2008

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report:

acknowledges that the Company's net income for the financial year just ended is:	€87,063,223.02
plus retained earnings appearing in the balance sheet of:	€350,763,429.98
for a total distributable amount of:	€437,826,653.00
resolves to pay in respect of financial 2008 a dividend of €1.00 to each of the 62,786,590 shares that make up the share capital as on January 1, 2009, which represents distribution of:	(€62,786,590.00)
and allocates the remaining amount to retained earnings which now amount to:	€375,040,063.00

The Shareholders' General Meeting decides that the total amount of the dividend paid out shall be adjusted according to the exercise of subscription options for shares entitled to the dividend with respect to financial 2008 as on the payment date of that dividend. The amount allocated to retained earnings shall be determined on the basis of the total amount of dividend effectively paid out.

This dividend will be paid as from July 7, 2009.

If the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that are not paid out as a result would be allocated to retained earnings.

In accordance with article 243 bis of the General Tax Code, all of the proposed dividend with respect to 2008 is eligible for the 40% allowance provided for by article 158 2° 3 of the General Tax Code, from which private individuals domiciled in France for tax purposes may benefit. For dividends paid out as from January 1, 2008, this allowance shall not apply if the beneficiary opted for the basic tax withholding with full discharge.

The Shareholders' General Meeting acknowledges that the sums paid out as dividends with respect to the previous three financial years was as follows:

As on:	12/31/2007	12/31/2006	12/31/2005
Net dividend per share	€1.90*	€1.80*	€1.65*
Number of shares compensated	62,618,358	63,443,658	63,529,260

* Dividend eligible for the 40% allowance.

FOURTH RESOLUTION

Approval of the Auditors' special report on regulated agreements and commitments governed by articles L. 225-38 and L. 225-42-1 of the French Code of Commerce

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, notes, on reading the Statutory Auditors' special report drawn up in accordance with article L. 225-40 of the French Code of Commerce, that the Statutory Auditors have not been informed of any new regulated agreement or commitment authorized by the Board of Directors during financial 2008, other than those that were submitted and approved at the Ordinary and Extraordinary Shareholders' General Meeting of April 30, 2008 and which come under the provisions of articles L. 225-38 and L. 225-42-1 of the French Code of Commerce.

FIFTH RESOLUTION

Renewal of Mr. Jacques Drijard's term as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report, acknowledging that Mr. Jacques Drijard's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will end at the conclusion of the Shareholders' General Meeting called upon in 2012 to approve the management and financial statements for financial year 2011.

SIXTH RESOLUTION

Renewal of Mr. Jocelyn Lefebvre's term as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report, acknowledging that Mr. Jocelyn Lefebvre's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will end at the conclusion of the Shareholders' General Meeting called upon in 2012 to approve the management and financial statements for financial year 2011.

SEVENTH RESOLUTION

Renewal of Mr. Eric Le Moyne de Sérigny's term as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report, acknowledging that Mr. Eric Le Moyne de Sérigny's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will end at the conclusion of the Shareholders' General Meeting called upon in 2012 to approve the management and financial statements for financial year 2011.

EIGHTH RESOLUTION

Renewal of Mr. Gilbert Milan's term as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report, acknowledging that Mr. Gilbert Milan's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will end at the conclusion of the Shareholders' General Meeting called upon in 2012 to approve the management and financial statements for financial year 2011.

NINTH RESOLUTION

Ratification of Mr. Amaury de Sèze's appointment as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report, ratify the decision of the Board of Directors made at its meeting of July 30, 2008, to appoint Mr. Amaury de Sèze as Director to replace Mr. Paul Desmarais Jr., who resigned, for the remaining duration of his predecessor's term, that is, until the Shareholders' General Meeting called upon in 2010 to approve management and financial statements for financial 2009.

TENTH RESOLUTION

Authorization given to the Company to buy its own shares

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, after examining the Board of Directors' report pursuant to the provisions of article L. 225-209 et seq. of the French Code of Commerce and articles 241-1 to 241-6 of the general regulations of Autorité des marchés financiers (AMF):

1) authorizes the Board of Directors, with the possibility of sub delegating in the conditions provided by the law, to make purchases of the Company's own shares:
   - for the cancellation of the shares thus bought and, as the case may be, any shares bought under previous buyback authorizations,
   - in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company on a fully independent basis without being influenced by the Company, under a liquidity contract in accordance with a code of conduct recognized by AMF or any other applicable provision,
   - for the purposes of employees' participation in shareholding plans set up by the Company or of granting share purchase options or free shares to employees and/or executives of the Company and/or the companies under its control in the sense of article L. 233-3 of the Code of Commerce,
   - for the delivery or exchange of shares, particularly with respect to the issue of securities that give access, immediately or in the future, to shares in the Company or with respect to external growth,
   - and, in general, for any purposes that are permitted or may come to be authorized by the regulations in force.

The acquisition, sale, transfer or exchange of the shares may be carried out, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks and the use or exercise of any financial instrument or derivative.

2) sets the following limits for the use of the present authorization by the Board of Directors:

- the maximum number of shares that may be purchased shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2009, that is 6,278,659 shares,
- the number of shares that the Company may hold, whether directly or indirectly and at any time whatsoever, shall not exceed 10% of the shares that make up the Company's capital,
- the maximum purchase price of the shares shall not be greater than €80,
- consequently, the maximum amount that the Company is liable to use for such repurchases shall not be greater than €502 million;

3) resolves that, in the event that the par value of the stock is modified, the capital is increased by the capitalization of reserves or free shares are granted, or in the event of a stock split or consolidation, the above-stated maximum amount to be used in these buybacks and the maximum number of shares to be repurchased will be adjusted accordingly by a multiplier equal to the ratio between the number of shares that made up the capital before the operation and the resulting number after the operation;

4) sets at eighteen months from the date of this General Meeting the term of this authorization, which renders null and void any previous authorizations granted to the Board of Directors with regard to the Company's repurchase of its shares;

5) grants the Board of Directors, with the authority to delegate such powers in the conditions provided by law, to implement this authorization and, in particular, to sign any stock purchase, sale, exchange or transfer agreements, file any statements with Autorité des marchés financiers or any other agency, proceed with the adjustments set forth above, observe any formalities and, generally, do what is necessary.

Extraordinary part

ELEVENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of common shares or of securities giving access to capital immediately or in the future with preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-127, L. 225-129, L. 225-129-2, L. 228-91 et seq. of the French Code of Commerce:

1) delegates its authority to the Board of Directors to carry out the capital increase, in one or more times and on its sole decision, in the proportions and at the times that it judges fit, on the French market and/or the international market, in euros or any other currency by the issue, with preemptive subscription right, of common shares and/or any other securities in the Company, whether or not they represent debt, giving access by any means, immediately or in the future, at any time or on set dates, to common shares in the Company or, in accordance with article L. 228-93 of the French Code of Commerce, in any company that directly or indirectly owns more than half its capital or of which it directly or indirectly owns more than half the capital, whether by subscription, conversion, exchange, redemption, presentation of a warrant of in any other way, such securities being issued in euros or in any monetary unit determined by reference to several currencies;

2) resolves to set as follows the limits for the amounts of the authorized issues in the event of the Board of Directors using the present delegation of authority:

- the total nominal amount of the common shares that may be issued, whether directly or on presentation of securities that may or may not represent debt, pursuant to the present delegation shall not be greater than €80 million, 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 and with any contractual terms providing for other cases of adjustments, the rights of the holders of securities or rights giving access to capital that shall exist on the issue date,
- the nominal amount of the securities giving access, immediately or in the future to the share capital or representing debts of the Company that may be issued shall not be greater than €1 billion or the equivalent amount in the event of an issue in other currencies;

3) in the event of the use of the present delegation of authority:

- resolves that the issue or issues shall be preferentially reserved for shareholders who may subscribe on an irreducible basis,
- grants the Board of Directors the possibility of instituting a reducible subscription right,
- empowers the Board of Directors, if it notes excess demand, to increase the number of securities planned in the initial issue under the conditions of article L. 225-135-1 of the French Code of Commerce and within the percentage limit of the initial issue provided by the legal and regulatory provisions in force at the time of the issue, it being understood that the issue price shall be the same as that of the initial issue and that the nominal amount of the corresponding issues shall be charged to the amount of the above-mentioned ceiling,
- in accordance with the provisions of article L. 225-134 of the French Code of Commerce, resolves that, if the irreducible subscriptions and, as the case may be, any reducible subscriptions have not taken up the whole of an issue as defined above, the Board of Directors may use one or more of the following possibilities in the order that it judges fit:

- limit the amount of the subscriptions, provided that such amount is at least three-quarters of the intended issue,
- freely allocate all or part of the unsubscribed securities,
- offer all or part of the unsubscribed securities to the public;

4) acknowledges that the present delegation ipso jure entails the explicit waiver by the shareholders of their preemptive subscription right to the shares to which such securities shall give the right, for the benefit of the holders of the issued shares;

5) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:

- set the terms and conditions of the issue or issues, particularly the forms and characteristics of the securities to be issued, acknowledge the completion of the resulting capital increases and amend the by-laws accordingly,
- charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase,
- make any adjustments required in accordance with legal and/or contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital that shall exist on the issue date,
- in turn delegate the powers needed to carry out the issue, or to refrain therefrom, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more Delegate Chief Executive Officers,
- and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

6) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes;

TWELFTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of common shares or securities giving access immediately or in the future to capital, with cancellation of the preemptive subscription right

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-127, L. 225-129, L. 225-129-2, L. 225-135, L. 228-91 et seq. of the French Code of Commerce:

1) delegates to the Board of Directors its authority to carry out the capital increase, in one or more times and upon its sole decision, in the proportions and at the times that it sees fit, on the French market and/or the international market, by the issue in euros or any other currency of common shares and/or securities in the Company, which may or not represent debt, giving access by any means, immediately or in the future, at any time or on set dates, to common shares in the Company or, in accordance with article L. 228-93 of the French Code of Commerce, in a company that directly or indirectly owns more than half of its capital or of which it directly or indirectly owns more than half the capital, whether by subscription, conversion, exchange, redemption, presentation of a warrant of in any other way, such securities being issued in euros or in any monetary unit determined by reference to several currencies; it being understood that common shares may be issued in compensation for the securities that may be contributed to Company with respect to a public exchange offer for securities meeting the conditions set down in article L. 225-148 of the French Code of Commerce;

2) resolves to set as follows the limits of the amounts of issues authorized in the event of the Board of Directors using the present delegation of authority:

- the overall nominal amount of the shares that may be issued pursuant to the present delegation shall not be greater than €50 million, 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 and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital that shall exist on the issue date,
- the nominal amount of the securities giving access immediately or in the future to capital or representing debts of the Company that may be issued shall not be greater than €1 billion or the equivalent amount in the event of an issue in other currencies;

3) resolves to cancel the preemptive subscription right of shareholders to the securities concerned by the present resolution, while however giving the Board of Directors the possibility, in accordance with the provisions of article L. 225-135 of the French Code of Commerce, to grant shareholders, for a period and at the terms and conditions that it shall set and for all or part of an issue, a subscription priority that does not give the right to the creation of negotiable rights, which must be exercised in proportion to the number of shares owned by each shareholder;

4) in accordance with the provisions of article L. 225-134 of the French Code of Commerce, resolves that, if the irreducible subscriptions and, as the case may be, any reducible subscriptions have not taken up the whole of an issue as defined above, the Board of Directors may use one or more of the following possibilities in the order that it judges fit:

- limit the amount of the subscriptions, provided that such amount is at least three-quarters of the intended issue,
- freely allocate all or part of the unsubscribed securities,
- offer all or part of the unsubscribed securities to the public;

5) acknowledges that the present delegation ipso jure entails for the benefit of the holders of the issued securities the explicit waiver by the shareholders of their preemptive subscription right to the shares to which those securities give the right;

6) decides that the issue price of the ordinary shares issued or those to which the securities giving access, whether immediately or in the future, to the Company's capital and issued pursuant to the present delegation, give the right, shall be determined

by the Board of Directors in accordance with the provisions of articles L. 225-136 1° and R. 225-119 of the French Code of Commerce and shall be at least equal to the weighted average price of the Imerys share for the three trading sessions prior to the determination of that price, minus a maximum possible discount of 5%;

7) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:
   - set the terms and conditions of the issue or issues, particularly the forms and characteristics of the securities to be issued, acknowledge the completion of the resulting capital increases and amend the by-laws accordingly,
   - increase, if it notes excess demand, the number of securities planned in the initial issue under the conditions of article L. 225-135-1 of the French Code of Commerce and within the percentage limit of the initial issue provided by the legal and regulatory provisions in force at the time of the issue, it being understood that the issue price shall be the same as that of the initial issue,
   - in the event of the issue of securities intended as compensation for securities contributed with respect to a public exchange offer: draw up the list of securities contributed in exchange, set the terms and conditions of the issue, the exchange rate and, as the case may be, the amount of the balancing cash adjustment to be made in cash, and determine the arrangements for the issue,
   - charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase,
   - make any adjustments required in accordance with legal and/or contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital that shall exist on the issue date,
   - in turn delegate the powers needed to carry out the issue, or to refrain therefrom, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more Delegate Chief Executive Officers,
   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

8) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

THIRTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by capitalization of premiums, reserves, income or other items

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Ordinary General Meetings, after examining the Board of Directors' report and in accordance with the provisions of articles L. 225-127, L. 225-129, L. 225-129-2 and L. 225-130 of the French Code of Commerce:

1) delegates to the Board of Directors its authority to carry out the capital increase, in one or more times and upon its sole decision, in the proportions and at the times that it sees fit, by capitalization of premiums, reserves, income or other items in the form of a free share grant or an increase in the par value of existing shares or by the combined use of those processes;

2) in the event of the Board of Directors using the present delegation of authority, resolves that the total nominal amount of the common shares that may be issued shall not be greater that the amount of the reserves, premiums or income accounts that exist at the time of the capital increase, 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 and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital that shall exist on the issue date;

3) resolves that the Board of Directors shall, within the limits set down above, have the necessary powers to:
   - set the terms and conditions of the issue or issues, in particular set the amount and the nature of the reserves or premiums to be incorporated to the share capital, set the number of new shares to be issued or the amount by which the par value of the shares that make up the share capital shall be increased, and acknowledge the completion of the resulting capital increases and amend the by-laws accordingly,
   - charge, on its sole initiative, the capital increase expenses to the amount of related premiums and take from that amount the sums needed to increase the legal reserve to one-tenth of capital after each increase,
   - make any adjustments required in accordance with legal and/or contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital that shall exist on the issue date,
   - resolve, as the case may be, that any rights forming odd lots shall not be negotiable and that the corresponding shares shall be sold, with the sums resulting from the sale allocated to the holders of rights within the timeframe set by legal provisions,
   - in turn delegate the powers needed to carry out the issue, or to refrain there from, within the limits and according to the terms and conditions that the Board of Directors may set down beforehand, to the Chief Executive Officer or, in agreement with him, to one or more Delegate Chief Executive Officers,
   - and, more generally, take any measures, enter into any agreements, carry out any formalities and do what is necessary for the satisfactory completion of the issues under consideration;

4) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

FOURTEENTH RESOLUTION

Delegation of authority to the Board of Directors to issue compound debt securities

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 228-91 et seq. of the French Code of Commerce:

1) delegates to the Board of Directors its authority to issue, in one or more times, on its sole decisions, at the dates that it shall determine, on the French market and/or the international market, any compound securities representing debts of the Company, at fixed or variable rates, whether or not subordinated, for a determinate or indeterminate period, in euros, in foreign currency or in any other monetary unit;

2) resolves that the maximum nominal amount of the issues, in the event of the Board of Directors using the present delegation of authority, shall not exceed the ceiling of €1 billion or the equivalent amount in any other currency, it being specified that the nominal amount of the debt securities to be issued pursuant to the eleventh, twelfth, and fifteenth resolutions of the present Shareholders' Meeting shall be charged to that amount;

3) resolves that the Board of Directors shall have, within the limits set down above, the necessary powers, with the possibility of subdelegating in the conditions provided by law, to:

   - set the conditions and mechanisms for each issue and all the characteristics of the securities to be issued and of the debt securities to which the securities would give the right, particularly their par value, the issue price, the arrangements, as the case may be, for the subordination of the principal and/or interest and their priority, subscription conditions and methods, depreciation method with or without premium (said premium being added to the maximum amount indicated in paragraph 2) above), the fixed or variable interest rates, duration and all other characteristics,

   - in general, set down all the arrangements for each issue, enter into any agreements, take any measures and carry out any formalities with respect to those issues;

4) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

FIFTEENTH RESOLUTION

Authorization to the Board of Directors for the purposes of increasing the share capital in compensation for contributions in kind made up of securities representing shares in or giving access to capital, within the limit of 10% of the share capital per year

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of article L. 225-147 of the French Code of Commerce:

1) delegates to the Board of Directors the necessary powers for the purposes of carrying out, on the report of one or more contributions Auditors, within the limit of 10% of the share capital of the Company as existing at the end of the month prior to the issue, the issue of ordinary shares and/or securities giving access, whether immediately or in the future, to the capital of the Company, in order to compensate the contributions in kind granted to the Company and made up of equity securities or other securities giving access to capital, when the provisions of article L. 225-148 of the French Code of Commerce are not applicable;

2) resolves to cancel shareholders' preferential subscription right to the securities issued under the present delegation in favor of the holders of the equity securities or other securities giving access to capital thus contributed;

3) resolves that the nominal amount of the shares that may be issued immediately or in the future pursuant to the present delegation shall be charged to the maximum nominal amount of the shares issued, whether or not directly, pursuant to the twelfth resolution;

4) resolves that the Board of Directors shall have, within the limits set above, the necessary powers, with the possibility of subdelegating in the conditions provided by law, to rule on the appraisal of contributions, set the conditions of the issue or issues, acknowledge the completion of the resulting capital increases, make the correlative changes to the by-laws, carry out any formalities, make any declarations and do what is necessary for the satisfactory completion of the issues under consideration;

5) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present authorization, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

SIXTEENTH RESOLUTION

Authorization to the Board of Directors for the purposes of setting the issue price of common shares and securities giving access to capital, in the event of cancellation of the preemptive subscription right of shareholders and within the limit of 10% of share capital per year

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report and in accordance with the provisions of articles L. 225-129-2 and L. 225-136, 1° al. 2 of the French Code of Commerce:

1) authorizes the Board of Directors, within the limit of 10% of the share capital per year as existing at the end of the month prior to the date of issue, to set the issue price of common shares and

of securities giving access to capital according to the following arrangements:

- the issue price of the common shares shall be at least equal to the closing price for Imerys shares on the market of Euronext Paris on the trading day before the date of setting the issue price, minus a maximum possible 10% discount,
- the issue price of the compound securities giving access to capital shall be such that the sum immediately received by the Company plus, as the case may be, any sum that may be received later by the Company, is, for every common share issued as a result of the issue of those securities, at least equal to the issue price of the shares above-mentioned;

2) resolves that the nominal amount of the increase in the Company's capital resulting from the present resolution shall be charged to the nominal amount of the shares issued, whether or not directly, pursuant to the twelfth resolution;

3) acknowledges that the present delegation ipso jure entails the explicit waiver by the shareholders of their preemptive subscription right to the shares to which such securities shall give the right, for the benefit of the holders of the issued shares;

4) resolves that the Board of Directors, with the possibility of sub delegating in the conditions provided by the law, shall have full powers to implement the present delegation in the conditions provided by the law;

5) sets at twenty-six months as from the date of the present Shareholders' Meeting the duration of the present authorization, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

SEVENTEENTH RESOLUTION

Overall limitation of share capital increases

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report resolves to set at:

- €1 billion or the equivalent amount in the event of the issue in other currencies, the maximum nominal amount of the debt securities that may be issued pursuant to the authorizations concerning the issue of securities giving access, immediately or in the future, to a share of the Company's capital, or compound debt securities, granted by the eleventh, twelfth, fourteenth, fifteenth and sixteenth resolutions of the present General Meeting;
- €130 million the maximum nominal amount of the capital increases that may be carried out, whether immediately or in the future, pursuant to the authorizations granted by the eleventh, twelfth, thirteenth and sixteenth resolutions of the present Shareholders' Meeting, it being specified that the amount of any shares to be issued in addition to maintain, in accordance with the law and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital as existing on the issue date, shall be added to that nominal amount.

EIGHTEENTH RESOLUTION

Delegation of authority to the Board of Directors for the purposes of increasing the share capital by the issue of shares reserved for employees

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report, with respect to the provisions of articles L. 3332-1 et seq. of the French Labor Code concerning employee shareholding and article L. 225-138-1 of the French Code of Commerce and pursuant to articles L. 225-129, L. 225-129-2 and L. 225-129-6 of the French Code of Commerce:

1) resolves to delegate its authority to the Board of Directors for the purposes of increasing the share capital, in one or more times and upon its sole decision, in the proportions and at the times that is sees fit, by the issue of common shares in the Company and/or other securities giving access to capital reserved:
   - for the employees and corporate officers of the Company and/or the French or foreign companies or groups affiliated to it in the sense of article L. 225-180 of the French Code of Commerce,
   - if such employees join a company savings plan and also meet any other conditions imposed by the Board of Directors;

2) resolves to cancel the preemptive subscription right of shareholders to the securities to be issued for the benefit of the above-mentioned employees and corporate officers under the present delegation;

3) resolves that the subscription price of the shares issued pursuant to the present delegation shall be determined in the conditions set down in the provisions of articles L. 3332-19 and seq. of the French Labor Code;

4) resolves that the nominal amount of the share capital increases that may be carried out pursuant to the present delegation shall not exceed €1.6 million, to which amount shall be added the nominal amount of any shares that may be issued to maintain, in accordance with the law and with any contractual terms providing for other cases of adjustment, the rights of the holders of securities or rights giving access to capital which shall exist on the issue date;

5) grants all powers, with the possibility of sub delegating in the conditions provided by the law, to the Board of Directors to implement the present delegation and, in particular, for the purposes of:
   - determining the companies of which the employees may benefit from the subscription offer for the issues coming under the present delegation,
   - set the conditions, particularly as regards length of service, that the beneficiaries of those subscription offers must meet,
   - set down the conditions of the issues, acknowledge the capital increase or increases resulting from any issue made using the present delegation, amend the by-laws accordingly,
   - decide whether the subscriptions may be carried out directly and/or indirectly through mutual funds,

- set, for the issues coming under the present delegation, the arrangements and conditions for joining Company savings plan, draw up their regulations or, in the event of preexisting plans, modify the regulations,
- make, as the case may be, on its sole decision and if it sees fit, any charges to the premium or premiums related to the capital increases, particularly for the expenses, fees and duties arising from the completion of the issues, and take from these premiums the sums needed to increase the legal reserve to one-tenth of the new share capital after each capital increase,
- make any adjustments required in accordance with legal and/or contractual provisions and determine the arrangements, as the case may be, for maintaining the rights of the holders of securities or rights giving access to capital which shall exist on the issue date,
- generally take any useful measures, enter into any agreements, carry out or have carried out any acts or formalities and do the necessary to complete successfully the planned issues;

6) sets at twenty-six months as from the date of the present Shareholders' Meeting the term of validity of the present delegation, which renders null and void any previous delegation granted to the Board of Directors for the same purposes.

NINETEENTH RESOLUTION

Authorization to the Board of Directors to reduce the share capital by canceling self-held shares

The Shareholders' Meeting, ruling in the quorum and majority conditions required for Extraordinary General Meetings, after examining the Board of Directors' report and the Auditors' special report:

1) authorizes the Board of Directors, with the possibility of sub delegating in the conditions provided by the law, to cancel, in one or more times, the shares held by the Company in itself within the limit of 10% of capital per twenty-four month period, and to reduce the share capital accordingly by charging the difference between the purchase value and the nominal value of the cancelled shares to available premiums and reserves;
2) grants all powers to the Board of Directors for the purposes of setting the definitive amount of the capital reduction within the limits provided by law and by the present resolution, to set its arrangements, acknowledge its completion, charge the difference between the purchase value and the nominal value of the cancelled shares to the available premiums and reserves of its choice, carry out all acts, formalities or declarations in order to make the capital increases carried out pursuant to the present authorization definitive and amend the by-laws accordingly;
3) sets at twenty-six months from the date of the present Shareholders' Meeting the duration of the present authorization, which renders null and void, any previous delegation granted to the Board of Directors for the same purposes.

TWENTIETH RESOLUTION

Powers

The Shareholders' Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, fully empowers the bearer of a duplicate or an extract of the minutes of the present Meeting to carry out any formalities with respect to registration or publication.

PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND THE AUDIT OF ACCOUNTS

8

8.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Gérard Buffière, Chief Executive Officer

8.2 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 dicussion and analysis appearing on pages 54 to 64 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 65 to 67. The report on the consolidated statements for the period ending December 31, 2008 contains an observation concerning the financial year's changes of method. The report on the consolidated statements for the period ending December 31, 2007, incorporated by reference to the corresponding historical financial statements as specified on page 236 of the present Reference Document, contains an observation concerning as well the financial year's changes of method.

Paris, April 1, 2009

Gérard Buffière

Chief Executive Officer

8.3 AUDITORS

STATUTORY AUDITORS:

Deloitte & Associés
represented by Nicholas L.E. Rolt
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 terms of office of the joint statutory Auditors Ernst & Young Audit and Deloitte & Associés and of the joint alternate Auditors Mr. Jean-Marc Montserrat and BEAS were renewed by the Ordinary and Extraordinary Shareholders' General Meeting of May 3, 2004 for a period that, pursuant to legal and statutory provisions, will end at the conclusion of the Shareholders' General Meeting called upon in 2010 to approve the management and financial statements for financial year 2009.

8.4 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, 2007, the consolidated financial statements, annual financial statements, the related Auditors' reports and the Auditors' special report on regulated agreements and the Management's discussion and analysis 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;
- with respect to the financial year ending on December 31, 2006, the consolidated financial statements, annual financial statements, the related Auditors' reports and the Auditors' special report on regulated agreements and the Management's dicussion and analysis appearing on pages 28-91, 92-113, 23-25, 239 and 8-22 of the 2006 Reference Document filed with Autorité des marchés financiers on March 29, 2007 under number D. 07-0245,

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.

8.5 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Christophe Daulmerie
Chief Financial Officer & Vice-President Strategy
Telephone: +33 (0) 1 49 55 66 55 – Fax: +33 (0) 1 49 55 63 98
http://www.imerys.com

CROSS REFERENCE AND RECONCILIATION TABLES

9

9.1 CROSS REFERENCE TABLE

In order to facilitate the reading of this Annual Report, registered with the "Autorité des marchés financiers" as a Registration Document, the subject index can be used to identify the main information required by the "Autorité des marchés financiers" with respect to its regulations and instructions.

Items of Annex 1 to the EC Regulations 809/2004 of April 29, 2004.

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9.2 TABLE OF RECONCILIATION WITH THE ANNUAL FINANCIAL REPORT

This Reference Document includes all information of the Annual Financial Report provided for in I of article L. 451-1-2 of the French Monetary and Financial Code and in article 222-3 of the general regulations of the AMF.

The table below sets out the references to the extracts from the Reference Document that correspond to the various items comprising the Annual Financial Report.

NOTES

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