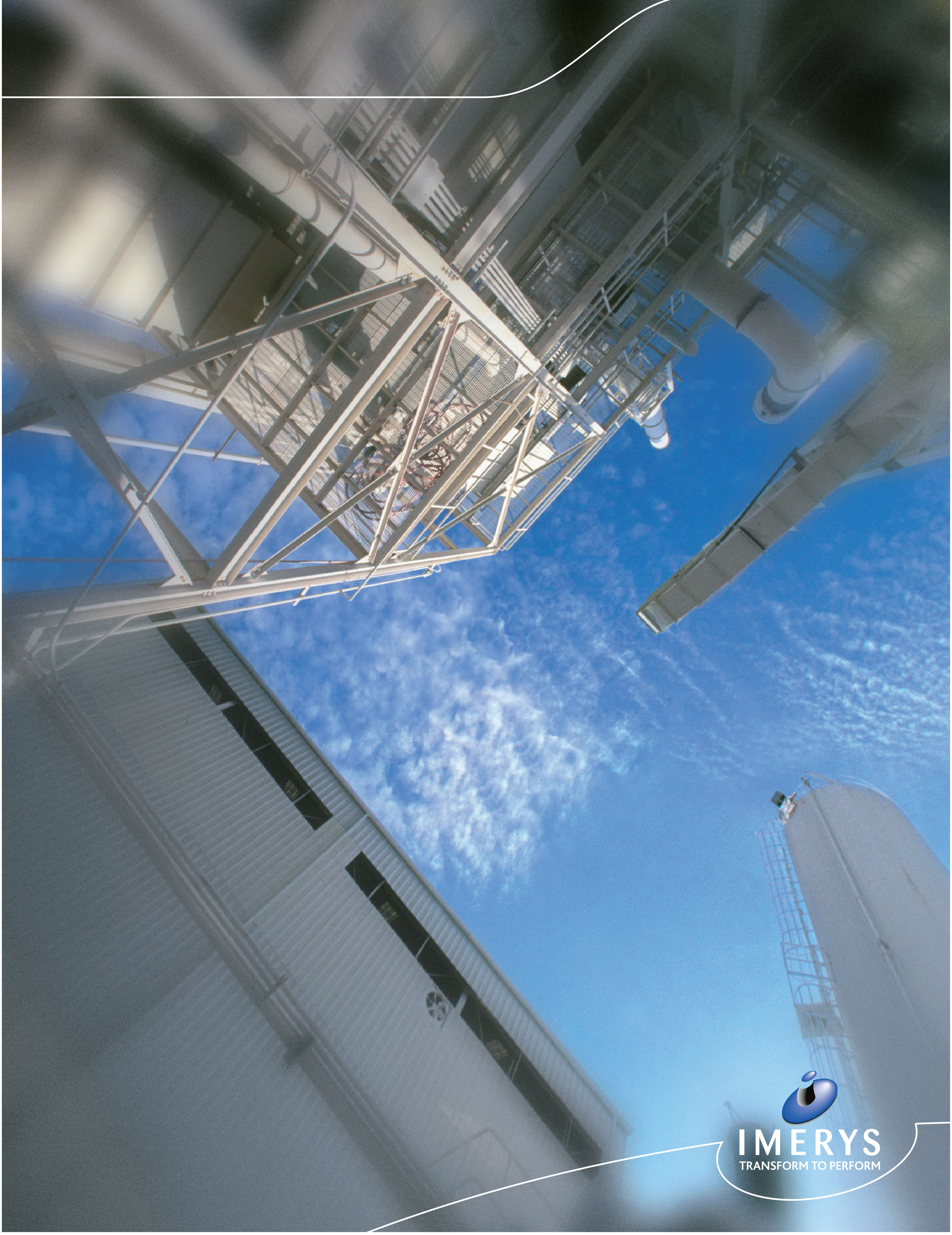
2011 Registration Document

Annual Financial Report



IMERYS
TRANSFORM TO PERFORM

SUMMARY

2011 Registration Document

including the Annual Financial Report

IMERYS

French Limited Liability Company (Société Anonyme)
with a Board of Directors
with a share capital of €150 285 032

Registered office:

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The original document was filed with the AMF (French Securities Regulator) on March 22, 2012, in accordance with article 212-13 of the general regulations of the AMF. As such, it may be used to support a financial transaction if accompanied by a prospectus duly approved by the AMF. This document was drawn up by the issuer and is binding on its signatories. It includes all information comprising the Annual Financial Report.

PRESENTATION OF THE GROUP 1

1.1 MAIN KEY FIGURES

(€ millions)	**2011**	**2010** [(1)]	**2009**	**2008** [(2)]	**2007** [(2)]
Consolidated results					
Sales	3,674.8	3,346.7	2,773.7	3,449.2	3,401.9
Change at comparable Group structure and exchange rates	*+ 8.1%*	*+ 15.0%*	*- 19.9%*	*+ 0.7%*	*+ 4.2%*
Current operating income	487.0	421.5	248.9	414.6	482.9
Change at comparable Group structure and exchange rates	*+ 13.7%*	*+ 69.5%*	*- 41.0%*	*- 13.5%*	*+ 7.9%*
Net income from current operations, Group's share	303.1	242.0	119.3	267.1	316.7
Net income, Group's share	282.0	243.7	41.3	161.3	284.2
Average weighted number of outstanding shares during the year *(thousands)*	75,273	75,400	72,054	67,486 [(7)]	68,055 [(7)]
Net income from current operations per share *(€)*	4.03	3.21	1.66	3.96 [(7)]	4.65 [(7)]
Dividend per share *(€)*	1.50 [(6)]	1.20	1.00	0.93 [(7)]	1.77 [(7)]
Consolidated balance sheet					
Shareholders' equity	2,210.9	2,131.8	1,855.8	1,546.3	1,663.5
Gross financial debt	1,449.0	1,226.2	1,222.4	1,781.6	1,419.1
Cash	417.9	353.4	258.1	215.5	76.1
Net financial debt	1,031.1	872.8	964.3	1,566.1	1,343.0
Financing					
EBITDA	686.0	621.0	416.6	573.4	649.6
Capital expenditure [(3)]	227.4	154.9	132.1	237.3	343.4
Acquisitions [(4)]	246.9	68.5	11.0	155.8	232.8
Financial resources	2,759.2	2,231.7	2,345.3	2,353.6	2,328.9
Average maturity of financial resources as of December 31 *(years)*	3.8	3.8	4.5	5.5	6.4
Net financial debt/EBITDA	1.5	1.4	2.3	2.7	2.1
Net financial debt/shareholders' equity *(%)*	46.6%	40.9%	52.0%	101.3%	80.7%
ROCE [(5)]	14.0%	13.1%	7.6%	12.2%	15.0%
Market capitalization as of December 31	**2,674**	**3,765**	**3,166**	**2,041**	**3,550**
Employees as of December 31	**16,187**	**15,090**	**14,592**	**17,016**	**17,552**

(1) 2010 results have been restated following the change in accounting method related to the recognition of employee benefits, applied on January 1, 2011 and detailed in Note 2.2 to the consolidated financial statements in chapter 5 of the Registration Document.

(2) Results for 2007 and 2008 were restated following two changes of presentation applied as of January 1, 2009, details of which are given in Note 2 to the consolidated financial statements in chapter 5 of the 2010 Registration Document (page 138).

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

(4) Paid acquisitions excluding divestments.

(5) Return on capital employed, i.e. current operating income divided by average capital employed. Average capital employed for a given financial year corresponds to the average between the capital employed at the beginning of the year and the capital employed at the end of the year. In 2011, capital employed was calculated on the basis of a quarterly average to take into account the acquisition of the Luzenac group on August 1.

(6) Dividend proposed at the Shareholders' General Meeting on April 26, 2012.

(7) Average weighted number of outstanding shares, net income from current operations per share and dividend per share were restated for financial years 2007 and 2008 further to the rights issue of June 2, 2009.

Details and comments on the main financial aggregates (particularly at comparable Group structure and exchange rates) are given in the Board of Directors' Management Report (*see Chapter 2, section 2.1 of the Registration Document*).

1.2 THE GROUP'S STRATEGY AND GENERAL STRUCTURE

1.2.1 STRATEGY

The world leader in mineral-based specialties for industry, Imerys designs high-performance products from minerals that it mines and converts using sophisticated technical processes. These specialties deliver essential features to its customers' products and manufacturing processes. The Group's strengths ensure a level of operating profitability and a competitive advantage over the long term.

THE GROUP'S STRENGTHS

Imerys has robust strengths that enable it to achieve its strategic ambitions:

- high value-added positioning: Imerys' specialties are formulated to meet technical specifications that are defined for each customer and application (unlike commodities, which are standardized with defined qualities known to buyers, high volumes and prices often determined by markets). Prices, therefore, are set in two-way negotiations, based on the functions and services provided;
- high-quality, long-term mineral assets: whenever relevant, upstream integration of a mineral resource enables the Group to secure supply quality and represents a significant cost advantage. Imerys has a broad range of minerals, is constantly enhancing its resources and holds on average 20 years' reserves to ensure its long-term future;
- operational excellence and technological know-how: Imerys has industrial assets and manufacturing techniques that are designed in-house in many cases and are optimized with reference to performance indicators;
- reactive, decentralized organization: this enables the Group to be flexible and to adapt swiftly to changes in market conditions.

STRATEGIC DEVELOPMENT ORIENTATIONS

The strategic orientations that the Group has defined for the next five years are intended to step up the pace of growth by strengthening internal developments.

Imerys' ambition is to achieve average organic growth that is higher than global GDP [(1)] growth for the 2012-2016 period. The selective acquisitions policy, which has been the Group's main growth driver since the late 1990's, will continue. These developments are carried out under strict financial discipline in order to create value for shareholders.

Speeding up internal growth

The focus is on three strategic orientations: stepping up Research & Development (R&D) efforts, the Group's expansion in emerging countries and greater presence in high-potential markets.

Stepping up R&D efforts

Since the creation of the Innovation Department in 2008, which coordinates business groups' research efforts and runs some significant, transversal projects, the resources allocated to R&D have been gradually increased. There are tangible results as several disruptive innovations, designed during the last three to four years, are continuously being introduced on the market (e.g. proppants for oilfields, oxygen probes). This trend should pick up with an increased R&D and Innovation budget in 2012 to support the greater number of selected projects that should lead to new product launches in the medium term. On that basis, Imerys could achieve additional sales up to €700 million from new products by 2016, compared with 2011. This amount can be compared with the €200 million in sales in 2011 from products introduced by Imerys in the past five years. *For more information on innovations, see Chapter 1, section 1.8 of the Registration Document*.

Targeted expansion in emerging countries

Imerys intends to continue developing in emerging countries. The Group has rapidly built up its presence in those regions in the past 10 years. From 6% of sales in 2001, emerging countries accounted for 27% of revenue in 2011, i.e. almost €1 billion.

India, China and Brazil, which together generate more than €400 million in business, are set to play a driving role in this geographic expansion strategy through a combination of internal growth, acquisitions and partnerships. In all three countries, the Group has reached critical size and in 2011 appointed a country manager whose mission is to coordinate local development efforts for all business groups and accelerate Imerys' growth.

The Group also intends to expand its presence in a certain number of targeted countries where it is already operates through mining, industrial and/or commercial assets. Imerys' goal is to reach critical size in these countries, as in India, China and Brazil and to create regional platforms.

(1) GDP: Gross Domestic Product (source: International Monetary Fund).

Making high growth potential markets the priority

To improve its growth profile, Imerys has identified a certain number of attractive end markets, including the automotive sector, packaging, energy, electronics, semiconductors, the environment, health & beauty, agriculture and aerospace. Imerys now achieves more than one quarter of its sales in those markets and the Group's exposure has more than doubled in the past five years. The Group will allocate greater resources to those markets through innovation and possibly acquisitions.

TARGETED CAPITAL EXPENDITURE POLICY

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

From 2000 to 2008, Imerys invested significant resources to ensure industrial facilities meet world-class technological standards, improve their efficiency (optimization of production assets for kaolin for paper, new facilities in the main Minerals for Filtration unit, production optimization in clay Building Materials) and selectively develop capacity. Consequently, industrial asset maintenance now represents approximately 50-60% of the annual depreciation expense.

After the financial crisis of 2008 and 2009, capital expenditure resumed gradually in 2010 (€169.1 million). In 2011, capital expenditure rose significantly: while maintenance remained stable, new development projects were completed, such as construction of a proppant plant in the United States and a new line dedicated to Performance Minerals for polymers in Asia. *For more information, see Chapter 2, section 2.1 of the Registration Document*. At €229.2 million, booked capital expenditure in 2011 regained its historical "normative" level and represented almost one year's depreciation expense.

SELECTIVE ACQUISITION POLICY

Over the past 10 years, Imerys has implemented a very active acquisition policy, the largest source of expansion for its portfolio of activities: in Abrasives applications and in fusion with Treibacher (2000-2002), in a new market related to fast-moving consumer goods through edible liquid filtration (World Minerals, acquired in 2005), in Monolithic Refractories through the integration of a preexisting activity (Plibrico) with Lafarge Réfractaires (acquired in 2005) then ACE Refractories (2007). More than 71 external growth operations have been completed since 2000 for a total amount close to €1.8 billion including the acquisition of the Luzenac Group, the world leader in talc which was closed on August 1, 2011. Through this recent operation, Imerys continues to implement its development strategy by broadening its functional offering in a specialty business with real growth potential:

- expansion in the plastic, polymer and paint markets, particularly for the automotive, paper, technical ceramics and health & beauty sectors, where the Luzenac Group has leading positions;
- many development opportunities for the Talc activity in emerging countries, particularly through the support of Imerys' global network;
- increase in the Group's innovation potential with the combination of R&D know-how to extend its specialty product offering.

Imerys will continue to widen its model through a selective acquisition policy in phase with its core business.

GREATER RESILIENCE, STRONGER FINANCIAL STRUCTURE

Innovation, geographic expansion and selective acquisition policy help to increase the Group's operating resilience, thanks to greater geographic and product diversity. In this way, Imerys intends to deliver a return on capital employed [(1)] that is higher than the average weighted cost of its capital, in order to create maximum value for its shareholders.

To do so, similar profitability criteria enable the Group to select internal and external growth projects: the Group targets an internal rate of return in excess of 15%, ensuring high cash flow generation and a robust financial structure. In a context of economic uncertainty, the criteria were made more selective still by taking into account the payback time and the impact on financing.

Under its cautious financial policy, the Group secured almost €1 billion in bilateral bank credit lines through to 2015-2016 to increase and diversify its financial resources. As of December 31, 2011, Imerys' total financial resources therefore totaled €2.8 billion (of which €1.3 billion in available financial resources, excluding cash), with an average maturity of 3.8 years.

During the first half of 2011, the rating agency Moody's raised Imerys' long-term credit rating [(2)] from Baa3 to Baa2 with a stable outlook. The short-term rating was improved accordingly from P-3 to P-2, also with a stable outlook (for more information, *see Chapter 5, Consolidated financial statements, Note 25.5 of the Registration Document*).

With a Group Net Financial Debt/EBITDA ratio of 1.5 and a Net Financial Debt/shareholders' equity ratio of 46.6% as of December 31, 2011, Imerys benefits from a sound financial structure to implement its development strategy and create value for its shareholders.

At the Shareholders' General Meeting on April 26, 2012, the Board of Directors will propose increasing the dividend to €1.50 per share for a total amount of approximately €112.7 million. This represents 37.2% of the 2011 Group's share of net income from current operations, in accordance with the Group's historical average payout. Payout would take place from May 9, 2012.

(1) ROCE: Current operating income divided by average invested capital.

(2) "Senior unsecured debt rating".

1.2.2 IMERYS' PRODUCTS

A benchmark industrial player in mineral-based specialty products, Imerys designs solutions that meet the requirements of four types of use:

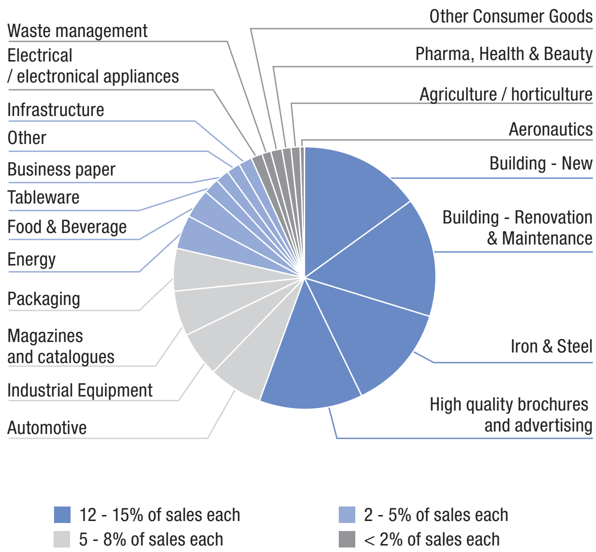
- mineral components: Imerys' products are an essential constituent in the formulation of the customer's product (e.g. clay, kaolin, feldspar are majority components in ceramic sanitaryware);
- functional additives: Imerys' specialties are ingredients added to the formulation of customers' products to improve their properties (e.g. kaolin, mica, talc and feldspar contribute opacity and matting effect to decorative and industrial paint but constitute a minor part of the finished product);
- process enablers: Imerys' products are used in customers' manufacturing process but are not present in the end product (e.g. monolithic refractories protect industrial facilities, such as blast furnaces from heat but are not present in the manufactured steel);
- finished products: Imerys' products are used as such, with no subsequent processing by the customer (clay roof tiles and bricks).

1.2.3 DIVERSITY OF APPLICATIONS AND MARKETS SERVED

Imerys' mineral specialties are used in a great number of applications, mainly:

- specialty mineral fillers and coatings for paper;
- roof tiles for the construction and renovation of roofing;
- refractory minerals for high-temperature industrial processes;
- edible liquid filtration;
- functional components for plastics and polymers;
- ceramics for sanitaryware, etc.

These applications are themselves intended for a great variety of end markets, as illustrated below:



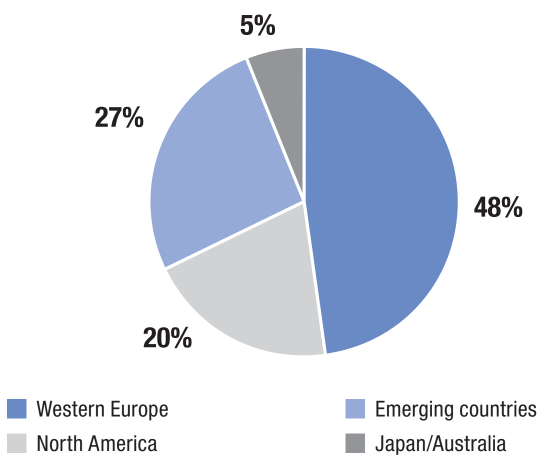
Source: Imerys estimates.

None of these markets represents more than 15% of total sales. Demand is well balanced between fast-moving consumer goods, household durables and capital expenditure by businesses and authorities.

1.2.4 GLOBAL PRESENCE

Active in 47 countries with more than 240 industrial sites, Imerys achieves more than one quarter of its sales in emerging countries, with Western Europe now representing less than half its geographic exposure:

2011 GROUP'S CONSOLIDATED SALES BY GEOGRAPHY



GEOGRAPHIC BASES

Imerys is present in the following 47 countries:

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

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

Geographic zone	Number of sites
Europe	117
North and South America	65
Asia-Pacific and Africa	62

1.2.5 THE GROUP'S GENERAL STRUCTURE

ORGANIZATION

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

Organization is adapted to respond to the specificities of the markets served (by specialty or by geography) as much as possible. Imerys' activities are organized into four business groups, as described below:

Minerals for Ceramics, Refractories, Abrasives & Foundry business group €1,186 million, i.e. 32% of 2011 consolidated sales (section 1.4)	Minerals for Ceramics
	Minerals for Refractories and Oilfields
	Fused Minerals
	Graphite & Carbon
Performance & Filtration Minerals business group €720 million, i.e. 19% of 2011 consolidated sales (section 1.5)	Performance Minerals North America
	Filtration Minerals North America
	Performance Minerals & Filtration Europe
	Performance & Filtration Minerals Asia-Pacific
	Performance & Filtration Minerals South America
	Imerys Talc
	Vermiculite
Pigments for Paper & Packaging business group €796 million, i.e. 21% of 2011 consolidated sales (section 1.6)	Pigments for Paper & Packaging North America
	Pigments for Paper & Packaging South America
	Pigments for Paper & Packaging Asia-Pacific
	Pigments for Paper & Packaging Europe
Materials & Monolithics business group €1,025 million, i.e. 28% of 2011 consolidated sales (section 1.7)	Building Materials
	Refractory Solutions

In addition to market-based organizations, in 2011, the Group appointed three country managers for India, China and Brazil. Their mission is to coordinate local development efforts for all business groups and accelerate Imerys' growth. The presentation of the four business groups is consistent with the sector-based information given in the Group's consolidated financial statements *in Chapter 5 of the Registration Document*.

MANAGEMENT

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

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

(For more details on the missions, composition and workings of the Executive Committee, see Chapter 3, section 3.2.3 of the Registration Document).

1.3 MINERALS

In order to supply its processing plants with the broad range of raw materials required to meet its customers' requirements, Imerys operates 117 mines in numerous countries around the world. The Group actively pursues the replacement and growth of its mineral reserves and resources and continuously works to strengthen its technical expertise in geology, mine planning and mining through training, sharing of expertise and "best practices" across a network of 140 geologists and mining engineers. In 2011, Imerys continued to replenish mineral reserves in line with the production requirements of each operation's extraction needs with special emphasis on the long term stability of both quality and quantity requirements. The talc mining operations acquired with the purchase of Luzenac Group in 2011 further diversified and strengthened Imerys' mineral reserve and resource base. North Carolina (United States) feldspar operations, which benefit from important quantities of high purity quartz, have been transferred to The Quartz Corp SAS joint venture created on January 1, 2011.

For more information, *please see Chapter 1 section 1.4.2 of the Registration Document.*

Since the implementation of Mineral Reserves and Resources Reporting in 2002 and the first external audit conducted in 2004 (fair value measurement of minerals reserves and resources as part of the first time adoption of IFRS standards), the policies and procedures in force have been regularly updated. In line with Imerys internal policy, mineral reserves and resources are audited by internal and external Auditors on a regular basis. The second multi-annual cycle of geological audits has been completed at the end of 2011 and has shown continuous improvement in mineral reserve management processes and accuracy of reporting. The mineral reserves and resources published in this Registration Document are prepared in line with internationally accepted standards of reporting. They are prepared and subject to verification, taking into consideration the relevant framework in each reporting entity.

1.3.1 IMERYS MINERALS

MINERALS MINED BY IMERYS

When it is identified as an important advantage, the upward integration to the mine is implemented by Imerys. The geological origins, specific properties, final applications and ore body locations of each mineral mined or processed by Imerys are presented below.

Andalusite is a naturally occurring alumina-silicate mineral containing up to 60% alumina that converts into mullite when heated to 1,350°C. Imerys mines very high-quality andalusite deposits located in China, France, Peru and South Africa. This refractory mineral offers properties such as high resistance to degradation in extreme temperatures and harsh operating conditions, as well as resistance to mechanical failure and corrosion. It is used for the processing of high quality acid refractory products with high alumina content.

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. The specific properties of these materials include good rheological stability for casting applications for sanitaryware, high plasticity and strength for tableware, tiles and electrical porcelain applications. Ball clays are also used in the rubber industry and in refractory sectors. Imerys' main ball clay mines are found in France at numerous locations (Charentes, Indre, Allier and Provins basins), in the United Kingdom (Devon and Dorset), the United States (Kentucky, Mississippi and Tennessee) and in Thailand (Lampang Province).

Bauxite and **bauxitic kaolin** are minerals found in sedimentary deposits. Imerys products have the unique characteristic of being low in iron content. They are used in a wide range of refractory products. Group deposits are located in the United States (Alabama, Georgia). Those refractory minerals offer specific properties, such as high resistance to degradation in extreme temperatures and harsh operating conditions, as well as resistance to mechanical failure and corrosion.

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

Diatomite is a special sedimentary silica mineral resulting from the accumulation of skeletal remains of microscopic freshwater or marine plants called diatoms. Diatomite is a naturally occurring raw material with exceptional qualities: low density, high surface area and high porosity. The unique properties of these Imerys products are sought after in many applications, particularly as filtration aids and as functional additives in Performance Minerals applications, such as paint. Imerys' diatomaceous earth mines are located in Chile, China, France, Mexico, Peru, Spain, and the United States (California, Washington, Nevada).

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

The Group's feldspar main operations are in France (Burgundy, Allier, Pyrénées-Orientales), Germany (Bavaria), India (Andrah Pradesh), Portugal, Spain (Caceres – Estremadura, Salamanca and Valencia regions), and in Turkey.

Ground calcium carbonate (GCC) is produced from **chalk, limestone or marble**. GCC is obtained by grinding calcium carbonate materials mined from open cast quarries or underground mines. With further processing applied, certain properties are developed to improve the physical characteristics of end products. GCC is renowned for its whiteness and alkaline properties.

GCC is used mainly as a filler or coating pigment in the paper industry. It also has applications in performance mineral applications, such as paints and coatings, plastics, sealants, air purification and the environment. The Group's extensive calcium carbonate reserves are located in Brazil, China, France, Greece, Italy, Malaysia, Mexico, North America, Tunisia, Turkey, in the United Kingdom and Vietnam.

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

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

Specific processes impart targeted properties for a variety of end uses. These include paper where whiteness and opacity as well as gloss, smoothness and printability are sought after properties. Kaolins are also used in performance minerals applications (paint, rubber, plastics and sealants). Finally, kaolins find applications in a wide range of ceramics: super-white tableware, sanitaryware and floor tiles, fiberglass and automotive catalyst support. For a number of applications, kaolin is calcined and then processed further. Calcination transforms kaolin at high temperature (700-1,200°C) into a whiter and inert mineral (metakaolin) for end use in performance minerals, refractories and ceramics applications. **Halloysite** is a high-quality kaolin type very white clay mineral, especially sought after by tableware producers worldwide for its translucent effect for their fine porcelain range.

Mines are located in various regions around the world and Imerys is the only producer that is active in all three major high quality kaolin for paper producing areas. Each location offers its own unique and specific characteristics: the United Kingdom (Cornwall) for filler kaolins; the United States (Georgia) for paper and board coating applications and opacifying effects; and Brazil (the Amazon Basin) for coating applications due to its fine, steep particle size distribution.

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

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

Perlite is a specific type of volcanic rock, containing between 2% and 5% of natural combined water. When processed and subsequently heated, the water converts instantaneously to steam and the perlite explodes like popcorn, expanding up to 20 times its original volume and creating a multi-cellular material with large surface area and corresponding low density. Perlite is a naturally occurring raw material with has exceptional qualities: low density, high surface area and high porosity. The unique properties are sought after in many applications, including process aids in Filtration applications and functional additives in Performance Minerals applications, such as paint. Perlite mines are located in Argentina, Chile, Turkey and the United States (New Mexico, Arizona, Utah).

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

Red clays are composed of assemblages of clay minerals and oxides of sedimentary origin which develop a red color when fired. They are used to make building materials (roof tiles, blocks and chimney blocks) and meet specific requirements in terms of particle size distribution, plasticity and extrusion properties before firing, as well as good performance during drying and firing. Extensive reserves of clay with sought-after properties are located close to the Building Materials' production facilities in France.

Refractory clay occurs as hard and often carbon-rich fine kaolin that produces upon calcination, a high-density refractory material commonly called "chamotte" which has specialized refractory and ceramic applications. Imerys refractory clay deposits are located in France, South Africa, Ukraine and the United States (Georgia). Refractory clay properties include high resistance to degradation in extreme temperatures and harsh operating conditions, as well as resistance to mechanical failure and corrosion.

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

Talc is a hydrated magnesium silicate. A talc deposit is formed either:

- from the reaction of silica containing fluids with a dolomite host rock;
- or from the reaction of carbon dioxide with a mineral from the serpentine family.

It is mostly produced in open cast mines. The ore is mined selectively and beneficiated by manual, optical or friction sorting at lump or chip size or by froth floatation after milling.

Almost every talc deposit is unique in terms of its crystal and morphological structure, surface chemistry, accessory minerals and brightness; this results in different deposits being more suited for specific applications and Imerys has developed special processing techniques and product formats to suit those end uses.

The major uses are in polymers (mainly polypropylene) for reinforcing automotive parts, in industrial paint for corrosion resistance and rheology and in paper as a coating or filler pigment, in pulp for pitch control. In cosmetics, talc is used as a body powder. Finally, talc is a fluxing and conditioning agent for ceramics.

Imerys mines talc in Australia, Austria, Canada, France, Italy and the United States.

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

OTHER MINERALS PROCESSED BY IMERYS AND DERIVED MINERAL PRODUCTS

In addition to minerals that Imerys mines in its own reserves, the Group sources raw materials that it heavily processes to provide the following specialties:

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

Carbon black, an ultra-fine carbon powder, is produced in Belgium from selected, very high-quality, externally sourced natural carbon raw materials. It is used as a conductive additive in Lithium-ion batteries.

Magnesite after calcination in suppliers' transformation plants, produces dead burnt magnesite, which is a high performance refractory material in basic refractory applications. Dead burnt magnesite finds application in basic refractory mixes and mortars specially prepared for incorporation in monolithic refractory products and applications. **Electrical grade magnesia** is produced from externally purchased highest quality dead burned magnesite and has high electrical resistance properties, depending on the temperature of calcination, and poor heat conductivity, making it suitable for insulation material in the manufacture of domestic and industrial sheathed heating elements. Plants are located in the United Kingdom and the United States.

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

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

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

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

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

Minerals purchased outside the Group are not part of mineral reporting presented in sections 1.3.2. and 1.3.3., below.

1

1.3.2 MINERAL REPORTING PRINCIPLES APPLIED BY IMERYS

IMERYS MINING ORGANIZATION AND REGULATORY FRAMEWORK

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

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

Applicable since January 1, 2009 to companies based in mainland Europe, the United Kingdom and Ireland, PERC replaces the 2001 Reporting Code[(2)]. The PERC Code factors in the recent improvements made to Australian, South African, Canadian and other countries' mining codes and forms the new international benchmark. In particular, reporting rules have been reviewed and adapted to incorporate a section on the reporting specificities of industrial minerals, thereby establishing a reference framework for this sector.

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

A central register of Competent Persons is kept at Group level. Each Competent Person has signed a declaration authorizing the compilation of the estimates reported in public reports. A copy of the signed declarations is kept in the Competent Person's register.

DEFINITIONS

Minerals, when discovered, become a Mineral Resource if they have the potential to be eventually exploited economically. 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 mined, it becomes a Mineral Reserve (Probable or Proven Mineral Reserve, according to the level of confidence).

Mineral Resources

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

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

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

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

(1) PERC: Pan-European Reserves and Resources Reporting Commitee.
(2) 2001 Reporting Code: Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves.
(3) CRIRSCO: Committee for Mineral Reserves International Reporting Standards.

Mineral Reserves

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.

MINE PLANNING/MINING

Once all the factors necessary to establish a mine are taken into consideration in a feasibility study, a mining project is developed to supply ore to processing plants. Those plants beneficiate and transform these materials into final products tailored to the needs of the Group's customers. Imerys products are produced either from mines, where mineral rights are owned directly by the Group, or through long-term leases, notably in countries where the rights to minerals are vested in the states. A 20-year vision of reserves and supporting resources has been established within the Group for all operations to ensure the continuity of supply of materials to processing plants. This forward vision provides sufficient lead time to establish new or alternate sources of supply of processable ore. This mine planning ensures long-term continuity in the products supplied and provides a sound base for new product development.

AUDIT

In order to ensure Group-wide consistency and in compliance with reserves and resources reporting requirements, internal and external audits are conducted on a four-year cycle. Internal audits are carried out by an experienced Group geologist having no subordination connection to the audited sites. They are designed to ensure compliance with the PERC Code and Group policy and also to provide best practices for continuous improvement in the management and operation of the Groups' mineral deposits. Lastly, the Audit Committee examines the results of Imerys' reporting on mineral reserves and resources. 2011 is the last year of the second four-year audit cycle and a new cycle will start in 2012. It will include both external audits on major sites and internal audits on the remaining sites.

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.

Please refer to *Chapter 4, section 4.1.1 of the Registration Document*.

1.3.3 MINERAL RESERVES

In line with the special conditions relating to the "Reporting of industrial minerals, dimension stone and aggregates" in the PERC Code, categories of mineral types have been grouped together to protect commercially sensitive information for the purpose of Imerys' public reporting of its mineral 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 the long-term operation of its activities at the current annual production rate, using existing technology and under present and forecast market and economic conditions.

Reserves are quoted in addition to resources as on December 31, 2011 and are stated on the basis of thousands of metric tons of dry sellable product. Estimates for 2010 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 2011 against those reported for 2010.

According to Group accounting rules, mining assets amounted to €503 million as of December 31, 2011. They are subsequently measured at historical cost decreased by accumulated amortization and any impairment loss.

For more information, please refer to the consolidated financial statements, in Chapter 5 of the Registration Document and see Notes 4.11, 17 and 18.

MINERAL RESERVES ESTIMATES (AS OF 12/31/2011 vs. 12/31/2010)

Product	Region	Proven	Probable	Total	Proven	Probable	Total
		2011 *(kt)*			2010 *(kt)*		
Ball clays	Asia-Pacific	997	-	997	1,076	-	1,076
	Europe incl. Africa	14,078	4,084	18,162	14,122	4,095	18,217
	North America	5,250	1,508	6,758	7,913	1,508	9,421
	Total	**20,325**	**5,592**	**25,917**	**23,111**	**5,603**	**28,714**
Carbonates (Calcite, Marble, Chalk, Limestone, Dolomite & Dimension stone)	Asia-Pacific	1,958	39,114	41,072	2,250	33,063	35,313
	Europe incl. Africa	6,801	24,682	31,483	6,816	14,702	21,518
	North America	118,397	41,897	160,294	153,469	45,649	199,118
	South America	4,360	-	4,360	5,431	-	5,431
	Total	**131,516**	**105,693**	**237,209**	**167,966**	**93,414**	**261,380**
Red clays (Brick & roof tile raw materials)	Europe	87,436	6,996	94,432	64,947	27,126	92,073
	Total	**87,436**	**6,996**	**94,432**	**64,947**	**27,126**	**92,073**
Feldspar, feldspathic sand & pegmatite	Asia-Pacific	160	86	246	189	112	301
	Europe	18,062	9,538	27,600	16,762	9,876	26,638
	North America	-	-	-	1,728	-	1,728
	Total	**18,222**	**9,624**	**27,846**	**18,679**	**9,988**	**28,667**
Kaolin	Asia-Pacific	380	3,206	3,586	391	3,309	3,700
	Europe	7,510	14,278	21,788	8,271	14,490	22,761
	North America	29,260	9,611	38,871	29,578	9,013	38,591
	South America	37,431	2,534	39,965	38,799	2,534	41,333
	Total	**74,581**	**29,629**	**104,210**	**77,039**	**29,346**	**106,385**
Minerals for filtration (Perlite & Diatomite)	Asia-Pacific	-	90	90	-	119	119
	Europe	287	229	516	352	209	561
	North America	31,610	11,298	42,908	30,503	8,451	38,954
	South America	854	819	1,673	496	1,064	1,560
	Total	**32,751**	**12,436**	**45,187**	**31,351**	**9,843**	**41,194**
Minerals for refractories (Andalusite, Quartzite, Bauxite and bauxitic kaolin, Refractory clays & kaolins)	Asia-Pacific	-	722	722	-	378	378
	Europe incl. Africa	3,599	2,588	6,187	3,993	2,992	6,985
	North America	5,606	-	5,606	5,152	-	5,152
	South America	-	-	-	-	-	-
	Total	**9,205**	**3,310**	**12,515**	**9,145**	**3,370**	**12,515**
Talc	Asia-Pacific	3,155	499	3,654	-	-	-
	Europe	8,337	2,646	10,983	-	-	-
	North America	10,043	4,847	14,890	-	-	-
	Total	**21,535**	**7,992**	**29,527**	**-**	**-**	**-**
Other minerals (Bentonite, Graphite, Vermiculite, Quartz, Slate)	**Total**	**2,822**	**682**	**3,504**	**2,819**	**924**	**3,743**

In addition to the normal activities of production, exploration, transfer from resources and reassessments, significant changes were the result of major transfer from resources at an operation in Europe (Clays), a reassessment at operations in Asia-Pacific and North America (Carbonates), North America (Minerals for Filtration) and first-time reporting for the Talc operations worldwide. A major part of the feldspar and quartz reserves in North America were transferred to the joint venture The Quartz Corp. SAS and therefore are no longer included in this report. All estimates are quoted in thousands of dry metric tons final product equivalent. Clays are quoted in dry processable metric tons.

MINERAL RESOURCES ESTIMATES (AS OF 12/31/2011 vs. 12/31/2010)

Product	Region	Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
		2011 *(kt)*				2010 *(kt)*			
Ball clays	Asia-Pacific	160	-	-	160	175	-	-	175
	Europe incl. Africa	5,022	2,334	2,334	9,690	5,709	2,123	2,585	10,417
	North America	8,573	11,124	12,679	32,376	6,093	15,173	11,738	33,004
	Total	**13,755**	**13,458**	**15,013**	**42,226**	**11,977**	**17,296**	**14,323**	**43,596**
Carbonates (Calcite, Marble, Chalk, Limestone, Dolomite & Dimension stone)	Asia-Pacific	-	30,145	14,053	44,198	746	15,194	10,506	26,446
	Europe incl. Africa	2,226	3,104	75,555	80,885	2,226	9,954	78,338	90,518
	North America	57,045	122,401	91,887	271,333	56,925	116,057	91,857	264,839
	South America	6,885	7,400	-	14,285	11,085	10,900	22,983	44,968
	Total	**66,156**	**163,050**	**181,495**	**410,701**	**70,982**	**152,105**	**203,684**	**426,771**
Red clays (Brick & roof tile raw materials)	Europe	19,620	25,265	-	44,885	23,745	18,534	-	42,279
	Total	**19,620**	**25,265**	**-**	**44,885**	**23,745**	**18,534**	**-**	**42,279**
Feldspar, feldspathic sand & pegmatite	Asia-Pacific	-	80	-	80	-	515	-	515
	Europe	8,289	21,209	21,451	50,949	6,377	23,720	27,318	57,415
	North America	53	236	106	395	3,409	14,134	106	17,649
	Total	**8,342**	**21,525**	**21,557**	**51,424**	**9,786**	**38,369**	**27,424**	**75,579**
Kaolin	Asia-Pacific	-	5,459	2,960	8,419	30	5,459	2,960	8,449
	Europe	3,439	6,039	38,041	47,519	3,439	6,039	38,041	47,519
	North America	19,456	20,875	31,864	72,195	17,286	22,712	33,163	73,161
	South America	16,982	55,955	143,803	216,740	27,210	55,955	143,803	226,968
	Total	**39,877**	**88,328**	**216,668**	**344,873**	**47,965**	**90,165**	**217,967**	**356,097**
Minerals for filtration (Perlite & Diatomite)	Asia-Pacific	90	-	-	90	90	-	-	90
	Europe	29	3,731	4,100	7,860	208	3,628	270,535	274,371
	North America	22,917	30,826	33,305	87,048	19,881	31,364	28,626	79,871
	South America	-	999	75,158	76,157	-	812	74,402	75,214
	Total	**23,036**	**35,556**	**112,563**	**171,155**	**20,179**	**35,804**	**373,563**	**429,546**
Minerals for refractories (Andalusite, Quartzite, Bauxite and bauxitic kaolin, Refractory clays & kaolins)	Asia-Pacific	-	52	-	52	-	980	2,072	3,052
	Europe incl. Africa	2,611	1,931	4,570	9,112	2,508	1,831	4,570	8,909
	North America	11,250	246	137	11,633	12,189	246	137	12,572
	South America	-	1,539	-	1,539	-	1,539	-	1,539
	Total	**13,861**	**3,768**	**4,707**	**22,336**	**14,697**	**4,596**	**6,779**	**26,072**
Talc	Asia-Pacific	2,664	1,324	4,228	8,216	-	-	-	-
	Europe	10,508	9,544	4,181	24,233	-	-	-	-
	North America	4,959	900	5,347	11,206	-	-	-	-
	Total	**18,131**	**11,768**	**13,756**	**43,655**	**-**	**-**	**-**	**-**
Other minerals (Bentonite, Graphite, Vermiculite, Quartz, Slate)	**Total**	**1,402**	**5,896**	**4,143**	**11,441**	**1,713**	**6,677**	**4,372**	**12,762**

In addition to the normal activities of exploration, transfer to reserves and reassessments, significant changes were the result of the acquisition of additional resources and major transfer to reserves at an operation in Europe (Clays), reassessments at operations in Asia-Pacific, North America and South America (Carbonates), North America (Minerals for Filtration) and a first-time reporting for the Talc operations worldwide. A significant reduction in inferred resources in Europe (Minerals for Filtration) was due to the non-renewal of leases due to sensitive archaeological considerations and the abandonment of a conceptual long-term development plan. Due to the withdrawal from the vermiculite activity in Asia-Pacific and the transfer of a major part of the feldspar and quartz resources in North America to the newly created The Quartz Corp. SAS joint venture, the associated resources are no longer included in this report. All estimates are quoted in thousands of dry metric tons final product equivalent. Clays are quoted in dry processable metric tons.

1.4 MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

The Minerals for Ceramics, Refractories, Abrasives & Foundry business group is a global business structured around the four following activities:

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

The business group manufactures and sells high-performance mineral solutions for various demanding industries: ceramics, refractories, abrasives, semiconductors and oil and gas exploration.

It leverages on high quality mineral reserves and on sophisticated manufacturing processes around high-temperature operations, to offer mineral based specialties with key functionalities: refractoriness, abrasiveness, mechanical resistance, whiteness, purity, conductivity etc.

The business group benefits from leading market positions in each business and a significant presence in emerging countries which accounts for almost one third of its sales.

Its development is based on three levers: geographical expansion, innovation and increase in the exposure to dynamic markets.

The Minerals for Ceramics, Refractories, Abrasives & Foundry business group is increasing its exposure to growth markets. More than 40% of the business group's sales already comes from mineral based specialties to markets such as automotive, energy, electronics and the environment.

The business group has a significant growth potential. Three of the Group's major innovation projects (proppants for non-conventional oil and gas exploration, Lithium-ion batteries for electric cars, high purity quartz for the photovoltaic market) have been developed within the business group.

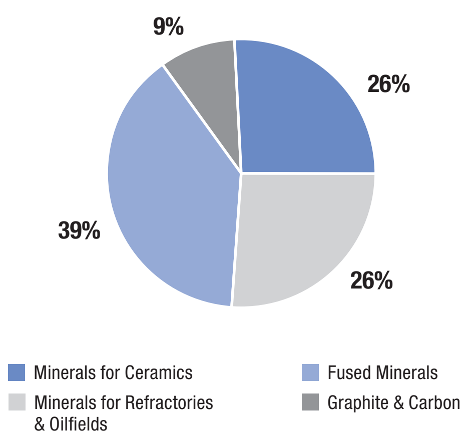
To support its innovation strategy, the business group also relies on its R&D centers, such as the Center for Abrasives and Refractories Research and Development (C.A.R.R.D, Austria), the Graphite & Carbon R&D Center in Bodio (Switzerland) and the Ceramics Center in Limoges (France).

After having completed acquisitions since 2007, enlarging its activities in ceramics and foundry (feldspar, zircon) as well as geographic footprint, especially in emerging countries (China, Turkey, India), the business group reacted quickly to the 2008-2009 downturn which was intensified by a destocking phenomenon in the value chain. Since the end of 2009, it has benefited from improved global economic conditions. In 2011, it reached historical sales levels despite volumes remaining below 2008 levels. The business group took advantage of the continuous strategy of mix improvement, innovation program and development in fast growing markets across all activities.

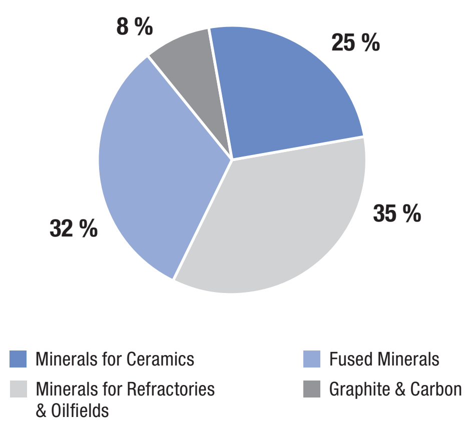
Minerals for Ceramics, Refractories, Abrasives & Foundry sales for the year ending December 31, 2011 amounted €1,186.1 million, representing 32% of Imerys consolidated sales.

The business group includes 94 industrial sites in 24 countries.

2011 sales: €1,186 million



5,572 employees as of December 31, 2011



As of January 1, 2012, as part of the integration of Luzenac Group, talc sales to Ceramics' markets, which had been consolidated in the Performance & Filtration Minerals business group in 2011, will be accounted for under the Minerals for Ceramics activity.

(€ millions)	2011	2010 [(1)]	2009	2008 [(2)]
Sales	1,186.1	1,105.0	794.5	1,159.9
Current operating income	156.8	135.2	44.0	127.8
Current operating margin	13.2%	12.2%	5.5%	11%
Booked capital expenditure	95.0	63.0	46.0	70.4

(1) 2010 results have been restated following the change in accounting method related to the recognition of employee benefits, applied on January 1, 2011.

(2) The financial component of net expenses for defined benefit plans for employees, are now recorded under financial income/expense from January 1, 2009. Figures for 2008 have been restated to take those changes in accounting rules into account.

For more information, *see Chapter 2, section 2.1.3 of the Registration Document*.

1.4.1 BUSINESS GROUP OVERVIEW

Business	Markets	Market Positions [(1)]	Main applications	Products
MINERALS FOR CERAMICS	Construction (new & renovation) Tableware Solar energy Semi-conductors Automotive Electronics & Electrical appliances Electro-metallurgy	**World #1** in raw materials & ceramic bodies for sanitaryware **World #1** In Kaolins for fiberglass **European #1** in raw materials and ceramic bodies for porcelain **European #2** in raw materials for floor tiles	**Mineral components for:** Sanitaryware Tableware Floor & wall tiles Technical ceramics Flat & container glasses Aggregates and thermal insulation Fiberglass Cement Automotive catalyst support Crucible for photovoltaïc cells	Chamottes Clays Feldspar Ground silica Halloysite Kaolin Pegmatite Prepared bodies & glazes Quartz Mica
MINERALS FOR REFRACTORIES & OILFIELDS	Steel Aluminium Construction Cement Glass Aerospace Energy	**World #1** in alumino silicate minerals for refractories	**Mineral components for:** Refractories **Process enablers for:** Foundry Oilfield drilling fluids Oilfield cementing Oilfield well stimulation	Alumina Andalusite Ball clays Bauxite Bentonite Chamottes Metakaolins Fused Silica Oilfield Minerals (Bentonite, Calcium carbonate, Diatomite, Graphite, Metakaolins, Mica, Perlite) Proppants
FUSED MINERALS	Automotive Energy Aerospace Construction Iron & Steel Foundry Electronical & electrical appliances	**World #1** in fused minerals for abrasives **World #1** in fused zirconia	**Mineral components for:** Surface treatment Sand blasting Refractories Advanced ceramics (oxygen sensors) Heating elements & friction Ceramics Foundry	Fused mullites Fused spinels Fused aluminum oxides Fused magnesium oxides Fused zirconia Silicon carbide Zirconia chemicals Zircon flour Zircon opacifier
GRAPHITE & CARBON	Mobile energy Electronical & electrical appliances Automotive and Transport Industrial equipment Metallurgy	**World #1** in graphite for alkaline batteries **World #1** in conductive additives for Li-Ion batteries **World #1** in lubricants for seamless tube protection **World #1** for large natural graphite flakes	**Functional additives for:** Alkaline and Li-on batteries Hot metal forming Friction and thermally and electrically conductive polymers	Carbon black Cokes Dispersions Natural graphite Silicon carbide Synthetic graphite

(1) Imerys estimates.

1.4.2 MINERALS FOR CERAMICS

Imerys Ceramics is a world leading supplier of industrial mineral solutions, from minerals to full prepared bodies for the sanitaryware, tile and tableware industries, together with a competitive offering for technical ceramics applications and the glass industry including fiber glass.

Imerys Ceramics' unique product range is based on:

- high quality reserves of minerals in Europe, the Middle East, Asia and the Americas;
- strong processing skills and application know how, supported by a network of competitive industrial facilities;
- innovation and technical support incarnated by a global network of R&D centers and regional laboratories;
- key brands with worldwide recognition in the industry for their product quality and production processes.

In 2011, the activity continued to enlarge its product offering with the inception of The Quartz Corp SAS, a newly created joint venture with Norwegian Crystallites SAS, producing high purity quartz for electronics and photovoltaic applications.

The inauguration of a ceramic application research laboratory, on the Imerys Devon ball clay production site in the United Kingdom, as well as a Central Asia research facility in Bangkok (Thailand) contribute to the development of the R&D network covering Asia.

With the creation of a blending platform in Gujarat, India's ceramic cluster, Imerys Ceramics continues its geographical expansion in a market with high growth potential.

From January 2012, Luzenac Group's ceramic applications' sales will be accounted for with Imerys Ceramics' activity. They will reinforce Imerys Ceramics activities in the automotive catalyst industry as well as in specialized technical ceramics applications.

PRODUCTS

As a market reference, Imerys Ceramics is a global supplier of mineral specialties proposing the widest range of minerals for the ceramic industries worldwide. The activity processes a large range of minerals (ball clay, chamotte, feldspar, kaolin, halloysite, mica, pegmatite and quartz) and sells full mineral solutions in different forms adapted to its customers' needs: granulates, slurries, specialized tableware or sanitaryware bodies, engobe pre-blends, steatite or cordierite bodies, glaze formulations etc.

For a detailed presentation of those minerals and products, *see Chapter 1, section 1.3 of the Registration Document.*

APPLICATIONS

Minerals for Ceramics offer premium quality minerals and ceramic bodies for traditional and technical ceramic applications. Sustained by extensive R&D programs and knowledgeable sales forces, Imerys' Ceramics business has grown beyond the traditional ceramics markets. A number of developments are on-going in technical ceramics (automotive industry, electro-procelain, photovoltaic applications for solar energy), glass and building related industries. For more information about R&D and innovation, *see Chapter 1, section 1.8 of present of the Registration Document.*

Traditional ceramics

Floor and wall tiles

Imerys Ceramics offers a large range of high quality minerals solutions for tiles bodies, frits [(1)], glazes and engobes - from the conversion of ball clays, feldspars, sands, feldspathic sands and white kaolins used to manufacture floor or wall tile bodies.

Sanitaryware

With the largest product portfolio on the market (ball clay, chamotte, kaolin, feldspar and prepared bodies), Imerys Ceramics is the world leader in minerals for sanitaryware manufacturing. The range includes the traditional vitreous china, but also specific solutions for fire clay products, such as the newly developed Super Fine Fire Clay body for high end sanitaryware applications.

Tableware

Imerys Ceramics offers a comprehensive range of minerals, ceramic bodies and glazes suitable for all types of high-quality white wares. Imerys Ceramics is the European leader for prepared bodies for porcelain and a world leader in high-end tableware minerals.

Technical ceramics

Automotive industry

With high quality kaolin deposits on several continents, Imerys Ceramics offers high purity kaolinite and halloysite products to the global ceramic automotive catalyst support and diesel particle filter industry.

Electrical porcelain

Imerys Ceramics offers highly consistent mineral solutions, tailored specifically to match the highest expectations of the electro porcelain insulator manufacturers, which are a key advantage for this technically demanding industry.

Photovoltaic applications for solar energy

Through The Quartz Corp joint venture, Imerys offers high-purity quartz. This material is needed for the manufacturing of high purity crucibles essential to the production of silicon used in photovoltaic cells for solar panels and electronic components.

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

Other markets

Electrometallurgy

Imerys mines and processes quartz pebbles mainly used in the production of ferroalloys and ferro-silicon, for special steel alloys.

Thermal power plant boiler additives

Imerys Ceramics has developed a combustion enhancing solution for increased heat and power boiler efficiency, traded under the Aurora™ brand.

Construction

The product range is composed of granulates for construction and public works and specialties made of feldspar and kaolin for the cement industry.

Glass and related markets

Imerys Ceramics products are made of kaolin for fiber glass, feldspar for flat and container glass, and a variety of minerals for glass and rock wool production.

Processing solutions

Imerys Ceramics also offers a variety of grinding, milling and blending solutions to process hard and soft industrial minerals at European production sites (France and Spain).

MARKETS

Market trends

The performance of the ceramic, sanitaryware and tiles markets, mostly construction related, has been contrasted in 2011: dynamic in emerging countries, markets improved slightly in some Western European countries and remained globally at low levels in North America. Imerys Ceramics nonetheless improved its sales thanks to increased efforts in areas such as Eastern Europe, the Middle East, Brazil, India, and Southeast Asia. Those regions registered strong growth in 2011.

The tableware industry confirmed a rebound in 2011, with strong markets in Europe and the Mediterranean markets, thanks to the sector's creativeness and the slowdown of Chinese imports.

Trends were positive in technical ceramics and other markets.

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 51 industrial facilities:

	Europe	Americas	Asia-Pacific
Kaolin	6	2	2
Clays	9	2	1
Ceramic bodies	8	1	
Feldspar & feldspathic sands	6	1	3
Mica	2		
Quartz	3		
Milling & blending plants	5		

Quality

Imerys Ceramics is firmly committed to improving quality: 27 industrial sites out of 51 are ISO 9001 certified.

Sales organization

Imerys Ceramics has strategic sales bases worldwide and its products are marketed by its own sales teams and by its networks of independent agents and distributors.

1.4.3 MINERALS FOR REFRACTORIES AND OILFIELDS

Through its global footprint, unique and extensive raw materials base and well mastered processing technologies, the Minerals for Refractories and Oilfields activity holds a unique and leading global position in the production of minerals for acidic refractories.

With its well established and universally recognized products and brands, the activity supplies the leading refractory companies in Europe and the United States where its high product consistency and reliable supply are particularly valued.

The activity's broad product portfolio enables it to offer several combinations of functional properties which support the industry's thirst for constant performance enhancement in terms of: refractoriness, refractoriness under load, thermal shock resistance, thermal conductivity, resistance to various chemical attacks, creep resistance, corrosion resistance, etc.

Its dedicated business development professionals and its R&D center based in Austria (C.A.R.R.D., the Center for Abrasives and Refractories Research and Development), which is shared with the Fused Minerals activity provides its refractory and investment casting customers with innovative solutions.

Through the expansion of its asset base in China, where 2011 marked the first full year of production for its Andalusite plant and thanks to the setup of its own sales and technical support teams in Ukraine, the activity benefited from the growth in refractory demand. This growth was the results of an increase in steel, cement and aluminium production in emerging countries.

Since 2010, the activity is also responsible for all R&D and sales related to proppants and mineral drilling additives for the Minerals for Oilfield Services. In 2011, its scope was further extended in this high growth market through the construction and commissioning in the United States (Andersonville, Georgia) of a production unit for ceramic proppants. This production unit, representing an investment of approximately US$60 million has an annual production capacity in excess of 100,000 tons and is covered by multi-year contracts. In a context of firm growth in demand, the project should create value from its first year of operation, in 2012.

PRODUCTS

The products made by Minerals for Refractories (manufactured from processed alumina silicate minerals) and Oilfield services are used for their mechanical and chemical resistance and for their thermal properties by refractory and oil and gas industries.

The Minerals for Refractories and Oilfields activity's main product lines are:

- **Sintered mullite** selectively mined and processed in Georgia and Alabama (United States) and marketed globally under the Mulcoa™ brand;
- **Andalusite** mined and processed in Brittany (France), South Africa, Xinjiang (China); Imerys also owns andalusite reserves in Peru;
- **Chamottes** mined and processed in Georgia and Alabama (United States), in Clérac (France), South Africa and Vatutinsky (Ukraine);
- **Fused silica** fused and sized in Tennessee (United States);
- **Molochite™** mined and processed in Cornwall (United Kingdom);
- **Propynite™,** a high performance rod shape proppant manufactured in Italy;
- **Clays and metakaolins** produced in Clérac (France) and Georgia and Alabama (United States);
- **Ceramic proppants:** a ceramic based spherical pellet manufactured in Georgia (United States) from bauxitic kaolin; these products are used in non-conventional oil and gas production.

The activity also manufactures and trades (from minerals mined and processed by other Imerys activities or purchased from third parties) several other products used in the refractory, oilfield and investment casting industries: calcium carbonate, diatomite, perlite, graphite, mica, bentonite, ball clays, fused alumina, tabular alumina, refractory bauxite, Alpha Star™, a high alumina and high density refractory bauxite.

For a detailed presentation of these minerals, please *see Chapter 1, section 1.3 of the Registration Document*.

APPLICATIONS

The main applications served by the Minerals for Refractories and Oilfields activity are:

- **Refractory** for equipment protection in high-temperature industries, such as steel, aluminium, cement, glass, incineration and petrochemicals: the activity manufactures aggregates used in acidic refractory materials (bricks and monolithics), which will in turn be installed in kilns, furnaces, boilers and incinerators to contain extremely hot substances and resist corrosion. Imerys is the world leader due to the variety and consistency of its products and the global reach of its supply chain;
- **Investment casting:** the activity offers a unique range of products and innovative solutions for investment casting and sand casting. The minerals manufactured by the Group are tailored to the specific needs of its customers in terms of purity, particle size distribution and blends;

- **Sanitaryware and kiln furniture:** the use in sanitaryware of the chamottes manufactured by Imerys in Europe allows for the manufacturing of so-called ‘fine fireclay’, a high-end ceramics material fit for more sophisticated forms than vitreous ceramics. This technique is well established and enjoys growing popularity in Western Europe, particularly in Italy, but is also taking hold in the fast growing MENA production centres;
- **Well stimulation** and drilling muds for the oil and gas industry. The proppants manufactured by Imerys are high tech ceramic beads essential in the production of non-conventional oil and gas, which requires hydraulic fracturing. Fracturing is the process of pumping water underground to open fractures in the reservoir formation to allow more oil and/or gas to permeate through the open surface area. The proppants keep fractures open, combining great mechanical strength with low density. The proppants used in the industry are naturally occurring (sand) or man-made (ceramic). Ceramic proppants provide superior pressure resistance and a better profitability of deposits.
- The activity also sells all products manufactured by Imerys, which are used in well cementing and drilling muds.

MARKETS

Market trends

In 2011, steel production, which drives the majority of the demand for the activity’s refractory products, continued to follow a positive trend, albeit at a slower pace than in 2010, with year on year increases of + 3% in Western Europe, + 7% in North America and + 9% in China, according to the International Iron & Steel Institute. Demand for the activity’s refractory products also benefited from a rebound in projects activity related to other refractory segments, especially in the aluminum industry.

Demand for proppants is driven by non-conventional oil and gas production in North America. The non-conventional drilling activity was particularly strong in the North American oil rich basins, where the characteristics and performance of light weight ceramic proppants are valued. This market was not material to the activity’s sales in 2011, as the first shipments from the new plant occurred in the first quarter of 2012.

Main competitors

Kaolin AD (Bulgaria); Cluz (Czech Republic); Andalucita (Peru); Andalusite resources (South Africa); Carboceramics, Minco (United States); various Chinese producers and several local competitors in all geographies.

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Minerals for Refractories and Oilfields business has 20 industrial facilities:

	Europe	Americas	Asia-Pacific & Africa
Fused silica		1	
Refractory materials sizing		1	1
Andalusite	1		6
Bentonite			2
Refractory clays & Chamottes	3		2
Mullite		1	
Fused white alumina		1	
Molochite™	1		

Quality

14 plants are ISO 9001 certified.

Sales organization

The Minerals for Refractories and Oilfields activity is well represented around the globe by its own refractory sales, logistics and technical teams, which are organized by geographic region. In 2011, the in house Chinese, Brazilian and Ukrainian sales networks were reinforced in order to better serve these growing markets.

In 2011, the activity established a sales team dedicated to the oilfield markets, serving the industry globally with presence in the United States and Europe. These teams also market the products manufactured by other Imerys entities used in the oilfield industry.

1.4.4 FUSED MINERALS

The Fused Minerals activity results from the acquisitions of Treibacher Schleifmittel in 2000, UCM in 2007 and Astron China in 2008. With a strong industrial footprint (China, Europe and Americas) producing a wide range of high-performance products (fused alumina, fused zirconia and fused magnesia), Imerys' Fused Minerals business is the worldwide leader in specialty applications such as abrasives, refractories, technical ceramics, heating elements for the iron & steel, automotive, industrial equipment and construction markets.

The Fused Minerals activity benefits from a unique fusion technology and know-how, which are key to control critical functional properties of its minerals, such as abrasive efficiency, durability, heat dissipation, opacity, colour etc.

The know-how and Research & Development capabilities, within C.A.R.R.D., allow for the development of new mineral solutions and innovations such as sintered rods, a new shaped abrasive with increased grinding performance. For more information regarding innovation, please *see Chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

Minerals such as bauxite, alumina, zircon sand and magnesia are fused in electric-arc furnaces and then processed into the following main product families:

- **fused aluminium oxide grains,** also known as corundum, are produced by fusing alumina or calcined bauxite and sold either in macro or micro grains (> or < 70 microns) as an abrasive or refractory mineral due to its superior hardness, mechanical strength and thermal stability;
- **fused zirconia,** sold in sized grains or very fine powders (less than 1 micron), has an excellent thermal shock resistance and in its fine form is largely used in pigments;
- **zircon sand,** milled and processed into flour and opacifiers for the ceramic industry;
- **zirconium chemicals,** only produced in China through a complex chemical process;
- **fused magnesia grains** for high-end specialty applications.

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

APPLICATIONS

The Fused Minerals activity provides to its customers high-quality products for various applications:

- **Abrasives:** thanks to their wear resistance and thermal properties, fused aluminium oxides are widely used as abrasives, mainly coming as bonded (abrasive material contained within a matrix, or binder such as grinding and cutting wheels, honing stones etc.) or coated abrasives (abrasive fixed to a backing materials such as paper, cloth, rubber etc.). Fused Minerals activity is the world leader in this application, thanks to a large range of products and their strong functional properties. Abrasives are widely used in all industries;
- **Refractories:** resisting extreme temperatures (>1,800°C) under harsh physical and chemical conditions, the activity provides various types of refractory minerals, alumina-, zirconia- or magnesia-based showing strong thermal resistance and chemical inertia. These specialty minerals are used for the lining of furnaces in steel, glass and aluminium industries, investment casting, etc.;
- **Technical Ceramics** are industrial applications for the ceramic industry. Sophisticated grades of fused alumina and zirconia are used as ceramics components because of their crystalline structure and mechanical strength. These products typically address high value markets and applications such as oxygen sensors, solid oxide fuel cells, etc.;
- **Friction compounds:** micron-sized zirconia and magnesia are used as additives to brake pads in the automotive industry. These products help to modify friction characteristics and reduce brake pad and rotor wear;
- **Heating elements:** electrical grade fused magnesia, thanks to its electrical and thermal properties, is widely used in the production of both heating elements for domestic appliances (cookers, dishwashers etc.) and industrial applications (galley products, railway heating, industrial boilers etc.);
- **Other industries:** Imerys Fused Minerals has also developed chemicals (zirconium basic carbonate) for a wide range of applications such as antiperspirants, paint driers, coatings and catalysts.

MARKETS

Market trends

Volumes rebounded in Fused Mineral activity driven by a worldwide economic upturn in 2010 and a strong demand in the steel, industrial equipment and automotive sectors in 2011. Thanks to its recent development in Asia, the activity, and in particular Imerys Astron China, benefited from the dynamism of this region.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

Fused Minerals has 16 industrial facilities:

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

Quality

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

Sales organization

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

1.4.5 GRAPHITE & CARBON

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

Timcal benefits from high quality reserves of natural graphite in Canada with cutting edge high temperature processes (synthesis, crystallization) for close control of functional properties: purity, crystalline structure, particle size and shape, specific surface, etc. through the development of a range of specialties.

In fast moving and high-tech markets, Timcal's Research & Development effort, with the R&D center in Bodio (Switzerland) provides customers with new innovative solutions. Timcal has been particularly active in Li-ion batteries for electric cars. More details are given in *Chapter 1, section 1.8 of the Registration Document*.

PRODUCTS

Timcal's main product families are:

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

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

APPLICATIONS

Graphite & Carbon products are tailored to customers' needs, ensuring high-quality products and services in every application field.

- **Mobile energy:** in the fiercely contested portable energy market, Timcal is the world leader due to the variety of its functional additives, which range from graphite and carbon black powders to conductor coatings for battery cans. Graphite is used in alkaline batteries, Zn-C batteries, Lithium-ion rechargeable batteries (for mobile electronic devices and electric and hybrid electric vehicles), fuel cells (systems for converting chemical energy into electricity through a continuous fuel supply), super-capacitors and can coatings.

- **Engineering materials:** by combining synthetic and natural graphite, the activity offers tailor-made solutions that deliver precise physical and chemical characteristics needed by various industries. For instance, in the automotive industry, outlets for Timcal products are mineral components used in 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, resins and plastics (for electronic packaging, safety and automotive applications).
- **Hot metal forming:** in a sector that is heavily dependent on the oil drilling business, Timcal's leadership is based on its extensive knowledge of graphite dispersions for hot metal forming, descaling agents, casting and related application systems.
- **Refractories and metallurgy:** a significant outlet in volume terms for the Graphite & Carbon activity, in particular for bricks, monolithics, carbon raisers and hot metal topping.

MARKETS

Market trends

During 2011, the strength in manufacturing and industrial production, particularly in Europe and North America, resulted in growing demand across most of Graphite & Carbon applications. However, the pace of growth slowed down sequentially in the second half of the year, during which the activity has seen a decrease in demand.

Main competitors

Cabot (Belgium); Nacional de Grafite (Brazil); Degussa, Kropfmühl (Germany); Azko Nobel, Nippon Kokuen, Chuetsu, Denka (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:

Europe	North America	Asia-Pacific
2	2	3

Quality

6 industrial sites are ISO 9001 certified.

Sales organization

Timcal is well represented around the globe by its own experienced sales and technical teams, which are organized by geographic region. This global representation provides customers with constant support, ensuring that adequate product solutions can be found quickly to meet their needs.

1.5 PERFORMANCE & FILTRATION MINERALS

The Performance & Filtration Minerals business group comprises two main businesses, which are presented below:

- Performance Minerals;
- Minerals for Filtration.

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

On August 1, 2011, Imerys completed the acquisition of 100% of the Luzenac Group from Rio Tinto. With yearly sales of approximately US$400 million, Luzenac Group is the world leader in talc processing. This mineral is used in many technical applications such as polymers, paints, ceramics and paper, in a wide range of end markets (industrial equipment, construction and consumer goods etc.). It will therefore strengthen the business group leadership and product offering.

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

- **Construction:** home or commercial buildings use materials such as decorative or insulating paints, fencing, electrical cables made of plastic, rubber carpet backings, adhesives, sealants whereas infrastructure construction need road paints, etc.;
- **Consumer goods:** food & beverage, cosmetics, pharmaceutical & nutraceuticals, personal care products such as toothpaste, soap, household appliances, etc.;
- **Automotive:** plastic parts such as car bumpers, dashboards, under the hood parts, interior and exterior trims, etc.;
- **Industrial products:** high technical plastics, painting for large equipment or spare parts, etc.

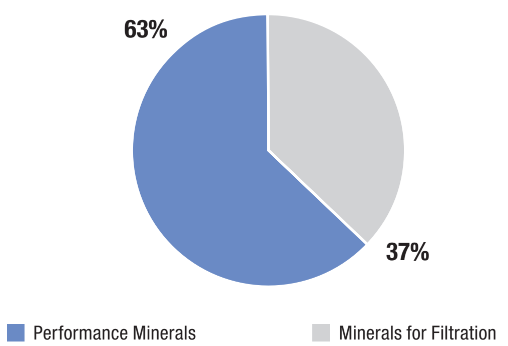
Performance & Filtration business group growth is based on 3 levers:

- growth in emerging countries, with selective development in Brazil and India, where the business group opened an office in 2011, as well as in other fast growing countries;
- continuous improvement of operational efficiency;
- enlargement of product offering by leveraging on innovation to develop new applications. The two activities of the business group can rely on their R&D network, which has been strengthened by an additional R&D Center in Toulouse (France) and four regional laboratories in the United States: Lompoc (California), Marietta (Georgia), Denver (Colorado) and San Jose (California), following the acquisition of Luzenac Group.

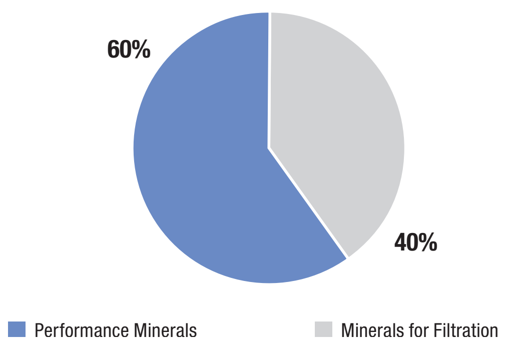
The business group has been affected by the downturn of its underlying markets, accelerated, in 2009, by the decrease of inventories in value chains downstream. In 2010, markets recovered at various speeds, with a subsequent rebuilding of inventories and held well in 2011. Performance & Filtration Minerals' sales for the year ending December 31, 2011 totaled € 719.7 million, which represents 19% of Imerys' consolidated sales.

The business group has 64 industrial sites in 20 countries.

2011 sales: €720 million



3,809 employees as of December 31, 2011



From January 1, 2012, following Luzenac Group integration, talc sales for Ceramics and Paper & Packaging markets will be accounted for in the corresponding business groups.

(€ millions)	2011	2010 (1)	2009	2008 (2)
Sales	719.7	594.7	500.7	571.5
Current operating income	83.4	65.9	26.9	46.1
Current operating margin	11.6%	11.1%	5.4%	8.1%
Booked capital expenditure	36.7	26.8	10.7	48.9

(1) 2010 figures have been restated following the change in accounting method related to the recognition of employee benefits, applied on January 1, 2011.

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

For more information, *see Chapter 2, section 2.1.3 of the Registration Document*.

1.5.1 BUSINESS GROUP OVERVIEW

Business	Markets	Market Positions (1)	Main applications	Products
PERFORMANCE MINERALS	Agriculture Food Pharmacy & Personal care Consumer Goods & Packaging Automotive Construction Industrial equipment Paper	**World #1** in talc for plastics, paints, paper, ceramics, health & beauty **World #1** in minerals for breathable polymer films **World #1** in mica **World #1** in mica for engineered plastics and high performance coatings	**Functional additives for:** Sealants Adhesives Paints Coatings & Construction materials Polymer & Films Catalyst substrates Rubber Paint Ceramics Paper Personal Care	Ground Calcium Carbonate (GCC) Precipitated Calcium Carbonate (PCC) Kaolin Mica Talc
MINERALS FOR FILTRATION	Food & Beverages Pharmaceuticals & Chemicals Agriculture Construction Automotive	**World #1** in diatomite-based products	**Process enablers for filtration of:** Beer, Fruit juice Edible oils Food Industrial chemicals Pharmaceuticals Sweeteners Water, Wine	Diatomite Expanded perlite & Perlite ore Structured alumino-silicate Vermiculite
		World #1 in diatomite-based products and perlite-based products for filtration	**Functional additives for:** Agriculture Polymers Rubber, Polishes Paint, Composites Cosmetics Catalysts Insulation, Cryogenic insulation and Soundproofing Roofing Refractories Brake linings Paper Polymer films	

(1) Imerys estimates.

1.5.2 PERFORMANCE MINERALS

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

Over the past years, the Performance Minerals business developed its range of high-quality minerals and expanded its geographic presence around the world.

PRODUCTS

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

The Performance Minerals activity makes its products from kaolin, ground calcium carbonate (GCC), precipitated calcium carbonate (PCC), mica and talc. For a detailed presentation of these minerals and products, please *see Chapter 1, section 1.3 of the Registration Document*.

APPLICATIONS

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

Applications include:

- **paints & coatings:** an extensive range of kaolins, calcium carbonates, mica and talc, are used as extenders to improve paint and film quality, opacity, matting, anti-cracking and anti-corrosive properties;
- **plastics, films and polymer packaging:** the development of more and more sophisticated applications means that increasingly demanding requirements are placed on functional fillers and the specific properties they impart. Imerys has an excellent range of high-quality mineral extenders at its disposal including calcium carbonates, kaolins and micas; talc improves stiffness, impact resistance and dimensional stability of thermoplastic automotive parts and plastics for consumer goods (household appliances etc.). Talc reinforced polymers are increasingly used in automotive parts to help reduce the weight of the vehicles;
- **rubber:** kaolins, calcium carbonates and talc are used in many rubber applications. Imerys' range of white minerals delivers good processability, permeability, chemical resistance and barrier properties, in addition to good whiteness and rubber mechanical properties. In particular, talc is used in seals, hoses, membranes, cables, tires and other mechanical rubber goods to improve processing, permeability, electrical properties, fire resistance and mechanical properties such as tear resistance for automotive parts, tires, pharmaceutical closures, industrial goods etc.;
- **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;
- **health & beauty:** talc is used to bring softness to body powders, silkiness to make-up and to enhance softness and lather of soaps and to reduce formulation costs. Thanks to its inertness, talc is an excellent pharmaceutical excipient and carrier for medicated powders. Talc also acts as glidants and lubricants for tableting and many other pharmaceuticals applications. Calcium carbonates are used in a large range of personal care products, such as toothpaste and soap;
- **paper & packaging:** talc is used as filler and as a process enabler for adsorption of organic impurities (pitch control) of papers in order to bring quality and whiteness, notably for recycled paper. It can substitute water chemicals as an alternative environmentally friendly solution in paper processing operations;
- **ceramics:** talc is used in cordierite honeycomb bodies, which is a key piece of ceramic technology that is now standard equipment in the exhaust systems of cars, trucks, buses, as well as off-road mobile mining, farming and construction equipment worldwide;
- **other niche applications:** a wide range of minerals that enhance the properties of products are used every day in construction, landscaping, drilling muds and personal care products. These include: white marble aggregates used in coatings for swimming pools and limestone products for lawn care. Calcium carbonates are used in water treatment systems, air purification and the energy sector.

MARKETS

Market trends

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

- **Europe:** the Performance Minerals business in Europe is linked to activity in the construction and automotive markets. The whole sector entered into a slump in the 2nd half of 2008, which continued throughout 2009. Construction is improving slightly in Europe, but remained at a low level in 2010 and 2011. The automotive industry finished the 2010 inventory correction and now follows a demand driven production pattern: 2011 EMEA demand showing moderate growth versus 2010. The trend is towards weight savings for vehicles and decreasing carbon footprint is driving the increased penetration of talc-filled polypropylene. Segments such as polymers and other industrial applications and agriculture have held well;
- **North America:** since mid-2007, a significant downturn affected new residential construction with a negative impact on a number of key markets (joint compound, roofing and PVC [1] siding, paints and coatings). Activity remained flat throughout 2010 and 2011 at a historically low level, while export-oriented industrial uses rebounded. Improvement in automotive industry helped sales into plastics in 2011;
- **South America:** activity in Brazil (mostly paints and construction related) continued to be solid in 2011;
- **Asia Pacific:** strong positions in polymers and specialty rubber applications have provided growth in Asia. In Japan, automotive production continues to improve after the slow months following the earthquake in Japan.

Main competitors

Sibelco (Belgium); BASF (Germany); IMI Fabi (Italy); Mondo Minerals (Netherlands); Omya (Switzerland); Goonvean (United Kingdom); JM Huber, Specialty Minerals (United States).

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Performance Minerals activity has 39 industrial facilities:

	Europe	Americas	Asia-Pacific & Africa
Kaolin	4		
GCC	6	7	4
PCC		3	
Mica		2	
Talc	5	6	2

Quality

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

Sales organization

Performance Minerals products are generally marketed by dedicated teams at regional divisions level or by networks of independent agents or distributors; with some exceptions for some new products, applications and services. Sales organization was adapted to a new geographic organization in order to provide customers with the highest level of services. Talc sales organization is being optimised as part of the Luzenac Group integration plan.

(1) PVC: Polyvinyl Chloride.

1.5.3 MINERALS FOR FILTRATION

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

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

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

PRODUCTS

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

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

For a detailed presentation of these minerals, please *see Chapter 1, section 1.3 of the Registration Document*.

APPLICATIONS

- **Food & Beverage filtration:** diatomite and expanded perlite have ideal particle size, shape, structure and density to be used as process enablers for the filtration of beer, sweeteners, water, wine, green tea and edible oils.
- **Pharmaceutical and Industrial chemicals:** in these two applications, diatomite consists in a functional additive or a process enabler: it is used for its instrinsic qualities in filtration processes and as a functional filler in cosmetics, pharmaceuticals and chemicals. Diatomite is a key component of the blood fractionation processing worldwide. Perlite is used as filler and abrasive in dentistry. Diatomite and expanded perlite are both used as filtration aids in biodiesel refining.
- **Building materials:** perlite and expanded perlite products provide several unique properties. Used as functional additives, they are suitable for heat and cryogenic insulation, soundproofing, building materials, coatings (for pools, for instance) 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 properties.
- **Other niche products:** diatomite is used as a functional additive in the paint, plastic film, agriculture, polishes and rubber sectors. Perlite and expanded perlite are suitable for horticulture and lightweight refractories. Calcium silicate-based and magnesium silicate-based products are used in niche rubber processing and pesticide formulations.

MARKETS

Market trends

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

- filter aid as well as personal care products followed general consumption trends. They were affected by the economic and financial crisis from the end of 2008 to the beginning of 2009 reflecting excess inventory throughout the distribution chain. Business rebounded in the 2nd half of 2009, despite demand for filtration of food and beverage products remained stable overall. In 2010 and 2011, demand remained strong in emerging countries and globally stable in Europe and North America;
- on the construction side, activity stabilized at a low level in North America and is slowly improving in Europe.

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 business has 25 industrial facilities:

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

Quality

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

Sales organization

Minerals for Filtration products are generally marketed by dedicated teams at regional divisions level or by networks of independent agents or distributors; with some exceptions for some new products, applications and services. Sales organization was adapted to the new geographic organization in order to provide customers with the highest level of services. Global and regional marketing professionals provide further technical and strategic support for the sales organization.

1.6 PIGMENTS FOR PAPER & PACKAGING

The Pigments for Paper & Packaging business group manufactures innovative mineral solutions to enhance the properties of cellulose fibre-based materials. The mineral solutions it produces are used as filler additives, coating pigments and process enablers for the paper and board manufacturing industries. They also enhance paper production and contribute to environmental protection.

The business group supplies the global paper and packaging producing industry. Its products are used to produce graphic paper, used for publishing and commercial printing, business paper, specialty paper and board for packaging.

Pigments for Paper & Packaging extracts kaolin and calcium carbonates from its extensive and high quality worldwide reserves. Following, most of the time, proprietary transformation processes, pigments and custom-made blends are delivered via an elaborate and lean supply chain to some 350 paper and board mills across the globe. In order to deliver products adapted to local specificities of paper and packaging production, the business group is structured into four geographical zones.

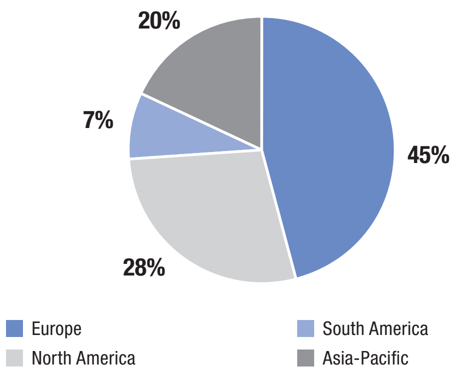
The business group pursues a disciplined focus on operational excellence and sustained growth by innovation. Working side by side with its customers in long-term partnerships, the business group allocates crucial resources to research and development in order to penetrate new markets and promote minerals as a natural substitute to wood fibre and chemicals in cellulose fibre-based applications. Already representing 12% of the business group sales, the board and packaging segment illustrates this strategy. It constitutes a key driver for future growth and continues to draw marketing, technical, commercial and development efforts.

Paper demand, impacted by the economic crisis and destocking through the value chain in 2008 and in 2009, benefited from a progressive rebound in 2010, followed by a partial inventory rebuilding. In 2011, this trend continued in the first half, but reversed at year end. In this context, the business group sales and production were stable compared to the previous year. The consequences of the restructuring implemented by papermakers in mature countries have been compensated by the development in emerging countries (two plants were commissioned in India in 2010) and the development of products and services for the board & packaging markets. The integration of Pará Pigmentos S.A. (PPSA), a Brazilian kaolin maker acquired in 2010, was successfully completed during 2011.

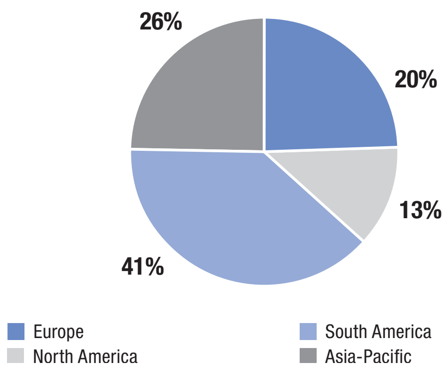
For the year ending December 31, 2011 Pigments for Paper & Packaging sales totaled €796.4 million, representing 21% of Imerys' consolidated sales.

The business group operates 47 industrial sites in 19 countries.

2011 sales: €796 million



2,345 employees as of December 31, 2011



As of January 1, 2012, as part of the integration of Luzenac Group, talc sales to Paper & Packaging markets, which had been consolidated in the Performance & Filtration Minerals business group in 2011, will be accounted for under Pigments for Paper & Packaging.

(€ millions)	2011	2010 [(1)]	2009	2008 [(2)]
Sales	796.4	767.1	631.9	719.2
Current operating income	83.2	76.9	41.6	60.2
Current operating margin	10.4%	10.0%	6.6%	8.4%
Booked capital expenditure	68.7	60.6	32.5	62.3

(1) 2010 figures have been restated following the change in accounting method related to the recognition of employee benefits, applied on January 1, 2011.
(2) In 2009, certain activities in Asia and South America were transferred from Pigments for Paper to Performance & Filtration Minerals. Additionally, the financial components of net expenses for defined benefit plans for employees are now recorded under financial income/expense from January 1, 2009. Figures for 2008 have been restated to take those changes in accounting rules into account.

For more information, *see Chapter 2, section 2.1.3 of the Registration Document*.

BUSINESS GROUP OVERVIEW

Activity	Markets	Market positions [(1)]	Applications	Products
PIGMENTS FOR PAPER & PACKAGING	**Printing & Writing** Graphic paper - Commercial printing - Publishing Business paper	**World #1** in kaolin for paper	Fillers, Coatings **(functional additives)** and **Process enablers**	Kaolin Ground Calcium Carbonate (GCC) Precipitated Calcium Carbonate (PCC)
	Board & Packaging - Container board - Carton board Specialty paper	**World #2** in carbonates for paper		

(1) Imerys estimates.

PRODUCTS

The Pigments for Paper & Packaging business group offers the world's broadest range of specialty white pigments for cellulose fibre-based materials with hydrous and calcined kaolin, ground calcium carbonate and precipitated calcium carbonate to be used as functional additives in filling and coating applications or as process enablers. Pigments or blends are differentiated mostly by their chemical composition, particle size distribution, whiteness or viscosity. The products provide properties that enable paper and board manufacturers to optimise their production processes and deliver consistent savings.

- **Kaolin** is purified, refined and ground to yield the desired product properties, engendering a mineral that imparts different qualities to its end applications in particular whiteness, opacity, gloss, smoothness and printability. The world's largest producer of kaolin for paper and packaging, Imerys is also the only supplier sourcing globally, from its own extensive high quality reserves in Brazil, the United States and the United Kingdom. Each site offers unique geological characteristics permitting for blends to be made to fit customer specific requirements.
- **Ground Calcium Carbonate** (GCC) is produced through mechanical grinding of naturally occurring high brightness marble, limestone or chalk. The mineral imparts high whiteness and good rheology in finished paper and packaging products. Product properties are attained by proper crushing, dispersing, milling and classification. The Group produces GCC with processing plants located within distance to customers' mills to ensure a high quality service and logistical flexibility.
- **Precipitated Calcium Carbonate** (PCC) is generated during a batch process in fully integrated on-customer-site processing units, providing very pure calcium carbonate crystals which can be tailored to a variety of different shapes and sizes, to adapt to the specific functionality required.

For a detailed presentation of these minerals, please *see Chapter 1, section 1.3 of the Registration Document*.

APPLICATIONS

- **Fillers** are added at the beginning of the paper and board making process, just prior to the formation of the paper web. Mineral fillers are designed to impart texture, opacity, whiteness and printability. They raise mill productivity through faster dewatering rates and lower drying requirements, thereby generating machine speed and energy gains. Against traditional cellulose fibre, retention aids or sizing agent chemicals, filler additives constitute a cost-effective alternative to improve base paper quality.

Kaolin provide fillers that are especially suited to supercalendered paper, typically used for magazines, catalogues or directories, whereas GCC and PCC fillers are used more extensively in high brightness applications such as uncoated woodfree paper, which is used in office paper, for fine writing and printing, archival copying or offset printing. In some cases, combinations of kaolin and carbonate fillers are generated to achieve the best balance of properties.

- **Coating products** are used in sophisticated formulations containing different pigments, binders and chemical additives to give a smooth paper surface which can deliver superior gloss and print quality compared to uncoated paper grades. Coating formulations are applied to the paper surface at high speed to give a thin even layer. The rheological performance, brightness and physical characteristics of the pigments used in coating address the printability in single coated paper applications used for magazines and higher quality advertising items such as inserts, coupon printing or other low lifetime, high resolution print products. In multilayer coating paper, used for commercial printing applications such as company brochures, annual reports and other higher quality advertising, coverage and performance is built up in layers taking advantage of the numerous pigment functionalities.
- **Process enablers** - Specialty minerals are increasingly popular processing aids in the wood-pulp, paper and board industries where they typically function as retention aids and sizing agents thanks to their positive environmental impact and beneficial performance-cost ratio. Those properties are more and more used in recycled paper production.

The business group's dedicated innovation resources continuously strive for the development of new value-adding mineral solutions. For more information regarding Innovation, please *see Chapter 1, section 1.8 of the Registration Document*.

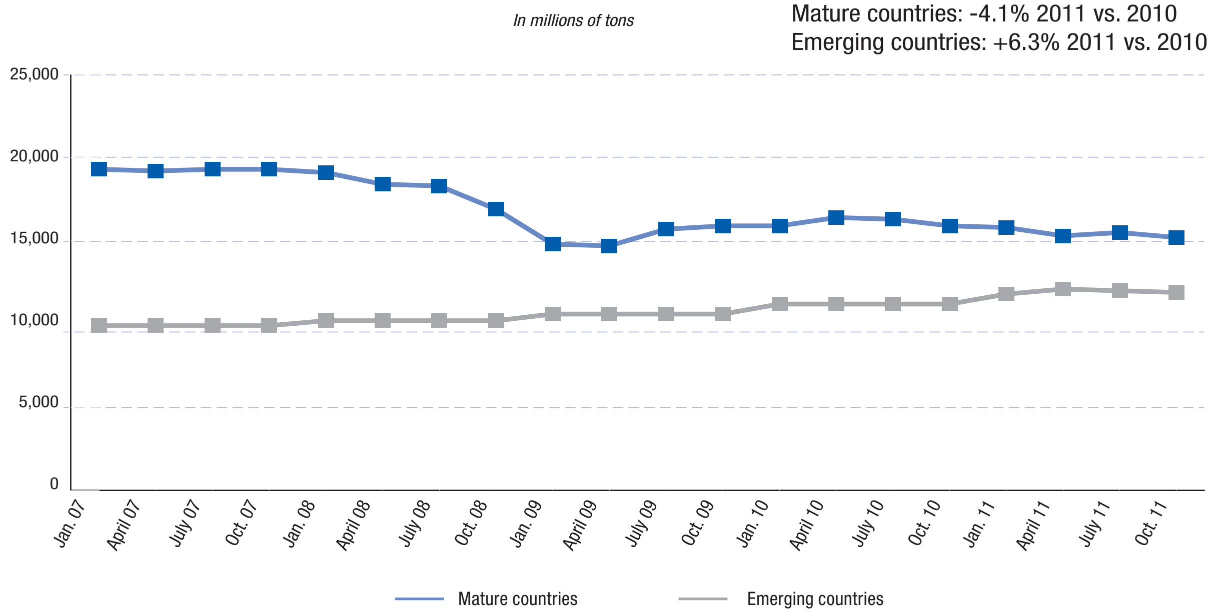
MARKETS (1)

After recovering from the global economic downturn in 2010, paper markets stabilized in 2011. Global printing and writing paper production was flat with a year-on-year increase in the first half of 2011 and a marked slowdown at year-end. North American and Western European markets were weak and both regions continued to restructure with selected mill closures and further industry consolidation. Printing and writing paper production in emerging countries (Asia Pacific and South America) increased + 6% and these markets grew their overall share of global printing and writing paper output in 2011. Packaging markets remained robust with global production of coated board estimated to have grown by some 2%, including in mature economies.

Fibre-based packaging is forecasted to grow between 2% and 5% per annum globally depending on board type until 2015. Demand is boosted by the increasing need for packaging in relation to shipments driven by the continuous growth of e-commerce and is underpinned by the fundamental increase in demand for packaged food and beverages across the world, in mature and in developing economies, favoured by the positive environmental impact of cellulose based materials.

In line with new consumer trends and packaging specifications coming from retailers and brand owners, producers and converters of board and other packaging grade paper are developing tailor-made solutions that deliver barrier properties, strength, light weighing and recyclability. Hyper-platy clays for barrier applications, high opacity mineral solutions for carton board and default pigment particle size for wood fibre extension and replacement in container board are some examples of innovative solutions for the fibre-based packaging segments. These new and innovative solutions represent an increasing percentage of the sales mix of the business group.

Global printing & writing paper production (1)



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

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The business group totals 47 industrial facilities:

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

Quality

The business group is involved in quality certification with 31 plants ISO 9001 certified.

Sales organization

Pigments for Paper & Packaging products are marketed through the business group's own highly dedicated expert sales force with regional attributions for Europe, Northern America, Asia Pacific and Latin America.

1.7 MATERIALS & MONOLITHICS

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

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

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

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

After focusing its efforts on improving the productivity of its industrial assets and refocusing its network on the French market (divestments of operations in Spain and Portugal in mid-2007), the Building Materials activity progressively adapted its production to the slowdown of the Construction market, which began in early 2008. The situation improved in 2010 and 2011 without, however, returning to the housing start levels of 2007.

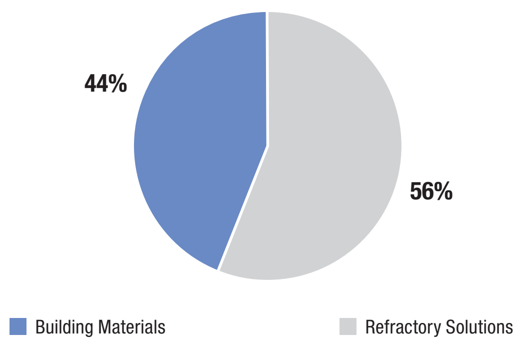
Calderys, the world leader in alumino-silicate monolithic refractories, provides services and products to the "Liquid metal" (steelmaking, foundry, aluminum) and "Thermal" (cement, power generation, petrochemicals and incineration) industries. The Kiln Furniture activity's products mainly serve kiln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

Calderys consolidated its world leadership with acquisitions in 2007 and 2008 (ACE Refractories in India, B&B Refractories in South Africa and Svenska Silika Verken AB in Sweden). The activity was affected by the difficult economic context in 2009. In 2010, business improved in most countries where the Group operates, thanks to a significant upturn in steel production, which did not, however, regain pre-crisis levels. In 2011, Calderys opened a new line in China and optimized its industrial layout by grouping two production sites together in Sweden.

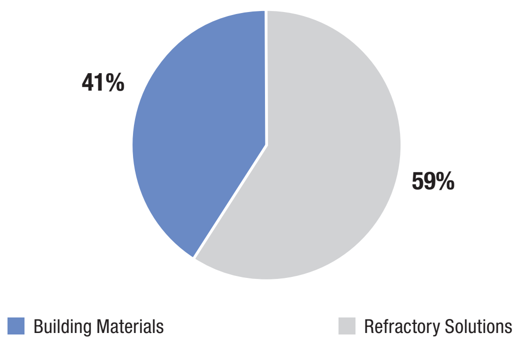
The Materials & Monolithics business group's sales for 2011 totaled €1,025.3 million, contributing 28% of the Group's consolidated sales.

The business group has 40 industrial sites in 16 countries.

2011 sales: €1,025 million



4,168 employees as of December 31, 2011



(€ millions)	2011	2010 (1)	2009	2008 (2)
Sales	1,025.3	922.6	875.6	1,041.4
Current operating income	209.5	187.6	168.0	228.3
Current operating margin	20.4%	20.3%	19.2%	21.9%
Booked capital expenditure	24.0	14.0	27.3	52.0

(1) 2010 results have been restated following the change in accounting method related to employee benefits, applied as of January 1, 2011.

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

For more information, *see chapter 2, section 2.1.3 of the Registration Document.*

1

1.7.1 BUSINESS GROUP OVERVIEW

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

(1) Imerys estimates.

1.7.2 BUILDING MATERIALS

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

The activity's operating excellence is reflected in the extensive automation of its plants, enabling it to produce high value-added products on a large scale. Operations are supplied from dedicated, high-quality and long-term mineral deposits equivalent to up 50 years' reserves.

Finally, the Building Materials activity develops innovative products that enable it to meet users' new expectations in terms of heat and sound insulation and ease and speed of installation.

In 2008, Imerys TC enhanced its range of efficient and innovative integrated photovoltaic roof tiles through the creation of Captelia™. This joint venture [(1)] with EDF ENR (Énergies Renouvelables Réparties, distributed renewable energies) aims to make electricity generation widespread on conventional roofs.

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

PRODUCTS

Clay reserves are a source of high-quality minerals located in France, near its clay product processing plants. To ensure durable operations, the activity strives to develop its reserves, particularly through land purchases and exchanges, and plans future site restoration and remediation. In 2011, new authorizations were obtained near Ste Foy l'Argentière (Rhône, France) and Mably (Loire, France) for the renewal of the Brûlevent and Mably quarries, respectively.

Ardoisières d'Angers operates an underground slate quarry in Trélazé (Maine et Loire, France). The slate is mined at depths of 450 meters, guaranteeing exceptional quality with the following properties: impermeability, harsh weather resistance, particularly frost, stability and flexibility, which makes it easy to use. Slates are especially suited to steeply sloping roofs.

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

APPLICATIONS

Clay Roof Tiles & Bricks

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

The benefits of clay products were recently confirmed by the findings of the Grenelle de l'Environnement [(1)] on housing: healthy, robust and durable construction with the heat inertia and airtightness required for low consumption buildings (B.B.C. – Bâtiments Basses Consommation). For the same size, the "Optibric PV 4G" clay brick provides five times more heat insulation than concrete blocks.

In 2011, the Building Materials activity continued its innovation effort to add more value for customers and offer practical building solutions for more and more efficient, cost-effective, comfortable and therefore sustainable housing. The main aims of new products were the following: ease of installation, speed of use, energy efficiency for bricks, and combining technical progress with visual appeal for roof tiles such as NéoPlate, which has the same external appearance as a flat tile with 35% shorter installation time. For more information on innovations, *see Chapter 1, section 1.8 of the Registration Document.*

Roof tiles and accessories

The umbrella brand Imerys Toiture™ covers the entire product range, comprised of flat tiles, Roman tiles and large and small interlocking tiles. The brand now offers 67 models of **clay roof tiles** in 82 colors that meet local traditions and specificities. Eight regional labels with high customer awareness distinguish between tile models: Gélis™, Huguenot™, Jacob™, Phalempin™, Poudenx™, Sans™, Ste Foy™ and Doyet™. Imerys Toiture™ 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 Toiture™ has a comprehensive, integrated roof offering that is sound, visually appealing and energy-efficient.

Structure bricks

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

Urbanbric® was created specifically for collective buildings and perfectly meets regulations in this promising market for the development of bricks.

Furthermore, Imerys Structure™ develops, produces and markets clay **chimney blocks** (Ceramys™) for individual heating systems.

Slate

Angers Trélazé® natural slate enjoys almost 90% unassisted awareness with roofing professionals, through the Company's long history and its presence on the finest buildings in France's architectural heritage. Historical monuments are an outstanding showcase for the Company and their prestige reflects on all marketed ranges. Furthermore, Ardoisières d'Angers continues to develop its product offerings for landscapers (paving, flaked slate, curbing). Ardoisières d'Angers has developed its sourcing internationally and broadened its product range to address all market types. Natural slates from Spain, Brazil and China are supplied from its new storage platform in Saint-Nazaire (Loire-Atlantique, France).

MARKETS

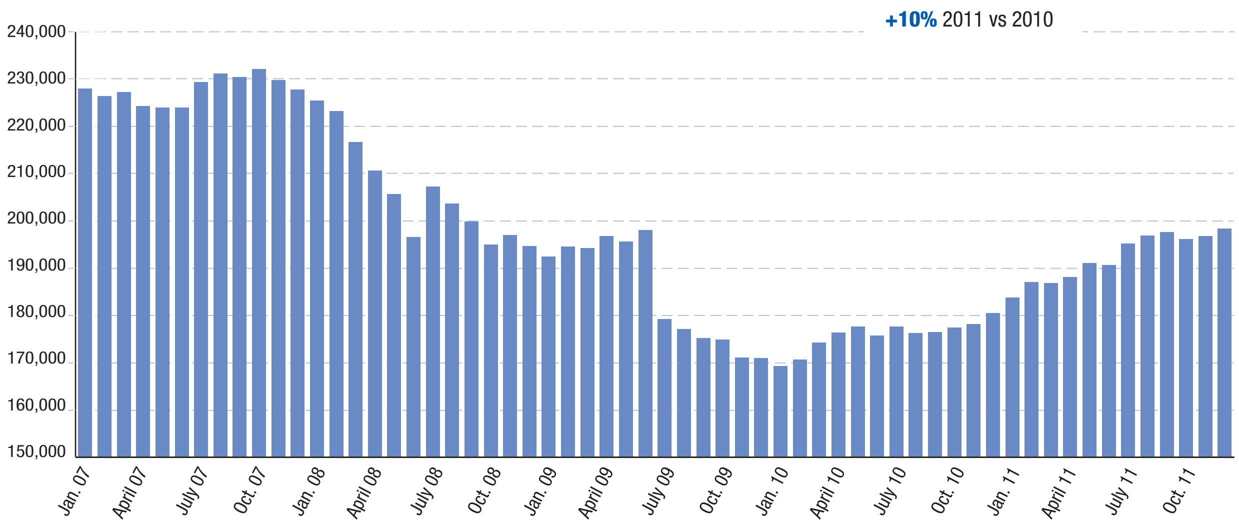
Market trends

A key characteristic of the Building Materials market is a difference in demand according to regional specificities. Activity is predominantly linked to the development of the single-family housing construction and renovation market in France. The renovation sector ensures a certain amount of resilience during cycle troughs.

(1) Grenelle de l'Environnement: national meeting held on October 24 and 25, 2007, which brought together members of the French state and non governmental representatives to develop concrete measures to tackle environmental issues and incite energy savings.

Single family housing starts in France

(12 rolling months)



Sources: French Ministry of Ecology, Sustainable Development, Transports & Housing, as at end December 2011, Imerys estimates.

Clay roof tiles & bricks

After a two years slump in single-family housing starts (down - 15% and - 20% in 2008 and 2009, respectively), a recovery began in 2010 with a + 3% upturn. That trend continued in 2011 with a + 10% increase. However, new housing sales, an advance indicator of new housing activity, began to slow in the 2nd quarter of 2011.

Renovation rose approximately + 2.5% compared with 2010, which was a favorable basis of comparison because of the harsh weather conditions that affected the activity in the 1st and 4th quarters of 2010.

The clay roof tiles activity, which mostly serves the renovation segment, benefited from a dynamic market and recorded + 9.4% volume growth.

Clay structure products, mainly used in new single-family housing construction, also outperformed the market and recorded a year-on-year volume increase of + 19%. Furthermore, since the recent launch of products suited to the specific needs of collective housing. Clay bricks are gradually penetrating those new segments. Cay bricks now have market shares of almost + 35% in single-family housing and + 10% in collective housing. In technical clay bricks, steady growth is driven by their easy fitting and intrinsic qualities, which perfectly meets the needs of low-consumption housing under the Grenelle de l'Environnement, particularly R.T. 2012 thermal regulations.

In 2011, Imerys maintained its French market leadership in clay roof tiles and bricks.

Slate

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

Main competitors

- Clay roof tiles and bricks: Wienerberger (Austria); Bouyer-Leroux, Monier and Terreal (France);
- Slate: La Canadienne (Canada); CupaPizarras, 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 21 manufacturing sites:

Clay roof tiles and bricks	Roof tiles: 13	Structure bricks: 5	Chimney blocks: 2
Slate	1		

The consolidation in early 2011 of "La Française des Tuiles et Briques", a family-run tileworks in Doyet, (Allier, France), enabled Imerys TC to bolster its positioning in the upscale flat roof tile segment.

Quality

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

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

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

Sales organization

Clay roof tiles and bricks

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

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

Trade networks are moderated to promote all product ranges: "Le Club Poseurs" comprising 400 brick specialists; and Réseau Imerys Solaire, a network launched in 2009 to increase the prescription of photovoltaic solutions, which now has around a hundred members.

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

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

Slate

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

In 2011, Ardoisières d'Angers continued its efforts to win the loyalty of roofing firms through "Club de la Bleue", the development of imported slate, the promotion of its range of decorative products and the creation of a website www.ardoise-paysage.fr, which can also be accessed through the portal www.e-toiture.com.

1.7.3 REFRACTORY SOLUTIONS

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

Calderys

Calderys develops and sells monolithic refractories: those products are used for building or repairing refractory linings and which withstand high temperatures and severe operating conditions. Monolithic refractories are semi-finished formulated products that consist of aggregates, binder and additives. As such, they need to be mixed with water to be installed and take their final shape in the furnace on site.

Monolithics substitute shaped refractory bricks and account for 45% of the total Refractory market in developed economies due to their ease and speed of installation, their joint less lining, their capacity to adapt to any furnace shape and even complex ones, and, finally, their short production cycle. To meet the needs of its customers, Calderys has developed a highly technical expertise.

Calderys growth is fuelled by three key elements:

- geographical expansion in emerging countries: in 2011, Calderys continued to develop and built a new tap-hole clay line in its Chinese plant and expanded its tap-hole clay production capacity in India and Ukraine;
- expansion from the formulation of refractory products to a complete solution provider: not only does Calderys sell refractories, but it is also able to manage a whole project from the design of the refractory lay-out to its installation and maintenance;
- innovation is key to both adapt to local practices and new market requirements. Calderys thus constantly upgrades and adapt its solutions.

Calderys innovation efforts are focused on improving performance, easing the usage and reducing the environmental impacts of its products. With activity picking up in 2011, customers are requesting refractory solutions that increase the availability of their equipment. After a successful launch in 2009, Calderys has been broadening the range of “Quick Dry (QD)” [(1)] products. The Quick Dry materials are now sold to over 128 customers in 18 countries worldwide.

For more information on R&D and innovation, see *Chapter 1, section 1.8 of the Registration Document*.

Kiln furniture

The Kiln Furniture activity develops, designs, produces and globally markets:

- firing supports (shaped parts designed to protect the end product during manufacturing);
- components for industrial kilns (refractory protections for kiln car walls and structures) for the ceramics industries.

It has recently developed activities in technical ceramic segments.

PRODUCTS

Calderys

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

Kiln furniture

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

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

APPLICATIONS

Calderys

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

Products deliver technical solutions to industrial customers and meet their precise requirements. In addition to the monolithic refractories produced by Calderys, solutions may include ready shapes, insulating products, anchor systems and accessories. Calderys also offers services such as design, engineering and supervision of product installation as well as training on request for installers and customers and can cover the full refractory project scope, be it greenfield (new installation), brownfield (revamping an existing installation), or maintenance.

Kiln furniture

The very broad product range covers the specificities required by industrial customers in terms of shape and usage 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 stage in the development process enables the activity to meet the most demanding customers’ needs:

- for the roof tile industry: “H” and “U” type firing supports are manufactured. These are placed on kiln cars to support roof tiles during the long period in conventional tunnel or intermittent kilns. The activity also produces and markets extremely flexible and very lightweight superstructures and construction parts for firing tray systems. Aptalite™, a range of lightweight cordierite furniture, helps to reduce customers’ energy consumption. This innovative furniture was first installed in 2009 on a roof tile kiln. Since then, most new installations are equipped with kiln furniture made of Aptalite™;
- for the fine ceramics markets: pressed, cast or extruded, individual or stackable furniture are intended for tableware and sanitaryware firing; floor tile firing requires cast or pressed furniture;
- technical ceramics: extruded parts for various markets such as environment and energy.

MARKETS

Market trends

Calderys

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

Following the financial crisis of 2008 and 2009, Calderys activity was well orientated, thanks to the improvement of global economy in 2010 and 2011. In the Iron & Steel industry this year, crude steel production increased by + 3% on average in the European Union while growing between + 4% and + 9% in the CIS, India, and China. The foundry segment experienced a similar positive trend along with the automotive industry that showed positive growth in Germany, France and the Benelux. The Thermal segment (cement, incineration, petrochemicals, etc.) activity remains affected by the still limited number of projects linked to the construction of new plants in Europe, but activity in India and Asia has been growing.

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

Kiln furniture

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

- In Western Europe, the slowdown of the construction market, which began in the 2nd half of 2008 and intensified in 2009 and 2010, led to a significant decrease in the renewal of kiln furniture for roof tiles and a decrease in the sanitaryware industry. In 2011, the renewal market improved slightly with a recovery in the Western European construction market and a rebound in investments (complete renovation of old production lines or new lines of production). However, the environment remains uncertain. Southern Europe activity remains at historically low levels.
- In emerging countries (Eastern Europe, Asia), manufacturers suffered from the fall in exports to mature economies and the non-recurring decrease in local demand in 2009. In Southeast Asia, kiln furniture for sanitaryware rebounded in 2010. This trend was confirmed in 2011, sustained by a fair increase in sales in India. The growth in Eastern Europe was more limited.

Main competitors

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

INDUSTRIAL FACILITIES, QUALITY AND SALES ORGANIZATION

Industrial facilities

The Refractory Solutions activity has 19 industrial sites in 16 countries:

	Europe	Americas	Asia-Pacific & Africa
Calderys	9	1	6
Kiln furniture	2		1

In 2011, the Swedish production of precast and alumina monolithics was regrouped in the Höganäs plant that was expanded and modernized, while the Köping site was closed.

Quality

Calderys works to deliver the same manufactured quality everywhere in the world. To do so, Calderys uses a benchmarking system and a scientific database that enables it to select local raw materials that are compliant with the required quality level. 15 Calderys facilities and all Kiln Furniture units are ISO 9001 certified.

Sales organization

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

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

1.8 INNOVATION

1.8.1 RESEARCH, TECHNOLOGY & INNOVATION

A MARKET-BASED INNOVATION STRATEGY

Innovation is part of Imerys' strategy and an essential component of its internal growth. The Group is supported by its Research & Development activity, which has the mission of designing new processes, new technologies and new products.

The starting point for the Imerys Group's innovation approach is to understand our customers' businesses and solve their technical problems, but also to meet their expectations and anticipate their needs.

The minerals used by the Group deliver crucial functions to the products made by Imerys' customers through their mechanical (wear and traction resistance, density, rheology), thermal (refractoriness, resistance at temperature, flame retardancy), optical (whiteness, opacity, color, mat or gloss effect), chemical (purity, conductivity) or absorbent/adsorbent properties. Constantly improving these properties to help the Group's customers meet new challenges is the goal of Imerys' innovation strategy. The Group obtains those properties through a series of conversions that call on a number of processes, each of which requires a technological platform: grinding, grading, drying, calcining, sintering, melting, bleaching, surface chemistry, magnetic purification, flotation, as well as shaping processes such as pressing, extrusion, granulation and casting.

INNOVATIONS TO SUPPORT THE GROUP'S COMPETITIVENESS

Year after year, Imerys markets new products. Beyond "continuity" innovations resulting from improvements to the existing range, "disruptive" innovations are based on the development of new concepts. Together they enable the Group to enhance its product offering and, as a result, its competitiveness. For example, the following innovations, all launched in the past 10 years, can mostly be considered disruptive:

2001 Monomur, a structure, self-insulating brick;

2002 Expanded graphite for alkaline batteries and kaolin blends for paper;

2003 New anti-blocking agents for plastic film and a conductive carbon black additive for lithium-ion batteries;

2004 Graphite for fuel cells and filler for silicon seals;

2005 Mineral filler for latex gloves;

2006 Carbonate for wood and resin fiber composites and new Alodur Rod™ abrasives;

2007 Astrafil K™, a new filler for paper and calcium carbonates for unwoven fibers;

2008 Natural diatomite for laminates and Barrisurf™, a platy "barrier effect" kaolin;

2009 A new carbon black for conductive plastics and a new nanometric product for ultraviolet-hardened coatings;

2010 Cynergy™ an additive that combines filtration and stabilizing functionalities for beer.

In 2011, the Group estimated that approximately €200 million in sales were generated with products created in the past five years.

INNOVATION TO ACCELERATE INTERNAL GROWTH

In recent years Imerys' scientists have also designed innovations that help to improve the Group's growth profile as they target markets with forecast growth rates higher than global GDP growth. These include:

- proppants;
- carbons for lithium-ion batteries;
- high-purity quartz for semi-conductors and the photovoltaic market.

These three innovations will contribute fully to the Group's development strategy in high-potential markets.

Proppants for non-conventional oil and gas drilling

Proppants are agents that keep rock fractures open to make non-conventional oil and gas field exploitation possible. They are widely used to drill for shale gas in North America. The spread of horizontal drilling and multiple fracturing, in addition to the growth in energy needs, is resulting in high demand for proppants, a market that is expected to grow sharply, at approximately + 8% per year according to "US Energy, 2011 Outlook".

Imerys identified the potential of this market several years ago and has allocated substantial research efforts. A total of 14 patents have been filed in this area. In 2008, Imerys launched a small unit of a highly innovative proppant, Propynite®, the rod shape of which helps to increase the productivity of wells without the need to use polluting additives. The new ceramic proppant line inaugurated in late 2011 has extensive capacity in excess of 100,000 tons. It draws on the Group's bauxitic kaolin reserves in South Georgia (United States) and benefits from an existing refractory specialties plant infrastructure.

Carbon for Li-Ion batteries

A Li-Ion battery stores energy through the reversible exchange of lithium ions between a negative electrode comprised of specific carbon products such as graphite, and a positive electrode made from various metallic oxides and conductive additives such as carbon black.

Timcal, an Imerys subsidiary, is the world leader in carbon black, which represents a market of approximately 2,500 tons per year. Reversible ion storage in the negative electrode is made possible by a special carbon for which the market is ten times larger than that of carbon black in the positive pole. The most common technical solution consists of natural graphite that is made spherical by an energy-intensive mechanical process with a low material yield and is then coated and impregnated with asphalt. As those products are considered harmful, the industry is developing alternatives. Since 2005 Timcal has offered a solution that, in an improved form, led to the introduction of a new product in 2011.

The market has considerable potential as electronic products are likely to grow + 7% per year, while the electric vehicle battery market should increase + 42% per year according to a study by Takeshita (2010).

High-purity quartz for photovoltaic cells

The Group is a major player in the supply of high-purity quartz. This mineral is indispensable to the manufacture of crucibles, the usually cylindrical receptacles in which molten silicon is poured before becoming a single crystal. This crystal is then cut into very thin discs that will form substrates for photovoltaic cells. Imerys operates high-purity quartz reserves in North Carolina. For several years, the Group has managed many processing stages while Norwegian Crystallite SAS, held by the Norwegian group Norsk Mineral AS, has carried out the last stage in this complex process. In forming the joint venture The Quartz Corp SAS, Imerys and Norwegian Crystallite SAS have combined their geological, industrial and technological skills to broaden their product range on a fast-growing, highly demanding market. The joint venture's sales already totaled US$72 million in 2011. Photovoltaic cells are intended for a market with annual growth of approximately + 13% according to Global Solar, October 2011. Year after year, producers are moving closer to a balance between the cost price of solar power and other sources of electricity, justifying the great potential of this alternative energy source.

2011: A YEAR OF NEW PRODUCTS

Imerys introduced more than 50 new products in 2011. Several of them offer an environmental benefit, while others improve ease of use. Many high-technology products were also launched.

More environmentally and health-friendly products

In **wall bricks**, Imerys Terre Cuite has developed a comprehensive offering that is compatible with the latest standards for energy efficiency, environment-friendliness and seismic constraints. The innovative Optibric PV S25 meets the constraints of construction projects in seismic zones and anticipates the requirements of French 2012 thermal regulations (RT 2012) and low-consumption buildings (Bâtiments Basse Consommation). At 1.61 m^2.K/W, its heat resistance is equivalent to 5 cm of additional insulation. Following its introduction in 2010, sales of Optibric PV S25 increased on the added insulation wall market in 2011.

In **Monolithic Refractories**, market success continued for the Quick Dry (QD™) no-cement castables range, launched in 2009. This specialty refractories line which makes concrete application faster and safer in high-temperature industries (steel, casting, aluminum, cement, etc.) was broadened in 2011 with a new product that meets the safety needs of foundry professionals. CALDE™ CAST G NC 66S24 QD™ is an especially safe solution as it gives off no hydrogen during its application, unlike conventional refractory concretes. These can give off up to 20 m^3 hydrogen per ton, creating an explosion risk that calls for highly stringent safety measures.

In **Performance Minerals**, with the acquisition of the Luzenac Group, Imerys has extended its range of minerals for bio-based polymers, a fast-growing market segment driven by the trend towards lower usage of oil-based materials. The incorporation of minerals in bio-based-polymers used for film and disposable items such as food packaging enables them to match or exceed the performance of more traditionally used polymers in terms of plasticity, stability and permeability. In Polylactic Acid (PLA) resin molded parts for example, Filmlink™ 500, a treated calcium carbonate, provides whiteness, opacity, processing improvements, dimensional stability and elasticity; Luzenac HAR®, a high impact ratio talc, delivers increased stiffness as well as improved dimensional stability; Suzorite® 325HK mica improves heat deflection temperature and barrier properties. With a relatively low energy content compared with polymers, Imerys minerals also help to reduce the final product's carbon footprint.

High-tech products

In **Fused Minerals** the rapid solidification process for electrofused corundum developed by C.A.R.R.D. (Center for Abrasives and Refractories Research & Development – Villach, Austria) resulted in Alodur® WFA MX. This abrasive grain's polycrystalline and microporous structure gives it the combined properties of a sintered abrasive – a more effective, longer-lasting abrasive medium (mold, grinding or polishing disk or belt) – and an electrofused corundum with very high cutting power. These properties are particularly useful in demanding applications that require high cutting power without the machined surface heating up and possibly altering the characteristics of the very hard steels and alloys for which the product is designed (e.g. automotive applications).

In **Graphite & Carbon**, TIMREX® C-Therm 011 and TIMREX® C-Therm 012 have broadened the TIMCAL product portfolio of carbon powders for thermally conductive polymers. These C-Therm products increase the thermal conductivity of the plastic compounds used in high energy-efficiency applications (radiators, heat exchangers, thermal probes). In new resin-based brake pad formulations, these new products replace copper as the thermal conductor. In this way, Imerys is anticipating new environmental regulations that will ban the use of copper in brake pads due to its toxicity for biological organisms.

Products that improve our customers' efficiency

In **roof tiles**, NéoPlate™ is the outstanding innovation of the year. Designed and developed in Imerys Terre Cuite's Engineering Department and Laboratories, this patented model, positioned between a flat tile and an interlocking tile, is the only one of its kind on the market. Fitters can install the equivalent of three roof tiles in one movement, while maintaining the appearance of the conventional flat tile. This 3 in 1 tile can rapidly cover large areas because of an almost 35% shorter fitting time than conventional flat tiles. Moreover, it is also perfectly suited to the windiest and rainiest regions because of its high water tightness.

In **Minerals for Refractories**, the highlights of 2011 included a patent application for a micronized andalusite with improved reactivity. This makes it suitable as a partial substitute for costlier raw materials (reactive alumina and silica fumes) in refractory concrete with low (LCC) and ultra-low (ULCC) cement content. This innovation lowers production costs and improves mechanical resistance at intermediate temperatures (1,100°C-1,500°C).

Many other innovations that improve customers' production processes or costs have been launched: Linerfil™, a new kaolin grade for the Kraft liner board and packaging market; the new CR Kaolin for ceramics, especially suited to enamels and slips; and Intramax™, a low abrasion filler pigment that reduces the wire changeover rate in paper mills.

A DECENTRALIZED ORGANIZATION, CLOSE TO THE GROUP'S CUSTOMERS

Innovation efforts are supported by a team of 300 scientists and technicians. Each of the Group's businesses is tasked with generating new products and processes under a decentralized organization. The Innovation Department, created in 2008, coordinates all of the Group's R&D projects. The role of this Department is also to increase the Group's innovation potential by exploring avenues to find applications for a division's products in new markets and by combining different skill sets to develop new products and processes.

With the acquisition of the Luzenac Group on August 1, 2011, Imerys integrated a new research center, strengthening its expertise in high-performance polymers for the automotive industry in particular.

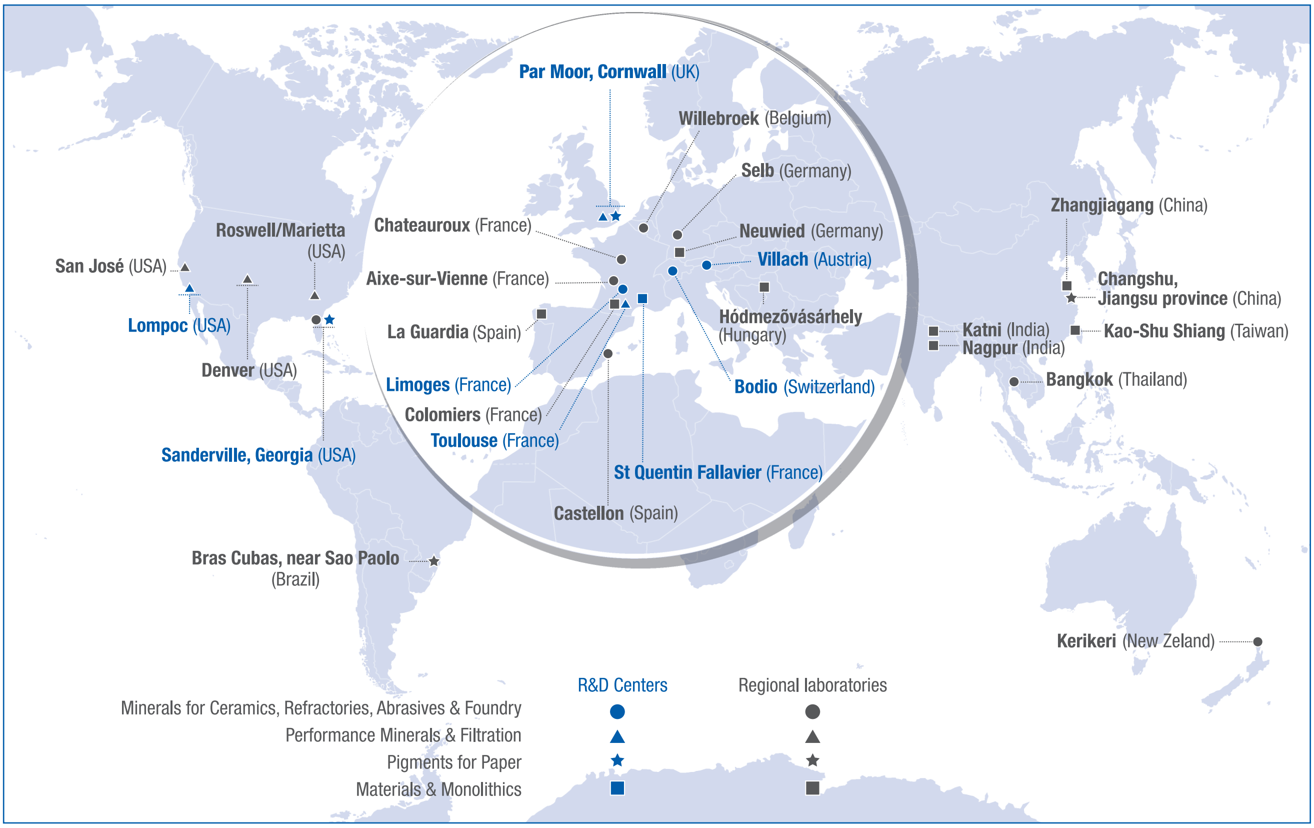
The 28 research centers comprise 8 main centers and 20 regional laboratories.

The main research centers are the following:

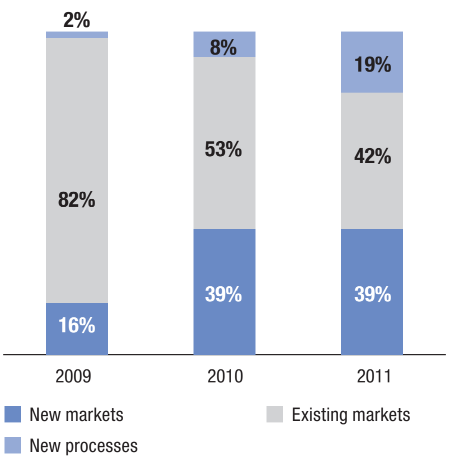
- Villach (Austria), a laboratory focusing on refractories and abrasives, also very active in technical ceramics;
- Lompoc (California, USA), the benchmark laboratory for performance and filtration minerals;
- Sandersville (Georgia, USA), more specifically focused on process development and new kaolins for paper;
- St-Quentin Fallavier (France), a center specializing in monolithic refractory design;
- Limoges (France) where Imerys took advantage of a new European ceramics cluster to set up a research center specialized in minerals for ceramics;
- Par Moor (UK), specializing in research on kaolins and carbonates for paper and on performance minerals;
- Bodio (Switzerland), dedicated to graphite and carbon;
- Toulouse (France), a center specializing in talc (following the acquisition of the Luzenac Group in August 2011).

Around 20 regional laboratories liaise with customers and enrich the innovation network with market feedback.

The geographical location of the R&D centers is as follows:



Higher percentage of R&D spending given over to new markets



Use of the stage gate method is standard practice and the R&D pipeline is balanced between projects in the idea, laboratory, pilot and industrialization stages.

GREATER RESOURCES ALLOCATED TO INNOVATION

The rise in the number of ideas and opportunities led the Group to allocate significantly more resources to R&D and Innovation, increasing the 2012 budget by almost + 30% to €60 million. Moreover, a growing percentage of research expenditure is for work on innovations in new markets for the Group.

Given the analysis of innovations in the pipeline with market introductions planned from 2012 to 2016, together with the growth prospects of carbon for lithium-ion batteries, high-purity quartz and proppant markets, the Group estimates that by 2016 it could achieve additional sales up to €700 million.

1.8.2 INTELLECTUAL PROPERTY

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

Imerys has a broad portfolio of trademarks and current and pending patents. Imerys holds more than 3,500 registered or pending trademarks, more than 1,000 granted and pending patents and more than 200 industrial and utility models. The Group has filed the trademark "Imerys" in more than 90 countries.

The Group continues to assess and optimize the cost/benefit ratio of its intellectual property rights portfolio. It regularly rationalizes its portfolio of patents, industrial designs or models and trademarks in order to ensure that value-generating technologies, designs and trademarks are efficiently protected.

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

To Imerys' knowledge, there are no rights held by Imerys at the date of this Registration Document on any patent, license, trademark, design or model whose potential losses would be likely to have a material adverse effect on the Group's overall activity and profitability. Likewise and as of today's date, Imerys is not aware of any outstanding litigation, opposition or claim related to the Group's intellectual property rights likely to have a material negative impact on its activity or financial situation.

1.9 SUSTAINABLE DEVELOPMENT

1.9.1 IMERYS' SUSTAINABLE DEVELOPMENT APPROACH

ISSUES AND STRATEGY

The Group's international scale gives it special responsibilities with respect to its employees, neighboring communities and shareholders. The analysis of the principal issues for the future, as well as the potential impact of its industrial and mining activities on its various stakeholders, led Imerys to focus its efforts on six main areas and it has made the following specific commitments:

- **Governance & Ethics**: constantly improve Corporate Governance; going further than compliance with applicable local laws and regulations; make sure all activities are carried out ethically and transparently worldwide, while protecting the best interests of all stakeholders and creating the conditions for strict internal control;
- **Environment**: take action to reduce the Group's environmental footprint and use natural resources efficiently; control the environmental impact of its activities and set up management systems that provide for continuous performance improvement;
- **Innovation**: constantly innovate to improve processes and increase the environmental benefits of the Group's products;
- **Human Resources**: strive to increase diversity within the Group; give employees the resources they need to develop professionally and ensure that they have satisfactory benefits. Imerys also encourages open dialog with personnel representatives and trade union organizations;
- **Safety & Health**: meet ambitious health and safety standards. Improvement in this area depends on the combined action of every participant in the Company: management, employees, contractors, visitors and neighboring communities;
- **Communities**: build constructive, transparent relations with the communities where Imerys is based and contribute to their economic development.

Imerys is aware of the importance of these commitments in safeguarding its long-term development. The Group's performance on its Sustainable Development policy is considered a core component of its results and a necessity for its future operating performance.

The Group's Sustainable Development actions are guided by a three-year plan that sets goals for each area of action. The three-year plan also provides for gradual, continuous performance improvement. The plan is set by the Executive Committee, based upon the recommendations of a Steering Committee that meets quarterly and represents various enterprise functions. Three members of the Executive Committee are also on the Steering Committee. The strategy is initially drafted by the SD Working Group which is made up of Environment, Health & Safety, Sustainable Development and Human Resource professionals and is representative of the operating entities and geographic zones in which they operate. The Group's Vice-President Environment, Health & Safety (EHS) coordinates SD objectives as well as their implementation. The Board of Directors places increasing importance on Sustainable Development risks and issues, and these risks and issues are the subject of a formal presentation at one of its sessions every year. The Board also tasks the Audit Committee with an annual review of organization, policies, goals and results in this area.

OBJECTIVES

A great majority of the Sustainable Development goals set by the Group in late 2008 for the 2009-2011 period were achieved and this is reflected in the significant improvement on every relevant aspect. A new consultation process was undertaken in June 2011 to define the Group's Sustainable Development ambitions for the next three years. Working groups were formed which brought together around 40 specialists representing the various business groups and regions to prepare proposals for the future. This exercise also integrated the conclusions of the workshop organized on Sustainable Development at the Group's senior manager convention in June 2011.

The two tables below set out the achievements of the past year and the goals for the future:

	2011 objectives	2011 performance
Governance & Ethics	Implement the 3-year communication plan on policies and procedures.	Postponed to 2012
	Train all new managers on the Code of Ethics and Business Conduct as part of induction.	Achieved
	Continue to promote diversity and SD awareness among the Board of Directors.	Achieved
	Compliance audit at four Imerys sites in countries identified as sensitive in terms of human rights.	Achieved
Purchasing	Launch self-appraisal of suppliers up to 20% of Group purchasing expenditures.	Achieved
Environment	Increase the scope of Environmental Management System by 10%.	Achieved
	Complete biodiversity sensitivity analysis in Asia-Pacific.	Achieved
	Estimate mining contractors' energy consumption.	Achieved
	Continue the Group's energy efficiency plan.	Achieved
Innovation	Introduce at least five products or processes that offer an environmental benefit.	Achieved
	Estimate the carbon footprint of at least three new products.	Achieved
Safety	20% decrease in LTA Rate for employees and contractors.	Achieved
	100% of Group sites audited monthly by management on the "Six Critical Protocols".	Achieved
Human Resources	Implement Annual Training Plans in at least five of the Group's divisions according to the principles defined in 2010.	Achieved
	Continue to analyze and implement suitable benefit programs (life insurance/AD&D/Health & Medical benefits) in five countries (Tunisia, Hungary, India, Turkey, Vietnam).	See (1)
	Involve the European Works Council in at least one SD initiative.	Achieved
	Begin implementing the Group Diversity Program.	Achieved
Communities	Provide operations with the appropriate tools to build their stakeholder mapping and action plans.	Achieved
	Carry out at least three community relations events in each division.	Achieved

(1) Vietnam replaced by Ukraine; India and Turkey postponed to 2012.

	2012 objectives	Objectives for the future
Governance & Ethics	▪ Update the general compliance program for the Group, incorporating the latest recommendations, particularly with respect to preventing fraud and corruption. ▪ Establish an annual audit to check compliance of one division's trade and competition practices.	**Continue to comply with best Corporate Governance practices by:** ▪ making sure that the ethical and fair competition rules set by the Group for its business conduct are observed in all the countries where it operates; ▪ promoting more than 20% representation of women on the Board of Directors.
Purchasing	▪ Launch self-appraisal of suppliers on child labor prevention on a scope representing 15% of the Group purchasing expenditures. ▪ Audit five suppliers in zones identified as sensitive.	**Ensure that the practices of the Group's suppliers' meet international standards on child labor.**
Environment	▪ Define an Environment Management System (EMS) audit process and audit 5% of Group sites. ▪ Define a biodiversity action plan for 10% of sites located in sensitive zones in terms of biodiversity. ▪ Draw up an energy action plan for five of the 15 highest energy-consuming mining sites. ▪ Define an overall thermal efficiency indicator as a key process monitoring indicator.	**Continue reducing the Group's environmental impacts:** ▪ ensure that operations' environmental management systems are robust; ▪ continue actions in favor of biodiversity; ▪ begin a water consumption optimization program on sensitive sites; ▪ improve the Group's energy efficiency by 10% over 5 years (base 2009).
Innovation	▪ Estimate the carbon footprint of three new products. ▪ Assess the recyclability of some minerals.	**Continue to factor Sustainable Development into R&D projects:** ▪ regularly launch products that offer an environmental benefit; ▪ work on the carbon footprint of new products.
Safety	▪ Reduce the LTA Rate for employees and contractors to below 1.6. ▪ Define and collect an occupational disease monitoring indicator. ▪ Add a new tracking criteria to the self-appraisal program on the Group's Six Critical Protocols. ▪ Site managers to take part in a Safety University within 12 months following their appointment.	**Continue to improve safety culture to reach the zero-accident target:** ▪ continue reducing the workplace accident rate; ▪ continue efforts on behavior-based safety.
Human Resources	▪ Carry out at least one training initiative on basic skills for the least qualified personnel in five additional divisions. ▪ Gradually roll out recommendations on the prevention of unsuitable working hours (management information and regular audits). ▪ Create an indicator on the number of employees benefiting from death coverage for any cause. ▪ Draw up a semi-annual report on diversity in order to measure the progress made and to be achieved. ▪ Set up a significant initiative to raise employee awareness of disability issues.	**Give our employees the means to develop professionally and provide satisfactory benefits:** ▪ encourage the recruitment and promotion of diverse profiles and disabilities within the Group; ▪ improve training programs for the least qualified categories of personnel in particular; ▪ set up relevant benefits, particularly in terms of death & disability coverage; ▪ promote constructive dialogue with personnel representatives and trade union organizations.
Communities	▪ Audit compliance with the Community Relations protocol in the most sensitive 20% of sites on the subject in each division.	**Maintain good community relations to enable our activities and communities to develop together.**

Imerys is an active member of the Industrial Minerals Associations for Europe and North America (IMA-Europe and IMA-North America). Through these associations, the Group works with the European Union and the US federal government to encourage Sustainable Development initiatives in the industrial minerals sector. Through its French clay roof tiles & bricks activities, it is also present in the building materials sector. Imerys works actively with public authorities on the application and modification of regulations concerning this sector of its business. In 2011, the Group's main positions on public policies concerned biodiversity and the efficient management of mineral resources.

Imerys encourages relevant partnerships with NGOs on local projects, particularly in the areas of biodiversity conservation, public health and economic development.

Finally, the Group communicates with rating agencies and socially responsible investors in order to present its SD activities and the improvement of its performance on environmental management, safety, community relations and ethics. These efforts were rewarded in late 2011 by third prize for Sustainable Development in the "Trophée des Meilleures Relations Investisseurs" (investor relations trophy) awarded in France by "Forum des Relations Investisseurs". Imerys is also listed on specialized stock market indexes such as FTSE4Good and ASPI Eurozone.

INDICATORS AND SCOPE OF REPORTING (1)

Since 2005, the Group's Sustainable Development reporting has covered all of the activities over which it exerts operating control. Each published indicator was selected in relation to the Group's key areas of intervention and the indicator's relevance to the Group's activities. The indicators are defined in consultation with the competent managers and are consistent with the GRI (2) guidelines and the Greenhouse Gas Protocol for reporting energy and CO_2 emissions (the methodology adopted for defining each indicator is presented on the website *www.imerys.com/Sustainable Development* section).

Imerys also works to improve continuously the quality and accuracy of its reporting. It is preparing for the new regulatory obligations resulting from the passing of the French "Grenelle II de l'Environnement" law that will oblige French companies to publish environmental and social data and have this data checked by an external third party. In addition to the work done by the Internal Control Department and the EHS audit teams, the Group appointed Deloitte to check its data collection processes for 2011. This assignment resulted in a report that is available on Imerys' website. A new data collection tool will be rolled out in 2012.

Imerys publishes a Sustainable Development report every two years. The report is available from the Sustainable Development section of the Group's website. This section is regularly updated and also gives access to information on the Group's strategy, action plans and achievements in terms of Sustainable Development.

1.9.2 ETHICS AND HUMAN RIGHTS

CODE OF BUSINESS CONDUCT AND ETHICS

Since 2006, Imerys has had a Code of Business Conduct and Ethics that sets out the principles which the Group expects all of its employees to observe. It was amended in late 2011 to take into account the geographic spread of the Group's activities, changes in its regulatory framework and compliance with the best practices of comparable companies *(for more information, see Chapter 4, section 4.2.1 of the Registration Document).*

HUMAN RIGHTS

Imerys complies with the Universal Declaration of Human Rights and monitors the risk associated with the Group's growth in emerging countries. The Group has placed special importance on the issue of child labor since 2009. Operations managers on all Imerys sites in zones where vigilance is particularly recommended by indices such as FTSE4Good have been trained in the relevant regulations. In parallel, the biggest suppliers of those sites have been asked to certify that they comply with the International Labour Organization convention on child labor. Finally, application of the Child Labor protocol is systematically checked in the internal audit assignments performed in those countries. In 2011, nine Imerys sites were audited in this way. More generally, the Group intends to involve its suppliers in its Sustainable Development process, particularly through its internal qualification system ("SQS"), which is intended to reduce supply risks and qualify suppliers, particularly in terms of child labor.

(1) The 2008, 2009 and 2010 data presented in this section differ – as regards the Environment, Health & Safety – from the data published in the 2010 Annual Report: allowance for perimeter changes and the correction of reporting efforts are the main sources of difference.

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

1.9.3 ENVIRONMENT

ENVIRONMENTAL MANAGEMENT SYSTEMS

The Group aims for all activities to have an Environmental Management System (EMS) that enables them to address environmental risks and issues. EMS also comes under a specific Group environmental protocol (E8) that has been integrated into the EHS audit program. Failure to fulfill any of the eight aspects of the protocol is noted and corrective actions must be taken by the site's management. A self-assessment procedure on the eight pillars of an efficient EMS [(1)] was set up in early 2010. This self-assessment is presented quarterly to Executive Management. Supported by personnel awareness-raising and training activities, the program has led to a significant increase in the number of sites covered by an EMS. At year-end 2011, 220 of Imerys sites had an EMS (compared with 107 two years ago). Imerys encourages ISO 14001 or EMAS certification, which is considered as an outstanding achievement, but does not demand it. Efforts will continue in 2012 with the rollout of initiatives for estimating the robustness and performance of existing systems. Regular self-appraisal will measure the achievement of the highest priority target designated by each operation.

The table below shows the number of Imerys operations with an environmental management system (EMS).

Number of sites	2011	2010	2009	2008
Certified ISO 14001 or EMAS [(*)]	81	68	59	61
Sites with the 8 pillars of a good EMS	139	92	48	42
Total	**220**	**160**	**107**	**103**

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

ENERGY CONSUMPTION AND AIR EMISSIONS

The Group considers the improvement of its energy efficiency as the main lever for reducing its greenhouse gas emissions. The use of fuel in product transformation operations (heating, drying, firing, melting, sintering and calcining) is the main source of greenhouse gas emissions in the Group (55% of total). Indirect emissions relating to the generation of the electricity used in production form the second largest source (38% of total). Finally, some of the processes used cause CO_2 emissions themselves (7% of total), particularly through the decarbonation of raw materials.

Imerys set itself the goal of improving energy efficiency by 10% over five years using 2009 as a baseline. The related reduction in CO_2 emissions is reinforced by the initiatives taken to use renewable energy sources in some of the Group's units.

The Energy team's work is aligned along two main axes:

- **improving knowledge of energy consumption and carbon emissions of Imerys sites**. As of January 1, 2011, the Group tracks energy and CO_2 data monthly rather than quarterly; a detailed analysis of the related trends is drawn up and provided regularly to the Executive Management team. The energy efficiency appraisal method was overhauled to improve quality and accuracy by measuring energy consumed per ton. In parallel, the estimation of energy consumption by mining operations begun in 2010 was taken further and in 2012, energy reduction action plans will be implemented at five pilot sites chosen from the 15 most energy-intensive operations;
- **Implementing and monitoring on-site action plans to improve the energy efficiency of processes**. The Process Improvement Department provides support to the Group's different divisions to optimize the efficiency of their machines. In thermal energy, for example, an overall indicator for heat efficiency was defined as part of more general project to improve our industrial efficiency. In line with European standards, the indicator will be rolled out on all of Imerys sites in 2012, and will allow Imerys to identify avenues for improvement and provide a basis for monitoring energy efficiency and implementing action plans.

21 of Imerys' industrial sites are part of the greenhouse gas quota trading scheme set up in the European Union. For the third year of application of Phase 2 of the system (2008-2012), the sites' emissions remained below their allotted quotas.

(1) The eight pillars of a good management system are: existence of a policy; identification of aspects & impacts; identification of legal requirements; goals and targets set; specific representative designated; training provided; emergency procedures; and internal audit.

Energy consumption (1)

The Group's total energy consumption and energy productivity over three years

	2011	2010	2009
Total energy consumption (*) *(thousands of Gj)*	**35,654**	35,180	28,322
Energy productivity (**) *(baseline 100 in 2009)*	**96.9**	97.7	100

(*) Net of resold electricity.

(**) Ratio analyzing the change (from year Y to year Y-1) in total energy consumption per ton, excluding variations in perimeter, volume or mix. Production sites only.

Breakdown by energy source

(%)	2011
Electricity (net) and steam	30.1%
Natural gas	41.1%
Other fossil fuels	24.2%
Biomass	4.6%
Total	**100%**

CO_2 emissions (1)

Total CO_2 emissions related to energy consumption (including biomass) and production processes and carbon efficiency

	2011	2010	2009
Total CO_2 emissions *(thousands of tons)*	**2,910**	2,975	2,371
Carbone efficiency (*) *(baseline 100 in 2009)*	**95.5**	97.5	100

(*) Ratio analyzing the change (from year Y to year Y-1) in total CO_2 emissions per ton (scopes 1 and 2 of the GHG protocol) excluding variations in perimeter, volume or mix. Production sites only.

Breakdown by emission source (%)

	2011
Energy (*)	87.4%
Processes	7.6%
Biomass	5.0%
Total	**100%**

(*) Excluding biomass.

(1) With respect to 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 transportation and mining. When data on fuel is available, particularly when Imerys buys that fuel, this has been taken into account. On the other hand, in the event that fuel is bought by contractors, the corresponding data has not been taken into account as it could not have been recorded with the required accuracy. Only data concerning companies over which Imerys has operating control has been taken into account.*
- *GHG Protocol methodology was applied retroactively to 2009 and 2010 data to make them comparable to the 2011 perimeter. For the United States, electricity emission factors are those of the e-grid.*

More formal methods have led to a further improvement in energy efficiency (+ 0.8% in 2011, i.e. an aggregate 3.1% improvement over two years) and these improvements should continue in the years ahead. In parallel, specific CO_2 emissions from fossil fuels and processes related to electricity consumption, continued to decrease (- 2.1% in 2011; - 4.5% in total since 2009) thanks to higher energy efficiency and an energy mix that generates fewer emissions. The relative share of biomass also rose slightly to 4.6% of total energy consumption.

NO_x AND SO_x EMISSIONS

The combustion stages of conversion processes generate nitrogen oxide (NO_x) and sulfur dioxide (SO_x) emissions. Imerys publishes below an estimate of its SO_x and NO_x emissions, applying specific conversion factors to each source of consumed fuel.

(tons)	**2011**	**2010**	**2009**
Sulfur dioxide (SO_x)	**3,530**	3,788	3,214
Nitrogen oxide (NO_x)	**6,665**	6,322	4,942

WATER CONSUMPTION

Imerys withdraws groundwater to keep its quarries in good condition and also uses water to transform its minerals. Water is then stored in impound basins for reuse, and after settling and treatment, it is ultimately released to the environment. Finally, in some cases, products are delivered in Imerys's products such as slurries.

Imerys tracks its water consumption (excluding underground water pumped to keep quarries in good condition) and since mid-2010 has collected the quantities of water recycled by its sites. in 2011, Imerys extended its project to map operations in zones of water scarcity using the WBCSD's [1] Global Water Tool to all the Group's sites. Data quality should be finalized in 2012, which will allow Imerys to select a sample of pilot sites to calculate the Group's water balance and implement a water efficiency plan.

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

	2011	**2010**	**2009**	**2008**
Total water consumption *(millions of liters)* **of which:**	**50,228**	**53,491**	**48,916**	**63,237**
Water obtained from water suppliers	14.0%	14.4%	12.7%	13.9%
Water withdrawn from ground water	46.8%	42.6%	58.8%	47.3%
Water withdrawn from surface water	24.9%	27.5%	21.2%	22.5%
Water obtained from other sources	14.4%	15.6%	7.3%	16.3%

WASTE

The Group's activities produce small quantities of industrial waste as it mainly transforms its minerals by mechanical (e.g. grinding) and physical (e.g. density separation) processes. The aim of our processes is to separate minerals with value for customers from those with no current market value. The latter are usually stored on or near production sites as they may be useful in the future as a result of technological progress or new market opportunities. In many cases unused minerals are used as fill material for restoration of sites at the end of their operational lives and so are not recorded as "waste". In 2011, as the European directive on mining waste management came into effect, the Group's European sites implemented new plans for managing their inert waste in conformity with this regulation.

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

	2011	**2010**	**2009**	**2008**
Total waste *(tons)* **of which:**	**310,069**	**312,583**	**282,879**	**377,778**
Hazardous industrial waste	0.3%	0.5%	0.4%	0.4%
Recycled hazardous industrial waste	0.2%	0.2%	0.1%	0.1%
Non-hazardous industrial waste	36.7%	38.1%	33.7%	35.8%
Recycled non-hazardous industrial waste	62.8%	61.2%	65.8%	63.7%

(1) World Business Council for Sustainable Development.

In 2011, 310 Kt of industrial waste was generated by activities of which less than 1% of hazardous waste. Approximately 63% of that tonnage was recycled and several Imerys operations are taking innovative actions to implement further recycling activities.

SITE RESTORATION AND BIODIVERSITY

Mining entails only temporary occupation of the surface for extraction activity. To manage the environmental impact of its extraction activity, Imerys has defined a "Post Mining Restoration" protocol that requires every entity to describe the remediation methods that will be applied during the site's operation and at the time of its closure.

In its efforts to reduce the negative impacts of its activities on biodiversity, Imerys acts along three main lines: keeping the affected surface to a minimum, continuously restoring the surface whenever possible, and finally taking offset measures. Both active quarries and closed quarries offer many opportunities to enrich biodiversity by revitalizing natural habitats and helping protect endangered species. Many examples of positive contributions to the conservation of existing ecosystems on the Group's sites demonstrate this phenomenon. Most of these examples result from partnerships with local environmental associations and NGOs.

As part of this policy and for the particular case of its mining activities in Cornwall (United Kingdom), in May 2010 the Group entered into the Eco-Bos joint venture, in which the international property development group Orascom holds a 75% interest and Imerys 25%. The ambitious goal is to create an eco-village on 700 hectares of industrial land belonging to Imerys that was no longer needed to meet its operating needs. Under the real estate project, Eco-Bos will bear remediation costs, in accordance with applicable local environmental regulations, for all development expenses on the land in question. The project is under way and a public consultation has been held on the site plans with the corresponding models. The initial permit application for a pilot project on the former Baal quarry has been filed. There has however been a delay in the provisional schedule for the pilot project because of regulatory difficulties arising from the reform of planning procedures in England. Central authorities have requested an update prior to the general development plan for central Cornwall as previously adopted by the relevant local authorities, which covers the pilot project. Despite this delay and according to the initially planned sequence, Eco-Bos is continuing the preparatory work with a view to obtaining the authorizations needed for real estate development on a second site (Par port). The expected delay in the first execution phase should not significantly affect the progress of the overall project, which will be carried out in successive stages over a period of more than ten years.

More globally, the Group's strategy is to build its knowledge and understanding of the environment, and in sensitive zones, foster the development of biodiversity management plans. The biodiversity sensitivity study, which began in Europe in 2009, continued in 2011 and now covers all of the Group's sites worldwide. In total, approximately 15% of the Group's sites are located on or near zones recognized for their interest in terms of biodiversity.

Imerys plans to tighten the review of the Post Mining Restoration protocol under the EHS audit program and a specific module on biodiversity management plans will also be added to the protocol. The goal for 2012 is to roll out the new module at 10% of the Group's sites that are sensitive in this area.

1.9.4 SAFETY AND HEALTH

SAFETY

Mining and mineral processing require a strong safety culture in order to prevent accidents. Since 2005, a series of significant initiatives has been implemented to support the efforts made by Imerys units. These initiatives provide the operations with the tools and training needed to continuously improve workplace safety on a sustainable basis. The Group's approach is structured around the following axes: clearly defined audit protocols and regular audits, a global training plan, a safety program with a behavior-based model, an accident analysis program, a serious accident prevention plan, and on site events designed to bolster safety culture at key units. In early 2012, the various modules of the safety program set up since 2005 were grouped together under the "Imerys Safety System" to improve their clarity and impact.

In the second half of 2010, the Group rolled out a major action plan for serious accident prevention in 2011.

- Online training was produced on the "Six Critical Protocols". The Six Critical Protocols cover the activities that generate the greatest risks of serious accidents in mining. In the first quarter of 2011, the site manager of each Imerys sites was required to participate in the training, and the training was supported throughout the year by webinars that went into greater depth on each issue.
- Since April, every unit has conducted a monthly self-diagnosis of the correct application of the Six Critical Protocols, and the results of this work were presented to Executive Management every quarter as part of its business reviews.
- Five sites per month were randomly selected for quality control to make sure the process is consistent overall.

The program will continue in 2012 with the addition of a new self-assessment criterion focusing on behavior-based safety, which will also be the subject of online training.

Reducing workplace accidents and serious accidents within the Group also involves analyzing accident causes and acting on everyday behavior.

- "Safety Alerts" are following serious accidents. In 2011, eight alerts describing the causes of the accident, corrective measures and the lessons learned were issued to better understand their causes. Also in 2011, video reconstructions of past incidents were produced and circulated to the sites.
- The "Safety Culture Improvement Team" takes action on priority sites. Corrective measures are closely monitored. In 2011, the Team stepped up its intervention program with 15 assignments across every region where the Group operates.

- Finally, Imerys considers that relevant safety programs help to bring out an effective, behavior-based safety culture. Three new training sessions for EHS Managers on the implementation of the "ISIS" program created in 2010 were carried out in 2011. In total, approximately 175 of the Group's sites (compared with 80 two years ago) have started a behavior-based safety program and the effort will be stepped up in 2012.

Monitoring and analyzing safety indicators are essential to the continuous improvement of performance. The Group achieved significant improvement in the lost-time accident rate (TF1) for the Group's employees since 2005 (a 82% reduction between 2005 and 2010). Since January 2011, Imerys improved its monthly tracking program by implementing a combined employee/contractor indicator (formerly, this data was monitored and analyzed separately). The combined indicator enables the Group to involve contractors fully in its safety process. As at the end of December 2011, the combined TF1 rate was 1.69, i.e. a 31% decrease from the previous year, in line with the target of 1.9.

The table below gives the accident frequency and severity rates in the Group for the past four years (three years for the combined rate):

	2011	2010	2009	2008
Frequency rate (*)				
Imerys employees rate	1.73	2.19	2.87	4.68
Other employees rate (**)	1.58	3.34	3.96	4.22
Combined rate (employees/other employees)	1.69	2.46	3.09	na
Severity rate (***)				
Imerys employees rate	0.12	0.10	0.19	0.20
Other employees rate (**)	0.09	0.07	0.04	0.11
Combined rate (employees/other employees)	0.11	0.09	0.17	na

(*) Frequency rate: (number of lost-time accidents x 1,000,000)/ number of hours worked.
(**) Employees of a company under contract with Imerys, in charge of a specific operation on site or providing a service.
(***) Severity rate: (number of lost days x 1,000)/number of hours worked.

Moreover, as of January 1, 2011, data on work accidents without lost time is also consolidated monthly to improve monitoring and understanding of the Group's safety performance.

HEALTH

Imerys has a strong commitment to workplace health because the Group's employees may be exposed to mineral dust and to chemicals. Similarly, the processes used produce significant noise. Some specific activities may also entail moving heavy loads or carrying out repetitive tasks. Imerys' industrial health program is designed to act on these various aspects through five main protocols. The correct application of these protocols is systematically checked during EHS audits.

For six years, Imerys' European operations have taken part in the European agreement on "workers' health protection through the good handling and use of crystalline silica". In June 2012, the NEPSI [1] group will publish its third report on the application of the agreement and the improvements made.

Initiatives to raise awareness of workplace health continued in 2011, mainly through Safety Universities. Work during the year also concerned the definition of a new EHS reporting indicator for recording occupational diseases in the Group. This indicator will be rolled out in all of the Group's units in mid-2012 and will help to define priorities for action on occupational health.

REACh [2]

Imerys is involved in the identification and management of its products' impact on health, safety and the environment throughout their lifecycle. The Group implements the European Community regulation on chemicals, REACh. "Naturally occurring minerals" are exempt from registration, which significantly reduces the effects of these new regulations on Imerys. The products that do come under this exemption have, of course, been registered. Since late 2010, the substances marketed in Europe by Imerys operations have undergone additional risk studies pursuant to the implementation of the GHS/CLP [3] regulations. As a result of these studies, some substances were classified as "hazardous" and appropriate notification was made to the European chemicals agency (ECHA). In most cases, the hazard stems for the presence of crystalline silica in alveolar form. Working with the European Industrial Minerals Association (IMA-Europe), Imerys has helped to define an industry-wide methodology for quantifying the percentage of the hazardous substance in a finished product.

(1) NEPSI: European network comprised of employees and associations of European companies that have signed the European agreement.
(2) REACh: Registration, Evaluation, Authorization and Restriction of Chemicals.
(3) GSH/CLP: Global Harmonized System/Classification, Labeling and Packaging of chemicals.

1.9.5 REGULATORY COMPLIANCE, AUDITING

In every country where it operates, Imerys is subject to various Environmental, Health & Safety regulations. The Group's operations are audited at regular intervals to ensure that these regulations are complied with and that the Group's protocols are applied correctly.

The EHS Audit Team is comprised of EHS specialists chosen from among the Imerys operations. These specialists are regularly trained and managed by the Group EHS team. The team was bolstered in 2010 and now has around 20 members. Peer review is provided for all audits to ensure quality in application of the EHS auditing procedure, and action plans are monitored quarterly to guarantee implementation.

The EHS audit plan is defined according to a risk matrix factoring in criteria such as unit size, the existence of mineral solids storage facilities (MSSF), the occurrence of environmental incidents or the lost-time accident rate. In 2011, 32 audit assignments were carried out (36 in 2010).

In 2011, the audit program continued to review extra-regulatory areas such as Environmental Management Systems (EMS). Imerys also launched a review of sites managing the main impound basins, dams, stockpiles, etc. 20 operations with MSSF will be audited over four years, with five sites already audited in 2011. Finally, Imerys closely monitors any prosecutions against the Group on environmental grounds and the amount of any fines it possibly has to pay.

The table below provides a summary of the past four years:

	Number of prosecutions				Amount of fines *(€)*			
	2011	**2010**	**2009**	**2008**	**2011**	**2010**	**2009**	**2008**
Total	**30**	10	32	15	**1,412**	28,872	21,248	45,496

1.9.6 COMMUNITY RELATIONS

Taking into consideration the expectations of the communities neighboring to the Group's industrial and mining sites is a crucial factor for the long-term sustainability of Imerys' activities. In all the countries in which it is present, Imerys seeks to increase the positive impact of its activities and reduce any negative aspects.

The communities in which the Group is based are extremely diverse. Consequently, the Group's decentralized management method is appropriate for dealing with community relations. This flexibility enables each entity to adapt to the values and local constraints of the host community. Under its "Community Relations" protocol, Imerys formally delegates responsibility for community relations to the most senior employee in charge of managing the facility. Available in seven languages, the protocol requires every site to map its stakeholders and draw up a continuous improvement plan. It also encourages constructive dialogue with stakeholders and requires an appropriate response to all plausible stakeholders' complaints.

Within this framework, the Group's sites have developed projects along a number of axes such as encouraging the exchange of opinion, contributing to local economic development, promoting education and training, and participating in community actions improvement activities. The success of this approach is reflected in the number and quality of projects on community relations submitted every year for the in-house Sustainable Development challenge (almost half of the 53 projects entered in 2011 are community relations projects). A database created in 2010 lists existing best practices and enables the Group's sites worldwide to share their experience.

To support operations in rolling out the Community Relations Protocol and help them to organize existing actions into a formal community relations program, the Group created a Community Relations Toolbox in 2011. The Toolbox is available on the Imerys intranet and has been the focus of awareness-raising and training activities, including articles in the in-house magazine, content on the intranet site, presentations in operations and a webinar involving approximately one hundred participants in Europe, Asia and the Americas.

Specific action was taken on the Group's largest sites to ensure the effective rollout of the protocol by the end of 2011. Imerys will keep up these efforts in 2012 with the aim of implementing the process in 20% of the Group's units, selected according to their sensitivity on the issue.

1.9.7 HUMAN RESOURCES

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

Keeping this in mind, it develops and implements general principles and processes in step with the Group's decentralized management philosophy and in compliance with the relevant national legislation. To improve its processes, the Group regularly updates its HR policies in depth.

Human Resources professionals are responsible in their business for the entire function, reporting to the business' line manager. To ensure processes are consistent and common principles are applied, they also report on a functional basis to the Group Human Resources Department. The function is also coordinated in the major countries where the Group operates, particularly as regards benefit plans and personnel administration.

HUMAN RESOURCES PRINCIPLES & MAIN AREAS OF ACTION

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

- share simple rules that provide structure and enable Human Resources teams to optimize their work;
- meet its employees' expectations, particularly as regards working conditions and safety, benefits and personal development;
- provide managers with management principles that comply with the Group's ethics, especially in terms of diversity, behavior, standards, social dialogue and respect for other people. With this in mind, the Group implemented a Diversity policy, with the intent to improve different issues in this domain. After the signing of the Imerys Diversity policy by the Chairman and CEO, different initiatives have been introduced for departmental managers and the HR community in terms of training and awareness. Reporting indicators were set up at the end of 2011 geared towards measuring progress in predetermined diversity areas.

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

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

- **recruitment**: attract the best candidates for Imerys, both to support organic growth and to deploy new activities. Despite the great caution imposed by economic uncertainties, some critical functions were bolstered by external recruitment in 2011, including Innovation, Geology and Audit & Internal Control. Furthermore, the Group continued its initiative to take on more interns from leading schools and universities;
- **development**: fill vacancies with existing skills within the Group. For that purpose, Imerys has set up common tools and processes for all activities and functions, including annual performance reviews (PAD) and succession plans (OPR) for its principal managers. This internal mobility goal is a priority for Human Resources teams and specialized Committees meet regularly on the issue. Manager vacancies in the Group are also published on the Imerys intranet;
- **training**: enable every employee to develop his or her talents and foster the sharing of best practices. In parallel to the initiatives taken by operating activities, the Human Resources Department proposes specific Imerys training programs in areas judged essential for the Group (e.g. finance, geology, industrial marketing, project management, managerial principles). It also carries out more targeted actions for senior managers and to reinforce professional expertise in fields such as marketing. As training is an essential development lever, in 2011 Imerys created a Learning & Development Committee chaired by a Business Group head and comprised of division and support department managers;
- **compensation and benefits**: roll out coordinated, competitive systems that take into account both the results of the business for whom employees work and their individual performance. In that respect, annual salary reviews are closely coordinated by the Human Resources Department. While local competitiveness is favored, some of the systems set up are designed as the basis for a common, consistent approach to performance within the Group, especially for senior executives and division managers (e.g. bonus system with identical choice and weighting of financial criteria across all activities). Furthermore, the Group ensures that competitive benefits and insurance programs are implemented in the zones where it operates;
- **industrial relations**: the Group aims to build constructive relations with its employees and their representatives in accordance with local regulations:
  - a survey conducted in 2011 on almost the Group's entire workforce showed that nearly 70% of Imerys employees came under a collective bargaining agreement on subjects such as work organization and working hours or compensation and benefits,
  - the Imerys European Works Council (EWC) was renewed in 2010. Its perimeter covers employees in 20 countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom. Its 15- member employee delegation holds an annual plenary session. The EWC's five officers meet at least twice a year. The EWC is involved in various processes such as Safety Universities or the Sustainable Development challenge,
  - the need to improve the efficiency and productivity of the Group's activities may lead to internal restructuring plans and job cuts. In such situations, the Group's policy is for operations to give priority to finding in-house placement solutions for the employees concerned and to set up retraining programs and support measures to help them find a job or carry out a personal project;

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

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

The Human Resources Department manages a database of managers in accordance with current regulations on the exchange and protection of personal data. At the end of 2011, it included more than 2,400 executive and manager profiles. This tool gives fast access to employees' career paths and the components of their compensation and clearly boosts internal mobility. The aim is for the database to gradually become a critical component of HR processes for this population (e.g. salary reviews carried out in 2011 and 2012).

HUMAN RESOURCES KEY PERFORMANCE INDICATORS

Employee headcount

	12/31/2011	12/31/2010
Total Group as of 12/31	**16,187**	15,090
Average annual headcount	**15,821**	15,093

- As of December 31, 2011, the Group had 16,187 employees, of which 816 on fixed-term contracts, i.e. 5% of the total headcount. As of December 31, 2010, the headcount was 15,090, including 664 fixed-term contracts (i.e. 4.4%).
- To estimate the Group's total workforce, agency workers and on-site "trade" contractors should be included (3,246 people as of December 31, 2011). The countries that use this external workforce the most are India (715), the United States (634), Brazil (546), France (389), Zimbabwe (223) and South Africa (205). In addition there were 137 interns as of December 31, 2011 (109 as of December 31, 2010). Imerys' total headcount (including agency workers, on-site contractors and interns) therefore works out at 19,570 people as of December 31, 2011, compared with 18,299 as of December 31, 2010.

The highlight of 2011 was the acquisition of the Luzenac Group, the world leader in talc processing, on August 1. This acquisition represented an increase of 1,051 employees (including 110 fixed-term contracts), for a total additional headcount of 1,105. As of December 31, 2011, the talc activity was located in Europe (630 employees, of which 351 in France), North America (303 employees, of which 237 in the United States) and Asia-Pacific (32 employees).

In 2011, apart from that acquisition and slight fluctuations due to seasonal factors or economic conditions, the Group's headcount was relatively stable. Excluding "talc", the employee headcount was 15,222 as of December 31, 2011, compared with 15,090 as of December 31, 2010.

The Group's average headcount for 2011 was 15,821 employees, compared with 15,093 in 2010 (including 953 and 800 fixed-term contracts, respectively).

Employees by business group

	12/31/2011	12/31/2010
Minerals for Ceramics, Refractories, Abrasives & Foundry	5,572	5,664
Performance & Filtration Minerals	3,809	2,769
Pigments for Paper & Packaging	2,345	2,364
Materials & Monolithics	4,168	4,028
Holding company	293	265
Total	**16,187**	**15,090**

The Luzenac Group joined the Performance & Filtration Minerals business group, which now represents 24% of the Group's headcount, compared with 18% as of December 31, 2010.

Excluding that acquisition, the distribution of employees by business group was relatively stable from 2010 to 2011, with Minerals for Ceramics, Refractories, Abrasives & Foundry still the Business Group that employs the most people (34% of the Group's headcount).

Employees by geographic zone

	12/31/2011	12/31/2010
Western Europe	6,715	6,064
of which France	3,376	2,974
of which United Kingdom	1,266	1,246
Central Europe	1,406	1,229
North America (inc. Mexico)	2,748	2,431
of which United States	2,262	2,048
South America	1,420	1,484
of which Brazil	1,001	1,042
Asia-Pacific	3,112	3,137
of which China	1,659	1,764
of which India	658	641
Africa	786	745
Total	**16,187**	**15,090**

The geographic distribution of employees was relatively stable from 2010 to 2011, with 50% of employees located in Europe (41% in Western Europe), 19% in Asia-Pacific, 17% in North America and 9% in South America.

The increase recorded in Western Europe and the United States mainly result from the acquisition of the Luzenac Group.

Employees by function

	12/31/2011		12/31/2010	
Operations – Production – Manufacturing	11,084	68.5%	10,466	69.4%
Logistics - Purchasing	816	5.0%	710	4.7%
Research & Development – Geology	592	3.7%	513	3.4%
Sales & Marketing	1,330	8.2%	1,183	7.8%
Support & Administration	2,365	14.6%	2,218	14.7%
Total	**16,187**	**100.0%**	**15,090**	**100.0%**

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

Turnover

Turnover as indicated below is analyzed as the number of voluntary departures in the year, compared with the previous year (as of January 1, 2011), for open-ended contracts only.

In 2011, the rate was 5.7% for the Group as a whole (5.4% in 2010). Overall turnover is relatively low in the Group, except in Asia-Pacific where it is over 10%, reflecting business health in the region, particularly in China where the number of resignations was significant (185 out of the 609 resignations in 2011).

For all causes of departure, excluding the end of fixed-term contracts, 1,439 people left the Group in 2011 (of which 42% resignations and 23% economic redundancies), compared with 1,429 in 2010 (of which 37% economic redundancies and 29% resignations).

Recruitment and internal mobility

Recruitment efforts in 2011 concerned 2,279 people (2,701 in 2010), of which 1,211 on open-ended contracts and 1,068 on fixed-term contracts. The countries that recruited the most employees on open-ended contracts were the United States (271), France (157) and China (149). On the other hand, Sweden and South Africa mainly hired people on fixed-term contracts (238 and 136, respectively). The business groups that made the biggest contributions to recruitment are Minerals for Ceramics, Refractories, Abrasives & Foundry with 878 people hired (of which 463 open-ended contracts) and Materials & Monolithics with 763 people hired (263 open-ended contracts).

At the same time, more than 220 internal moves filled vacancies in the Group, of which 110 in Western Europe and around 60 in line and support management positions.

Diversity

Percentage of women by geographic zone

	12/31/2011		12/31/2010	
	All employees	Salaried employees	All employees	Salaried employees
Western Europe	15.8%	28.7%	15.4%	29.0%
Central Europe	18.8%	36.6%	19.4%	35.8%
North America	14.7%	33.3%	13.7%	33.4%
South America	11.5%	30.3%	11.3%	31.8%
Asia-Pacific	16.9%	27.0%	16.4%	28.2%
Africa	11.8%	17.5%	11.3%	13.3%
Total	**15.5%**	**29.7%**	**15.0%**	**29.9%**

The proportion of women in the Group's total workforce increased slightly from 2010, particularly in North America. The proportion of women senior managers (members of support or operations management teams) was constant in 2011 after a rise in 2010 (11.1% in 2011, 11.3% in 2010 and 9.2% in 2009). The proportion remains marginal in the "workers" category (6.2% in 2011).

Number of disabled employees

According to the definition used in the Group [(1)], Imerys employs 239 disabled people who have declared themselves as such with their Human Resources Department (196 in 2010).

Age and seniority

While 62% of the Group's employees are in the "over 40" age group, there is wide geographic disparity in age distribution. In developing zones or in regions where the Group established bases more recently (South America, Asia-Pacific and Africa), Imerys mostly employs people aged 30-40 (31%-39% of employees). This disparity is perhaps best shown in the following example: 63% of employees in South America are under 40, but only 28% in North America.

The overall distribution of seniority is balanced. 49% of employees have less than 10 years' seniority (of which 29% between four and ten years) and 51% more than 10 years (of which 28% more than 20 years). Nevertheless, there are again significant differences by geography. In South America, 73% of employees have less than 10 years' service (of which 39% less than three years and 4% more than 20 years), whereas in North America and Europe, one-third of the workforce has more than 20 years' service and 60% more than 10 years.

Industrial relations

In 2011, 26,583 working hours were lost due to strikes, of which 13,361 in Tunisia, 7,936 in China and 2,563 in France (9,432 in 2010).

The Group's absenteeism rate was 2.45% in 2011. There are broad disparities by geographic zone: 3.91% in Western Europe, 2.34% in Central Europe, 2.05% in Asia-Pacific, 1.41% in North America, 1.38% in Africa and only 0.79% in South America.

As stated earlier in this chapter, a survey conducted in 2011 on almost the Group's entire workforce showed that nearly 70% of Imerys employees came under a collective bargaining agreement

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

on subjects such as work organization and working hours or compensation and benefits.

Training

More than 235,000 effective training hours (corresponding to a precise program and content) were given out in 2011 compared with 215,000 in 2010. Awareness training on health & safety procedures and measures accounts for 51% of all training hours, technical expertise development training 38% and managerial training 11%.

More than 11,500 employees were trained at least once in 2011 (9,400 in 2010), i.e. more than 70% of the Group's annual average workforce. This rate shows the importance placed on training incumbent teams.

Employee shareholding

The Group did not carry out a new employee shareholding plan in 2011.

As of December 31, 2011, there were 2,334 employee shareholders, i.e. 14% of the Group's workforce, in 27 countries. In 2010, they were 2,727, i.e. 18%. This decrease is due to the expiry of the 2001 employee shareholding plan.

REPORTS ON THE FISCAL YEAR 2011

2

2.1 BOARD OF DIRECTORS' MANAGEMENT REPORT

2.1.1 FINANCIAL YEAR 2011

In 2011, Imerys' end markets held well overall compared with 2010, a year of sharp upturn and inventory rebuilding. The signs of economic slowdown that appeared in the summer created a more contrasting environment in the 4th quarter but only had a tangible effect on the paper business. Demand remained firm in most emerging markets.

Demand for capital goods (machine tools, aerospace, etc.) and consumer durables (automotive, household appliances, etc.) remained high in 2011, leading in particular to a + 7% rise in global steel production. In North America, steel production was robust, but it slowed down slightly in the European Union and Asia towards the end of the year.

In fast moving consumer goods (food, health, electronics, etc.) and packaging, demand moved in line with global growth. Printing and writing paper production continued to grow in emerging zones but slumped in North America and, to a lesser extent, Europe, towards the end of the year.

Activity improved in the construction sector in France. New single-family housing starts rose + 10% from the previous year, supported by the positive trend in building permits since 2010. In other European countries, which are facing varied situations, improvement is slow. Indicators (building permits and housing starts) progressed very slightly in the United States but are still very low. In China, measures were taken to contain price inflation and overheating in the sector.

Currencies were highly volatile in 2011 while some raw materials rose in price.

In this context, Imerys improved its profitability, reinforced its financial resources and generated a high cash flow, which allowed it to intensify its investments. In 2011, the Group also invested in new growth drivers, through new internal and external developments.

After the **creation of The Quartz Corp SAS, a joint venture** with the Norwegian group Norsk Mineral AS at the end of the first quarter (Minerals for Ceramics, Refractories, Abrasives & Foundry business group), the **completion of the acquisition of the world leader in talc, the Luzenac Group,** on August 1, 2011, marked another milestone in Imerys' strategy. The acquisition bolsters the Group's leadership by extending its functional minerals offering (Performance & Filtration Minerals business group). Acquisition represents an enterprise value of US$ 340 million, i.e. an EBITDA multiple in line with the ratios historically paid by Imerys. Based on current market conditions, the project should create value with a return on capital employed higher than the Group's cost of capital from 2013.

Furthermore, on September 20, 2011 Imerys inaugurated **a ceramic proppants plant in the United States** (Ceramics, Refractories, Abrasives & Foundry business group). Proppants are essential products for the fast-growing non-conventional oil and gas field sector. The first shipments were made in early 2012, according to schedule.

Showing its confidence in the Group's prospects, the Board of Directors will propose at the Shareholders' General Meeting of April 26, 2012, the distribution of a dividend of €1.50 per share. The total amounts to €112.7 million, which would represent 37.2% of the Group's share of net income from current operations, in line with the Group's average pay out. The dividend would be paid from May 9, 2012.

(€ millions)	2011	2010 (5)	% current change
Consolidated Results			
Sales	3,674.8	3,346.7	+ 9.8%
Current operating income (1)	487.0	421.5	+ 15.5%
Operating margin	13.3%	12.6%	+ 0.7 point
Net current income, Group's share (2)	303.1	242.0	+ 25.3%
Net income, Group's share	282.0	243.7	n.a.
Financing			
Current free operating cash flow (3)	264.9	302.1	- 12.3%
Booked capital expenditure	229.2	169.1	+ 35.5%
Shareholders' equity	2,210.9	2,131.8	+ 3.7%
Net financial debt	1,031.1	872.8	+ 18.1%
Data per share			
Weighted average number of outstanding shares	75,272,854	75,400,253	- 0.2%
Net income from current operations, Group's share (2)	€4.03	€3.21	+ 25.5%
Proposed dividend	€1.50 (4)	€1.20	+ 25.0%

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

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

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

(4) Dividend proposed at the Shareholders' General Meeting of April 26, 2012.

(5) 2010 results have been restated following the change in accounting method related to the recognition of employee benefits, applied on January 1, 2011 and detailed in Note 2 of consolidated accounts (see chapter 5 of Registration Document).

2.1.2 DETAILED COMMENTARY ON THE GROUP'S RESULTS

SALES

- **Almost + 10% rise in sales**
- **Firm overall sales volumes in 2011, despite a high basis of comparison**
- **Firm product price/mix component**

Sales in 2011 totaled €3,674.8 million, a + 9.8% increase from 2010. This rise takes into account:

- a structure effect of + €125.0 million, mainly (+ €110.5 million) in the second half, reflecting:
  - the acquisition of Pará Pigmentos S.A.'s (PPSA) activity in Brazil (Pigments for Paper & Packaging business group), on August 1, 2010,
  - the deconsolidation, effective January 1, 2011, of North American high-purity quartz activities (Minerals for Ceramics), which were transferred to the joint venture The Quartz Corp SAS,
  - the consolidation of the Luzenac Group from August 1, 2011 (Performance & Filtration Minerals);
- an unfavorable foreign exchange effect of - €67.1 million (- €39.6 million in the second half).

At comparable Group structure and exchange rates, sales grew + 8.1% compared with 2010, a high basis of comparison, due to inventory rebuilding in the 2nd and 3rd quarters. The positive trend has continued in the 1st half of 2011, then the pace slowed down in the 2nd half.

With + 1.4% increase in volumes in the 4th quarter of 2011, activity was slightly higher than in 2010, except for Pigments for Paper & Packaging. Price/mix effect stayed firm.

2

Sales by geographic zone of destination (current change)

(€ millions)	2011 Sales	2010 Sales	Change % 2011 vs. 2010	% of consolidated 2011 sales
Western Europe	1,754.3	1,601.2	+ 9.6%	48%
of which France	*624.3*	*561.4*	*+ 11.2%*	*17%*
United States/Canada	724.1	685.4	+ 5.6%	20%
Emerging countries	998.3	890.8	+ 12.1%	27%
Others (Japan/Australia)	198.1	169.3	+ 17.0%	5%
Total	**3,674.8**	**3,346.7**	**+ 9.8%**	**100%**

In 2011, the Group's sales in emerging zones benefited from their dynamic markets and the developments made there in recent years. These zones continue to grow and represented almost €1 billion in 2011, of which more than 40% in China, Brazil and India. The US dollar's depreciation against the euro is reflected in slower sales growth in North America, while sales in Europe benefited from a rebound in activity of the construction market in France, particularly after the effects of harsh weather conditions in 2010. Sales in Japan and Australia particularly improved in industrial sectors (Minerals for Ceramics, Refractories, Abrasives & Foundry and Monolithic Refractories).

CURRENT OPERATING INCOME (1)

- **Rise in variable costs offset by product price/mix trend**
- **Positive contribution of volumes**

The + 15.5% increase in **current operating income** to €487.0 million for 2011 results from the following items:

- a structure effect of + €23.7 million (2) (+ €13.4 million in the second half);
- a - €15.9 million foreign exchange effect (mainly due to the US dollar's depreciation against the euro, which counted for - €2.7 million in the 2nd half).

At comparable Group structure and exchange rates, current operating income rose + €57.7 million compared with 2010, with a good contribution from sales volumes (+ €59.2 million).

(1) Operating income, before operating income and expenses.

(2) Mainly: Pará Pigmentos S.A. (PPSA) in Brazil (consolidated from 01/08/2010), deconsolidation of North American high-purity quartz activities transferred to The Quartz Corp SAS joint venture (01/01/2011), consolidation of Luzenac Group (01/08/2011).

Fixed production costs and overheads increased (- €57.7 million) in line with the rise in production volumes and the related costs (personnel, maintenance), as well as the launch of development initiatives (teams dedicated to new markets, geographical expansion). The rise in variable costs (- €91.0 million), is mostly due to inflation in some raw materials, such as zircon, of which price tripled in 2011 compared to 2010. Imerys has compensated those evolutions by price increases and mix improvement for an amount of €153.7 million.

In the 4th quarter of 2011, **operating margin** (11.4%) reflected:

- a traditional seasonality effect;
- the slowdown in the Group's production in the second half of 2011 following its preventive measures on working capital and cash management.

For the full year, the Group's operating margin improved to 13.3%, compared with 12.6% in 2010.

NET INCOME FROM CURRENT OPERATIONS (1)

Up + 25.3% from 2010, **net income from current operations**, at €303.1 million, reflects:

- the sharp rise in current operating income;
- improvement in financial expense to - €57.2 million (compared with - €74.7 million over the same period the previous year). This is explained by:
  - interest expense decreased from - €57.3 million in 2010 to - €56.1 million in 2011, reflecting a slight reduction in the financing rate,
  - the impact of exchange rates and financial instruments was negligible in 2011; they represented - €10.8 million in expense last year,
  - accretion of long-term provisions was stable (- €3.1 million in 2011 compared with - €3.4 million in 2010), while net financial expense with respect to pensions totaled €0.2 million in 2011 compared with expense of - €2.8 million in 2010;
- a - €123.3 million tax charge (- €100.4 in 2010), i.e. an effective tax rate of 28.7% compared with 29.0% the previous year.

Excluding perimeter effect related to Luzenac Group acquisition, net income from current operations rose by more than + 22%. This increase is in line with the Group's target, announced on July 28, of growth in excess of + 20% for full-year net income from current operations in 2011.

NET INCOME

The + €38.3 million increase in the **Group's share of net income** to €282.0 million takes into account **other income and expense, net of tax** for - €21.1 million (- €23.1 million before tax), mainly with respect to:

- provisions for restructuring and asset depreciation for a total amount of - €14.4 million, net of tax (concerning in particular the Magnesia activity, the reorganization of Canal roof tiles production in Southwest France and the end of production rationalization at Pará Pigmentos SA (PPSA));
- transaction costs (mainly Luzenac Group acquisition costs), corresponding to an after tax cost of - €4.6 million.

CASH FLOW

(€ millions)	2011	2010
EBITDA	**686.0**	**621.0**
Change in operating working capital	(59.4)	(45.7)
Paid capital expenditure	(227.4)	(154.9)
Free current operating cash flow *	**264.9**	**302.1**
Paid financial expense (net of tax)	(37.3)	(46.6)
Other working capital items	(1.0)	18.7
Current free cash flow	**226.6**	**274.2**
* *Including subsidies, value of divested assets and miscellaneous.*	*5.3*	*3.7*

- **Continued strict management of operating working capital**
- **High level of current free operating cash flow**

Operating working capital represented 23.7% of annualized sales in the last quarter (compared with 21.8% as of December 31, 2010). This ratio was affected by:

- a Group structure effect relating to the consolidation of Luzenac Group activity, which has high seasonal variations (high inventory at start of year as mining campaigns are interrupted during winter);
- an unfavorable foreign exchange effect (appreciation of the US dollar at the end of December).

This ratio takes factoring (2) into account for €74 million as on December 31, 2011. At comparable Group structure and exchange rates, the operating working capital to sales ratio was stable compared with the previous year.

As announced, **booked capital expenditure** (€229.2 million) increased significantly in 2011 and represented 109% of depreciation expense (compared with 79% for 2010). The increase is mostly due

(1) Net income, Group share, before other operating income and expenses, net.

(2) Factoring contract signed on July 23, 2009 under which transferred receivables are deconsolidated, with the risks and benefits related to receivables transferred to the factor bank. €71 million in receivables was factored as on December 31, 2010.

to the implementation of growth projects: new capacities to support growth in demand (mainly in the Performance & Filtration Minerals business group) and development in new markets (proppants in the Minerals for Ceramics, Refractories, Abrasive & Foundry business group). Industrial asset maintenance and mine overburden operations increased only slightly, accounting for 62% of depreciation expense for the year (compared with 59% in 2010).

FINANCIAL STRUCTURE

(€ millions)	December 31, 2011	June 30, 2011	December 31, 2010
Paid dividends	(91.4)	(91.1)	(76.3)
Net debt	1,031.1	873.8	872.8
Shareholders' equity	2,210.9	2,118.6	2,131.8
EBITDA	686.0	352.0	621.0
Net debt/shareholders' equity	46.6%	41.2%	40.9%
Net debt/EBITDA	1.5x	1.3x	1.4x

Thanks to the substantial current free cash flow generated, the increase in the consolidated **net financial debt** and financial ratios is limited, although the Group raised its development capital expenditure and acquired the Luzenac Group in the second half. Imerys also paid €90.6 million in dividends on May 11, 2011, as well as €0.8 million to minority shareholders of Group subsidiaries.

In the second half of 2011, the Group secured more than a billion euros in bilateral credit facilities maturing in 2015-2016 in order to increase and diversify its financial resources, while extending their average maturity. As on December 31, 2011, Imerys' total financial resources totaled €2.8 billion (of which €1.3 billion in available financial resources excluding cash), with average maturity 3.8 years.

Furthermore, during the first half of 2011, Moody's increased Imerys' long-term credit rating (1) from Baa3 to Baa2 with a stable outlook. The short-term rating improved accordingly, from P-3 to P-2, also with a stable outlook.

2.1.3 COMMENTARY BY BUSINESS GROUP

MINERALS FOR CERAMICS, REFRACTORIES, ABRASIVES & FOUNDRY

(32% of the Group's consolidated sales)

(€ millions)	2011	2010	Current change	Comparable change (1)
Sales	1,186.1	1,105.0	+ 7.3%	+ 12.2%
Current operating income (2)	156.8	135.2	+ 16.0%	+ 19.1%
Operating margin	13.2%	12.2%		
Booked capital expenditure	95.0	63.0	+ 50.9%	
As % of depreciation expense	*152%*	*98%*		

(1) At comparable Group structure and exchange rate.

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

- **Firm business on most end markets**
- **Development in oilfield minerals**

Markets

Demand in the industries served by Minerals for Refractories, Fused Minerals, Graphite & Carbon (steelmaking, foundry, aluminum, cement, glass, mobile energy, etc.) was firm overall, driven by buoyant markets for capital goods and some durables (machine tools, aerospace, automotive, electronics, etc.). The growth rate of steel production slowed down in the second half, particularly in the 4th quarter in China and in Europe. Business in North America, however, improved significantly. Demand remained firm in Minerals for Ceramics, with the slack construction market in the United States offset by the vibrancy of emerging markets.

(1) "Senior unsecured debt rating".

Industrial highlights

The increase in the business group's **capital expenditure** in 2011 is explained by the construction and commissioning of a ceramic proppants (used to keep fractures in hydrocarbon reservoirs open for non-conventional oil and gas exploration) plant, which represents a $ 60 million investment. Built on the Andersonville site (Georgia, United States), this unit, inaugurated on September 20, 2011, should produce more than 100,000 tons of product per year. This market is fast-growing and the investment should create value from its first year in operation.

Imerys announced its intention to form a joint venture with the Al Zayani Investments group for the construction of a plant in Bahreïn to produce fused alumina specialty product used in many applications (e.g. abrasives, refractories, sanding, thermal linings).

Performance

Sales amount to €1,186.1 million. The + 7.3% increase shows:

- impact of changes in structure (- €29.9 million): North American activities (mineral reserves and industrial resources) for feldspar, mica and high-purity quartz (Minerals for Ceramics) were deconsolidated with retroactive effect from January 1, 2011 as a result of their contribution to The Quartz Corp SAS, a joint venture now accounted for under the equity method;
- negative effect of exchange rates for - €23.7 million.

While the basis of comparison was high due to the inventory rebuilding that took place in 2010 (+ 35.2% growth in sales at comparable structure and exchange rates in 2010 compared with 2009), sales at comparable structure and exchange rates rose by a further + 12.2% in 2011, thanks to:

- the significant improvement in the product price/mix: in the context of a stretched zirconium market in China (price and availability), Imerys adapted its pricing policy. The repositioning of the Mineral for Ceramics product range and geographic base also helped to improve the product mix;
- higher volumes, supported by firm markets.

Current operating income increased + €21.6 million, taking into account the - €5.9 million impact of exchange rates and a structure effect of + €1.8 million. The share of income in "The Quartz Corp SAS" joint venture, now consolidated by equity method, amounts to €4.3 million.

At comparable structure and exchange rates, the improvement in product prices and mix covers the sharp inflation in zircon prices. Volume growth and recent developments (ramp-up of teams dedicated to the oilfield segment, geographic expansion) explains the increase in fixed costs and overheads.

PERFORMANCE & FILTRATION MINERALS

(19% of the Group's consolidated sales)

(€ millions)	2011	2010	Current change	Comparable change [(1)]
Sales	719.7	594.7	+ 21.0%	+ 5.1%
Current operating income [(2)]	83.4	65.9	+ 26.6%	+ 15.1%
Operating margin	11.6%	11.1%		
Booked capital expenditure	36.7	26.8	+ 37.0%	
As % of depreciation expense	*77%*	*62%*		

(1) At comparable Group structure and exchange rate.

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

- **Firm business in main markets**
- **Luzenac Group: success of ongoing integration**

Markets

The business group's end markets, particularly fast-moving consumer goods (food, health, etc.) and intermediate industries (plastics, rubber, filtration, catalysis, etc.) have been driven by the dynamism of emerging countries. The construction market remained low with however a slight improvement in Europe, while no real turnaround has occurred in the United States. After a brisk start to the year, the markets served by the Talc activity (plastics, paint, paper, ceramics, health & beauty) have also remained firm.

Industrial highlights

In 2011, **capital expenditures**, excluding maintenance and mine overburden, have focused on the development of new products and on geographic expansion:

- specialty production line for plastics market built and brought on stream in the Sylacauga (Alabama, USA) site;
- production line in Lompoc (California, USA) adapted in response to growing sales of Celite Cynergy™, an innovative filtration agent for edible liquids;
- Filmlink™ production unit created on the Ipoh (Malaysia) site to serve the Asian polymers market.

The latter two capital projects will be operational in the first half of 2012.

Performance

The business group's **sales** totaled €719.7 million in 2011. This + 21.0% increase takes into account:

- a structure effect of + €114.2 million, comprised of:
  - + €119.0 million relating to the acquisition of the Luzenac Group, the world leader in talc, which was fully consolidated from August 1, 2011,
  - - €4.8 million with respect to the rationalization of carbonate activities in the Americas (divestment in late 2010 of the Gouverneur's calcium carbonate processing unit (New-York, United States) and Performance Minerals activities in Argentina);
- a foreign exchange effect of - €19.5 million.

The increase in sales at comparable structure and exchange rates (+ 5.1%) corresponds to improvement in the product/mix component through the introduction of new products and the Business group's development in emerging countries.

Current operating income, at €83.4 million, rose by + €17.5 million, including €10.9 million in structure effect. Foreign exchange impact was unfavorable at - €3.3 million. At comparable Group structure and exchange rates, the + 15.1% increase reflects higher profitability with a substantial price/mix effect. Since its acquisition, the profitability of the Talc activity has improved, to progressively close up the level of the Business group as a whole.

PIGMENTS FOR PAPER & PACKAGING

(21% of the Group's consolidated sales)

(€ millions)	2011	2010	Current change	Comparable change (1)
Sales	796.4	767.1	+ 3.8%	+ 0.4%
Current operating income (2)	83.2	76.9	+ 8.2%	+ 2.1%
Operating margin	10.4%	10.0%		
Booked capital expenditure	68.7	60.6	+ 13.3%	
As % of depreciation expense	*102%*	*86%*		

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

- **Slowdown in paper production in 2nd half, sector restructured in North America**
- **Dynamic emerging markets**

Markets

In 2011, global production of printing and writing paper was on a par with 2010, a high basis of comparison due to inventory rebuilding in the papermaking sector. The rise in production in emerging countries (+ 6.0%) offset the erosion in mature countries (- 4.0%), which was significant in North America in the second half.

Industrial highlights

The increase in **capital expenditures** was driven, in particular, by:

- production rationalization in Brazil, following the acquisition of PPSA (August 2010), together with the development of deposits in this country (overburden costs);
- reconstruction of the Miyagi plant in Japan, which was badly damaged by the March earthquake; production resumed progressively at the end of the year.

Performance

Sales amount to €796.4 million for 2011. This + 3.8% increase takes into account:

- a + €36.5 million structure effect, mainly in connection with the acquisition of PPSA;
- negative exchange rate impact of - €10.4 million.

At comparable Group structure and exchange rates, sales were stable in 2011 (+ 0.4%) compared with the previous year. After a dynamic first half in mature countries, the printing and writing paper segment was affected by the rationalization programs carried out by some North American customers: several paper mills reduced output or shut down in the 4th quarter of 2011 to address the slump in demand and limit inventories. In that more difficult context, Imerys was able to benefit from its expansion in emerging countries (new capacities launched in 2010) and the development of its product and service offering for the Packaging market.

Current operating income totaled €83.2 million in 2011 (+ €6.3 million) and takes into consideration:

- a + €10.8 million structure effect;
- a negative exchange rate effect of - €6.2 million.

At comparable structure and exchange rates, current operating income rose + 2.1%. This current operating income includes an approximately €5 million insurance compensation for the damage to the Japanese plant in Miyagi.

MATERIALS & MONOLITHICS

(28% of the Group's consolidated sales)

(€ millions)	2011	2010	Current change	Comparable change [(1)]
Sales	1,025.3	922.6	+ 11.1%	+ 11.4%
Current operating income [(2)]	209.5	187.6	+ 11.6%	+ 11.5%
Operating margin	20.4%	20.3%		
Booked capital expenditure	24.0	14.0	+ 71.8%	
as % of depreciation expense	*77%*	*42%*		

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

- **A good year for construction in France**
- **Firm markets for Monolithic Refractories, development of "projects" activity**

Markets

In France, driven by the increase in single-family housing permits, building starts rose + 10% [(1)] in 2011 compared with the previous year. New single-family housing sales, however, began to slow down in the 2nd quarter of 2011. The renovation segment was also buoyant (+ 2.5%), taking into account the catch up in early 2011 to make up for the harsh weather in late 2010.

In that context, clay products [(2)] showed volume growth of + 9.4% for roofing components and + 19% for bricks in 2011, supported by their intrinsic qualities (heat inertia, energy efficiency, etc.).

Business was healthy in Monolithic Refractories, which benefited from a dynamic global steelmaking sector and robust activity in other segments (power generation, incineration, petrochemicals, etc.) in Europe. Many new plant construction or capacity extension projects were also launched, which helped to keep those markets firm.

Industrial highlights

In 2011, **capital expenditures** focused primarily on maintaining industrial assets and improving energy efficiency in the Building Materials activity, with the launch of facilities designed to use biomass on Léguevin site (Haute-Garonne, France). A new line, dedicated to tap hole clay production, was also built in China, within Calderys plant.

Performance

Rising + 11.1% in 2011 compared with 2010, the business group's **sales** totaled €1,025.3 million, taking into account:

- a limited structure effect of + €2.0 million (acquisition at the start of 2011 of La Française des Tuiles et Briques (Allier, France), a company specializing in upscale flat roof tiles);
- negative exchange rate impact of - €4.2 million.

At comparable Group structure and exchange rates, sales grew + 11.4% in total, with firm volumes and a positive price/mix component.

The Materials & Monolithics business group's **current operating income** totaled €209.5 million (+ €21.9 million from 2010). Group structure and exchange rate effects were negligible (+ €0.9 million and - €0.5 million, respectively). At comparable Group structure and exchange rates, the price/mix component covered the rise in variable costs (primarily inflation in refractory raw materials). Fixed costs increased in line with the sharp rise in sales volumes; furthermore, the Monolithic Refractories activity set up dedicated teams to the development of its "refractory solutions for new plants" and its geographic expansion.

(1) New single family housing starts – French Ministry of the Environment, Sustainable Development, Transport and Housing.
(2) Source: Fédération Française des Tuiles et Briques (French roof tiles & bricks Federation) – Provisional data.

2.1.4 2012 OUTLOOK

Since the end of the 2011 summer, the macro-economic environment has been more uncertain and, while activity remained satisfactory in early 2012, visibility remains low on February 15, 2012. The Group, therefore, remains vigilant: selective capital expenditure with a focus on growth projects and fast paybacks, strict management of working capital, expenditures and evolution of variable costs and price/mix component.

Over the past four years, Imerys has optimized its cost base and strengthened its financial structure while increasing its exposure to growing markets by expanding in emerging countries and diversifying its business portfolio. Moreover, in 2012, the Group will benefit from additional development potential, brought by the acquisition of the Luzenac Group and the launch of new internal projects, such as proppants, etc.

In that context, Imerys will continue to implement its development strategy based on the acceleration of internal growth - through innovation and the extension of its business portfolio in growing markets and geographic zones – and on a selective acquisition policy.

2.1.5 AMBITION 2012-2016

At its Investor Day on January 12, Imerys presented its strategic orientations for the next five years, with the aim of speeding up its development by increasing organic growth.

In terms of innovation, Imerys has bolstered its resources to gain greater presence on end markets with high growth potential, but also to enhance its specialty minerals offering. A €60 million budget has been earmarked for Research & Development expenses and capital expenditures in 2012. By 2016, the Group could achieve additional sales of up to €700 million with new products. Imerys also intends to keep up its development in emerging countries. India, China and Brazil will play a driving role in a strategy that will combine internal growth, acquisitions and partnerships.

Imerys will continue to use strict return on investment criteria by targeting an internal rate of return in excess of 15% for its internal development projects, in order to maintain a sound financial structure. In this way, Imerys intends to achieve return on capital employed that is higher than its average cost of capital in order to create value for its shareholders.

2.1.6 THE COMPANY'S BUSINESS AND RESULTS IN 2011

The Company made a net profit of €9.6 million in 2011, a - €74.0 million decrease compared to the previous period.

An operating loss of - €48.9 million was recorded, a - €5.7 million change compared to the previous year. This trend is due to an increase in operating expenses of €4.5 million to reach €72.3 million. This increase can mainly be explained by the increase in staff expenses by €2.0 million due to the constitution of a provision for risks for an amount of €1.4 million corresponding to the future transfer of treasury shares of the Company as part of a free shares plan. Purchases and external services increased by €2.5 million due to the increase in external services related to the acquisition projects. At the same time, operating revenue decreased by - €1.2 million, at €23.4 million.

A financial income of €9.7 million was posted in 2011, compared with €101.3 million in 2010. In 2011, the Company collected €103.4 million in dividends, which is the same amount as in 2010. The Company also recognized a net exchange rate loss of - €16.1 million in 2011, against a net gain of + €10.8 million in 2010; at the same time net provisions for foreign exchange rate risks had been decreased in 2010 by + €41.6 million and were increased in 2011 by - €23.9 million. The foreign exchange impacts net of provisions thus decrease from + €52.4 million in 2010 to - €40.0 million in 2011 and mainly explains the decrease in the financial income. Finally, net financial expenses decreased by + €14.5 million due to the settlement of two rate hedge instruments for a total amount of + €14.6 million.

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

The current loss amounts to - €39.3 million in 2011, against a current income of + €58.0 million in 2010.

The exceptional income reached + €2.8 million in 2010. For the financial year 2011, the exceptional loss amounts to - €0.5 million.

With respect to 2011, Imerys SA recorded a tax credit of + €49.4 million, as a result of the tax consolidation of the Group of French companies headed by Imerys SA.

The financial debts of Imerys SA increase by €245.1 million in 2011 due to the acquisition by the Imerys group of the Luzenac group on August 1, 2011.

The increase in investments of + €1.0 million corresponds to the share capital increase of its French subsidiary Imerys Services for €1.0 million. During the financial year 2011, the Company disposed of its entire interest in The Quartz Corp. SA to one of its French subsidiaries.

The Board of Directors will propose the payment of a dividend increasing, up to €1.50 per share at the Shareholders' General Meeting of April 26, 2012. This dividend should be paid out from May 9, 2012 for a total of approximately €112.7 million, i.e. 37.2% of the Group's share of consolidated net current income (for information related to allocation of earnings, *see Note 34 of the statutory financial statements).*

As of December 31, 2011, 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	2,292,865	1,288,637	411,182	593,046
Other debts	16,939	16,939	-	-
Deferred revenue	-	-	-	-
Unrealized exchange rate gains	21,197	21,197	-	-
Total	**2,331,001**	**1,326,773**	**411,182**	**593,046**

INVENTORY OF SUBSIDIARIES AND EQUITY INTERESTS AND MARKETABLE SECURITIES

Information concerning subsidiaries and equity interests as of December 31, 2011 can be found in *Note 35 of the statutory financial statements.*

Information concerning marketable securities as of December 31, 2011 can be found in *Note 18 of the statutory financial statements.*

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

Information concerning the share capital as of December 31, 2011 is available in *Notes 19 and 29 of the statutory financial statements,* as well as in *chapter 6, paragraph 6.3.1 of the Registration Document*.

As of December 31, 2011, the Company's share capital was made up as follows:

	Number of shares	% of interest	% of voting rights (1)
Pargesa Netherlands BV (2)	-	-	-
Belgian Securities BV (3)	42,851,473	57.03%	66.78%
M&G Investment Management Ltd (4)	5,217,507	6.94%	5.28%
Vanguard Precious Metal and Mining Funds (5)	3,650,000	4.86%	3.69%
Group employees	197,924	0.26%	0.40%
Owned by the Group	57,442	0.08%	0.06%
Public	23,168,170	30.83%	23.79%
Total as of December 31, 2011	**75,142,516**	**100.00%**	**100.00%**

(1) Total theoretical voting rights: 98,783,618.

(2) On April 8, 2011, Pargesa Netherlands BV disposed of its entire interest in Imerys to Belgian Securities BV (for more details, see chapter 6, paragraphs 6.3.2 and 6.3.5 of the Registration Document).

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

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

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

On December 14, 2011, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2010 and April 28, 2011, cancelled 532,811 treasury shares directly acquired on the market by the Company and totally allocated to the cancellation objective. This cancellation of treasury shares lead to a capital decrease of the Company of a nominal amount of €1,065,622.

On January 10, 2012, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 14, 2011, noted that, on December 31, 2011, the share capital had been increased by a nominal amount of €402,344 as a result of the exercise during the 2011 period of 201,172 share options and of the creation of the same number of new Imerys shares.

In addition as of December 31, 2011, the Company holds 57,442 treasury shares at the average unit price of €36.73.

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

	2011 For the 2010 period	2010 For the 2009 period	2009 For the 2008 period
Gross dividend per share	€1.20	€1.00	€1.00
Net dividend per share	€1.20	€1.00	€1.00
Total net distribution	**€90.6 million**	**€75.5 million**	**€62.8 million**

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

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

Type of indicators *(€)*	**2011**	**2010**	**2009**	**2008**	**2007**
I – Capital and other shares at the end of the period					
Share capital	150,285,032	150,948,310	150,778,992	125,573,180	126,253,712
Number of ordinary shares at the end of the period	75,142,516	75,474,155	75,389,496	62,786,590	63,126,856
Nominal per share	€2	€2	€2	€2	€2
Number of preferred shares (without voting rights)	-	-	-	-	-
Maximum number of potential ordinary shares by exercise of options	4,202,766	4,170,563	3,953,269	3,448,082	3,103,391
II – Transactions and income for the period					
Pre-tax sales	23,102,369	18,874,414	19,196,891	23,164,643	23,535,868
Income before income taxes, legal profit-sharing and amortization, depreciation and provisions	1,016,776	19,302,242	83,085,219	43,655,864	37,035,044
Income taxes	49,412,228	22,793,593	30,755,302	56,232,494	27,399,525
Legal employee profit-sharing payable for the period	-	-	-	-	-
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	9,643,394	83,645,325	71,934,964	87,063,223	50,239,678
Distributed income (excluding withholding tax)	90,597,541	75,505,458	62,787,810	118,974,880	114,185,084
III – Earnings per share (1)					
Income after income taxes, legal profit-sharing and before amortization, depreciation and provisions	0.67	0.56	1.51	1.59	1.02
Income after income taxes, legal profit-sharing and amortization, depreciation and provisions	0.13	1.11	0.95	1.39	0.80
Net dividend per share	1.50 (2)	1.20	1.00	1.00	1.90
IV – Employees					
Average number of employees for the period	140.75	124.25	125.58	130.33	105.33
Payroll for the period	15,625,401	13,459,710	11,839,442	11,619,474	10,525,905
Amount paid as social contribution for the period	12,131,203	12,339,268	7,335,249	5,782,541	5,926,112
of which profit-sharing	1,315,100	918,072	356,971	900,000	1,128,996

(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 26, 2012.

OTHER INFORMATION

In 2011, no changes in accounting methods occurred.

BUSINESS FORECASTS FOR 2012

In 2012, the Company will pursue its activity of holding and, more particularly, of providing services to its subsidiaries and will continue to manage financial risks for the entire Group.

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

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

Payables as of December 31, 2011

(€ thousands)	**Total**	**< 30 days**	**From 31 to 60 days**	**> 61 days**
Group suppliers	3,327	3,073	215	39
Non Group suppliers	1,115	985	6	124
Trade payables	**4,442**	**4,058**	**221**	**163**

Payables as of December 31, 2010

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

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

- Sustainable Development, Environment, Human Resources data, Risks (chapter 1 – Presentation of the Group);
- Innovation, Research & Technology (chapter 1 – Presentation of the Group);
- Interest acquisition and takeover (chapter 1 - Presentation of the Group and chapter 5 - Financial statements);
- 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);
- Events after the end of the period (chapter 5 – Financial statements);
- Information on share capital (including Group employees' interest in the capital of the Company and table summarizing existing financial authorizations and share buyback programs) and items likely to have an impact in the event of a public offer (chapter 6 – Additional information).

2.2 STATUTORY AUDITORS' REPORTS

ERNST & YOUNG et Autres
1 / 2, place des Saisons
92400 Courbevoie
Paris-La Défense 1

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

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

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

2.2.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended December 31, 2011

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

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

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2011 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, 2011 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

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

II. JUSTIFICATION OF OUR ASSESSMENTS

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

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

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

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

III. SPECIFIC VERIFICATION

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

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

Paris-La Défense and Neuilly-sur-Seine, March 21, 2012

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François CARREGA	Arnaud de PLANTA

2.2.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Fiscal year ended December 31, 2011

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2011 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, 2011 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

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

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

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

III. SPECIFIC VERIFICATIONS AND INFORMATION

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

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

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

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

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

Paris-La Défense and Neuilly-sur-Seine, March 21, 2012

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres

François CARREGA

Deloitte & Associés

Arnaud de PLANTA

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

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2011

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

To the Shareholders,

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

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

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

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

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

Agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to the provisions of Article L.225-38 of the French Company Law.

Agreements and commitments authorized since the balance sheet date

We hereby inform you that we have been advised of the following agreements and commitments, authorized subsequent to the balance sheet date of the fiscal year just ended, that were previously approved by your Board of Directors.

Regulated agreements and commitments entered into in favor of Mr. Gilles Michel, Chairman-CEO and Director

Modifications made to the Group defined benefit retirement plan, as authorized by the Board of Directors at its February 15, 2012 meeting:

The main characteristics of this plan are as follows:

- beneficiary category: all senior executives or corporate officers of Imerys SA, and members of the Executive Committee, having at least 8 years (previously 10 years) of seniority within the Imerys Group as of the settlement date of his retirement benefits, including having been a member of the Executive Committee during at least 4 years (previously 2 years);
- life annuity:
  - total annual gross amount (after having taken into account pension benefits from mandatory and complementary retirement plans including the defined benefit plan described below) of 60% of the beneficiary's reference salary, which is limited to 30 times (previously 22 times) the amount of the Social Security Annual Ceiling;
  - subject to a payment capped at a maximum of 25% of the capped reference salary;
  - optional reversion annuity paid to the surviving spouse pro-rated to the duration of the marriage;
  - benefits arising from voluntary contributions paid to the supplementary defined benefit retirement plan (possibility introduced by the law of November 9, 2010) that are not offset against the guaranteed retirement benefit caps.
- Employee's reference salary to be used: average of the beneficiary's last two years of compensation (fixed and variable).

The total estimated amount of the commitment for Mr. Gilles Michel amounts to €470.7 thousand as of December 31, 2011.

Moreover, we hereby inform you of the following commitment, approved by your Shareholders' Meeting of April 28, 2011 and confirmed by your Board of Directors on February 15, 2012, that you are being requested to approve again, pursuant to paragraph 4 of Article L. 225-42-1 of the French Company Law, as a result of the renewal of Mr. Gilles Michel's term of office as Chairman and CEO, that may be possible provided that his term of office is renewed by the Shareholders' Meeting.

Severance pay:

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

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

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

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

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved during previous years and having continuing effect in 2011

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

Defined contribution retirement plan:

This plan, the management of which was entrusted to an external insurance company, provides for a contribution of 8% of the eligible beneficiaries' compensation, capped at 8 PASS (8 times the amount of the Social Security Annual Ceiling), paid into jointly by beneficiary for 3%, and 5% by the Company; the benefits, if necessary, will be deducted from the guaranteed retirement caps under the Group defined benefit plan. Beneficiaries may make optional voluntary contributions to this plan in addition to the mandatory ones.

Mr. Gilles Michel, Chairman-CEO and Director, is covered by this plan.

Your Company paid contributions to this plan amounting to €14,140.80 in 2011.

Social security benefits plan for corporate executives:

In his capacity as a corporate officer, Mr. Gilles Michel benefits from the social security benefits plan for corporate executives subscribed to by your Company.

Your Company paid contributions to this plan amounting to €14,431 in 2011.

Defined benefit retirement plan:

The defined benefit plan, existing before the modifications authorized by the Board of Directors' meeting of February 15, 2012 and described below, was set up in particular for Mr. Gérard Buffière, CEO until April 28, 2011 and Director. On May 1, 2011, Mr. Gérard Buffière claimed his pension benefits under the standard mandatory and complementary plan as well as his additional rights under the Imerys supplementary senior executive retirement plan. Accordingly, since his date of retirement, he benefits from a life annuity calculated in accordance with the methods set forth in this plan.

The total commitment for Mr. Gérard Buffière amounts to 4,158.1 thousand as of the settlement date of his retirement benefits.

Agreements and commitments approved during previous years that were not performed in 2011

Furthermore, we have been advised of the continuation of the following agreements and commitments, already approved by the Shareholders' Meeting during previous years that were not performed in 2011.

Severance pay for Mr. Gérard Buffière, CEO until April 28, 2011 and Director:

The employment contract of Mr. Gérard Buffière provided for severance pay should he leave at the Company's initiative, equal to two years gross salary, including those benefits owed under the applicable collective bargaining agreement.

As Mr. Gérard Buffière exercised his entitlement to retire during 2011, severance pay will not be paid since it is no longer applicable.

Paris-La Défense and Neuilly-sur-Seine, March 21, 2012

The Statutory Auditors

ERNST & YOUNG et Autres	Deloitte & Associés
François CARREGA	Arnaud de PLANTA

CORPORATE GOVERNANCE 3

Since May 3, 2005, the Company has been organized as a French Limited Liability Company (Société Anonyme) with a Board of Directors. On April 28, 2011, the Board decided to merge the duties of Chairman of the Board and Chief Executive Officer and to appoint Mr. Gilles Michel to perform them. The Board of Directors also appointed a Vice-Chairman, Mr. Aimery Langlois-Meurinne, as Lead Director. This governance structure, adopted by a great majority of listed French companies with a Board of Directors, simplifies the Company's operational management in order to further improve its efficiency while taking into account the presence of controlling shareholders in the Company's capital and the application of best Corporate Governance practices.

The Company complies with the French regulations to which it is subject with respect to Corporate Governance. The AFEP-MEDEF Corporate Governance Code, updated in April 2010, is used by the Company as a reference in drawing up the report provided for in article L. 225-37 of the French Code of Commerce, pursuant to the law of July 3, 2008 transposing the European directive 2006/46/EC of June 14, 2006 (this Code is available on the Company's website: *www.imerys.com*, in the "Our Group/Corporate Governance" section).

3.1 BOARD OF DIRECTORS

3.1.1 POWERS

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

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

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

- the Board of Directors makes the checks and controls that it judges appropriate at any time of the year. It may obtain any documents that it judges useful for carrying out its mission;
- the Chief Executive Officer periodically presents a report to the Board of Directors on the status and running of Company affairs, which is drawn up in the conditions requested by the Board of Directors. The report includes the presentation of the Group's quarterly and half-yearly financial statements;
- within three months of closing the financial year, the Executive Management presents the Company's annual financial statements, the Group's consolidated financial statements and its report on the financial year just ended to the Board of Directors for review and control. The Board of Directors settles those financial statements and the terms of its Management Report to be presented to the annual Shareholders' General Meeting;
- the Executive Management submits to the Board of Directors its annual operating objectives for the year ahead and, periodically, its 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 operations likely to significantly modify the purpose or scope of business of the Company and the Group, including:
  - the acquisition, investment, takeover or disposal of securities or any other fixed asset (and any operation economically comparable, including by way of contribution or exchange) for an amount greater than €75 million per operation, or its equivalent amount in any other currency,
  - the significant commercial or industrial agreements that would bind the long-term future of the Company or the Group,
  - any financing operations for an amount likely to significantly modify the financial structure of the Group;
- as the case may be, the allocation of management tasks between the various Delegate Chief Executive Officers, as proposed by the Chief Executive Officer;
- more generally, any commitment by the Company or the Group that may constitute a regulated agreement, in accordance with the law.

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

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

3.1.2 COMPOSITION

The Board of Directors is currently composed of sixteen members. Their term of office is three years and, in principle, one third of members is renewed each year. An amendment to the by-laws for the purpose of allowing the Ordinary General Meeting, on an exceptional basis and in order to foster and maintain the principle of effective and harmonious renewal of the Board by thirds, to appoint any new Director for an initial period of less than three years will be submitted to the approval of the Ordinary and Extraordinary General Meeting of April 26, 2012.

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 2011

The Company's shareholders, at their Ordinary and Extraordinary General Meeting of April 28, 2011, decided to:

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

The Board of Directors at its meeting of April 28, 2011 decided to merge the duties of Chairman of the Board and Chief Executive Officer and to appoint Mr. Gilles Michel to perform them. On this occasion, the Board also appointed a Vice-Chairman, Mr. Aimery Langlois-Meurinne, as Lead Director.

Finally, the Board of Directors at its meeting of November 14, 2011 noted the resignation of Mr. Maximilien de Limburg Stirum.

3

COMPOSITION

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

Name	Age	Nationality	Position	Date of 1st appointment	Year of renewal of term of office (1)	Number of shares owned	Independent member
Gilles MICHEL	56	French	Chief Executive Officer	11/03/2010	2012	600	No (2)
Aimery LANGLOIS-MEURINNE	68	French	Vice-Chairman	09/22/1987	2014	60,000	No (3)
Gérard BUFFIÈRE	66	French	Director	05/03/2005	2014	210,539	No (4)
Aldo CARDOSO	56	French	Director	05/03/2005	2014	1,680	Yes
Jacques DRIJARD	68	French	Director	09/25/1996	2012	720	No (3) (4)
Ian GALLIENNE	41	French	Director	04/29/2010	2013	600	No (3)
Fatine LAYT	44	French	Director	04/29/2010	2013	600	Yes
Jocelyn LEFEBVRE	54	Franco-Canadian	Director	06/16/1994	2012	1,080	No (3)
Eric LE MOYNE de SÉRIGNY	65	French	Director	06/12/1996	2012	795	No (5)
Arielle MALARD de ROTHSCHILD	48	French	Director	04/28/2011	2014	600	Yes
Jean MONVILLE	67	French	Director	05/02/2007	2013	720	Yes
Robert PEUGEOT	61	French	Director	11/04/2002	2013	704	Yes
Olivier PIROTTE	45	Belgian	Director	04/29/2010	2013	600	No (3)
Amaury de SÈZE	65	French	Director	07/30/2008	2013	8,016	No (3)
Pierre-Jean SIVIGNON	55	French	Director	04/29/2010	2013	600	Yes
Jacques VEYRAT	49	French	Director	05/03/2005	2014	600	Yes
Total members: 16						**288,454 (6)**	**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) Chairman and Chief Executive Officer of the Company.
(3) Director representing a majority shareholder in the Company.
(4) Former executive of the Company.
(5) Director of the Company for more than 12 years.
(6) I.e. 0.38% of capital and 0.40% of voting rights as on December 31, 2011.

The minimum number of shares required to be a member of the Board of Directors is set at 100 by the by-laws. The Board's Internal Charter increased that number to 600 Imerys shares to be acquired by each Director within a year of his or her appointment. In that respect, the Company's controlling shareholder groups, which are represented on the Board of Directors by six members, together hold 42,851,473 shares as of December 31, 2011 *(see chapter 6, paragraph 6.3.1 of the Registration Document)*.

Pursuant to statutory provisions, the terms of office of Directors end ipso jure on the date of the General Meeting following the date on which the incumbent reaches the age of 70; those of Chairman and Vice-Chairman(s) end ipso jure following the next Board Meeting after their 70th birthday.

Furthermore, as on the date of the present Registration Document: the proportion of women on the Board (2 out of 16) reaches 12.50%; two members of the Board of Directors are not solely French nationals and seven are considered "independent". This proportion of independent members in the composition of the Board of Directors (7 out of 16) is greater than the one-third recommended by the AFEP-MEDEF Corporate Governance Code for companies with controlling shareholders.

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

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

CHANGES PLANNED FOR 2012

After the examination and opinion given by the Appointments and Compensation Committee, the Board will put to the shareholders at the General Meeting of April 26, 2012 to:

- renew the terms of office as Directors of Mr. Gilles Michel, Mr. Jacques Drijard and Mr. Jocelyn Lefebvre for a further period of three years, i.e. until the end of the Shareholders' General Meeting called in 2015 to rule on the 2014 financial statements (it is specified that given his age and pursuant to article 12 of the by-laws, the term of office of Mr. Jacques Drijard will end ipso jure at the end of the Shareholders' General Meeting that will be called in 2013 to rule on the 2012 financial statements);
- appoint for the same three-year period Mr. Xavier Le Clef as new Director, in succession to Mr. Eric Le Moyne de Sérigny whose term of office will expire at the end of the next Shareholders' General Meeting and who did not seek its renewal.

Furthermore, the Board of Directors at its meeting on February 15, 2012 expressed its intention to keep the duties of Chairman of the Board and Chief Executive Officer combined, and to renew Gilles Michel in his duties, subject to the renewal of his term of office as Director.

In accordance with the principles used by the Company with respect to the qualification of its Directors as independent, and after examination of their personal situation, the Appointments and Compensation Committee did not recognize that status to Messrs. Jacques Drijard, Jocelyn Lefebvre and Xavier Le Clef, as representatives of controlling shareholders, nor to Mr. Gilles Michel, Chairman and Chief Executive Officer.

Information on Directors whose terms of office's renewal will be put to the Shareholders' General Meeting appears in p*aragraph 3.1.3 of this chapter;* the information on Mr. Xavier Le Clef as new applicant appears in c*hapter 7, section 7.1 of the Registration Document.*

(1) For its application, the Board decided that their being in one or more of the following situations was likely to affect that freedom of judgment:
- *an employee, corporate officer or Director (or similar) of a subsidiary of Imerys, of its controlling shareholders or major shareholders (i.e. with a share of over 10% of its capital) or having been one in the past five years;*
- *a corporate officer or Director (or similar) of a company in which Imerys, one of its employees or another corporate officer of Imerys (now or in the past five years) is a Director (or similar);*
- *a Director (or similar) of Imerys for more than 12 years;*
- *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.*

3.1.3 INFORMATION ON THE DIRECTORS

The information below was provided individually to the Company by each of the Directors concerned in function as of December 31, 2011.

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

Gilles MICHEL

Chairman and Chief Executive Officer

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

A graduate of École Polytechnique (1974), École Nationale de la Statistique et de l'Administration Economique (ENSAE) and Institut d'Études Politiques (IEP) of Paris, Gilles Michel began his career in 1982 within the World Bank (Washington, D.C.) before joining the Saint-Gobain group in 1986 where during sixteen years he held various managerial positions, notably in the United States, before being appointed in 2000 General Manager of the Ceramics & Plastics business group and member of Saint-Gobain's Management Committee. In 2001, he joined PSA Peugeot-Citroën group, as Manager of the Platforms, Techniques & Purchasing activity and member of Peugeot's Executive Committee. In 2007, he was appointed General Manager of Citroën, and member of the managing Board of Peugeot SA. On December 1, 2008, Gilles Michel held the position of Chief Executive Officer of the Strategic Investment Fund, whose activity involves taking equity stakes in companies expected to contribute to the growth and competitiveness of the French economy. Gilles Michel joined Imerys in September 2010 and was appointed Director and Deputy Chief Executive Officer on November 3, 2010. Since April 28, 2011, he has been Chairman and Chief Executive Officer of Imerys.

3

List of activities and other responsibilities in 2011:

MAIN ACTIVITY:	• Chairman and Chief Executive Officer of Imerys since April 28, 2011, previously Deputy Chief Executive Officer.
OTHER RESPONSIBILITIES:	• None.

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

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

* *Listed company.*

Aimery LANGLOIS-MEURINNE

Vice-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'Études Politiques, Paris and École 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 and Chief Executive Officer in 1990, when he was also appointed Chief Executive Officer of Pargesa Holding S.A. (Switzerland) until January 2010.

List of activities and other responsibilities in 2011:

Responsibilities:

- Director-Chairman: Pargesa Netherlands BV (Netherlands).
- Director: IDI *, Société de la Tour Eiffel (France).
- Member of the Supervisory Board: PAI Partners (France); Louis Dreyfus Commodities Holdings BV (Netherlands).
- Manager: Audiris (France).

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

- Director-Chairman: Pargesa Luxembourg S.A. (Luxembourg).
- Director-Chief Executive Officer: Pargesa Holding S.A. * (Switzerland).
- Chairman of the Board of Directors: Imerys, until April 28, 2011.
- Director: Groupe Bruxelles Lambert * (Belgium); Club Méditerranée *, Eiffage *, Société Française Percier Gestion "SFPG" (France).

Gérard BUFFIÈRE

Director

Born on March 28, 1945
Address: 41, boulevard de la Tour Maubourg – 75007 Paris (France)

A graduate of École 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 management 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, a position he held until April 28, 2011.

List of activities and other responsibilities in 2011:

Responsibilities:

- Member of the Supervisory Board: Wendel * (France).

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

- Chief Executive Officer of Imerys until April 28, 2011.

* *Listed company.*

Aldo CARDOSO

Director

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

A graduate of École Supérieure de Commerce, Paris and 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 2011:

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

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

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

List of activities and other responsibilities in 2011:

MAIN ACTIVITY:
- Chief Executive Officer: Pargesa Holding S.A. * (Holding company - Switzerland).

OTHER RESPONSIBILITIES:
- Chairman & Chief Executive Officer: PGB S.A. (France).
- Chief Executive Officer: Cheval Blanc Finance SAS (France).
- Chairman of the Board of Directors: Société Française Percier Gestion "SFPG" (France).
- Delegate Director: Pargesa Compagnie S.A. (Switzerland).
- Director: Pargesa Netherlands B.V. (Netherlands).

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

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

* *Listed company.*

Ian GALLIENNE

Director

Born on January 23, 1971
Work address: Groupe Bruxelles Lambert - 24, Avenue Marnix - 1000 Bruxelles (Belgium)

A Management and Administration graduate with a specialization in Finance at E.S.D.E. Paris and holder of an MBA from INSEAD, Fontainebleau, Ian Gallienne began his career in Spain in 1992 as co-founder of a commercial company. From 1995 to 1997, he was a member of the management of a consulting firm specialized in the reorganization of ailing companies in France. From 1998 to 2005, he was Manager of the private equity fund, Rhône Capital LLC, in New York and London. Since 2005, he has been co-founder and Managing Director of the private equity funds Ergon Capital Partners, Ergon Capital Partners II and Ergon Capital Partners III (Belgium). Since January 1, 2012, he has been Delegate Director of Groupe Bruxelles Lambert.

List of activities and other responsibilities in 2011:

Main activities:

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

Other responsibilities:

- Director: Groupe Bruxelles Lambert *, Publihold SA, Steel Partners NV (Belgium); Central Parc Villepinte SA, Elitech Group SAS, Fonds de Dotation du Palais, Lafarge *, PLU Holding SAS (France); Gruppo Banca Leonardo SpA, Seves SpA (Italy).
- Manager: Egerton Sàrl (Luxembourg).

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

- Director: Fapakt SA, King Belgium, King Benelux Holding BV (Belgium); Farmabios SpA, Nicotra Gebhardt SpA (Italy); Arno Glass SA (Luxembourg); King Nederland (Netherlands).

Fatine LAYT

Director

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

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

List of activities and other responsibilities in 2011:

Main activity:

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

Other responsibilities:

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

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

- None.

* *Listed company.*

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 Études Commerciales (HEC) Montréal (Canada) and a member of the Quebec order of chartered accountants, Jocelyn Lefebvre began his career in 1980 at Arthur Andersen & Co. in Montreal and then in Brussels. 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 2011:

MAIN ACTIVITIES:
- Director: Power Corporation du Canada * (Holding company – Canada).
- Chief Executive Officer: Sagard S.A.S. (Private equity company - France).

OTHER RESPONSIBILITIES:
- Member of the Managing Board: Parjointco N.V., Power Financial Europe B.V. (Netherlands).

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

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

Eric LE MOYNE DE SÉRIGNY

Director

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

With a postgraduate degree in law from the Paris law faculty, Eric Le Moyne de Sérigny began his career in 1968 at Banque Rothschild, where for 15 years he held various management positions before joining Chase Manhattan Bank as Director and Vice-President in 1984. In 1988, he joined Lloyds Bank S.A. where he was successively Chief Executive Officer then Chairman & Chief Executive Officer until 2002. From 2003, Eric Le Moyne de Sérigny was Chairman of the Managing Board of Alternative Leaders France S.A. until January 1, 2012 when he was appointed Chief Executive Officer.

List of activities and other responsibilities in 2011:

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

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

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

3

* *Listed company.*

Arielle MALARD de ROTHSCHILD

Director

Born of April 20, 1963
Work address: Rothschild & Cie – 23, bis avenue de Messine – 75008 Paris (France)

A doctor of Economics from the Institut d'Études Politiques of Paris, with a postgraduate degree in Currency, Banking & Finance from the Assas University (Paris), Arielle Malard de Rothschild began her career in 1989 at Lazard bank where she spent 10 years, first in the Advice to Foreign Governments Department. Arielle Malard de Rothschild joined Rothschild & Cie banque in 1999 where she set up and developed the Emerging Markets Department in Paris. She is currently, since March 2006, Managing Director and Vice-President for Eastern Europe at Rothschild & Cie Banque. Personal interests have also led her to take part in humanitarian work: in 1997, she was appointed Director of the Care France NGO and Chairwoman in 2007; she is also a Director of CARE International (USA), the Rothschild Foundation and the Traditions pour Demain association.

List of activities and other responsibilities in 2011:

Main activity:
- Managing Director: Rothschild & Cie (Merchant bank – France).

Other responsibilities:
- Director: Groupe Lucien Barrière (France); CARE International (Switzerland).
- Chairwoman: Care France.

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

- None.

Jean MONVILLE

Director

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

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

List of activities and other responsibilities in 2011:

Responsibilities:
- Honorary Chairman: Spie SA * (Electric engineering group – France).
- Director: Fondation Royaumont (France); Spie UK (United Kingdom).
- Chairman: ANVIE, MEDEF Committee "Déontologie internationale et principes directeurs" (France).

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

- Chairman of the Board of Directors: Financière Spie, Spie 4, Spie SA (France).
- Manager: Spie Management (France).
- Permanent representative of Spie Management: Chairman of Euro Spie, Spie 12, Spie CDF, Spie OPS (France).
- Director: SBTB, Spie International, Spie Rail (France).
- Member of the Supervisory Board: La Financière Atalian (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 "Internationalisation de l'Entreprise" Committee.

* *Listed company.*

Robert PEUGEOT

Director

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

A graduate of École 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. In February 2007, he was appointed Member of the Supervisory Board of Peugeot S.A. and of the Audit Committee as well as Member of the Strategic Committee of PSA Peugeot Citroën group that he has chaired since 2009. He has also been Chairman & Chief Executive Officer of FFP (Société Foncière, Financière et de Participations) since 1992.

List of activities and other responsibilities in 2011:

MAIN ACTIVITY:

- Chairman and Chief Executive Officer: F.F.P. * (Portfolio management company – France).

OTHER RESPONSIBILITIES:

- Member of the Supervisory Board: Hermès International *, Peugeot S.A. * (France); IDI Emerging Markets SA (Luxembourg).
- Director: Sofina SA * (Belgium); E.P.F. (Établissements Peugeot Frères), Faurecia *, Holding Reinier, Sanef (France); DKSH Holding AG (Switzerland).
- Manager: CHP Gestion SCI, Rodom SCI (France).
- Permanent representative of F.F.P.: Chairman of Financière Guiraud S.A.S. (France), Member of the Supervisory Board of Zodiac Aérospace * (France).
- Chairman of the Strategic Committee and Member of the Audit Committee: PSA Peugeot Citroën group.

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

- Chairman and Chief Executive Officer: Simante, SL (Spain).
- Member of the Supervisory Board: Aviva France (France); Citroën Deutschland AG (Germany).
- Director: Alpine Holding (Austria); Citroën Danemark AS (Denmark); Aviva Participations, GIE Recherches et Études PSA Renault, Immeubles et Participations de l'Est, L.F.P.F. (La Française de Participations Financières) (France); B-1998, SL, FCC Construccion, S.A., Fomentos de Construcciones y Contratas, S.A. (Spain); Citroën UK Ltd, Waste Recycling Group Limited (United Kingdom).

Olivier PIROTTE

Director

Born on September 18, 1966
Work address: Groupe Bruxelles Lambert – 24, Avenue Marnix - 1000 Bruxelles (Belgium)

An engineering graduate of École de Commerce Solvay of the Université Libre de Bruxelles, Olivier Pirotte began his career in 1989 at Arthur Andersen, where he held management positions for both the Business Consulting and Audit divisions. In 1995, he joined Groupe Bruxelles Lambert where he was, until the end of 2011, Manager of Equity Interests and Investments. Since January 1, 2012, he has been Chief Financial Officer of Groupe Bruxelles Lambert.

List of activities and other responsibilities in 2011:

MAIN ACTIVITY:

- Manager of Equity Interests and Investments: Groupe Bruxelles Lambert * (Holding company - Belgium), until December 31, 2011.

OTHER RESPONSIBILITIES:

- Director and Member of the Strategic Committee and Audit Committee: Suez Environnement Company * (France).
- Director and Chairman of the Audit Committee: Electrabel S.A. (Belgium), until November 25, 2011.
- Director: Brussels Securities S.A., Ergon Capital Partners III S.A., GBL Treasury Center S.A., Sagerpar S.A. (Belgium); PGB (France); GBL Investments Limited (Ireland); GBL Verwaltung S.A. (Luxembourg); Belgian Securities B.V., GBL Overseas Finance N.V. (Netherlands).
- Manager: GBL Energy S.à.r.l., GBL R S.à.r.l., Immobilère de Namur S.à.r.l. (Luxembourg).
- Member of the Investments Committee: Sagard Equity Partners (France).

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

- Director: Ergon Capital Partners, SN Airholding (Belgium).

* *Listed company.*

Amaury de SÈZE

Director

Born on May 7, 1946
Work address: PGB S.A. - 1, Rond-Point des Champs-Élysées - 75008 Paris (France)

A graduate of 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 March 2008, he was appointed Vice-President of Power Corporation du Canada, in charge of European investments, until May 2010, when he became Vice-President of the Board of Directors of Corporation Financière Power.

List of activities and other responsibilities in 2011:

Main activity:
- Vice-President of the Board of Directors: Corporation Financière Power * (Holding company - Canada).

Other responsibilities:
- Lead Director: Carrefour S.A. * (France).
- Chairman of the Supervisory Board: PAI Partners (France).
- Member of the Supervisory Board: Publicis Groupe SA * (France).
- Director: BW Group, Erbe SA, Groupe Bruxelles Lambert * (Belgium); Suez Environnement Company *, Thales * (France); Pargesa Holding SA * (Switzerland).

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

- Chairman: PAI Partners UK Ltd (United Kingdom).
- Chairman of the Board of Directors: Carrefour S.A. * (France).
- Vice-Chairman of the Board of Directors: Power Corporation du Canada * (Canada).
- Director: Power Corporation du Canada * (Canada); Eiffage *, Groupe Industriel Marcel Dassault S.A.S. (France); PAI Europe III General Partner N.C., PAI Europe IV General Partner N.C. (Guernsey); PAI Partners Srl, Saeco SpA (Italy); PAI Europe IV UK General Partner Ltd (United Kingdom).
- Member of the Supervisory Board: Gras Savoye SCA (France).

Pierre-Jean SIVIGNON

Director

Born on December 21, 1956
Work address: Carrefour – 33, avenue Emile Zola – 92100 Boulogne Billancourt (France)

A graduate of the École Supérieure des Sciences Economiques (ESSEC) Paris, Pierre-Jean Sivignon began his career in 1979 with the firm Peat Marwick Mitchell. In 1982, he joined the Schlumberger group, where he held various positions in the Financial Department of the Dowell Schlumberger Oilfield Services division (in Europe and Africa), then became General Manager of the Bank and Industry division (in Paris) and, finally, Group Treasurer in Paris and New York. From 2001 to 2005, he was Chief Financial Officer of Faurecia. Pierre-Jean Sivignon joined the Philips group on May 1, 2005, where he held the positions of Chief Financial Officer and member of the Executive Committee until March 2011. Since September 1, 2011, he has been Chief Financial Officer of the group Carrefour and member of the Executive Committee.

List of activities and other responsibilities in 2011:

Main activity:
- Chief Financial Officer: Carrefour SA * (Food retailing group – France), since September 1, 2011.

Other responsibilities:
- Chairman: Carrefour Property France SAS (France).

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

- Chief Financial Officer and member of the Executive Committee: Royal Philips Electronics (Netherlands).

* *Listed company.*

Jacques VEYRAT

Director

Born on November 4, 1962
Work address: Impala SAS - 7, rue Képler - 75116 Paris (France)

A graduate of École Polytechnique and École des Ponts et Chaussées, Paris engineering schools, Jacques Veyrat began his career at the French Treasury Department and then in ministerial office. In 1995, he joined the Louis Dreyfus group, where he held several management positions, particularly with Louis Dreyfus Armateurs. From 1998 to 2008, Jacques Veyrat was Chairman & Chief Executive Officer of Louis Dreyfus Communications which became Neuf Cegetel. In April 2008, he took over the management of Louis Dreyfus group, until July 2011, when he created Impala SAS, operating in particular on the energy market.

List of activities and other responsibilities in 2011:

Main activity:

- Chief Executive Officer: Impala SAS (Energy production and trading group – France).

Other responsibilities:

- Chief Executive Officer: Impala Holding SAS (France).
- Director: Direct Energie, HSBC France, ID Logistics Group, Neoen, Poweo (France).
- Member of the Supervisory Board: Eurazeo * (France).

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

- Chairman and Chief Executive Officer: Neuf Cegetel * (France).
- Managing Director: Louis Dreyfus SAS, Louis Dreyfus Technologies (France).
- Chief Executive Officer: Kurosawa BV (Netherlands).
- Director: Irise, SHD, Tajan (France).
- Member of the Supervisory Board: Altalir Amboise, Amboise Investissement, Jet Multimédia (France).
- Permanent representative of Neuf Cegetel *: Chief Executive Officer of Wengo, Director of LD Collectivités (France).

OTHER INFORMATION

Management expertise and experience of the members of the Board of Directors

The criteria used to select Directors include their management expertise and experience. The members of the Audit Committee are also chosen for their special expertise in financial matters. The Appointments and Compensation Committee pays particular attention, together with the Board of Directors, to assessing these criteria.

The activities and responsibilities of the Directors *(see their respective biography above)* attest to their individual expertise and experience in different areas such as finance, industry or services, which contributes to the quality of the 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; this is the case for Messrs. Jacques Drijard, Ian Gallienne, Jocelyn Lefebvre, Olivier Pirotte and Amaury de Sèze *(see their respective biography above)*.

No Director has been selected pursuant to any arrangement or agreement entered into with the main shareholders, customers, suppliers or other parties.

* *Listed company.*

Service contracts between the Company and its Directors

To the best of the Company's knowledge, there is no service contract entered into by the Directors and the Company or any of its subsidiaries providing for the granting of advantages upon expiry of such a contract.

No sentence for fraud

To the best of the Company's knowledge, no sentence for fraud has been pronounced against any member of the Board of Directors during the past five years.

Bankruptcy, sequestration or liquidation of companies in which a Director has been involved as executive during the past five years

To the best of the Company's knowledge, no Directors have been involved as executives in the bankruptcy, receivership or liquidation of any company in the past five years.

Incrimination of and/or public sanction of the law against a Director by statutory or regulatory authorities during the past five years

To the best of the Company's knowledge, no official incrimination and/or public sanction of the law has been pronounced against any member of the Board of Directors in the past five years.

3.1.4 FUNCTIONING

The Board of Directors meets as often as the interests of the Group require and at least three times a year. It is convened by its Chairman by any written means.

2011	
Number of meetings	5
Average actual attendance rate of members	90%
2012	
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. Since 2011, a first indication is given at this occasion to the Board of the topics to be discussed during the coming year by the Board and its Committees. 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 Vice-President(s), if any, as well as 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 meetings 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 the Company's share price trends.

In order to allow them to carry out their duties in appropriate conditions, the Chairman and, on his request, the members of the Executive Committee 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.

Since 2011, the Chairman and Chief Executive Officer is assisted in organizing the work of the Board and its Committees by a Vice-Chairman acting as a Lead Director. The latter is also responsible for ensuring the proper functioning of the Company's Governance bodies; chairing the Board meetings in the absence of the Chairman; coordinating the Company's relations with its controlling shareholders and their representatives, handling situations that may present a potential conflict of interest for a Director and, more generally, making sure that the Corporate Governance best practices are applied. The Vice-Chairman, acting as Lead Director, chairs the Strategic Committee and the Appointments and Compensation Committee.

The work carried out 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 Chairman and the Board and makes any useful recommendations on the procedures and rules that apply to the functioning of the Board, and on their implementation and compliance. 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 the AMF as well as by trade and associations bodies that represent French 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 was adopted by the Board of Directors at its meeting of July 28, 2011; it is available on the Company's website ***(www.imerys.com)***, in the section "Our Group/ Corporate Governance".

Self-assessment by the Board of Directors

In accordance with the Internal Charter, "every year the Board of Directors reviews and appraises its working methods and activity during the previous financial year. The findings of that examination are intended to appear in the Board's report in the Group's Registration Document. In addition, at intervals determined by its Chairman, the Board of Directors conducts a formal self-assessment using a questionnaire sent to the Directors beforehand".

In order to comply with best practices, at the beginning of 2012, the Board of Directors formally assessed its functioning and that of its Committees with respect to 2011. Accordingly, 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. In addition to the replies, an individual meeting with the Secretary of the Board was proposed to the Directors who so wished, particularly independent Directors, in order to discuss the points raised in the questionnaire more freely. The conclusions of the assessment were presented and discussed at the Board of Directors' Meeting on February 15, 2012.

Generally speaking, the workings of the Board and its Committees were judged quite satisfactory by their members. The Directors particularly appreciate the quality of the information provided at each of their meetings and the quality and efficiency of debates among the members. The Directors were satisfied to note that the main recommendations arising from the Board's self-assessment in February 2011, intended to improve its workings and performance and those of its Committees, had been applied, in particular: the appointment as new Director of a second woman, Mrs. Arielle Malard de Rothschild, the proportion of women having thus been raised to over 12%; the appointment of a Vice-Chairman as Lead Director, Mr. Aimery Langlois-Meurinne, and of an ethics officer, the Secretary of the Board, two measures that help to strengthen best Corporate Governance practices, on which the Company places considerable importance; the progress made by the Group on Sustainable Development, the Board having viewed a detailed presentation on the strategy and main achievements in this area.

In order to further improve its efficiency and that of its Committees, the Board also saw fit to retain and implement in the future the following suggestions made by its members at the time of that assessment:

- gradually increase diversity within the Board's composition with a higher percentage of women and members of foreign nationality or culture;
- encourage periodic individual contact between the Chairman and Chief Executive Officer and the Directors, particularly those who are not members of one of its Committees;
- propose tours of industrial sites to interested Directors, in order to increase their knowledge of the Group, its businesses and teams;
- complete the presentation on the evolution of Imerys' business by a periodic update on their market position, and of the Group's environment, strategy and performance in the main regions where it operates.

Finally, the Board judged that the terms of its Charter, including in particular the recommendations of the AFEP-MEDEF Corporate Governance Code, still complied with the best Corporate Governance practices of French listed companies.

SPECIALIZED COMMITTEES

On May 3, 2005, the date on which the Company's management structure was changed to a Board of Directors, the Board confirmed the usefulness of the three specialized Committees previously formed by the Supervisory Board. These Committees carry out their activities under the responsibility of the Board which defines their missions, composition and compensation.

The members of the specialized Committees are chosen from among the members of the Board. The Chairman and 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 reviews and assessments are intended to appear in the Group's Registration Document.

STRATEGIC COMMITTEE

(created on June 17, 1993 with the name Standing Committee)

Mission

The Internal Charter of the Board of Directors defines the Committee's missions as follows:

"The mission of the Strategic Committee is, in particular, to examine and provide the Board of Directors with its opinions and recommendations in the following areas:

1. Strategy

- Drafting and setting orientations for the Group's industrial, commercial and financial strategy;
- ensuring that the strategy implemented by the Executive Management complies with the orientations set by the Board of Directors.

For that purpose, it examines in depth and, as the case may be, makes recommendations to the Board on:

- the Group budget drawn up by the Executive Management;
- the operations likely to significantly modify the purpose or scope of business of the Company or the Group, including:
  - the acquisition, investment, takeover or disposal of securities or any other fixed assets (and any operation economically comparable, including by way of contribution or exchange) for an amount greater than €20 million per operation, or its equivalent in any other currency,
  - the significant commercial or industrial agreements that would bind the long-term future of the Company or the Group,
  - any financing operations the amount of which are likely to significantly modify the financial structure of the Group.

Every year, the Committee presents to the Board its expected schedule for the examination of major strategic issues for the future of the Group for the current year.

2. Risks

- Questions relating to the identification, measurement and monitoring by the Executive Management of the main possible risks for the Group in the following areas:
  - external environment: investor relations, the Group's market positions,
  - internal processes: management of financial resources, human resources potential, new product development, potential of mineral reserves and resources, dependence and continuity of key industrial or commercial activities, pricing policy,
  - management information: financial control and reporting, control of the completion of the investment projects that had been previously examined by the Strategic Committee."

Composition

The Strategic Committee is made up of the following nine members appointed by the Board, including the Vice-Chairman of the Board of Directors who chairs 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
Gérard BUFFIERE	April 28, 2011	No
Aldo CARDOSO	May 2, 2007	Yes
Ian GALLIENNE	April 29, 2010	No
Jocelyn LEFEBVRE	March 27, 1996	No
Jean MONVILLE	February 12, 2009	Yes
Olivier PIROTTE	April 29, 2010	No
Amaury de SÈZE	July 30, 2008	No
Number of members: 9		**2**

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 Chairman and Chief Executive Officer or, in case of a separation of functions, the Chief Executive Officer. In principle, it dedicates one meeting per year to the Group's strategy and market environment, to which it may invite all the Directors.

2011	
Number of meetings	6
Average actual attendance rate of members	89%
2012	
Expected number of meetings	7

To carry out its mission, the Committee hears the Chairman and Chief Executive Officer or, in case of a separation of functions, the Chairman and the Chief Executive Officer, the Delegate Chief Executive Officers if any, the Chief Financial Officer, the Strategy & Development Manager and, on the initiative of the Chairman and Chief Executive Officer or at the Committee's request to the Chief Executive Officer, depending on the items on the agenda for the Committee Meeting, the relevant Corporate Department or line managers. The Committee may also make visits or hear any of the Group's line managers, as it judges useful for the performance of its mission.

The Secretary of the Committee is the Group's Strategy & Development Manager, who drafts the minutes of its meetings.

Activity in 2011

Throughout the year, the Strategic Committee monitored the management and development actions carried out by the Group's Executive Management, while making sure they came under Imerys' strategy as set out by the Board of Directors.

In that respect, the Committee regularly examined the evolution of Imerys' business and the main markets on which it operates and studied in detail Imerys' monthly and quarterly consolidated financial statements and how they reflected the actions taken by Executive Management.

Moreover, the Committee began its periodic review of the strategic framework under which Imerys intends to pursue its future development. After examining the Group's five-year general strategic plan, including the priority list of potential internal or external growth avenues that had been identified, the Committee began its analysis of the specific individual plans for each of the divisions that make up the Group. This analysis is ongoing and will run until the end of 2012.

The Strategic Committee also reviewed periodically and approved the key steps and main aspects of the major external growth projects. This review focused in 2011 on:

- the acquisition from Rio Tinto of its world-leading talc processing activity, which serves the polymer, paint, ceramics and paper markets and operates from nine mines in Europe, the United States and Australia; this acquisition was completed on August 1, 2011;
- the constitution of a 50/50 joint venture with the Norwegian group Norsk Mineral to serve the fast-growing high-purity quartz market; this operation was completed on March 31, 2011;
- the project to constitute a joint venture with the Al Zayani Investments group for the construction in Bahrain of a fused alumina production plant.

Furthermore and as usual, the Strategic Committee thoroughly analyzed the Group's financial structure to make sure of its strength. It thoroughly examined then approved the Group's refinancing strategy in order to increase and diversify its financial resources by extending their average maturity. The Committee also monitored, in the second half of 2011, the progress of the negotiations with credit institutions that enabled the Group to secure almost one billion euros in bilateral credit lines through to 2015-2016.

Finally, the Strategic Committee reviewed, at its last session of the year, the Group's estimated 2011 results and its 2011 budget, as well as the schedule for the Group's Investor Day, which was held on January 12, 2012, during which the Group's strategic orientations for the next five years, which aim to speed up its development by strengthening its organic growth in particular, were presented.

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;
- the appointment proposals of the Chairman and Chief Executive Officer or, in case of a separation of functions, the Chairman and the Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers, Committee Chairmen and members. For that purpose, the Appointments and Compensation Committee must take all the following items into account: desirable balance of the Board's composition with regard to the make-up and evolution of the Company's shareholding, continuation of the feminization of the Board, finding and appraising possible candidates, and the suitability of renewing terms of office;
- the presentation of a succession plan for Executive Corporate Officers in the event of unforeseeable vacancies;
- the independent status of each of its members according to the definition of "independence" adopted by the Board of Directors, and any changes (or explanation of criteria) to be made to that definition.

2. Compensation

- The amount and allotment of attendance fees (fixed and variable parts) for the Directors;
- the general compensation policy for the Group's executives;
- the individual compensation of the Chairman and Chief Executive Officer or, in case of a separation of functions, the Chief Executive Officer and, as the case may be, Delegate Chief Executive Officers and their ancillary income (such as pension and healthcare plans or fringe benefits), as well as on any other provisions relating to their status and/or employment contract;
- the general policy for granting stock options or free shares of the Company and fixing the beneficiaries of the options or free shares plans proposed by the Chairman and Chief Executive Officer or, in case of a separation of functions, the Chief Executive Officer;
- the fixing of individual stock options or free shares allotments for the Executive Corporate Officers as well as the specific terms and restrictions applicable thereto (achievement of economic performance goals, limitation of numbers of rights allotted, holding and keeping rules of Imerys shares…) in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code;
- the Group's employee shareholder policy and the terms of its implementation as proposed by the by the Chairman and Chief Executive Officer or, in case of a separation of functions, the Chief Executive Officer."

Composition

The Appointments and Compensation Committee is composed of the following three members appointed by the Board, including the Vice-Chairman of the Board of Directors who chairs the Committee:

Name	Date of 1st appointment to the Committee	Independent member status
Aimery LANGLOIS-MEURINNE, Chairman	November 3, 1987	No
Robert PEUGEOT	May 3, 2005	Yes
Jacques VEYRAT	February 14, 2007	Yes
Number of Members: 3		**2**

Two thirds of the Committee are independent members, as 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 Chairman and Chief Executive Officer or, in case of separation of functions, the Chief Executive Officer.

2011	
Number of meetings	3
Average actual attendance rate of members	100%
2012	
Expected number of meetings	2

To carry out its mission, the Committee hears the Chairman and Chief Executive Officer or, in case of a separation of functions, 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 2011

The Appointments and Compensation Committee was first consulted in its first two meetings on the composition of the Board of Directors and its Committees, particularly with respect to the Directors' terms of office that expire following the next Shareholders' General Meeting and proposed applications. The Committee also examined the situation of each of the members of the Board in relation to the definition of "independence" adopted by the Board at its May 3, 2005 meeting. It checked that the two thirds of the members of the Audit Committee and the Appointments and Compensation Committee were independent, in accordance with the AFEP-MEDEF Corporate Governance Code.

On the same occasion, the Committee confirmed to the Board that it recommended adopting a new governance structure by merging the duties of Chairman of the Board and Chief Executive Officer and appointing Gilles Michel to perform them. To that aim and on the basis of the comments gathered in the Board self-assessment conducted at the beginning of the year, the Committee recommended that the Board appoint a Vice-Chairman in the capacity of Lead Director, tasked with assisting the Chairman in organizing the work of the Board and its Committees and in the Company's relations with the controlling shareholder groups, while ensuring that best Corporate Governance practices are applied.

The Appointments and Compensation Committee also assessed the 2010 performance of Gérard Buffière and Gilles Michel, who were at that time, respectively, Chief Executive Officer and Deputy Chief Executive Officer. In that respect, it reviewed the amount of the variable part of their individual compensation owed with respect to 2010 and payable in 2011, according to the goals, particularly financial ones, that they had been given. It also made recommendations on the setting of the Chairman & Chief Executive Officer's financial and specific objectives for the determination of the variable part of his compensation for 2011 *(see paragraph 3.3.2 of this chapter)*.

Furthermore, the Appointments and Compensation Committee examined and made recommendations on the details of the individual long-term retention program for the Chairman and Chief Executive Officer and the main characteristics of the general program that is applicable to the Group's other key top managers *(see sections 3.4 and 3.5 of this chapter)*.

The Committee also reviewed, to take into account the comments gathered through the auto-assessment of the Board and based on a benchmarking study on the market practice of comparable listed French companies and their recent developments, the amount and scale of attendance fees allocated to the Directors. It also presented its recommendations to the Board *(see paragraph 3.3.1 of this chapter)*.

Finally, the Committee thoroughly examined the recommendations of the AFEP-MEDEF Corporate Governance Code as regards compensation of corporate officers, to which the Company declared its intention to refer on December 18, 2008. It was thus able to observe that Imerys complied with those recommendations almost in full. Moreover, it gave its opinion to the Board as to the restrictive holding and keeping rules of Imerys shares by the Executive Corporate Officers with respect to the grants of stock options and performance shares *(see section 3.6 of this chapter)*.

AUDIT COMMITTEE

(created on March 27, 1996)

Mission

The Internal Charter of the Board of Directors defines the Committee's missions as follows:

"The Audit Committee's mission is to examine and give the Board of Directors its opinion and any recommendations on the following:

1. Financial Statements

- The Company and consolidated annual financial statements to be drawn up by the Board of Directors, together with a note from the Group's Chief Financial Officer, and the estimated and definitive half-yearly consolidated financial statements;
- the scope of consolidation;
- the relevance and consistency of accounting methods, by verifying, in particular, the reliability of internal information-gathering and information-control procedures, with the aim of ensuring that financial statements are fairly presented and that they give an accurate image of the financial situation of the Company and the Group;
- the method and estimates used for the impairment tests carried out by the Group;
- the Group's debt position, including the structure as well as interest and currency rate hedging policy and its outcome;
- significant off-balance sheet disputes and commitments, and their impact on the Group's accounts;
- the production and dissemination process for accounting and financial information, ensuring that it complies with legal requirements, regulatory authorities' recommendations and internal procedures.

2. Financial information

- The policy and applicable procedures for financial information intended to ensure the Group's compliance with its regulatory obligations;
- the main financial communication items relating to the Group and Company financial statements, in particular:
  - concordance between the financial statements and reports on them in financial communications,
  - relevance of items used in this communication.

3. External control

- The proposals to appoint or renew the Statutory Auditors. It examines and approves the contents of the requirements, the schedule and the organization for the invitation to bid, with a view to the appointment and, as the case may be, renewal of the Statutory Auditors, and checks that the invitation to bid proceeds correctly;
- the Statutory Auditors' work program and any additional assignments that they or other members of their network may be given, as well as the amount of the corresponding compensation;
- the supervision of the rules regarding the use of Statutory Auditors for work other than auditing the financial statements and, more generally, compliance with the principles guaranteeing the independence of the Statutory Auditors;
- the conclusions of diligence work by Statutory Auditors as well as their recommendations and follow-up actions.

4. Audit & Internal control

- The annual internal audit and internal control assessment programs and the resources for their implementation;
- the results of the work of the internal and external Auditors and internal control function, the monitoring of any recommendations they make, particularly in regard to the analysis and the development of the mapping of the Group's main risks, their control and that of significant off-balance sheet commitments, as well as the organization of the internal audit teams;
- the drafting and content of the Annual Report of the Chairman of the Board of Directors on the Group's internal control.

5. Risks

- The identification, measurement and monitoring by the Executive Management of the possible major risks for the Group in the following areas:
  - external environment: legal or regulatory developments, crisis management or occurrence of disasters,
  - the internal processes: legal monitoring of major litigation and compliance with existing regulations (particularly Environment, Health & Safety and Sustainable Development), codes of conduct and ethics;
- the orientations and implementation by the Executive Management of the Group's general policy for Sustainable Development, internal control and risk prevention (organization, policies and procedures, systems, etc.) and insurance;
- the work programs and results of internal experts (Auditors, lawyers…) and any external experts that may be called upon to analyze, audit or measure the risks and the Group's performance in the above-mentioned areas;
- any other subject likely to have a significant financial and accounting impact for the Company or the Group."

Composition

The Audit Committee is comprised of the following three members, non-executive Directors, who are chosen by the Board for their financial competence as described in their respective biography *(see paragraph 3.1.3 of this chapter)*. Its Chairman must be an independent Director.

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

Two thirds of the Audit Committee are independent members, as 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, as far as 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.

2011	
Number of meetings	6
Average actual attendance rate of members	90%
2012	
Expected number of meetings	5

To carry out its mission, the Audit Committee hears the Statutory Auditors, the Chairman and Chief Executive Officer and the Chief Financial Officer of the Group and, on their initiative or at the Committee's request to them according to the items on the agenda for the Committee's Meeting, the relevant line and support managers including in particular those who take part in the drawing up and controlling the financial statements and in risk prevention or management (Finance & Strategy Department, Internal Audit & Control Department, Sustainable Development and Environment, Health & Safety Department, Legal 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 or support managers as it may deem advisable or necessary for the performance of its duties. The Committee may also request that any internal or external audit be carried out on any subject that it judges within the scope of its mission. The Chairman of the Committee informs the Board of Directors of any such audit.

The Secretary of the Committee is the Group's Chief Financial Officer. He draws up the minutes of Committee meetings, which are kept available to the Statutory Auditors.

Activity in 2011

As in previous years, the Audit Committee conducted an in-depth review of the corporate and consolidated financial statements for 2010 and for first-half of 2011. It examined the changes in the accounting rules applied by the Group and their relevance to the changes in IFRS and the following of recommendations by market regulators; in particular, it monitored the Group's answers to the questions asked by the AMF as part of its review of Imerys' 2010 Registration Document. Finally, it approved the changes in the information given in the notes to the financial statements to address the uncertainties arising from the current economic environment. The Committee also examined, at its meeting in October, the main check points that were expected for the purposes of closing the 2011 financial statements. On that occasion, it also made sure, after hearing the Statutory Auditors, of the relevance and consistency of the accounting methods used by the Group. The Committee expressed its satisfaction with the quality of the work done to close or prepare for the closure of the financial statements and recommended that the Board approve the statements presented to it unreservedly.

The Audit Committee reviewed the organization of the Internal Audit Department (including the changes in its membership) and its activity plan; it also studied, at the end of each half-year, the results of the completed assignments. The Committee also made sure the Internal Audit Department's work was coordinated with that of the Statutory Auditors and checked the conditions under which the Group monitored the measures taken by the relevant entities to comply with the recommendations made following internal audit assignments.

Furthermore, the Committee regularly carried out a thorough examination of specific subjects relating to the application of the accounting rules and methods followed by the Group, details of which were presented to it by the relevant internal managers. On this occasion, the Committee observed that Imerys' practices complied with applicable regulations and were relevant.

With respect to the Audit Committee's assignments in terms of auditing risk management, the Committee examined the mapping drawn up in 2010 of the main risks to which the Group is exposed, the corresponding prevention, control or hedging systems in place, and the planned action programs to improve the quality or effectiveness of those systems. Among the main risks coming under its area of competence, the Committee reviewed the following: conditions for managing energy supply, its costs and their possible hedging within the Group; the conditions of the Group's analysis, monitoring and management of country risks; the standards, polices, practices and controls applied by the Group in order to ensure that its business is conducted in line with regulations and in an ethical manner.

The Committee was satisfied to note that all the Group's main risks highlighted through its mapping are regularly and thoroughly examined by the Strategic Committee or the Audit Committee.

Early this year, the Committee reviewed the main lawsuits or risks of lawsuits facing the Group with respect to 2011 and any related provisions; it also reviewed the Group's insurance policy and the main coverage programs taken out or renewed for 2012. Finally, the Committee examined, before its adoption by the Board of Directors, the draft report of the Chairman of the Board on internal control for the 2011 financial year and, for that purpose, heard the Statutory Auditors.

The examinations and reviews carried out by the Committee in 2011 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 is vested with the most extensive powers to act on behalf of the Company under any circumstances. He exercises his 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; he represents the Company with respect to third parties.

Pursuant to article 18 of the by-laws, the Board of Directors may limit his powers. However, this limitation is void against third parties.

Paragraph 3.1.1 of this 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

Since April 28, 2011, the Executive Management of the Company is under the sole responsibility of Gilles Michel. Previously, it was composed of Gérard Buffière, Chief Executive Officer, assisted by Gilles Michel (since November 3, 2010) as Deputy Chief Executive Officer and Jérôme Pecresse (until December 31, 2010) as Chief Operating Officer. On April 28, 2011, the Board decided to merge the duties of Chairman of the Board and Chief Executive Officer and to appoint Gilles Michel to perform them.

Gilles Michel's term of office as Chief Executive Officer coincides with that of his Directorship, which will end following the next General Meeting on April 26, 2012. The Board of Directors has already announced its intention to keep the duties of Chairman of the Board and Chief Executive Officer combined and to renew Gilles Michel in his duties, subject to the renewal of his term of office as Director.

The information relating to Gilles Michel as well as the offices he holds or has held in the past five years appear in *paragraph 3.1.3 of this chapter*.

3.2.3 EXECUTIVE COMMITTEE

Gilles Michel decided, with the support of the Board of Directors, to continue to be assisted in carrying out his mission as Chief Executive Officer by an Executive Committee. Created in 2005, when the Company had been organized as a French Limited Liability Company (*Société Anonyme*) with a Board of Directors, the Executive Committee comprises the Group's main line and support managers.

MISSION

The Executive Committee, under the responsibility of the Chairman and Chief Executive Officer, is mainly in charge of:

- implementing the Group's strategy and all the measures determined by the Board of Directors;
- drawing up and closing the Group's budget and, at the request of the Chairman and Chief Executive Officer, attending its presentation and, as needed, for each of its members, reporting on the performance of the actions under their scope of responsibility to the Board of Directors or its Specialized Committees;
- 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 Chairman and Chief Executive Officer;
- 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, 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 Chairman and Chief Executive Officer, particularly with a view to their subsequent presentation to the Board of Directors or its specialized Committees.

COMPOSITION

As of December 31, 2011, the Executive Committee was comprised, in addition to Gilles Michel, Chairman and Chief Executive Officer, of the following 7 members:

Line managers	Support managers
Christian Schenck, Executive Vice-President (Materials & Monolithics)	**Michel Delville** (Finance)
Olivier Hautin (Pigments for Paper & Packaging)	**Denis Musson** (Legal & Corporate Support)
Daniel Moncino (Performance & Filtration Minerals)	**Thierry Salmona** (Innovation, Research & Technology & Business Support)
	Bernard Vilain (Human Resources)

Since July 1, 2011, the date of Jérôme Pecresse's departure from the Group, Gilles Michel has been directly responsible for managing the Minerals for Ceramics, Refractories, Abrasives & Filtration business group. In that capacity he is assisted by Christian Schenck for the Fused Minerals division and Olivier Hautin for the Ceramics division.

FUNCTIONING

The Executive Committee meets once a month on average, as often as the interests of the Group require or at the request of the Chairman and Chief Executive Officer. It met 12 times in 2011.

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. In accordance with the law and the provisions of article 17 of the by-laws, the allocation of attendance fees among the Directors is determined by the Board. Accordingly and on the proposal of the Appointments and Compensation Committee, the Board of Directors decided at its meeting of April 28, 2011 to revise the allotment scale for attendance fees (see below).

Payments are made semi-annually in arrears. Consequently, the gross amount of attendance fees effectively paid during a given financial year include (i) the amount of fees with respect to the second half of the previous year and (ii) the amount of fees with respect to the first half of said year.

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce, the gross individual amount paid to each of the Board members in 2011 was as follows:

(€)	**2010**	**2011**
G. MICHEL, Chairman and Chief Executive Officer (1)	-	-
A. LANGLOIS-MEURINNE, Vice-Chairman (2)	208,500	202,500
G. BUFFIERE (3)	-	5,333
A. CARDOSO	69,500	68,000
J. DRIJARD	43,000	36,500
I. GALLIENNE (4)	4,800	31,500
F. LAYT (4)	3,300	27,000
J. LEFEBVRE	44,000	32,500
E. Le MOYNE de SÉRIGNY	34,000	29,000
M. de LIMBURG STIRUM (5)	25,000	25,000
A. MALARD DE ROTHSCHILD (6)	-	3,333
G. MILAN (7)	24,000	8,700
J. MONVILLE	43,000	41,500
R. PEUGEOT	27,500	27,500
O. PIROTTE (4)	4,800	33,000
T. de RUDDER (8)	24,700	-
A. de SÈZE	32,500	28,500
PJ. SIVIGNON (4)	3,300	24,000
J. VEYRAT	26,500	27,500
Total	**618,400**	**651,366**

(1) Chairman and Chief Executive Officer since April 28, 2011 – does not receive attendance fees.
(2) Vice-Chairman since April 28, 2011, previously Chairman of the Board.
(3) Chief Executive Office until April 28, 2011 – did not receive attendance fees until that date.
(4) Director since April 29, 2010.
(5) Director until December 15, 2011.
(6) Director since April 28, 2011.
(7) Director until November 3, 2010.
(8) Director until April 29, 2010.

It is specified that pursuant to the AMF Recommendation of December 22, 2008, confirmed on December 10, 2009 and February 9, 2012:

- these amounts represent the entirety of the compensation paid in 2011 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 Gilles Michel and Gérard Buffière, Executive Corporate Officers in 2011, 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 allotment scale for attendance fees, applicable as from May 1, 2011, is as follows:

Gross amounts *(€)*

Board of Directors	Vice-Chairman	120,000 fixed per year – 2,000 per attended meeting
	Other members	20,000 fixed per year – 2,000 per attended meeting
Strategic Committee	Chairman	25,000 fixed per year
	All Committee members	2,000 per attended meeting
Audit Committee	Chairman	25,000 fixed per year
	All Committee members	3,000 per attended meeting
Appointments and Compensation Committee	Chairman	15,000 fixed per year
	All Committee members	2,500 per attended meeting

3.3.2 EXECUTIVE MANAGEMENT

Pursuant to the provisions of article L. 225-102-1 of the French Code of Commerce and the recommendations of the AFEP-MEDEF Corporate Governance Code, the information given hereafter concerns the compensation paid to Executive Corporate Officers who were in office in 2011: Gilles Michel, Chairman and Chief Executive Officer since April 28, 2011, previously Deputy Chief Executive Officer (since November 3, 2010) and Gérard Buffière, Chief Executive Officer until April 28, 2011.

TABLE SUMMARIZING THE COMPENSATION ITEMS

(€)	**2010**	**2011**
Executive Corporate Officers' name and position		
Gilles Michel, Chairman and Chief Executive Officer *(1)*		
Compensation due in respect of the financial year	424,987	1,777,801
Valuation of the stock options awarded during the financial year	770,800	420,800
Valuation of the performance shares awarded during the financial year	1,649,760	918,200
Total	**2,845,547**	**3,116,801**
Gérard Buffière, Chief Executive Officer *(2)*		
Compensation due in respect of the financial year	1,577,556	673,322
Valuation of the stock options awarded during the financial year	303,600	na
Valuation of the performance shares awarded during the financial year	389,000	na
Total	**2,270,156**	**673,322**

(1) Chairman and Chief Executive Officer since April 28, 2011, previously Deputy Chief Executive Officer since November 3, 2010.
(2) Chief Executive Officer until April 28, 2011.

CRITERIA

The compensation of the Executive Corporate Officers is set by the Board of Directors based on the proposal of the Appointments and Compensation Committee. This proposal is intended to ensure competitiveness with respect to the external market; in drafting its recommendations, the Committee draws on assessments and comparisons made periodically by specialized consultants.

This compensation includes a fixed part and a variable part; it takes into account the benefit that represents the advantage of the supplementary pension plan.

The calculation of the variable part is based on economic performance criteria and specific goals set by the Board of Directors on the recommendation of the Appointments and Compensation Committee. The achievement of these goals is measured and acknowledged annually by the Board of Directors on the recommendation of the Appointments and Compensation Committee. The variable part of compensation owed with respect to a financial year is paid the following year, when all the items for its calculation are known, in particular after the closing by the Board of Directors of the Group's definitive financial statements for the financial year in question.

The economic performance criteria set for 2011 were related to the achievement of a goal of net income from current operations, operating cash flow generated by the Group during the year and return on capital employed.

For Gilles Michel a multiplier of 0.8 to 1.2 could be applied to the resulting amount according to the achievement of other specific goals the confidential nature of which prevents their publication. A ceiling of 120% of the fixed amount of Gilles Michel's compensation is set for the variable part of his compensation.

Following the recommendations of the Appointments and Compensation Committee and after measuring the achievement by Gilles Michel of the economic performance and specific criteria set for 2011, the Board of Directors at its meeting of February 15, 2012 set the amount of his variable compensation for that year to be paid in 2012. For Gérard Buffière, the amount of his variable compensation for 2011 was based solely on the achievement of the same economic performance criteria; it was calculated pro rata to his presence in the Group in 2011.

At that meeting, the Board also reviewed and set the criteria and goals applicable for determining the variable part of Gilles Michel's compensation for 2012; it decided to maintain the ceiling of 120% of his fixed compensation. These criteria are related to the achievement of financial targets, identical to those set for 2011: net income from current operations, operating cash flow and return on capital employed, as well as specific goals the confidential nature of which prevents their publication. The Board of Directors also decided to maintain unchanged his fixed compensation for 2012.

In accordance with the AFEP-MEDEF Corporate Governance Code, these decisions were published on the Company's website.

As previously stated, Gilles Michel does not receive any attendance fees with respect to his office as Director of the Company but Gérard Buffière does since the end of his term of office as Chief Executive Officer *(see paragraph 3.3.1 of this chapter)*.

3

■ AMOUNTS

Amounts paid in 2010 and 2011

The amounts and breakdown of compensation and benefits in kind owed (fixed and variable parts for the year in question) and paid (fixed part for the year in question and variable part for the previous year, paid during the year in question) by the Group to Executive Management with respect to financial years 2010 and 2011 are as follows:

(€)	2010		2011	
Executive Corporate Officers' name and position	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Gilles Michel, Chairman and Chief Executive Officer *(1)*				
Fixed part	212,121 *(2)*	212,121 *(2)*	800,000	800,000
Variable part	212,121 *(2)*	na	960,000	212,121 *(2)*
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits *(3)*	745 *(2)*	745 *(2)*	17,801	17,801
Total	**424,987**	**212,866**	**1,777,801**	**1,029,922**
Gérard Buffière, Chief Executive Officer *(4)*				
Fixed part	630,000	630,000	210,000 *(5)*	210,000 *(5)*
Variable part	945,000	756,000	210,000 *(5)*	945,000
Exceptional compensation	-	-	-	-
Attendance fees *(6)*	-	-	22,000	5,333
Benefits *(7)*	2,556	2,556	847 *(5)*	847 *(5)*
Retirement indemnity *(8)*	-	-	230,475	230,475
Total	**1,577,556**	**1,388,556**	**673,322**	**1,391,655**

(1) Chairman and Chief Executive Officer since April 28, 2011, previously Deputy Chief Executive Officer since November 3, 2010.
(2) Amount calculated pro rata to the presence of Gilles Michel in the Group in 2010.
(3) These benefits include the supply of a company car and the contributions to the social guarantee for company managers and executives (GSC).
(4) Chief Executive Officer until April 28, 2011.
(5) Amount calculated pro rata to the presence of Gérard Buffière in the Group in 2011.
(6) Attendance fees due and/or paid to Gérard Buffière with respect to his term of office as Director only as from April 28, 2011.
(7) These benefits consist of the supply of a company car.
(8) Conventional end of career indemnity.

The above amounts include all the compensation due or paid by the Group to Gilles Michel and Gérard Buffière with respect to related financial years and the value of all the benefits in kind due or received with respect to the financial years in question.

All the compensation and assimilated benefits granted to the Group's top managers (Executive Committee, including Gilles Michel and Gérard Buffière) and recorded as expenses during the years in question are stated in *Note 29 to the consolidated financial statements*.

Moreover, the amount of the five highest compensations paid by the Company with respect to 2011 was certified by the Statutory Auditors.

EMPLOYMENT CONTRACT, INDEMNITIES, PENSIONS AND OTHER BENEFITS

	Employment contract	Supplementary pension plan	Indemnities or benefits due to end or change of duties	Indemnities under a non competition clause
Gilles Michel, Chairman and Chief Executive Officer (1)	No	Yes	Yes	No
Gérard Buffière, Chief Executive Officer (2)	Yes	Yes	Yes	No

(1) Chairman and Chief Executive Officer since April 28, 2011, previously Deputy Chief Executive Officer since November 3, 2010.

(2) Chief Executive Officer until April 28, 2011.

Employment contract

At the time of the appointment of Gilles Michel as Deputy Chief Executive Officer on November 3, 2010, the employment contract between him and the Company was terminated, given the duties of Chairman and Chief Executive Officer that he was led to perform, in order to comply in advance with the AFEP-MEDEF recommendations published in October 2008.

The employment contract of Gérard Buffière entered into in 1998 with the Company was suspended by decision of the Board of Directors in 2005 on the day of his appointment and for the duration of his term of office as Chief Executive Officer of the Company. Consequently, his employment contract resumed effect as from April 28, 2011 for the sole purpose of serving his rights to the statutory and conventional end of career indemnity.

End of contract indemnity

Gilles Michel's employment contract as Executive Corporate Officer provides for an indemnity in the event that his corporate office is terminated at the Company's initiative or in the event of forced departure linked to a change of control or strategy. No indemnity would be due in the event of Gilles Michel's voluntary departure or if he was entitled to retire within a short period of time. In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code and according to the calculation terms provided below, the amount of Gilles Michel's severance indemnity would be calculated on the basis of a maximum of two years' compensation (fixed + variable). Pursuant to the provisions of article L. 225-42-1 of the French Code of Commerce, the payment of this severance indemnity would be subject and proportional to performance conditions appraised on the basis of the arithmetic average of the percentages of achievement of the sole economic and financial goals of the last three financial years, as set down for the determination of the variable compensation with respect to each of those financial years. In addition, Gilles Michel benefits from the social guarantee for company managers and executives (GSC). All these commitments taken by the Company in favor of Gilles Michel, in accordance with legal provisions, have been published on the Company's website and notified to the Statutory Auditors for the drafting of their special report on regulated agreements and commitments; they were approved by the Shareholders' General Meeting of April 28, 2011 *(see chapter 2, paragraph 2.2.3 of the Registration Document)*.

Apart from those provisions, the Company has no other commitments for the benefit of Gilles Michel with respect to the taking-up, end or change of his current position of Chairman and Chief Executive Office.

Gérard Buffière's employment contract, mentioned above, 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. As Gérard Buffière decided to retire in 2011, this indemnity became groundless.

Apart from these provisions, the Company had not taken other commitments for the benefit of Gérard Buffière with respect to the taking-up, end or change of the officer duties he had.

Pension commitments

In 1985, Imerys set up a collective supplementary pension plan with defined benefits for the principal managers of Imerys who met the restrictive and objective eligibility criteria. The plan is managed by an external insurance company.

Gilles Michel, Chairman and Chief Executive Officer since April 28, 2011 (previously Deputy Chief Executive Officer), and one Director (Jacques Drijard), in his capacity as a former executive of the Group, are among the potential beneficiaries of the plan. As of May 1, 2011, Gérard Buffière has liquidated his pension rights with respect to the statutory and conventional pension plans as well as those resulting from the supplementary pension plan for Imerys' top managers.

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 total annual gross amount (after allowing for pensions from obligatory and other supplementary plans, including the defined contribution supplementary pension plan) of 60% of their reference salary (average of the last two years of the beneficiary's fixed plus variable compensation); said salary is limited to a multiple of the annual French social security ceilings (PASS);

- subject to a pay-in ceiling equal to 25% of said reference salary.

This plan also provides for the possibility of reversion of the life annuity amount to the surviving partner(s) in proportion to the time of union.

According to actuarial calculation made on December 31, 2011, the current value of the estimated share of the two above-mentioned corporate officers who have not yet liquidated their pension rights 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 €2,502,000 (compared with €7,682,702 as at the end of 2010 – for four corporate officers). The commitment with respect to Gérard Buffière as on April 30, 2011, the date of his retirement, amounted to €4,158,118.

Furthermore, in order to reduce the booked expense caused by the defined benefit supplementary plan of Imerys and move closer to market practices, it was decided to set up, as from October 1, 2009, a defined contribution supplementary pension plan for the benefit of some of Imerys' top managers, including the Chief Executive Officer.

Contributions to this scheme, set at 8% of the compensation of eligible employees with a ceiling of 8 PASS, are made jointly by the employee (for 3%) and the Company (for 5%). This scheme also allows, pursuant to the pension reform law of November 9, 2010, beneficiaries to make free and voluntary contributions. An external insurance company has been appointed to manage the scheme.

In 2011, the Appointments and Compensation Committee carried out a new study on the positioning of Imerys executives' pensions compared with market practices, with the support of external consultants; it presented the Board with the findings of the study which was intended to improve the competitiveness of Imerys' current collective supplementary pension scheme.

On these recommendations, the Board of Directors decided at its meeting of February 12, 2012 to increase the maximum of the reference salary applicable to the calculation of the life annuity with respect to the collective defined-benefits supplementary pension scheme from 22 to 30 PASS. The Board also decided to amend the eligibility terms for the scheme in order to reduce the condition of seniority within the Group from 10 to 8 years and raise membership in the Executive Committee from 2 to 4 years.

These commitments taken by the Company in favor, among others, of Gilles Michel, Chairman and Chief Executive Officer, in accordance with legal provisions, have been published on the Company's website and notified to the Statutory Auditors for the drafting of their special report on regulated agreements and commitments and will be submitted for approval at the Shareholders' General Meeting on April 26, 2012 *(see chapter 2, paragraph 2.2.3 and chapter 7, paragraph 7.1.2 and section 7.3 of the Registration Document)*.

Furthermore, given the intention of the Board of Directors to keep the duties of Chairman of the Board and Chief Executive Officer combined and to re-elect Gilles Michel in his functions as Chairman and Chief Executive Officer, subject to the renewal of his term of office as Director by the Shareholders' General Meeting of April 26, 2012, all the other commitments taken by the Company for the benefit of Gilles Michel will be, pursuant to legal provisions, submitted to said Meeting for approval *(see chapter 2, paragraph 2.2.3 and chapter 7, paragraph 7.1.2 and section 7.3 of the Registration Document)*.

3.4 STOCK OPTIONS [(1)]

3.4.1 STOCK OPTION PLANS IN FORCE

GRANT POLICY

The general policy for the granting of Imerys stock options is set by the Board of Directors upon the Appointments and Compensation Committee's recommendations.

The main characteristics of the policy, excluding grants made under the Group's employee shareholding operations, are as follows:

- grants take the form of stock subscription options. This form was judged preferable to stock purchase options as it prevents the Company from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises;
- as from 1999, stock options are granted once a year and the total number of options each year is adjusted according to the Group's overall performance or to specific events; the grant usually takes place on the same day as the Annual General Meeting;
- the actual or likely beneficiaries of stock subscription options are the Group's executives (members of the Executive Management, members of the Executive Committee, business group and division management committees, main managers of the Group's corporate departments) as well as high-potential managers and employees that make an outstanding contribution to the Company's performance;

(1) For the sake of consistency, all the figures given in the present section are based on the split into 4 of the nominal value of Imerys shares on June 1, 2004.

- as from 2008, the grant of stock subscription options is combined, in a single annual program, with the grant of performance shares *(see paragraph 3.5.1 of this chapter)*.

CHARACTERISTICS OF GRANTED OPTIONS

As from 1999, the general grant policy was to exclude any discount of the option exercise price; consequently, it was equal to the average Imerys share price for the last 20 stock market trading days prior to the grant date i.e. usually on the day of the Annual General Meeting. The Shareholders' General Meeting of April 28, 2011, renewed the authorization previously given to the Board to grant options for subscription or purchase of the Company's shares to employees or officers of the Company and its subsidiaries, or to certain categories of them and decided to expressly exclude any discount of the option exercise price.

The duration of the options granted under the plans set up since 2001 is 10 years.

The options granted since 1996 are in principle definitively vested (except in the event of the beneficiary's dismissal, resignation or departure from the Group) after the end of the third year following their allotment or, if earlier, on the date of the beneficiary's retirement after the age of 63 (reference age included in the 2009 and 2010 plans, previously set at 60 years), his/her cessation of activity for incapacity or his/her death. The only exception concerns grants made within employee shareholding operations, for which the options are dependent on the employee's investment in Imerys shares with immediate vesting. Conditional stock options granted to certain Group executives (the Chairman and Chief Executive Officer as well as, since 2011, the other members of the Executive Committee) are vested subject to the achievement of economic performance goals. The number of vested options is conditioned on and proportionate to the achievement of those goals *(see section 3.4.2 of this chapter)*.

Option exercise conditions

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

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

Exercise by the beneficiary must comply with certain minimum amounts (currently set for all plans adopted as from 2008 at 500 options, any whole multiple of 500 or the balance of outstanding options if less than 500).

Loss or maintaining of options

Options not exercised on expiry of their exercise period are automatically cancelled.

The beneficiary's departure from the Group for any reason (including in principle if the company employing him or her is excluded from the Group and except in the event of his or her death, incapacity or retirement), brings about:

- if the departure takes place before the vesting date of the options, their immediate cancellation;
- if the departure takes place after the vesting date of the options and only for plans adopted from 2004 onward, the cancellation of said options failing their exercise by the beneficiary by the end of the third month following his or her departure from the Group.

Date of record of shares resulting from the exercise of options

All Imerys shares resulting from the exercise of subscription options enjoy, from their creation, all the rights attached to existing shares, with which they are immediately assimilated.

Consequently, new and old shares are listed on the same line on NYSE Euronext, regardless of their date of issue. The new shares enjoy the same dividend rights as old shares, including with respect to the dividends approved and paid during the year of creation of the shares with respect to results for the previous financial year.

OPTION PLAN ADOPTED IN 2011

331,875 stock subscription options at the exercise price of €53.05 per share were granted on April 28, 2011 to 161 managers and executives of the Group, including the Chairman and Chief Executive Officer, residing in France or in other countries (vs. 155 in 2010).

Apart from the options granted to the Chairman and Chief Executive Officer, 83,669 were granted to the 10 beneficiaries receiving the most options.

CHANGES IN THE NUMBER OF OPTIONS IN 2011 (1)

The total number of stock subscription options in existence on December 31, 2011 is 4,202,766, representing 5.26% of Imerys' share capital on that date after dilution; their weighted average exercise price is €50.69.

In 2011, 98,500 stock subscription options were cancelled; 201,172 were exercised by 357 beneficiaries at a weighted average price of €27.11.

(1) Including options granted under employee shareholder plans.

3.4.2 CONDITIONAL STOCK OPTIONS GRANTED BY THE COMPANY TO ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2011

	Date of Plan	Kind of options	Valuation of options (1) *(€)*	Number of options granted in 2011	Exercise price *(€)*	Exercise period
Gilles Michel, Chairman and Chief Executive Officer (2)	April 28, 2011	Stock subscription options	420,800	40,000	53.05	April 28, 2014 April 27, 2021

(1) Valued at the time of their grant in line with IFRS 2, before the spread of the expense over the acquisition period.

(2) Sole Executive Corporate Officer.

On the recommendation of the Appointments and Compensation Committee and having acknowledged the payment of an additional collective profit-sharing bonus in the sense of article L. 3314-10 of the French Labor Code to all the Company's employees and at least 90% of all employees of its French subsidiaries, the Board of Directors, at its meetings of April 28, 2011, decided to grant conditional stock options to the Chairman and Chief Executive Officer. These options are conditioned by and proportionate to the achievement of economic performance goals related to the growth of the Group's net current operating income per share and the Group's ROCE (return on capital employed) during the 2011-2013 period. The same terms apply to the stock options granted to the members of the Executive Committee in 2011.

At the same time, the Board of Directors confirmed as needed the restrictive rules in terms of holding and keeping shares set by it at its meeting of February 15, 2010 pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code *(see section 3.6 of this chapter)*.

HOLDINGS AND CHANGES

As of December 31, 2011, the total number of stock options held by the Chairman and Chief Executive Officer is 122,000, compared with 82,000 as on December 31, 2010 i.e. 0.15% of Imerys' share capital on that date after dilution; their weighted average exercise price is €47.09.

In 2011, 86,179 stock subscription options were exercised by Gérard Buffière, Chief Executive Officer until April 28, 2011, at a weighted average price of €26.35; no options held by the Chairman and Chief Executive Officer were exercisable in 2011.

SPECIFIC TERMS AND RESTRICTIONS

In addition to the economic performance goals mentioned above, the other specific terms and restrictions which are applicable to the grants of stock subscription options to the Chairman and Chief Executive Officer are common to the grants of free shares; they are set out in *section 3.6 of this chapter*.

3.4.3 DETAILS OF STOCK 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, 2011.

	April 2011	Nov. 2010	April 2010	August 2009	April 2008	May 2007	Nov. 2006 (1)
Initial grant							
Authorization: date of Shareholders' General Meeting	04/28/11	04/30/08	04/30/08	04/30/08	04/30/08	05/03/05	05/03/05
Date of Board of Directors/Supervisory Board or Managing Board Meeting	04/28/11	11/03/10	04/29/10	07/29/09	04/30/08	05/02/07	11/07/06
Opening date of option exercise period (2)	04/28/14	03/01/14	04/29/13	08/14/12	04/30/11	05/03/10	02/01/07
Option expiration date	04/27/21	11/02/20	04/28/20	08/13/19	04/29/18	05/01/17	11/06/16
Share subscription price	€53.05	€44.19	€46.06	€34.54	€54.19	€65.61	€62.31 (3)
Total number of initial beneficiaries	161	1	155	166	183	160	2,932
Total number of options initially granted, of which to the Executive Corporate Officers:	331,875	82,000	482,800	464,000	497,925	560,000	38,770
- to G. Michel, Chairman and Chief Executive Officer	40,000	82,000	n.a.	n.a.	n.a.	n.a.	n.a.
- to G. Buffière, Director	-	-	40,000	-	-	60,000	15
- to the ten Group employees who received the most options	83,669	-	120,900	206,750	198,150	154,000	150
Change during financial 2011							
Number of options remaining to be exercised on 01/01/2011	n.a.	82,000	482,800	459,000	492,893	480,942	43,780
Number of shares subscribed in 2011, of which:	n.a.	n.a.	n.a.	n.a.	-	-	17
- by G. Michel, Chairman and Chief Executive Officer	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- by G. Buffière, Director	n.a.	n.a.	n.a.	n.a.	-	-	-
- by the ten Group employees who received the most options	n.a.	n.a.	n.a.	n.a.	-	-	-
Number of options cancelled (5) in 2011	(4,668)	-	(28,100)	(9,000)	(13,170)	(8,062)	(17)
Number of options remaining to be exercised on 12/31/2011 (6) of which:	327,207	82,000	454,700	450,000	479,723	472,880	43,746
- by G. Michel, Chairman and Chief Executive Officer	40,000	82,000	n.a.	n.a.	n.a.	n.a.	n.a.
- by G. Buffière, Director	n.a.	n.a.	40,000	n.a.	n.a.	64,482	17

(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) Of which 200,000 pursuant to the Group's achievement of economic and financial results in the 2004 to 2006 financial years.
(5) Following the beneficiaries' departure from the Group.
(6) Following cancellation and exercise of the options since the date of approval of the plan in question and reintegrations, if any.

(*) The figures presented in this table take into account, where necessary, the adjustments made on June 2, 2009 following the share capital increase of the Company.

May 2006	May 2005	May 2004	Oct. 2003 [1]	May 2003	Oct. 2002 [1]	May 2002	Oct. 2001 [1]	May 2001	Total
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	
05/02/06	05/03/05	05/03/04	10/21/03	05/05/03	10/21/02	05/06/02	10/19/01	05/09/01	
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	
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	
€63.53	€53.58	€45.49	€37.80	€26.34	€27.39	€30.47	€23.01	€26.52	
171	171	166	925	201	1,474	181	1,416	169	
640,000	635,000	840,000	37,424	747,720	68,328	652,000	73,784	711,240	6,862,866
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	122,000
90,000	80,000	260,000 [4]	60	80,000	60	30,000	60	32,000	672,195
157,500	140,000	109,600	360	145,580	720	90,000	60	8,560	1,415,999
539,569	515,272	626,275	32,226	241,015	35,108	80,619	25,941	33,123	4,170,563
-	-	6,590	1,383	129,175	2,932	14,974	17,578	28,523	201,172
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
-	-	-	65	85,984	65	-	65	-	86,179
-	-	-	-	23,036	65	9,674	390	15,679	48,844
(12,415)	(4,730)	(2,150)	-	-	-	(3,225)	(8,363)	(4,600)	(98,500)
527,154	510,542	617,535	30,843	111,840	32,176	62,420	-	-	4,202,766
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	122,000
96,714	85,976	279,422	-	-	-	-	-	-	566,611

3.5 FREE SHARES

3.5.1 CONDITIONAL FREE SHARE PLANS IN FORCE

GRANT POLICY

Following the favorable recommendation made by the Appointments and Compensation Committee, in 2006 the Board of Directors for the first time decided to grant free conditional shares in the Company. At the time, the Board intended to reserve this 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.

MAIN CHARACTERISTICS OF CONDITIONAL FREE SHARES

Vesting of shares

The free shares granted 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 these goals.

Loss of shares

The departure of the beneficiary from the Group before the expiry of the vesting period entails the loss of all rights to the vesting of his or her conditional free shares, except in the event of death, incapacity or retirement of the beneficiary whose rights will be retained according to the specific terms set forth by each related plan.

Keeping vested shares

The minimum time for which beneficiaries must keep shares may not in principle be less than two years from the date of vesting; that keeping period can however be removed in cases where the vesting period has a duration equal to four years. After the keeping period, if any, the beneficiaries may dispose freely of such shares.

CONDITIONAL FREE SHARE PLANS ADOPTED IN 2011

In 2011, 170,971 free shares conditional on the achievement of economic performance goals ("performance shares") were granted with respect to the April 2011 general plan to 173 Group managers residing in France or abroad (vs. 156 in 2010) and to 37,400 with respect to the August 2011 specific plan. This specific long-term incentive plan, composed solely of performance shares, was decided by the Board of Directors at its meeting of July 28, 2011, on an exceptional basis and subject to the finalization of the acquisition from the group Rio Tinto of its Talc business that was scheduled for August 1, 2011, for a grant to key managers of this new activity (i.e. 20 beneficiaries).

The vesting and number of the performance shares granted with respect to these plans adopted by the Board in 2011 are conditioned by and proportionate to the achievement of a goal of growth of the Group's net current operating income per share and the Group's ROCE (return on capital employed) during the 2011-2013 period.

Apart from those granted to the Chairman and Chief Executive Officer, 64,019 performance shares were granted to the 10 beneficiaries receiving the highest number of those shares.

CHANGES IN THE NUMBER OF CONDITIONAL FREE SHARES IN 2011

The Board of Directors noted, at its session on April 28, 2011 and following the relevant examination by the Appointments and Compensation Committee, that the economic performance goal on which the free share grant with respect to the April 2008 plan depended had not been achieved. Consequently, none of the performance shares that had been granted under the April 2008 Plan were vested and so were null and void, with no purpose or effect for the future.

In 2011, 62,210 free shares were cancelled and 136,373 vested.

The total number of conditional free shares in existence on December 31, 2011 was 498,217, which represents 0.62% of Imerys' share capital on that date after dilution.

DETAILS OF CONDITIONAL FREE SHARE PLANS IN FORCE

The following table summarizes the history, status and main characteristics of the conditional free shares in force as on December 31, 2011.

	Grant date	Number of initial beneficiaries	Number of shares initially granted	Number of remaining shares as on 01/01/2011	Number of shares cancelled in 2011	Number of shares vested in 2011	Number of shares as on 12/31/2011	Vesting date of shares	Date of end of share holding period
August 2009 conditional free share plan	August 14, 2009	169	247,006	245,756	2,250	131,000 (1)	112,506	August 14, 2013 (2)	August 14, 2013 (3)
April 2010 conditional free share plan	April 29, 2010	155	144,700	144,700	7,025	0	137,675	April 29, 2014 (4)	April 29, 2014 (5)
November 2010 conditional free share plan (6)	November 3, 2010	1	42,000	42,000	0	0	42,000	March 1, 2014	March 1, 2016
April 2011 conditional free share plan	April 28, 2011	173	170,971	-	2,335	0	168,636	April 28, 2015 (7)	April 28, 2015 (8)
August 2011 conditional free share plan	August 11, 2011	20	37,400	-	0	0	37,400	August 11, 2015 (9)	August 11, 2015 (10)

(1) Of which 95,000 vested in favor of Gérard Buffière, Director.
(2) For the beneficiaries resident outside France; August 14, 2012 for the beneficiaries resident in France.
(3) For the beneficiaries resident outside France; August 14, 2014 for the beneficiaries resident in France.
(4) For the beneficiaries resident outside France; April 29, 2013 for the beneficiaries resident in France.
(5) For the beneficiaries resident outside France; April 29, 2015 for the beneficiaries resident in France.
(6) Plan granted exclusively for the benefit of Gilles Michel on November 3, 2010, date on which he was appointed Director and Deputy Chief Executive Officer.
(7) For the beneficiaries resident outside France; April 28, 2014 for the beneficiaries resident in France.
(8) For the beneficiaries resident outside France; April 28, 2016 for the beneficiaries resident in France.
(9) For the beneficiaries resident outside France; August 11, 2014 for the beneficiaries resident in France.
(10) For the beneficiaries resident outside France; August 11, 2016 for the beneficiaries resident in France.

3.5.2 PERFORMANCE SHARES GRANTED BY THE COMPANY TO ITS CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2011

	Date of Plan	Number of shares granted in 2011	Valuation of shares (1) (€)	Vesting date	Availability date	Performance conditions
Gilles Michel, Chairman and Chief Executive Officer (2)	April 28, 2011	20,000	918,200	April 28, 2014	April 28, 2016	Yes

(1) Valued at the time of their grant in line with IFRS 2, after taking into account notably any discount related to performance criteria and the probability of presence in the Company following the vesting period, but before the spread of the expense over the acquisition period.
(2) Sole executive corporate officer.

On the recommendation of the Appointments and Compensation Committee and having acknowledged the payment of an additional collective profit-sharing bonus in the sense of article L. 3314-10 of the French Labor Code to all the Company's employees and at least 90% of all employees of its French subsidiaries, the Board of Directors, at its meetings of April 28, 2011, decided to grant performance shares to the Chairman and Chief Executive Officer. These performance shares are conditioned by and proportionate to the achievement of the same economic performance goals as those provided with respect to the 2011 general performance shares plan intended for the Group's other top managers; these goals are related to the growth of the Group's net current operating income per share and the Group's ROCE during the 2011-2013 period.

These performance shares will be vested, according to the achievement of their economic goals to which they are subject, upon the expiry of a period of three years following their grant date; shares must be kept for a period of two years as from their vesting. These conditions are also identical to those provided under the 2011 general performance shares plan intended for the Group's other top managers.

HOLDING AND CHANGES

The total number of conditional free shares granted, but not yet vested, to Gilles Michel, Chairman and Chief Executive Officer, is 62,000 as on December 31, 2011, i.e. 0.08% of Imerys' share capital on that date after dilution.

No conditional free shares granted to the Chairman and Chief Executive Officer became vested or available in 2011.

SPECIFIC TERMS AND RESTRICTIONS

In addition to the economic performance goals mentioned above, the other specific terms and restrictions which are applicable to the grants of conditional free shares made to the Chairman and Chief Executive Officer are common to the grants of stock subscription options; they are set out in *section 3.6 below*.

3.6 SPECIFIC TERMS AND RESTRICTIONS APPLICABLE TO GRANTS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board of Directors, pursuant to the recommendations of the Appointments and Compensation Committee, and in accordance with the provisions of articles L. 225-185 and L. 225-197-2 of the French Code of Commerce, confirmed, as need be, at its meeting of April 28, 2011 during which it granted conditional stock subscription options and performance shares to its Chairman and Chief Executive Officer, the restrictive rules on holding and keeping shares it set down for the first time at its meeting of February 15, 2010. Thus, the Chairman and Chief Executive Officer shall hold on a registered basis, until the date of termination of his duties:

- as regards the grants of conditional stock subscription options: a number of shares resulting from each option exercise corresponding to at least 25% of the net gain realized upon each exercise (net of the amount needed to fund that exercise, and of any related taxes and obligatory contributions);
- as regards the grants of performance shares: a number of shares at least equal to 25% of the total number of vested shares following the applicable vesting period,

until the total amount [(1)] of the shares he helds [(2)] reaches, upon the exercise of stock subscription options and the availability of performance shares, a coefficient equal to 300% of his last annual fixed compensation on the date in question.

On these occasions, the Board also confirmed that:

- this keeping rule applies to the grants made to Gilles Michel with respect to the conditional stock subscription option and performance share plans implemented by the Company as from November 3, 2010 (date of his first appointment as Corporate Officer of the Company);
- the total amount of investment in shares of the Company shall take into account all the shares held by the Chairman and Chief Executive Officer on the date in question, regardless of their origin (purchase on the market, exercise of stock subscription options or shares acquired under performance share grant plans).

Given all these holding and keeping rules imposed on its Chairman and Chief Executive Officer, the Board of Directors judged that it was not necessary to also make the purchase of additional shares on the market a condition for the grant of performance shares, as required by the recommendations of the AFEP-MEDEF Corporate Governance Code.

The Board noted, at its meeting of April 28, 2011, that the grant of conditional stock subscription options and performance shares awarded on that date to Gilles Michel was within the limits it had set at its meeting of July 29, 2009 pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code: ceiling of the value (under IFRS) of the granted conditional stock options and performance shares at one year of his gross annual compensation (fixed part + maximum variable part).

Finally, pursuant to the recommendations of the Appointments and Compensation Committee and to those of the AFEP-MEDEF Corporate Governance Code, the Board of Directors at its meeting of April 28, 2011, on the occasion of the renewal of the authorization given to the Board by the Shareholders' General Meeting held on the same date to grant stock subscription options and performance shares, fixed the maximum percentage of options and shares that may be granted to the Executive Corporate Officers at 20% of the total envelope voted by shareholders.

Pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code, all these conditions were published on the Company's website.

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(1) Estimated on the basis of the share price on the date of each option exercise or the date of availability of the free shares in question.

(2) After the sale of those needed, as the case may be, to fund the option exercise or the settlement of any taxes, contributions or expenses with respect to the transaction.

3.7 CORPORATE OFFICERS' TRANSACTIONS IN SECURITIES IN THE COMPANY

The Board of Directors adopted a Procedure for the prevention of use or disclosure of insider information within the Imerys group. This policy adopted in its initial version in July 2002, last amended in July 2011, is appended to the Internal Charter of the Board of Directors.

The policy defines permanent and occasional insiders; sets out the Company's obligation to draw up a list of insiders for the Group and determines the related arrangements. It also reiterates the rules with respect to transactions by corporate officers in Imerys shares or, as the case may be, any other securities issued by the Group or any financial instruments ("Imerys Actions" mutual fund, MONEP, warrants, convertible bonds, etc.) that are related to Imerys shares ("Imerys securities").

In accordance with the general principle that applies to Insiders, whether permanent or occasional, any corporate officer and related persons must, in the event that they directly or indirectly hold privileged information, before the public has knowledge of such information, refrain from carrying out any transaction, including forward transactions, in Imerys securities.

To make its implementation easier, the Board of Directors, at its meeting of February 15, 2011, appointed the Group's General Counsel and Secretary of the Board as ethics officer, tasked with providing, on request from any concerned party, an opinion prior to the transactions on the Company's securities under consideration by corporate officers. This decision is in line with AMF guidelines for preventing insider misconduct by executives of listed companies. The opinion given by the ethics officer is purely advisory.

The obligation to refrain from trading also covers any transaction in Imerys securities (including as hedging) during the 15 calendar days leading up to the announcement of the Group's estimated or definitive annual, half-yearly or quarterly results, and the day of that announcement, known as the "negative window period"; it concerns corporate officers, but also other permanent or occasional Insiders such as the Group's main support or line managers or any employees that directly take part in drawing up those consolidated financial statements, who are considered as regularly or occasionally likely to hold insider information because of their positions and responsibilities.

The annual schedule of announcements of the Group's consolidated results as well as the resulting schedule of negative window periods are supplied to the Directors at the end of the previous year; it may be consulted at any time on the Group's website, is given regularly in the Chief Executive Officer's quarterly letter to shareholders and is available on request from the Group's Financial Communication Department.

The Board of Directors examined in 2009 the recommendation of the AFEP-MEDEF Corporate Governance Code requesting the corporate officers of a listed company refrain from trading on its shares as long as they have access, in consideration of their functions, to information which has not been made public yet. The Board confirmed and kept the obligation to refrain from trading it had previously adopted, stating however that this obligation will continue not to apply to the subscription or purchase of shares by the exercise of options. It indeed considered that the mere exercise of options was not speculative in nature, since the exercise price was established beforehand and only the prohibition from transferring the shares resulting from the exercise of options during the negative window period was necessary. Moreover, the transparency of these operations was fully guaranteed by the obligation to declare to the AMF the transactions made in securities in the Company, including by the exercise of options, pursuant to legal and regulatory provisions.

Furthermore, the Group's policy prohibits insiders from making any leveraged transaction or speculative transactions (short sales or bull purchases of shares, extension of orders on deferred settlement and delivery services, very short turnaround purchase/sale transactions, etc.) in Imerys securities. To comply with the recommendation of the AFEP-MEDEF Corporate Governance Code, that prohibits risk hedging transactions by Executive Corporate Officers who are beneficiaries of stock options and/or performance shares, Gilles Michel on April 28, 2011 reiterated in front of the Board his commitment not to resort to the use of any risk hedging transactions in respect of his conditional stock options and performance shares granted or to be granted to him during his term of office.

Finally, in accordance with applicable legal requirements, the corporate officers and, under their personal responsibility, all related individuals, must:

- hold the Imerys shares they own in registered form, either directly in their names with the Company or its securities manager or through management by the intermediary (bank, financial institution or broker) of their choice;
- declare individually to the AMF any transactions carried out on Imerys securities within five trading days of such transactions and inform the Company thereof.

Pursuant to the provisions of article 223-26 of AMF's General Regulations, the table below summarizes the transactions made in securities in the Company by corporate officers in 2011 and, as the case may be, any related persons, as declared to the AMF and published on its website (www.amf-france.org).

Declaring or related person	Capacity	Financial instrument	Number	Nature of operation	Number of operations	Amount of operations
Gilles Michel	Chairman and Chief Executive Officer	Shares	600	Acquisition	2	€31,005
Gérard Buffière	Director	Stock options	85,984	Exercise	1	€2,264,819
		Shares	49,526	Sale (1)	12	€2,488,321
Ian Gallienne	Director	Shares	500	Acquisition	1	€23,305
Fatine Layt	Director	Shares	500	Acquisition	1	€23,509
Arielle Malard de Rothschild	Director	Shares	600	Acquisition	1	€30,360
Pierre-Jean Sivignon	Director	Shares	500	Acquisition	1	€22,960

(1) By a related party.

RISK FACTORS
AND INTERNAL CONTROL

4

4.1 RISK FACTORS

An analysis of major risks is regularly conducted within the Group. It results in the mapping of the estimated potential impact of each identified risk and the extent to which it is controlled. This risk analysis and management process is described in detail in the Report of the Chairman of the Board of Directors *in section 4.2 of the present chapter*.

The main risks and risk factors the Group is facing and their management as well as associated control methods are presented hereafter in order of importance in each category.

4.1.1 RISKS RELATED TO IMERYS' BUSINESS

MINERAL RESERVES AND RESOURCES

Mineral reserves and resources form one of the Group's primary assets and the foundation of the main part of its activities. Their accurate assessment is critical to the management and development of Imerys' operations.

The mineral reserves and resources appraisal results from the study of geological, technical, economic or market parameters available at a given time. Because of unforeseeable changes in these parameters and the uncertainty naturally inherent in evaluating resources, no absolute guarantee can be given for those estimates.

Imerys has set up an internal network of experts who are responsible for evaluating the Group's mineral resources and reserves for each of its operating activities. Under the responsibility of the Group Chief Geologist, these experts carry out an annual consolidated review of the Group's mineral reserves and resources according to the principles presented *in chapter 1, section 1.3 of the Registration Document.*

This appraisal is presented annually to the Executive Committee. The process and resources used to ensure its reliability are examined by the Strategic Committee.

Appraisal methods, calculations and the mining plans drawn up by each site are audited over a three-year cycle by independent experts associated with internal specialists. Furthermore, the appraisal process for some of the Group's most significant entities has been reviewed through internal control self-assessment questionnaires *(see section 4.2 of the present chapter).*

Finally, the Group Chief Geologist has the power to take action on the mining plans proposed by the activities in order to ensure the plans are consistent with the Group's long-term policy and/or its employee workplace safety policy and its environmental policy.

MARKET ENVIRONMENT

The diversity of its minerals, end markets, customers and locations gives the Group strong strategic positions while dispersing its global risk profile. However, the Group's business remains sensitive to changes in macroeconomic conditions. Whereas the effect of those changes varies according to the end markets and geographic zones where the Group operates, the simultaneous deterioration of conditions on several markets and geographic zones could nevertheless have an adverse combined impact on its activity, results and financial position.

The goal of Imerys' people is to constantly optimize management of existing activities by working to develop innovative, high value-added new products, penetrate new markets, and control production costs and overheads or even reduce them while adapting to temporary and structural evolutions. Each activity seeks to establish and strengthen its leadership on major markets and, more generally, enhance all the Group's competitive advantages in areas such as mining reserves, marketing, technology, logistics and human resources. Details of the Group's activities are given in *chapter 1 of the Registration Document.*

Information on the performance of activities, market trends, the measures taken to adapt to them and the strategies under consideration are periodically reviewed by the Executive Committee, the Strategic Committee and the Board of Directors through processes for the 5-year strategic plans, annual budgets and quarterly results reviews *(see section 4.2 of the present chapter)*.

EXTERNAL GROWTH OPERATIONS

In all its activities worldwide, Imerys implements a growth strategy that combines organic growth and acquisitions *(see chapter 1, section 1.2 of the Registration Document)*. In that context, the Group frequently makes acquisitions of activities or companies and creates joint ventures. These operations inherently entail risks relating to the appraisal of the corresponding assets and liabilities and the integration of the acquired personnel, activities, technologies and products or changes in relations with the relevant partners.

Imerys has set up internal control procedures that cover the analysis of potential targets (with the application of strict investment profitability criteria and the performance of in-depth due diligence), the review and acceptance of contractual terms and conditions for the completion of the operations (including commitments by sellers to indemnify against hidden liabilities) and the preparation work, implementation and follow-up of the acquired activities or companies integration. Depending on the amounts at stake, these procedures require prior approval by the Chairman and Chief Executive Officer, the Strategic Committee and/or the Board of Directors *(see chapter 3, section 3.1 of the Registration Document)*.

ENERGY PRICES

(See Note 25.5 to the consolidated financial statements)

COUNTRY

Because of their mining activity and the variety of their end markets, the Group's activities are now present in many countries, several of which represent a strategic interest for the Group. Future changes in the environmental, social, legal or regulatory policy of some countries, particularly emerging countries, could affect the Group's assets, cash flows, profitability and ability to continue operating and developing in such countries.

To identify at-risk countries, Imerys uses the "Business Environment" classification by Coface, the primary French insurance firm specializing in export credit insurance. This rating is used to measure the degree to which an entity's economic and financial commitments are exposed in the countries in question (for more information on these ratings, *see chapter 5, paragraph 5.1.3 of the Registration Document*). The Group also brings in external consultants as needed to inform it in more detail about the local environment (in economic, political or other terms) in some countries and anticipate possible developments. Finally, other international indicators are analyzed by the Group to measure the exposure of its personnel and assets to natural, criminal and political risks.

In parallel, Imerys has set up a procedure for regular monitoring of the Group's performance in some countries (particularly China and India) and strengthened crossfunctional organization by country or region according to the size and nature of existing activities and their development potential. The Executive Committee now reviews these items and the Group's exposure to such country risks. An overview of those analyses and the actions taken was presented to the Audit Committee in 2011.

Finally, Imerys develops its relations with local authorities and communities in those countries in order to create and maintain mutual trust based on periodical and transparent dialog on the Group's activities and methods. Moreover, these relations must help the Group to anticipate major local changes that could have an impact on its activities.

PENSION SCHEMES

(See Notes 2.2, 3.2, 4.19, 8, 12 and 24.1 to the consolidated financial statements)

HUMAN RESOURCES

The management and development of the Group's activities require the employment and recruitment of a large number of highly qualified technicians and managers. The success of the Group's internal and external development plans depends partly on its ability to recruit and integrate new skills, especially in the most remote geographic zones, and to train and promote new talents.

That is why Imerys has drawn up a Human Resources policy with the aim of attracting, retaining and renewing the expertise, talents and skills needed to carry out its activities worldwide and to support its internal and external growth. This policy is presented *in chapter 1, paragraph 1.9.7 of the Registration Document*.

RAW MATERIALS

Raw materials account for approximately 19.1% of the Group's current revenue and expenses in 2011. Trends in the cost of those materials and their supply conditions may, therefore, affect its operating margin.

In that context, the Group's strategy is to integrate, whenever economically and technically possible, the ownership or exploitation of the mineral resources needed to carry out its activities *(see the Group's portfolio of ores presented in chapter 1, section 1.3 of the Registration Document)*. For other critical raw materials, supplies are secured through multi-annual contracts and/or supplier diversity. Thus, in 2011, purchases from Imerys' 10 largest suppliers (including transport and energy) represent 12.18% of the Group's total purchases, with no supplier accounting individually for more than 3% of total purchases.

A purchasing risk analysis policy was developed to control those supplies. In that respect, the Group's activities can draw on the Supplier Qualification System (SQS) to keep their supply risks to a minimum and qualify their suppliers. Furthermore, the Group appoints Purchasing managers per purchase category whenever possible in order to benefit from specialization in negotiating better terms of purchase.

The risk of the Group's dependency on its critical suppliers and the related management procedure were presented to the Audit Committee in 2011.

CUSTOMER CREDIT RISKS

(See Note 22.4 to the consolidated financial statements)

The level of customer credit risk is relatively limited thanks to the diversity of the Group's activities and geographic bases and to the high number and dispersal of its customers. In 2011, sales to Imerys' 10 biggest customers represent 14.81% of the Group's sales, with none of them individually totaling 3%. The Group does not estimate at present that it has any significant risk of dependence with respect to its customers.

Furthermore, trade receivables are closely monitored internally in every activity and credit insurance is set up in Europe according to the activity's specific circumstances.

The recent economic crisis, which increased the credit risk of some Group customers, did not reveal any situations where the default of several significant customers, even simultaneously, could have a major combined effect on the Group's results and financial situation. The total amount of provisions booked for the depreciation of trade receivables is €30.5 million (i.e. 5.5% of the amount of trade receivables) as on December 31, 2011, compared with €27.4 million (i.e. 5.8% of the amount of trade receivables) as on December 31, 2010.

4.1.2 INDUSTRIAL AND ENVIRONMENTAL RISKS

INDUSTRIAL OPERATIONS AND BUSINESS CONTINUITY

As for any industrial group, Imerys' production sites are exposed to the occurrence of unforeseen incidents (of various nature or origin, e.g. accidents, natural disasters, machine breakage) that may lead to temporary operating stoppages, some of which may significantly affect the activity of the operating sites concerned.

The risk of occurrence of such events and their possible impact on the Group's overall business are limited by the following set of factors and measures: the number and geographic dispersal of industrial sites, many of which are of moderate size, in each operating activity; regular capital expenditure committed by each activity to modernize and maintain its industrial assets; an active industrial risk prevention policy set up by the Group, including the definition of business continuity plans and/or crisis management plans for the most strategic sites and a dam soundness review program for the relevant sites.

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

The General Counsel presents the Group's policy on insurance, risk coverage and the related prevention programs periodically to the Executive Committee and once a year to the Audit Committee as part of its review of the main risks facing the Group.

ENVIRONMENT, HEALTH & SAFETY

Most industrial mining and mineral processing activities, which form Imerys' core business, may have an impact on their environment, albeit a limited one. Imerys therefore writes down provisions to cover the environmental risks resulting from the Group's industrial activity, and for the restoration of mining sites at the end of their operating lifespans. These provisions totaled €157.5 million as on December 31, 2011 (€123.9 million as on December 31, 2010).

Furthermore, the Group's activities require the daily performance of tasks that entail risks and which, therefore, require relevant employee training, in particular in the use of explosives, heavy mobile equipment operation and working at heights.

To manage those risks, the Group has an Environment, Health & Safety (EHS) Function with the role of guiding and assisting operating activities and the Group in their efforts to develop and maintain a suitable standard of protection for people (Imerys or external personnel), property and the environment.

The EHS Function audits the programs implemented by operating activities in order to check their compliance with local regulations and with Imerys' internal safety, health and environmental standards if they are more stringent. Under EHS policy 30-35 audits are planned per year in order to check the Group's biggest sites every three years.

Furthermore, the EHS Function delivers an internal training program. The "Imerys Safety Universities" train participants in assessing work risks and foster improvement in safety culture. These Universities contribute to the sharing of experience in the Group and the creation of robust, dynamic in-house safety networks. This training is enhanced by webinars that are organized monthly to go into more detail on specific topics relating to safety or the environment. In 2011, special emphasis was placed on the prevention of serious accidents with an extensive training program on the Six Critical Protocols (which cover the activities that generate the most serious accident risks) and on monthly self-diagnosis by site managers according to those protocols.

The Executive Committee periodically examines EHS performance indicators and the results of audits in the various activities. The Audit Committee reviews the processes and resources implemented to achieve goals. The Board of Directors is given an overall presentation of these points at least once per year.

This information is given in detail *in chapter 1, section 1.9 of the Registration Document*.

4.1.3 LEGAL RISKS

COMPLIANCE WITH AND/OR CHANGES IN LAWS AND REGULATIONS

The Group's companies have to deal with a great number of national and regional laws and regulations, given the nature of their operations (particularly mining of natural resources) and their diverse locations (245 industrial sites in 47 countries as at year-end 2011). Consequently, the Group must verify that it is able to comply with those regulations as well as possible in order to continue running all its operations and enable them to maintain an acceptable level of profitability.

Chiefly in emerging countries, foreign companies, especially those that exploit local natural resources, may be affected by the adoption of discriminatory legislative or regulatory texts or by their interpretation by the authorities in charge of their application. Furthermore, the legislative and regulatory framework is generally becoming tighter with respect to the protection of the environment, health and safety. The costs entailed in bringing the Group's activities into compliance with those laws, regulations or interpretations, the penalties that may be imposed in the event of non-compliance and the resulting possible damage to the Group's reputation may have a negative impact on the economic conditions of the Group's operations and the competitiveness of its activities.

To ensure its operations' optimal compliance with all applicable legislation and regulations, Imerys has set up a network of internal lawyers assigned to the Legal Department, some of whom are based at operations or in the Group's main geographic zones. Furthermore, as stated in *paragraphs 4.1.1 and 4.1.2 of the present chapter*, geological and EHS audits regularly check the compliance of local activities with applicable laws and regulations.

In many countries, Imerys develops close relations with regulatory bodies, trade associations, local authorities and communities in order to better anticipate or orientate, whenever possible, the planned legislative and regulatory changes that may have an impact on the Group's activities. The Group tries to anticipate those changes and factor them into its research and development programs in order to be able to meet the requirements of new regulations in a timely manner, while limiting its costs, and/or to use those changes as commercial opportunities for the Group.

To the best of Imerys' knowledge, no risk with a significant financial impact exists on this issue as of the date hereof.

LEGAL PROCEDURES

(See Note 24.2 to the consolidated financial statements)

The Group is exposed to the risk of actions and claims arising from the ordinary course of its business. The most common claims or actions concern allegations of personal injury or financial loss calling on the liability of Group companies with respect to: the pursuit of their commercial or industrial activities (particularly claims by customers concerning the delivery of defective products – in most cases covered by Group insurance programs – or by third parties concerning neighborhood disturbances); the possible breach of certain contractual obligations; the failure to comply with certain legal or statutory provisions that apply in social, property or environmental matters.

Furthermore, Imerys is also bound by certain contractual obligations of compensation – or enjoys certain rights to compensation – with respect to guarantees of liabilities made for past divestments – or acquisitions – of assets.

Imerys Legal Function manages all claims involving the Group, with the assistance of local lawyers whom it appoints. An overview of the most significant claims is reviewed with the Group Finance Function and Group Auditors after every half-year. The General Counsel makes a summary presentation of claims to the Audit Committee as part of its annual examination of the risks facing the Group.

Although the outcome of all outstanding actions and claims cannot be foreseen with certainty, taken individually or as a whole, their settlement, even if adverse for the Group companies involved, is not likely to have any material impact on the Group's consolidated financial statements. The amount of provisions booked for management risks is €60.0 million as of December 31, 2011 (€32.3 million as of December 31, 2010) and the amount of provisions booked for legal and social litigations is €66.9 million as of December 31, 2011 (€47.8 million as of December 31, 2010). The likely term of these provisions is from 2012 to 2016.

More generally, as of the date of the present Registration Document, no governmental, legal or arbitration proceedings, whether in abeyance or by which the Company is threatened, is likely to have, to the best of Imerys' knowledge, or has had in the past 12 months any significant effect on the financial position or the profitability of the Company and/or the Group.

MAJOR CONTRACTS

To the best of Imerys' knowledge, apart from the contracts entered into in the ordinary course of business, including contracts with respect to operating rights for mineral reserves and resources, and in relation to the business acquisition or divestment operations or the financing operations mentioned in the present Registration Document, no other major contracts have been signed by any Group company in the two years prior to the date of the present Registration Document that are still in force on that date and which contain provisions entailing an obligation or commitment likely to have a significant impact on the Group's business, financial position or cash flow.

However, with respect to some contracts, significant commitments and guarantees have been granted by Imerys or its subsidiaries. The amount of off-balance sheet commitments made is €507.8 million as on December 31, 2011, compared with €540.9 million as on December 31, 2010 *(see Note 30 to the consolidated financial statements)*.

4.1.4 RISKS RELATING TO FINANCIAL MARKETS

(See Notes 22 and 25 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 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, acquired businesses are either immediately integrated into existing Group insurance programs or benefit from coverage terms that are at least equivalent. In the latter case, integration is restricted to the additional coverage offered by Group programs compared with the local insurance policies that apply to the acquired activities.

The Group's companies also use the local market to cover the specific risks of some of their non-recurring activities or operations through the services of the brokers in charge of managing the Group's insurance programs, or when such insurance is made compulsory by applicable local regulations.

The Group judges that it currently benefits from sufficient insurance coverage, in terms of both scope and insured amounts or limits of guarantees, for the principal risks related to the pursuit of its businesses worldwide.

The two main Group insurance programs cover civil liability as well as property damage and business interruption.

■ CIVIL LIABILITY

The purpose of this program is to cover the Group's liability in the event of bodily injury, property damage or consequential damage occurring during operations or after the delivery of products, and any damage resulting from accidental pollution.

The Group's activities are first covered by local policies issued in each country ("1st layer"), then by a Master policy issued in France and an additional policy in excess of the limit of cover of the Master policy ("Excess"). The "Master" policy is taken out with XL Insurance Company Ltd UK (rated A by AM Best, Fitch and Standard & Poors) and the "Excess" policy with AXA Corporate Solutions (rated AA3 by Moody's, AA- by Fitch and Standard & Poors).

Those "Master" and "Excess" policies are also used in addition to the limits and coverage of several specific sub-programs, particularly in North America, to cover Automobile Civil Liabilities and Workers' Compensation, and in addition to the mandatory Employer's Liability policy issued in the United Kingdom.

The coverage provided by the Group Civil Liability program, subject to the exclusions that are common practice on the insurance market for this type of risk and to sub-limits applied to certain defined events, amounts to €100 million per claim and per year.

The current Group Civil Liability program is renewable on December 31, 2012. Apart from exceptions, applicable standard deductibles are €15,000 per claim but may amount to 10% of the claim (with a ceiling of €200,000 per claim) for claims over €150,000, outside Canada and the United States where they amount to US$100,000 and US$250,000 respectively.

■ PROPERTY DAMAGE AND BUSINESS INTERRUPTION

This program is particularly intended to cover direct property damage caused suddenly and accidentally, 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 it.

Since 2002 Imerys has opted to retain "frequency" risks within a captive reinsurance company consolidated in the Group's accounts for a claims ceiling that was increased as of January 1, 2012 to €900,000 per claim and €2.5 million annual aggregate (vs. €700,000 and €2 million previously). Ahead of this raise, which enables it to control premium increases, due in particular to a high rate of claims in 2011, mainly in the Pigments for Paper & Packaging business group (tsunami in Japan, March 2011), the Group increased its retention capacity through the acquisition of a new captive reinsurance company in September 2011.

The Master policy provides the Group, subject to the exclusions that are common practice on the insurance market for this type of risk and the sub-limits applied to certain defined events, with coverage for property damage and business interruption of €200 million per claim.

The current Group property damage and business interruption program, taken out with FM Insurance Company Limited (rated A+ by AM Best and AA by Fitch) is renewable on December 31, 2012.

In assigning its property damage and business interruption program to an insurance firm that is renowned for its expertise in prevention engineering, Imerys intends to continue its extensive efforts on risk awareness and protection in its operating activities in line with its overall Sustainable Development program. Almost all the Group's industrial sites are regularly inspected by prevention engineers, giving rise to recommendations that enable Imerys to improve its industrial risk management. More than 100 sites were inspected in 2011. Since 2007, awareness seminars on industrial risks (fire, electrical risks, hot works, etc…), facilitated by FM Global's prevention engineers, have been organized in the Group.

OTHER GROUP-WIDE INSURED RISKS

The Group's other main insurance programs are intended to cover the following risks, which are common to all its legal entities or several of its activities: company officers' liability; motor fleet insurance (Europe and United States); marine cargo and charterer's liability; workers' compensation and employers' liability (particularly in the United States and the United Kingdom).

4.2 INTERNAL CONTROL

4.2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

INTRODUCTION

Context

Pursuant to article L. 225-37 of the French Code of Commerce, as amended by the law on financial security of August 1, 2003 (the "LSF law"), then by the laws of December 30, 2006 and July 3, 2008, the Chairman of the Board of Directors drew up his report on the composition of the Board, the conditions for preparing and organizing its work and on the risk management and internal control procedures set up by Imerys, on February 15, 2012.

Detailed information on the conditions under which the work of the Board of Directors is prepared and organized and, more generally, on its composition, the application of the principle of gender balance among its members, its workings and the limitations placed by the Board on the powers of Executive Management, is given *in chapter 3, section 3.1 of the Registration Document*. The principles and rules set down by the Board of Directors to determine the compensation and benefits of any kind granted to corporate officers are given *in chapter 3, section 3.3 of the Registration Document*. As the case may be, this information comes with a note explaining why the Group does not implement certain provisions of the AFEP-MEDEF Corporate Governance Code, which the Board of Directors states that it uses as a reference. Moreover, the particular arrangements for the participation of shareholders in the Annual General Meeting and 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 are presented respectively *in chapter 6, section 6.1 and section 6.4 of the Registration Document*. All this information should be considered as an integral part of the above-mentioned Report of the Chairman of the Board of Directors.

The part of the report presented below describes in more detail the main internal control and risk management procedures implemented by the Group. This part was drawn up under the responsibility of the Imerys Risk and Internal Control Department and reviewed by the Chairman and Chief Executive 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 Board of Directors.

Internal control objectives

To define its internal control reference matrix and structure its approach, the Group draws on the framework and the application guide published in January 2007 by the AMF (the French Securities Regulator) and updated in July 2010. That matrix includes the objectives and the components of the AMF framework.

The Imerys group's internal control system covers all controlled companies in the Group's scope of consolidation.

By implementing this system in all its activities, Imerys intends to ensure that it has the resources needed to manage the risks that its activities face, guarantee the accuracy and thoroughness of its financial information and organize the proper management of its operations in accordance with the laws and regulations in force and the Group's management principles and strategy. In this way, the internal control system helps to protect the Company's value for its shareholders and employees and to achieve the goals it sets itself.

However, by its nature, such a system cannot provide an absolute guarantee as to the total control of the risks that the Group faces and the achievement of its goals.

Internal control principles

In line with the goals set, Imerys' internal control system is founded on the following principles:

- a chosen, controlled organization comprised of skilled, responsible men and women;
- targeted internal communications;
- a regular analysis of the Group's main risks;
- relevant control activities;
- a regular review of internal control practices in the Group.

A CHOSEN, CONTROLLED ORGANIZATION

Organizational model

Imerys' internal control is based on the Group's operating and management organization and on support Functions that are directly or indirectly dedicated to the control of the risks that the Group faces.

The control system set up in the Group is founded on a tight Governance structure that guarantees the transparency and traceability of decisions, while conserving the principles of subsidiarity and decentralization that are considered as essential to the optimal running of the Group's industrial and commercial activities. It requires great commitment from every line or support manager who must take ownership of the policies and procedures defined at Group level, contribute to their implementation and observance, and enrich them through measures that are relevant to the specificities of the activities or fields under their charge.

The framework for managing operations consists, on the one hand, of Group policies and the resulting delegations of authority to line managers and, on the other hand, of specific controls and audits implemented by the central support Functions in their scope of responsibility, regular audits conducted by the Internal Audit Function and self-assessments conducted at least once every three years by the managers of the main entities under the control of the Risk and Internal Control Department. Furthermore, operating management is constantly controlled and monitored by line managers and periodically by the Chairman and Chief Executive 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 annual and semi-annual consolidated financial statements are also reviewed and 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 for the Group and periodic strategic reviews for each activity. These are drawn up under the control and supervision of the Chairman and Chief Executive Officer. Their conclusions are reviewed by the Executive Committee before being presented to the Strategic Committee then, for approval, to the Board of Directors.

Participants in internal control

The Board of Directors and its specialized Committees

The Board of Directors constantly controls the management of the Group conducted by the Chairman and Chief Executive Officer. In that context, it particularly makes sure that internal control mechanisms are set up correctly in the Group.

To assist the Board in its mission, three specialized Committees were formed from its members: the Strategic Committee, the Appointment and Compensation Committee and the Audit Committee. The Strategic Committee and the Audit Committee have responsibilities with respect to identifying and managing risks and monitoring certain internal control mechanisms as presented *in chapter 3, section 3.1 of the Registration Document*. In particular, the Audit Committee reviews at least once a year the processes set up and results obtained in terms of risks analysis and appraisal of internal control mechanisms.

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

Executive Management and the Executive Committee

The Chairman and Chief Executive Officer has operating and functional responsibilities covering all the Group's activities to implement the strategy defined by the Board of Directors. In particular, he is in charge of the effective implementation of internal control mechanisms within the Group.

The Chairman and Chief Executive Officer is assisted in his mission by an Executive Committee of which he appoints the members. The latter represent each of Imerys' activities and main support Functions. By delegation, Executive Committee members are in charge of setting up and monitoring internal control systems in their scope of responsibility.

Operating management

In accordance with the Group's decentralized operating principles, the managers of each activity have the responsibility and necessary powers to organize, run and manage the operations in their charge, and to delegate in similar conditions to the managers reporting to them.

Each activity favors the most appropriate organization to its markets, taking into account its commercial, industrial or geographic specificities. It is, therefore, responsible for adopting internal control mechanisms that are consistent, on the one hand, with its organization and, on the other hand, with the Group's principles and rules.

The Group's support Functions

The corporate Finance, Strategy, Legal & Corporate Support, Human Resources, Innovation, Research & Technology & Business Support, Geology and Environment, Health & Safety Functions have a twofold mission: organize and control the Group's operations in their respective spheres of expertise and provide technical assistance to operating activities in those fields when necessary. These central support functions, together with the specific support departments (Purchasing, Minerals Processing and Information Systems), enable 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 and consistent management and control.

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

Operational Risk Committee

An Operational Risk Committee was created in early 2011 to improve the coordination of risk and control analysis and management activities within the Group. It is made up of the main managers of central support Functions. In 2011 it met five times in order to analyze and make decisions on a number of identified risks facing the Group, the main actions planned to tighten existing internal controls and the causes of any deficiencies observed.

Internal Audit Function

The Internal Audit Function is a management support function and is independent of the operating and functional activities that it audits. For that purpose, the Internal Audit Manager reports hierarchically to the Chairman and Chief Executive Officer and functionally to the Audit Committee.

The Internal Audit Function's mission is to check the Group's internal control mechanisms and make sure that they comply with the principles and rules governing them. It must alert management of any internal control failings and issues recommendations to correct such failings.

Risk and Internal Control Department

Since November 2011, the Risk and Internal Control Department reports to the Internal Audit Function and works closely with the Legal & Corporate Support Function, the Group's other support Functions and the main line managers for each activity.

In carrying out his or her missions, the Department Manager is supported by the network of local financial controllers. The goal of those missions is to coordinate the continuous improvement of internal control mechanisms within the Group. They are organized around three activities: risk analysis; administration of Group's policies and procedures (including their Group-wide dissemination); overall review of internal control practices in the Group.

Framework

The Group's rules

Imerys' internal control policy is set down in a number of charters (Board of Directors Charter, Sustainable Development Charter, Environment, Health & Safety Charter, Internal Audit Charter) and codes (Code of Business Conduct and Ethics, Corporate Governance policy) that apply Group-wide. These sets of rules are intended to create a 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's policies have been defined by central support Functions and Departments and define the specific organization, responsibilities, working principles and reporting for the respective areas of expertise for which they are responsible.

Finally, the Group's internal control manual defines the main internal control principles and the principal control activities to be carried out with respect to the Group's operating and financial processes.

The Group's charts, policies and manuals are grouped together in the "Blue Book", which all employees can consult online via intranet. This initial set of rules forms the reference framework by which the Group's operating activities must abide. It applies to all the Group's companies and activities.

In operating activities, a second set of rules, if needed, defines 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.

In 2011, the Group's managerial authority rules that define the allocation of internal responsibilities and the approval circuits for a number of its major operations were reviewed on the occasion of the appointment of the new Chairman and Chief Executive Officer. A Group-level electronic certification process was set up so that every manager and any other Imerys employee empowered to authorize, on behalf of a Group entity, operations as defined in those managerial authority rules, certifies that he or she has read them and undertakes to have them observed under his or her scope of responsibility.

Code of Business Conduct and Ethics

Beyond compliance with applicable laws and regulations, Imerys expects its activities to be carried out ethically and transparently worldwide, while protecting the best interests of all stakeholders.

The Imerys Code of Business Conduct and Ethics summarizes the ethical 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, not only complies with local legislation, but also adopts an attitude in line with the Group's values, principles and rules with respect to responsibility, integrity, fairness and openness.

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; prevention of insider trading, conflicts of interest, and illicit payments and practices; protection of the Group's assets and fair competition. The Code was reviewed and updated in 2011 to take into account the evolution and development of applicable international regulations and the best practices implemented by comparable groups to Imerys.

Details of some of these subjects are given in other Group policies in addition to the Code of Business Conduct and Ethics, including: the anti-fraud and anti-corruption policy, the child labor and forced labor protocols, the anti-trust policy and the employee relations policy.

Major efforts are made in internal communications. The Code of Business Conduct and Ethics is presented at in-house seminars, regularly featured in articles in the internal magazine and was the subject of a specific Group communication campaign in 2009. Moreover, online training, initially created in the United States, is regularly followed by all American employees and at least once by all main managers and employees elsewhere in the Group. As at the end of 2011, approximately 2,300 employees have thus completed the Group's Code of Business Conduct and Ethics training and 300 more employees are in the training process.

Moreover, since 2010, the Group has set up a simplified annual reporting process that enables the management of the different activities to report any breaches of the Code of Conduct of which they may be aware, particularly in terms of fraud, corruption or infringement of human rights, with respect to the year in question.

Finally, the Group's general compliance program (including, in particular, the prevention of fraud and corruption risks and compliance with competition law regulations) was reviewed and strengthened in 2011. The Operational Risk Committee, which is mentioned *in the "Organization" section above*, took part in particular in the review of this program before it was presented to the Audit Committee under its review of the main risks facing the Group

Information systems

The effectiveness of information systems and tools contributes to the reliability and improvement of support and operating processes.

The Group's policy consists of integrating as much as possible its value chain (particularly sales, distribution, purchasing, inventory, fixed assets, production, the logistics chain and finance) via its computerized enterprise resource planning (ERP) tools. Imerys strives to use integrated ERP control systems in order to ensure the optimum level of control while meeting the specific requirements of better management of its operating activities. This use is regularly checked by the Internal Audit Function through specialized information system assignments.

Imerys is organized around a small number of ERP systems which are selected in order to achieve support and maintenance synergies as well as satisfactory consistency, but also to take into account 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, advice for business travelers, international mobility and crisis management. The Human Resources policies and procedures that define these rules were reviewed and updated in 2011. Full documentation should be available in 2012.

Recruitment and development

To support its growth, the Group recruits in every country and every function. To make sure that recruitments are consistent and relevant, the Human Resources Function defines standards and periodically verifies the quality of practices. In addition, senior managers may not be recruited without the involvement of the Human Resources Function and, as the case may be, the relevant support Functions.

There are two parts to the career development procedure: Performance Appraisal and Career Development (P.A.D.), through which individual goals are set and annual assessments carried out, and Organization and People Review (O.P.R.), a framework that allows the activities to examine annually individual situations (e.g. identifying high-potentials or outstanding performance), succession plans and key organizational questions which are then reviewed by the Executive Committee.

The results and main analyses resulting from the management of human resources and skills are presented periodically to the Strategic Committee.

Compensation

Compensations are reviewed annually. The review particularly focuses on base salary and individual bonuses. Compensations are revised according to a global policy intended to improve Group-wide competitiveness, consistency and evolution. Revision is based on an international classification of the main line and support manager positions at Imerys. Furthermore, the bonus practices in force in the Group are now consistent and are based, in particular, on comparable criteria in terms of value and kind. The Appointment and Compensation Committee is informed of the global compensation policy and the measures taken for major Group executives.

TARGETED INTERNAL COMMUNICATIONS

Internal communication is organized around a central department that is part of the Group Human Resources Function and a network of local correspondents in operating activities. Its mission is to supervise the integration of each of the Group's activities and build a collective identity founded on their diversity.

The objective is threefold:

- inform all the Group's employees;
- share experience in order to foster the dissemination of best practices;
- listen to employees, especially in operating activities, through the local correspondent network.

To achieve these goals, the Group has several communication tools. The in-house newsletter "Imerys News" or the intranet "Imerysnet" set out Imerys' general orientations, strategy, organization, activities and projects. Other tools, for example the intranet "Blue Book" or intranets on specific topics managed by support Functions, are used to disseminate Group policies and procedures. Moreover, Imerys strives to give all recruited managers an overview of the Group, including its organization, core businesses and strategy. The welcome sessions organized every year for around 100 new arrivals in each of the Group's main geographic zones (Europe, Asia, USA) contribute to this effort.

Finally, in addition to the training programs organized by the activities, Group training sessions are organized by the Imerys Learning Center *(see chapter 1, paragraph 1.9.7 of the Registration Document)*. These sessions enable employees to enhance their professional expertise (e.g. finance, geology, marketing, project management…) and foster the sharing of best practices.

PERIODICAL ANALYSIS OF THE GROUP'S MAIN RISKS

Objectives

Analyzing risks enables Imerys to identify the events that, if they occurred, could represent a major threat with respect to the achievement of its strategic and financial goals and its compliance with local laws and regulations.

Through a structured process designed to enable the Group to appraise and analyze its main risks, Imerys can assess the suitability of its existing internal control mechanisms, set up relevant action plans to improve their efficiency and, more generally, increase the protection of the Group's value in compliance with applicable laws and regulations.

Organization

A three-level risk analysis process is organized:

- with respect to his or her duties, every support and line manager must constantly seek to identify, analyze and manage risks in his or her areas of responsibility. The identification and management of these risks are periodically reviewed and discussed by the Chairman and Chief Executive 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 managed. This process was initiated from 2003 on the level of the Executive Committee and the main line and support managers, then extended to each activity in 2006, the level considered as most relevant to Imerys' management and operating structure. Results are reviewed and approved by the Group's Executive Committee and presented to the Audit Committee. In view of the results, new actions are defined to tighten the Group's control of certain identified risks. This risk analysis is now regularly updated on the basis of a review by the Group's support function managers, Comex members and/or main line managers;
- finally, in early 2011 an Operational Risk Committee was created to improve the coordination of risk and control analysis and management activities within the Group *(see "Organization" section above)*.

Imerys' Board of Directors supervises the Group's risk analysis process. The Board has appointed two of its specialized Committees, the Strategic Committee and the Audit Committee, to examine questions relating to the Executive Management's analysis and monitoring of the major risks that come under their respective areas of competence. The Committees regularly report to the Board on the work done on that subject and on the obtained results.

Major risks

The nature of the Group's main risks and their management and control methods are detailed *in section 4.1 of the present chapter*.

RELEVANT CONTROL ACTIVITIES

Operating and support control activities

Control activities are carried out to ensure that the risks related to a given operating or support process are correctly covered. They are adapted to the goals set by the Group.

Group policies *(see "Organization" section 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 financial and accounting information that is produced.

Organization of the accounting and financial operations

Accounting and financial operations are managed by the Group Finance Function. Its central organization includes:

- an accounting and consolidation department, which is responsible for the preparation and presentation of Imerys' statutory financial statements and the Group's consolidated financial statements;
- a financial control and budget control department, which prepares and compiles budget and monthly management reporting data and analyzes operations' performance in relation to budget targets and to comparable periods during the previous year;
- a treasury and financing department, which is particularly in charge of preparing and consolidating data on financial debt and on the Group's financial income/expense. Its main missions concern the centralized management and optimization of the Group's debt and financial resources and management of interest rate, liquidity and currency risk, as well as the management of hedging instruments;
- a tax department, which monitors 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 the accounting framework and all the accounting and financial internal control procedures are correctly applied in the activities for his or her scope of responsibility. Each controller is assigned to the manager of the operating entity in question, but also reports on a functional basis to the Group Finance Function.

Accounting framework

The general accounting rules are described in the "Blue Book" which may be consulted online via intranet. They apply to all the Group's operating and legal entities. In compliance with the IFRS standards adopted within the European Union, they include:

- a reminder of the general accounting principles and recommendations to comply with;
- a detailed chart of accounts;
- a definition of the Group's accounting methods that apply for the most important items and/or operations.

These documents are regularly updated with every amendment or application of new accounting standards, under the responsibility of the Reporting & Consolidation Department and under the control of the Statutory Auditors.

Annual budget and management reporting

Every year, Imerys implements a monthly reporting and budget process for all the Group's entities in order to have a running tool and accurate and consistent information. The match between accounting data and the management information derived from reporting is the key control principle intended to ensure the accuracy of accounting and financial information.

Imerys' budget preparation procedure is based on the involvement of crossfunctional teams in every activity and on the control of the overall consistency of assumptions and methods by the Reporting & 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 & Consolidation Department.

Consolidation process

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

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

A detailed schedule is drawn up for annual and interim (quarterly and semi-annual) account closings by the Reporting & Consolidation Department.

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 Chairman and Chief Executive 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, accounting procedures and complex financial transactions are systematically reviewed by the Executive Committee. All of these items are also reviewed by the Board of Directors which approves them after examination by its Audit Committee.

REVIEW OF INTERNAL CONTROL MECHANISMS

The review processes set up at Imerys enable the Group to regularly check the quality and efficiency of its internal controls and to take improvement actions if needed.

Beyond the constant controls made by line and support management, internal controls are reviewed under two interrelated Group processes.

Audit of entities' internal control practices

The Internal Audit Function has a twofold mission: check internal control mechanisms in operating entities and make sure they comply with the principles and rules defined by the Group; cover operating and strategic risks and issues for the Group.

Internal Audit teams inspect all operating entities in an auditing cycle that ranges from 2 to 5 years on average, depending on how critical and significant the entities are. The audit plan is validated annually by the Audit Committee and may be modified according to circumstances.

Audit reports are passed on to the Chairman and Chief Executive Officer and the main support and line managers concerned. A complete report about the Internal Audit Function's activities is presented and discussed every six months in an Executive Committee Meeting then in an Audit Committee Meeting, attended by the Statutory Auditors. On that occasion, a document summarizing all drafted audit reports is handed to participants.

Overall review of the Group's internal control systems

Imerys has undertaken a continuous process to improve the efficiency of its internal control systems. Implementation of this process is supervised by the Risk and Internal Control Department and work is done in coordination with managers of the Group's relevant line and support organizations. This structured and formal process is based on detailed self-assessment questionnaires. The aim is to analyze existing internal control mechanisms, particularly with respect to the material nature of the related risks.

This process is structured in five main stages:

- prior identification of the key operating and support processes where the major risks are located;
- identification of critical control activities related to the risks in those processes;
- assessment of those controls by the main process owners;
- identification of any deficiencies in existing internal controls;
- consolidation of the obtained results, definition and implementation of any necessary improvement or corrective actions.

A computer tool is used to consolidate, process and provide overviews of the information resulting from the different stages.

Twenty-eight of the Group's main entities, which together account for almost 60% of consolidated sales, take part in the detailed self-assessment program of their 12 main operating and support processes that can generate material risks for the Group (Sales, Inventories, Purchases, Capital Expenditure, Fixed Asset Management, Mining, Payroll, Human Resources Management, Treasury, Tax, Closing & Consolidation, IT Security). These assessments are now updated every two or three years according to the selected entities and processes.

Furthermore, as of 2010, the Group's smaller legal entities are also covered in rotation by a self-assessment of their internal control mechanisms, on a simplified basis better suited to their size.

Self-assessment questionnaires are completed by the concerned responsible people and validated by the financial controllers and general managers of the assessed activities. They are reviewed and discussed with the Risk and Internal Control Department to ensure that answers are consistent and assessments are relevant. Furthermore, the results of the self-assessments are compared with the information given in the internal audit reports in order to identify any divergence of appreciation whenever the activities have been audited in the 24 months prior to the self-assessment of their internal controls.

The approach and the final results of the overall review of the Group's internal control systems are presented annually to the members of the Executive Committee and to the Audit Committee.

4.2.2 STATUTORY AUDITORS' REPORT

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

Fiscal year ended December 31, 2011

ERNST & YOUNG et Autres	Deloitte & Associés
1 / 2, place des Saisons	185, avenue Charles-de-Gaulle
92400 Courbevoie	92524 Neuilly-sur-Seine Cedex
Paris-La Défense 1	
S.A.S. with variable share capital	S.A. with share capital of € 1,723,040
Statutory Auditor	Statutory Auditor
Member of the Compagnie régionale de Versailles	Member of the Compagnie régionale de Versailles

(This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French Company Law (Code de commerce) on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

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

To the Shareholders,

In our capacity as statutory auditors of Imerys and in accordance with Article L.225-235 of French Company Law (Code de Commerce), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of French Company Law (Code de Commerce) for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of French Company Law (Code de Commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of French Company Law (Code de commerce), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of French Company Law (Code de Commerce).

OTHER DISCLOSURES

We hereby attest that the Chairman of the Board of Directors' report includes the other disclosures required by Article L.225-37 of French Company Law (Code de commerce).

Paris-La Défense and Neuilly-sur-Seine, March 21, 2012

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	Deloitte & Associés
François CARREGA	Arnaud de PLANTA

FINANCIAL STATEMENTS

5

5.1 CONSOLIDATED FINANCIAL STATEMENTS

5.1.1 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	2011	2010
Revenue	5	**3,674.8**	**3,346.7**
Current revenue and expenses		**(3,187.8)**	**(2,925.2)**
Raw materials and consumables used	6	(1,294.5)	(1,178.6)
External expenses	7	(940.9)	(849.5)
Staff expenses [(1)]	8	(695.1)	(633.1)
Taxes and duties		(45.1)	(41.6)
Amortization, depreciation and impairment losses		(210.9)	(213.0)
Other current revenue and expenses	9	(11.6)	(15.1)
Share in net income of joint ventures and associates	20	10.3	5.7
Current operating income		**487.0**	**421.5**
Other operating revenue and expenses	10	**(23.1)**	**(10.8)**
Gain or loss from obtaining or losing control		7.8	40.8
Other non-recurring items [(1)]		(30.9)	(51.6)
Operating income		**463.9**	**410.7**
Net financial debt expense		**(56.1)**	**(57.3)**
Income from securities	11	3.0	2.7
Gross financial debt expense	11	(59.1)	(60.0)
Other financial revenue and expenses		**(1.1)**	**(7.2)**
Other financial revenue	11	178.7	212.1
Other financial expenses	11	(179.8)	(219.3)
Financial income (loss)		**(57.2)**	**(64.5)**
Income taxes [(1)]	13	(121.2)	(98.1)
Net income		**285.5**	**248.1**
Net income, Group share [(2) & (3)]	14	282.0	243.7
Net income, share of non-controlling interests		3.5	4.4

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

(2) Net income per share			
Basic net income per share (in €)	*15*	*3.75*	*3.23*
Diluted net income per share (in €)	*15*	*3.71*	*3.22*
(3) Net income from current operations, Group share	*14*	*303.1*	*242.0*
Basic net income from current operations per share (in €)	*15*	*4.03*	*3.21*
Diluted net income from current operations per share (in €)	*15*	*3.99*	*3.20*
Other net operating revenue and expenses, Group share	*10*	*(21.1)*	*1.7*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Notes	2011	2010
Net income		**285.5**	**248.1**
Items never reclassified subsequently to profit or loss			
Post-employment employee benefits [(1)]		**(50.4)**	**(15.2)**
Actuarial gains and (losses) and assets limitation	24.1	(50.4)	(15.2)
Income taxes on items never reclassified	13	**12.4**	**3.9**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		**(23.7)**	**12.5**
Recognition in equity	25.4	(12.6)	18.4
Reclassification in profit or loss	25.4	(11.1)	(5.9)
Translation reserve		**(64.0)**	**161.6**
Recognition in equity		(63.6)	171.8
Reclassification in profit or loss		(0.4)	(10.2)
Income taxes on items that may be reclassified	13	**21.6**	**(7.6)**
Other comprehensive income		**(104.0)**	**155.2**
Total comprehensive income		**181.5**	**403.3**
Total comprehensive income, Group share		178.9	395.9
Total comprehensive income, share of non-controlling interests		2.6	7.4

(1) Voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Notes	2011	2010	01/01/2010
Non-current assets		**3,210.0**	**2,947.5**	**2,752.9**
Goodwill	16	1,019.7	950.4	897.5
Intangible assets	17	37.7	34.6	43.8
Mining assets	18	502.9	453.5	377.2
Property, plant and equipment	18	1,384.1	1,287.6	1,224.1
Joint ventures and associates	20	82.4	54.4	50.0
Available-for-sale financial assets	22.2	4.8	7.4	7.5
Other financial assets [(1)]	22.1	18.5	21.1	16.1
Other receivables	22.1	74.6	45.0	43.7
Derivative financial assets	25.4	12.7	24.8	17.6
Deferred tax assets [(1)]	26	72.6	68.7	75.4
Current assets		**1,746.4**	**1,489.9**	**1,190.8**
Inventories	21	645.9	545.1	440.5
Trade receivables	22.1	526.9	446.5	364.4
Other receivables	22.1	141.0	128.0	110.7
Derivative financial assets	25.4	2.0	12.2	5.0
Marketable securities and other financial assets	22.1	6.4	6.0	5.6
Cash and cash equivalents	22.1	424.2	352.1	264.6
Consolidated assets		**4,956.4**	**4,437.4**	**3,943.7**
Equity, Group share		**2,180.1**	**2,105.0**	**1,784.0**
Capital	23	150.3	151.0	150.8
Premiums		319.6	338.4	339.4
Reserves [(1)]		1,428.2	1,371.9	1,252.5
Net income, Group share [(1)]		282.0	243.7	41.3
Equity, share of non-controlling interests [(1)]		**30.8**	**26.8**	**18.8**
Equity		**2,210.9**	**2,131.8**	**1,802.8**
Non-current liabilities		**1,641.2**	**1,483.6**	**1,454.3**
Provisions for employee benefits [(1)]	24.1	231.3	169.9	169.3
Other provisions	24.2	265.2	189.6	157.7
Loans and financial debts	25.2	1,028.4	1,016.8	1,037.7
Other debts	25.3	12.2	10.2	9.5
Derivative financial liabilities	25.4	9.1	15.3	16.5
Deferred tax liabilities	26	95.0	81.8	63.6
Current liabilities		**1,104.3**	**822.0**	**686.6**
Other provisions	24.2	19.2	14.4	18.6
Trade payables		360.0	317.1	260.7
Income taxes payable		9.7	25.1	20.6
Other debts	25.3	261.7	239.8	185.7
Derivative financial liabilities	25.4	19.0	1.4	2.9
Loans and financial debts	25.2	422.0	219.5	186.0
Bank overdrafts	25.2	12.7	4.7	12.1
Consolidated equity and liabilities		**4,956.4**	**4,437.4**	**3,943.7**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity, Group share										
			Reserves								
(€ millions)	Capital	Premiums	Treasury shares	Cash flow hedges	Translation reserve	Other reserves	Subtotal	Net income, Group share	Subtotal	Equity, share of non-controlling interests	Total
Equity as of January 1, 2010	**150.8**	**339.4**	**0.0**	**(13.1)**	**(221.3)**	**1,539.8**	**1,305.4**	**41.3**	**1,836.9**	**18.9**	**1,855.8**
Change in accounting method [(1)]	-	-	-	-	-	(52.9)	(52.9)	-	(52.9)	(0.1)	(53.0)
Equity as of January 1, 2010 after change in accounting method	**150.8**	**339.4**	**0.0**	**(13.1)**	**(221.3)**	**1,486.9**	**1,252.5**	**41.3**	**1,784.0**	**18.8**	**1,802.8**
Total comprehensive income	**-**	**-**	**-**	**12.7**	**150.8**	**(11.3)**	**152.2**	**243.7**	**395.9**	**7.4**	**403.3**
Transactions with shareholders	**0.2**	**(1.0)**	**(5.9)**	**0.0**	**0.0**	**(26.9)**	**(32.8)**	**(41.3)**	**(74.9)**	**0.6**	**(74.3)**
Allocation of 2009 net income	-	-	-	-	-	41.3	41.3	(41.3)	0.0	-	0.0
Dividend (€1.00 per share)	-	-	-	-	-	(75.5)	(75.5)	-	(75.5)	(0.8)	(76.3)
Capital increases	0.5	5.7	-	-	-	(0.1)	(0.1)	-	6.1	2.4	8.5
Capital decreases	(0.3)	(6.7)	7.0	-	-	-	7.0	-	0.0	-	0.0
Transactions on treasury shares	-	-	(12.9)	-	-	-	(12.9)	-	(12.9)	-	(12.9)
Share-based payments	-	-	-	-	-	7.6	7.6	-	7.6	-	7.6
Transactions with non-controlling interests	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)	(1.0)	(1.2)
Equity as of January 1, 2011	**151.0**	**338.4**	**(5.9)**	**(0.4)**	**(70.5)**	**1,448.7**	**1,371.9**	**243.7**	**2,105.0**	**26.8**	**2,131.8**
Total comprehensive income	**-**	**-**	**-**	**(15.8)**	**(47.6)**	**(39.7)**	**(103.1)**	**282.0**	**178.9**	**2.6**	**181.5**
Transactions with shareholders	**(0.7)**	**(18.8)**	**3.8**	**0.0**	**0.0**	**155.6**	**159.4**	**(243.7)**	**(103.8)**	**1.4**	**(102.4)**
Allocation of 2010 net income	-	-	-	-	-	243.7	243.7	(243.7)	0.0	-	0.0
Dividend (€1.20 per share)	-	-	-	-	-	(90.6)	(90.6)	-	(90.6)	(0.8)	(91.4)
Capital increases	0.4	5.0	-	-	-	-	-	-	5.4	-	5.4
Capital decreases	(1.1)	(23.8)	24.9	-	-	-	24.9	-	0.0	-	0.0
Transactions on treasury shares	-	-	(21.1)	-	-	(5.9)	(27.0)	-	(27.0)	-	(27.0)
Share-based payments	-	-	-	-	-	8.4	8.4	-	8.4	-	8.4
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	0.0	2.2	2.2
Equity as of December 31, 2011 [(2)]	**150.3**	**319.6**	**(2.1)**	**(16.2)**	**(118.1)**	**1,564.6**	**1,428.2**	**282.0**	**2,180.1**	**30.8**	**2,210.9**

(1) Voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

(2) Proposed dividend (€1.50 per share)	*-*	*-*	*-*	*-*	*-*	*(112.7)*	*(112.7)*	*-*	*(112.7)*	*-*	*(112.7)*
Equity after allocation as of January 1, 2012	*150.3*	*319.6*	*(2.1)*	*(16.2)*	*(118.1)*	*1,451.9*	*1,315.5*	*282.0*	*2,067.4*	*30.8*	*2,098.2*

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	2011	2010
Cash flow from operating activities		**447.4**	**406.4**
Cash flow generated by current operations	Appendix 1	638.7	567.4
Interests paid		(49.6)	(62.7)
Income taxes on current operating income and financial income (loss)		(124.9)	(82.6)
Dividends received from available-for-sale financial assets		0.6	0.1
Cash flow generated by other operating revenue and expenses	Appendix 2	(17.4)	(15.8)
Cash flow from investing activities		**(421.7)**	**(203.0)**
Acquisitions of intangible assets and property, plant and equipment		(227.0)	(154.9)
Acquisitions of investments in consolidated entities after deduction of cash acquired		(239.2)	(62.0)
Acquisitions of available-for-sale financial assets		(0.6)	0.4
Disposals of intangible assets and property, plant and equipment		8.3	8.6
Disposals of investments in consolidated entities after deduction of cash disposed of		33.0	1.8
Disposals of available-for-sale financial assets		0.9	-
Net change in financial assets		0.7	1.0
Paid-in interests		2.2	2.1
Cash flow from financing activities		**37.4**	**(125.2)**
Capital increases		5.4	8.5
Disposals (acquisitions) of treasury shares		(27.0)	(13.0)
Dividends paid to shareholders		(90.6)	(75.5)
Dividends paid to non-controlling interests		(0.8)	(0.8)
Acquisitions of investments in consolidated entities from non-controlling interests		(1.3)	(7.2)
Loan issues		117.3	67.0
Loan repayments		(2.4)	(32.0)
Net change in other debts		36.8	(72.2)
Change in cash and cash equivalents		**63.1**	**78.2**

(€ millions)	2011	2010
Opening cash and cash equivalents	**347.4**	**252.6**
Change in cash and cash equivalents	63.1	78.2
Impact of changes due to exchange rate fluctuations	1.0	16.6
Closing cash and cash equivalents	**411.5**	**347.4**
Cash (1)	216.5	344.7
Cash equivalents (2)	207.7	7.4
Bank overdrafts	(12.7)	(4.7)

(1) As of December 31, 2011, cash comprises a balance of €7.2 million not available for Imerys SA and its subsidiaries, of which €2.3 million (€0.1 million as of December 31, 2010) with respect to foreign exchange control legislations and €4.9 million with respect to statutory requirements.

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

Appendix 1: cash flow generated by current operations

(€ millions)	Notes	2011	2010
Net income (1)		**285.5**	**248.1**
Adjustments (1)		**419.2**	**370.5**
Income taxes (1)	13	121.2	98.1
Share in net income of joint ventures and associates	20	(10.3)	(5.7)
Dividends received from joint ventures and associates		2.1	2.0
Impairment losses on goodwill	10 & 16	0.7	1.0
Profits resulting from bargain purchases		(9.2)	(42.8)
Share in net income of associates out of the recurring business	20	1.7	8.8
Other operating revenue and expenses excluding impairment losses on goodwill (1)		29.9	43.8
Net operating amortization and depreciation		210.3	212.0
Net operating impairment losses on assets		(1.8)	8.6
Net operating provisions (1)		2.7	(10.7)
Dividends receivable from available-for-sale financial assets		(0.2)	(0.1)
Net interests of revenue and expenses		55.7	56.7
Non-recurring foreign exchange gain related to a financial restructuring (2)		-	(10.2)
Revaluation gains and losses		19.4	13.9
Income from current disposals of intangible assets and property, plant and equipment		(3.0)	(4.9)
Change in the working capital requirement		**(66.0)**	**(51.2)**
Inventories		(49.6)	(56.6)
Trade accounts receivable, advances and down payments received		(28.9)	(24.3)
Trade accounts payable, advances and down payments paid		19.1	35.2
Other receivables and debts		(6.6)	(5.5)
Cash flow generated by current operations		**638.7**	**567.4**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).
(2) Note 14.

5

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

(€ millions)	Notes	2011	2010
Other operating revenue and expenses (1)	10	**(23.1)**	**(10.8)**
Adjustments (1)		**5.7**	**(5.0)**
Impairment losses on goodwill	10 & 16	0.7	1.0
Profits resulting from bargain purchases	10	(9.2)	(42.8)
Other net operating amortization and depreciation	10	18.6	9.1
Other net operating provisions (1)	10	(3.1)	(2.4)
Income from non-recurring disposals of intangible assets and property, plant and equipment	10	0.5	3.8
Income from disposals of consolidated investments and available-for-sale financial assets	10	(6.9)	(1.4)
Changes in fair value related to obtaining or losing control	10	1.0	-
Non-recurring foreign exchange gain related to a financial restructuring (2)		-	10.2
Share in net income of associates out of the recurring business	20	1.7	8.8
Income taxes paid on other operating revenue and expenses		2.4	8.7
Cash flow generated by other operating revenue and expenses		**(17.4)**	**(15.8)**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).
(2) Note 14.

5.1.2 RECONCILIATION OF THE NET FINANCIAL DEBT

The net financial debt is the net position of Imerys towards the market and the financial institutions, i.e. the total of financing liabilities subscribed towards the market and the financial institutions in the form of bonds, bank credits and finance leases, decreased by cash, cash equivalents and marketable securities. The net financial debt is used in the management of the financial resources of the Group. This indicator is used in particular in the calculation of financial ratios that Imerys has to comply with under financing agreements entered into with financial markets *(Note 25.5 - Borrower's liquidity risk)*.

The link between this indicator and the statement of financial position is presented in *Note 25.2*.

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

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

Current free operating cash flow

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

(€ millions)	**2011**	**2010**
Current operating income [1]	487.0	421.5
Operating amortization, depreciation and impairment losses	210.9	213.0
Net change in operating provisions [1]	(3.7)	(9.8)
Share in net income of joint ventures and associates	(10.3)	(5.7)
Dividends received from joint ventures and associates	2.1	2.0
Operating cash flow before taxes (current EBITDA) [1]	**686.0**	**621.0**
Notional taxes on current operating income [1] & [2]	(139.6)	(122.0)
Current net operating cash flow [1]	**546.4**	**499.0**
Paid capital expenditures [3]	**(227.4)**	**(154.9)**
Intangible assets	(7.8)	(6.4)
Property, plant and equipment	(175.4)	(118.3)
Overburden mining assets [4]	(46.0)	(44.4)
Debts on acquisitions	1.8	14.2
Carrying amount of current asset disposals	**5.3**	**3.7**
Change in the operational working capital requirement	**(59.4)**	**(45.7)**
Inventories	(49.6)	(56.6)
Trade accounts receivable, advances and down payments received	(28.9)	(24.3)
Trade accounts payable, advances and down payments paid	19.1	35.2
Current free operating cash flow [1]	**264.9**	**302.1**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).		
(2) Effective tax rate on current operating income	*28.7%*	*29.0%*
(3) Recognized capital expenditures / asset depreciation ratio	*108.7%*	*79.4%*
The recognized capital expenditures / asset depreciation ratio equals the recognized capital expenditures (excluding debts on acquisitions) divided by the increases in amortization and depreciation		
Increases in asset amortization and depreciation	*210.9*	*212.9*
(4) Overburden mining assets	*(46.0)*	*(44.4)*
Overburden mining assets - non-current	*(40.0)*	*(20.1)*
Overburden mining assets - current	*(5.3)*	*(24.7)*
Neutralization of activated restoration provisions	*(0.7)*	*0.4*

Change in net financial debt

(€ millions)	2011	2010
Current free operating cash flow *(1)*	**264.9**	**302.1**
Financial income (loss)	(57.2)	(64.5)
Financial impairment losses and unwinding of the discount	3.5	6.6
Non-recurring foreign exchange gain related to a financial restructuring *(2)*	-	(10.2)
Income taxes on financial income (loss)	16.4	21.5
Change in income tax debt	(19.8)	0.8
Change in deferred taxes on current operating income *(1)*	18.2	17.1
Change in other items of working capital	(6.6)	(5.5)
Change in fair value	6.8	6.3
Change in dividends receivable from available-for-sale financial assets	0.4	-
Current free cash flow	**226.6**	**274.2**
External growth	**(246.9)**	**(68.5)**
Acquisitions of investments in consolidated entities after deduction of the net debt acquired	(245.0)	(61.7)
Acquisitions of investments in consolidated entities from non-controlling interests	(1.3)	(7.2)
Acquisitions of available-for-sale financial assets	(0.6)	0.4
Disposals	**33.9**	**1.8**
Disposals of investments in consolidated entities after deduction of the net debt disposed of	33.0	1.8
Disposals of available-for-sale financial assets	0.9	-
Cash flow from other operating revenue and expenses	**(17.4)**	**(15.8)**
Dividends paid to shareholders and non-controlling interests	**(91.4)**	**(76.3)**
Financing requirement	**(95.2)**	**115.4**
Transactions on equity	(21.6)	(4.5)
Net change in financial assets	(0.1)	0.2
Change in net financial debt	**(116.9)**	**111.1**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

(2) Note 14.

(€ millions)	2011	2010
Opening net financial debt	**(872.8)**	**(964.3)**
Change in net financial debt	(116.9)	111.1
Impact of changes due to exchange rate fluctuations	(45.4)	(23.7)
Impact of changes in fair value of interest rate hedges	4.0	4.1
Closing net financial debt	**(1,031.1)**	**(872.8)**

5.1.3 INFORMATION BY SEGMENTS

Judgment

The reported segments correspond to the four business groups of Imerys: Performance & Filtration Minerals (PFM); Pigments for Paper & Packaging (PPP); Materials & Monolithics (M&M) and Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). Each of these segments is engaged in the production and rendering of related goods and services presenting geological, industrial and commercial synergies and results from the aggregation of the Cash-Generating Units *(Note 4.13)* followed each month by the Executive Management in its business reporting. The Executive Management considers that the holding structures dedicated to the centralized financing of the Group are no segments. Their aggregates are thus presented in a reconciliation column with inter-segment eliminations (IS&H).

Consolidated income statement

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

As of December 31, 2011

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

As of December 31, 2010

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
External revenue	**1,077.3**	**582.0**	**758.9**	**922.2**	**6.3**	**3,346.7**
Sales of goods	998.6	519.3	636.4	833.3	6.0	2,993.6
Rendering of services	78.7	62.7	122.5	88.9	0.3	353.1
Inter-segment revenue	**27.7**	**12.7**	**8.2**	**0.4**	**(49.0)**	**0.0**
Revenue	**1,105.0**	**594.7**	**767.1**	**922.6**	**(42.7)**	**3,346.7**
Current operating income (1)	**135.2**	**65.9**	**76.9**	**187.6**	**(44.1)**	**421.5**
of which share in net income of joint ventures and associates	0.5	(0.4)	5.3	0.3	-	5.7
of which amortization, depreciation and impairment losses	(64.0)	(43.2)	(70.6)	(33.2)	(2.0)	(213.0)
Operating income (1)	**131.3**	**37.6**	**104.4**	**185.2**	**(47.8)**	**410.7**
Financial income (loss)	**(5.2)**	**(3.3)**	**(6.4)**	**(0.5)**	**(49.1)**	**(64.5)**
Interest revenue	1.0	0.2	0.5	0.4	0.6	2.7
Interest expenses	(1.3)	(0.3)	(0.7)	(1.4)	(55.6)	(59.3)
Income taxes (1)	**(34.3)**	**(14.7)**	**(9.0)**	**(67.6)**	**27.5**	**(98.1)**
Net income (1)	**91.8**	**19.6**	**89.0**	**117.1**	**(69.4)**	**248.1**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Consolidated statement of financial position

As of December 31, 2011

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
Capital employed - Assets	**1,443.8**	**1,052.7**	**1,166.4**	**748.8**	**3.5**	**4,415.2**
Goodwill (1)	448.4	221.9	161.5	187.1	0.8	1,019.7
Intangible assets and property, plant and equipment (2)	431.8	536.0	642.8	304.0	10.1	1,924.7
Inventories	292.2	120.7	113.4	119.6	-	645.9
Trade receivables	184.1	137.6	104.4	107.7	(6.9)	526.9
Other receivables - non-current and current	54.4	33.7	108.0	22.9	(3.4)	215.6
Joint ventures and associates	32.9	2.8	36.3	7.5	2.9	82.4
Unallocated assets						**541.2**
Total assets						**4,956.4**
Capital employed - Liabilities	**207.5**	**139.6**	**134.1**	**202.1**	**(39.7)**	**643.6**
Trade payables	123.2	76.9	75.6	103.5	(19.2)	360.0
Other debts - non-current and current	67.7	56.3	63.8	94.7	(8.6)	273.9
Income taxes payable	16.6	6.4	(5.3)	3.9	(11.9)	9.7
Provisions	**112.4**	**186.5**	**123.7**	**84.9**	**8.2**	**515.7**
Unallocated liabilities						**1,586.2**
Total current and non-current liabilities						**2,745.5**
Total capital employed	**1,236.3**	**913.1**	**1,032.3**	**546.7**	**43.2**	**3,771.6**
(1) Increases in goodwill	*0.5*	*74.3*	*-*	*(0.5)*	*0.8*	*75.1*
(2) Acquisitions of intangible assets and property, plant and equipment	*92.4*	*38.9*	*68.0*	*22.9*	*4.8*	*227.0*

5

As of December 31, 2010

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
Capital employed - Assets	**1,356.3**	**700.6**	**1,155.6**	**747.8**	**(15.2)**	**3,945.1**
Goodwill (1)	438.0	147.0	164.9	199.8	0.7	950.4
Intangible assets and property, plant and equipment (2)	426.2	387.5	639.6	315.9	6.5	1,775.7
Inventories	264.7	54.0	115.2	111.2	-	545.1
Trade receivables	175.9	87.8	99.1	91.3	(7.6)	446.5
Other receivables - non-current and current	45.4	21.1	101.5	22.7	(17.7)	173.0
Joint ventures and associates	6.1	3.2	35.3	6.9	2.9	54.4
Unallocated assets (3)						**492.3**
Total assets						**4,437.4**
Capital employed - Liabilities	**203.2**	**91.9**	**134.3**	**179.9**	**(17.2)**	**592.1**
Trade payables	117.6	47.8	74.4	93.8	(16.5)	317.1
Other debts - non-current and current	58.3	34.9	63.9	84.5	8.3	249.9
Income taxes payable	27.3	9.2	(4.0)	1.6	(9.0)	25.1
Provisions (3)	**106.1**	**86.5**	**67.0**	**74.3**	**40.0**	**373.9**
Unallocated liabilities						**1,339.6**
Total current and non-current liabilities						**2,305.6**
Total capital employed	**1,153.1**	**608.7**	**1,021.3**	**567.9**	**2.0**	**3,353.0**
(1) Increases in goodwill	*4.8*	*-*	*-*	*1.9*	*-*	*6.7*
(2) Acquisitions of intangible assets and property, plant and equipment	*57.9*	*20.8*	*55.1*	*16.2*	*4,9*	*154.9*

(3) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

As of January 1, 2010

(€ millions)	CRAF	PFM	PPP	M&M	IS&H	Total
Capital employed – Assets	**1,223.2**	**672.4**	**934.3**	**746.4**	**(24.4)**	**3,551.9**
Goodwill	411.8	141.2	153.5	190.3	0.7	897.5
Intangible assets and property, plant and equipment	413.0	376.3	514.2	331.7	9.9	1,645.1
Inventories	214.0	45.1	81.3	100.1	-	440.5
Trade receivables	138.9	79.5	77.2	76.0	(7.2)	364.4
Other receivables - non-current and current	39.5	23.3	77.7	41.7	(27.8)	154.4
Joint ventures and associates	6.0	7.0	30.4	6.6	-	50.0
Unallocated assets (1)						**391.8**
Total assets						**3.943.7**
Capital employed - Liabilities	**165.9**	**65.4**	**87.7**	**159.7**	**(2.2)**	**476.5**
Trade payables	91.2	40.9	52.9	91.6	(15.9)	260.7
Other debts - non-current and current	49.3	23.6	40.1	67.9	14.3	195.2
Income taxes payable	25.4	0.9	(5.3)	0.2	(0.6)	20.6
Provisions (1)	**96.7**	**68.2**	**68.5**	**72.9**	**39.3**	**345.6**
Unallocated liabilities						**1,318.8**
Total current and non-current liabilities						**2,140.9**
Total capital employed	**1,057.3**	**607.0**	**846.6**	**586.7**	**(22.2)**	**3,075.4**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Information by geographical location

Due to their mining activity and to the variety of their final markets, the entities of Imerys are located in numerous countries. The Group may thus be exposed to certain risks peculiar to these countries which may have in the future a certain impact on its financial statements. The fact that most of the supply sources and final markets of Imerys are located in developed countries however limits the exposure of the Group to country risk.

In order to identify high-risk countries, Imerys uses the grading system "Business Environment" of the Coface, the main French insurance company specialized in export credit insurances, which measures if an economic and financial interest in an entity is influenced by the economic, financial and political prospects of the concerned countries. The grading system of the Coface consists of seven 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 Ukraine, Argentina, Venezuela and Vietnam (category C) and Zimbabwe (category D), where the Group is present.

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

(€ millions)	2011	2010
France	782.5	708.5
Other European countries	1,358.8	1,218.8
North America	833.4	808.1
Asia - Oceania	512.8	433.7
Other countries	187.3	177.6
Revenue by geographical location of the businesses of the Group	**3,674.8**	**3,346.7**

The revenue performed in the countries rated C and D by the grading system "Business Environment" of the Coface represents in 2011 0.79% of the Group revenue (0.75% in 2010) and 0.60% of the current operating income (0.72% in 2010).

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

(€ millions)	2011	2010
France	624.3	561.4
Other European countries	1,345.8	1,226.6
North America	770.3	731.3
Asia-Oceania	640.4	546.9
Other countries	294.0	280.5
Revenue by geographical location of the customers	**3,674.8**	**3,346.7**

The following table presents the carrying amount of goodwill and intangible assets and property, plant and equipment by geographical zone:

	2011			2010		
(€ millions)	Goodwill	Intangible assets and property,plant and equipment	Total	Goodwill	Intangible assets and property,plant and equipment	Total
France [(1)]	240.0	390.0	630.0	166.7	354.3	521.0
Other European countries	329.3	399.3	728.6	331.3	373.9	705.2
North America	134.5	564.3	698.8	130.2	488.7	618.9
Asia - Oceania	242.3	181.8	424.1	240.8	157.8	398.6
Other countries	73.6	389.3	462.9	81.4	401.0	482.4
Total	**1,019.7**	**1,924.7**	**2,944.4**	**950.4**	**1,775.7**	**2,726.1**

(1) Of which €74.3 million related to the provisional allocation of the goodwill of the Luzenac group (Note 16).

The total of the statement of financial position located in the countries rated C and D by the grading system "Business Environment" of the Coface represents 0.21% of the statement of financial position (0.10% as of December 31, 2010) and - 0.59% of consolidated equity, Group share (- 0.71% as of December 31, 2010).

5.1.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND POLICIES

Note 1 Accounting principles

1.1 Statement of compliance with the Referential

Pursuant to European regulation no. 1606/2002 of July 19, 2002, Imerys, a group of the industrial minerals sector, with its headquarters in Paris, 154 rue de l'Université and whose share is admitted to trading on the compartment A of NYSE Euronext Paris, has established its consolidated financial statements as of December 31, 2011 in compliance with IFRSs (International Financial Reporting Standards) adopted within the European Union at the closing date (hereafter "the Referential"). The financial statements have been closed on February 15, 2012 by the Board of Directors of Imerys SA, the Parent Company of the Group, on a going concern basis, in millions of Euros with one decimal rounded up to the nearest tenth.

1.2 Differences between the Referential and IFRSs

The adoption process within the European Union may create temporary time-lags at the closing date between the Referential and IFRSs. However, in the absence of temporary time-lags as of December 31, 2011, there is no difference at that date between the Referential and IFRSs.

1.3 Optional statements

First-time adoption. Upon first-time adoption of the Referential, Imerys presented financial statements as of January 1, 2004 that included a retrospective application limited by some optional exemptions provided for by standard IFRS 1 on first-time adoption of IFRSs and exercised by the Group. The acquisition of businesses prior to the first-time adoption have not been adjusted. The carrying amount of property, plant and equipment has not been adjusted except for mineral reserves and resources, which have been measured at fair value. The actuarial differences of post-employment employee benefits unrecognized at the date of first-time adoption have been included in the measurement of the plan assets and provisions against the reserves. Finally, the translation differences of foreign businesses have been reclassified in the reserves.

Other optional statements. Some standards of the Referential present recognition and measurement options. The amortized / depreciated historical cost qualifies as the measurement basis of intangible assets *(Note 4.10)*, mining assets *(Note 4.11)* and property, plant and equipment *(Note 4.12)*. Inventories are measured on the basis of their characteristics in accordance with the "First-In, First-Out" (FIFO) or weighted average cost methods *(Note 4.15)*. The actuarial differences and assets limitations of post-employment employee benefits are entirely recognized in equity with no subsequent reclassification in profit or loss *(Notes 2.2 and 4.19)*. The rules of hedge accounting are applied to the recognition of derivatives hedging currency, interest rate and energy price risks *(Note 4.21)*.

1.4 Absence of guidance

In the absence of any applicable text or sufficient detail of the existing texts, the Executive Management has defined recognition and measurement policies on three subjects: purchase commitment of non-controlling interests of an entity controlled by the Group *(Note 4.6)*, greenhouse gas allowances *(Note 4.10)* and mining assets *(Note 4.11)*.

5

Note 2 Changes in accounting policies

2.1 Mandatory changes

Anticipated application

Amendments to IAS 1, Presentation of Items of Other Comprehensive Income. These retrospectively applicable amendments mainly provide an improvement in the presentation of other comprehensive income items by distinguishing items that may be reclassified subsequently to profit or loss from items that may not.

The Group had not applied any text by anticipation in 2010.

Application upon effective date

Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement. This amendment applicable as of January 1, 2011 corrects an unintended consequence of the initial version of IFRIC 14. To measure the asset of an employee benefits plan, this interpretation proscribed in certain circumstances to consider the prepaid contributions that could be set as a reduction of future minimum contributions. This amendment will have no significant impact on the measurement of employee benefits assets *(Note 24.1)*.

Improvements to IFRSs (May 2010). This continuous project provides a series of necessary amendments to the existing texts.

Besides, the texts hereafter do not concern the transactions, events or conditions existing within the Group: Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters; IAS 24 Revised, Related Party Disclosures; IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.

2.2 Voluntary changes

Recognition of post-employment employee benefits actuarial differences. Standard IAS 19 on employee benefits authorizes the recognition of post-employment employee benefits actuarial differences either in profit or loss, or in equity. The revised standard published by the IASB in June 2011 and applicable in 2013 *(Note 3.2)* suppresses the profit or loss option. Imerys, who had retained this option and applied it in accordance with the corridor method, has thus decided to choose, in the framework of the current standard, the immediate recognition of the entire actuarial differences in equity with no subsequent reclassification in profit or loss. With the choice of this option, Imerys improves the view over employee benefits assets and liabilities by a significant reduction of off-balance sheet items. The impact of the change in accounting policy on the consolidated equity is presented hereafter. Debit adjustments are negative and credit adjustments are positive.

		2011		2010		
(€ millions)	Notes	Statement of financial position	Total comprehensive income	Statement of financial position	Total comprehensive income	01/01/2010
Income statement		**3.0**	**3.0**	**2.8**	**2.8**	**-**
Staff expenses		-	4.0	-	2.5	-
Net change in the provisions of defined benefit plans	8	-	4.0	-	2.5	-
Other non-recurring items		-	-	-	1.6	-
Change in provisions	10	-	-	-	1.6	-
Income taxes		-	(1.0)	-	(1.3)	-
Current operating and financial income (loss) deferred taxes	13	-	(1.0)	-	(0.9)	-
Deferred taxes on other operating revenue and expenses	13	-	-	-	(0.4)	-
Reserves		**2.8**	**-**	**-**	**-**	**-**
Statement of comprehensive income		**(110.1)**	**(42.6)**	**(67.4)**	**(67.4)**	**(53.0)**
Actuarial gains and (losses)	24.1	(150.3)	(50.3)	(93.7)	(89.3)	(72.5)
Assets limitation	24.1	1.6	(0.1)	1.7	1.6	-
Income taxes	13	38.6	12.4	24.6	23.4	19.5
Translation reserve		-	(4.6)	-	(3.1)	-
Statement of changes in equity		**(104.3)**	**(39.6)**	**(64.6)**	**(64.6)**	**(53.0)**

The impact of the change in accounting policy on the statement of financial position is presented hereafter. Debit adjustments are negative and credit adjustments are positive.

		2011		2010		
(€ millions)	Notes	Statement of financial position	Total comprehensive income	Statement of financial position	Total comprehensive income	01/01/2010
Other financial assets	22.1	14.3	-	12.6	-	7.1
Plan assets	24.1	14.3	-	12.6	-	7.1
Deferred tax assets	26	(36.2)	-	(23.2)	-	(19.5)
Provisions for employee benefits		126.2	-	75.2	-	65.4
Retirement plans	24.1	128.1	-	77.8	-	67.3
Medical plans	24.1	(1.9)	-	(2.6)	-	(1.9)
Statement of financial position		**104.3**	**-**	**64.6**	**-**	**53.0**

Voluntary changes in accounting policies in 2010. In 2010, the Group did not perform any voluntary change in accounting policies.

Note 3 Texts effective after the closing date

On the basis of the last projected adoption agenda of IFRSs within the European Union dated February 9, 2012 published by the EFRAG (European Financial Reporting Advisory Group), Imerys will apply the following texts after December 31, 2011.

3.1 Application in 2012

The following texts, whose adoption process is in progress within the European Union as of December 31, 2011, do not concern the transactions, events or conditions existing within the Group: Amendments to IFRS 7 Financial Instruments: Disclosures; Amendments to IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets; Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters.

3.2 Application in 2013

As of December 31, 2011, the adoption process of the following standards and interpretations is in progress within the European Union.

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

IFRS 11, Joint Arrangements. This retrospectively applicable standard will replace standard IAS 31, Interests in Joint Ventures and interpretation SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers and will suppress the current option provided by IAS 31 to recognize jointly controlled businesses either under the proportionate integration method, or under the equity method. In the new standard, only the equity method will be allowed. IAS 28 is revised correlatively with the publication of IFRS 11. These new rules will have no impact at Imerys where the proportionate integration method is not used *(Note 4.7)*.

IFRS 12, Disclosure of Interests in Other Entities. This standard is intended to improve the disclosures on the entities over which the Group exercises control *(Note 27)*, joint control or significant influence *(Note 20)*.

IFRS 13, Fair Value Measurement. This standard defines fair value as the exit price of an asset or liability and imposes the methodology applicable to its determination as well as disclosures *(Notes 25.1 and 25.4)*. IFRS 13 is not defining the circumstances under which the use of fair value is required, this remaining provided by the applicable standards.

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

(€ millions)	2012	01/01/2012
Income statement	**(7.7)**	**-**
Staff expenses	(2.1)	-
Costs of administering benefit payments	(2.1)	-
Other financial revenue	(8.2)	-
Return on assets of defined benefit plans	(10.6)	-
Costs of administering benefit payments	2.1	-
Costs of managing plan assets	0.3	-
Income taxes	2.6	-
Current operating and financial income (loss) deferred taxes	2.6	-
Statement of comprehensive income	**5.4**	**(2.3)**
Excess of the actual return over the normative return on assets	10.6	-
Costs of managing plan assets	(0.3)	-
Past service cost	(3.5)	(3.5)
Income taxes	(1.4)	1.2
Statement of changes in equity	**(2.3)**	**(2.3)**

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

(€ millions)	2012	01/01/2012
Deferred tax assets	(1.2)	(1.2)
Provisions for employee benefits	3.5	3.5
Retirement plans	3.5	3.5
Statement of financial position	**2.3**	**2.3**

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine. This prospectively applicable interpretation clarifies the modes of recognition, measurement and presentation of overburden assets, i.e. of the accesses to a surface mine created by the removal of the top soil. This interpretation, that confirms the methods previously defined by the Executive Management in the absence of any applicable text *(Notes 1.4, 4.11 and 18)*, will thus have no impact on the Group financial statements.

At last, the text hereafter, whose adoption process is in progress within the European Union as of December 31, 2011, does not concern the transactions, events or conditions existing within the Group: Amendments to IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities.

3.3 Application in 2014

The text hereafter, whose adoption process is in progress within the European Union as of December 31, 2011, does not concern the transactions, events or conditions existing within the Group: Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities.

3.4 Application in 2015

As of December 31, 2011, the adoption process of the following standard is in progress within the European Union.

IFRS 9 (Phase 1), Financial Instruments: Classification and Measurement. As of February 15, 2012, the date at which the financial statements are closed by the Board of Directors, the EFRAG has not communicated any indicative adoption date for this text. On its side the IASB has required in the amendment to IFRS 9 described hereafter a mandatory application as of January 1, 2015. Imerys shall thus apply this text at this date at the latest, on condition of its prior adoption within the European Union. On this same condition, the Group could decide to apply it by anticipation before January 1, 2015. This text represents the first step of a reform intended to simplify IAS 39. This first amendment reduces the number of categories of financial instruments by focusing on the two measurement bases that are fair value and amortized cost.

Present categories	Future categories
Available-for-sale financial assets	Fair value
Financial assets and liabilities at fair value through profit or loss	Fair value
Loans and receivables	Amortized cost
Financial liabilities at amortized cost	Amortized cost

This amendment shall modify the classification of information disclosed in *Notes 9, 10, 19 and 21.1* without impacting the recognition and measurement rules of financial instruments. These rules shall however be modified as part of an amendments project in progress as of December 31, 2011: impairment losses of financial assets measured at amortized cost (Phase 2) and hedge accounting (Phase 3).

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

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

Note 4 Summary of the main accounting policies

4.1 Accounting policies, errors and estimates

Accounting policies are identical from one period to the other and are modified either on a mandatory basis to apply a new standard or interpretation *(Note 2.1)*, or on a voluntary basis to improve the reliability or the relevance of information *(Note 2.2)*. Changes in accounting policies are accounted for retrospectively, unless required by the specific transition provisions of the standard or interpretation. The financial statements concerned by the change in accounting policies are modified for all reported periods, as if the new policy had always been applied. Errors are corrected retrospectively. Estimates are intended to provide a reasonable assessment of the latest reliable information available on an uncertainty. They are revised to reflect changes in circumstances, new information available and experience effects. The significant estimates of the Executive Management are separately outlined in each note concerned:

- the amortization methods of intangible assets *(Note 17)*;
- the depreciation methods of mining assets and property, plant and equipment *(Note 18)*;
- the definition, as part of the impairment tests of non-financial assets, of Cash Generating Units (CGUs), impairment indicators, duration and amount of future cash flows as well as the discount rates intervening in the calculation of the values in use of the CGUs *(Note 19)*;
- the assessment, as part of the recognition and measurement of provisions, of the probability of settlement and amount of the obligation, of the phasing of future payments and of discount rates *(Note 24.1)*; and
- the actuarial assumptions of defined benefit plans *(Note 24.1)*.

Changes in estimates are accounted for prospectively.

4.2 Events after the end of the period

Events occurring between the end of the period and the authorization of issue of the financial statements by the Board of Directors result in an adjustment only if they reveal, specify or confirm situations existing at the closing date *(Note 31)*.

4.3 Financial statements

Imerys publishes annual financial statements as of December 31, and interim financial statements as of June 30, in accordance with the principles of the Referential *(Note 1)*. The main presentation conventions are the following:

- aggregation by positions: by similar natures or functions in accordance with materiality;
- classification of assets and liabilities: by increasing order of liquidity and payability distinguishing between non-current and current items, when these shall be recovered or settled in more or less than twelve months after the end of the period;
- classification of revenue and expenses: by nature and incorporation in the cost of an asset or a liability in application of a standard or interpretation;
- offset: in application of a standard or interpretation for assets and liabilities on the one hand and revenue and expenses on the other;
- comparative information: with respect to period N-1; comparative information with respect to period N-2 is incorporated by reference *(chapter 8, section 8.4 of the Registration Document)*.

Operating income includes the current operating income and the other operating revenue and expenses. The current operating income *(Notes 5 to 9)* reflects the performance of the ordinary activities of Imerys. The other operating revenue and expenses *(Note 10)* correspond, in accordance with the recommendation CNC 2009-R.03 of the French accounting standard setting authority on the format of IFRS financial statements, to items of revenue and expenses resulting from a limited number of well identified, non-recurring and significant events, such as the profit or loss impacts from obtaining or losing control of a business, of a restructuring, of an impairment loss of goodwill or of a significant litigation. The financial income (loss) mainly includes the cost of indebtedness, foreign exchange differences, the expected return on defined benefit plan assets, the unwinding of the discount of provisions and impairment losses on financial assets *(Note 12)*.

4.4 Information by segments

The segments correspond to the four following business groups:

- Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF): minerals mainly for floor tiles, sanitaryware, porcelain, mobile energy as well as high-temperature and abrasive industries;
- Performance & Filtration Minerals (PFM): minerals for the plastics, rubber, coatings, sealants and adhesives, health, beauty and filtration of nutrition liquids;
- Pigments for Paper & Packaging (PPP): filler and coating products for paper;
- Materials & Monolithics (M&M): construction materials in clay and slate and monolithic products as well as solutions for high-temperature industries.

Each of these segments is engaged in the production and rendering of related goods and services presenting geological, industrial and commercial synergies and results from the aggregation of the Cash-Generating Units *(Note 19)* followed each month by the Executive Management in its business reporting. The financial information by segment is measured in accordance with the principles of the Referential *(Note 1)*. The transactions between segments are measured at the prices that two independent parties would have agreed upon under economic conditions equivalent to those of the related transaction.

4.5 Earnings per share

The Imerys financial statements disclose basic earnings per share and diluted earnings per share *(Note 15)*. The basic earnings per share is equal to the net income attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding over the period, i.e. excluding treasury shares. Basic earnings per share is further broken down as net basic earnings per share from current operations and net basic earnings per share. Diluted earnings per share simulates the dilutive effect of the free shares and share options *(Note 8)*. The previously defined weighted average number of ordinary shares is thus increased by the average, between the opening and the closing of the period, of ordinary shares that would be issued if all dilutive options would be exercised at the closing date. The number of dilutive shares is calculated by difference between on the one hand, the number of shares to be issued in relation to free shares and options and on the other hand, the number of shares that would be issued at the period average market price for an issue of the same amount. Upon calculation of the amount of this issue, each share resulting from the exercise of share options is reputed to be issued at the share option exercise price increased by the fair value of services to be rendered *(Note 4.17)*, while each free share is reputed to be issued at the sole fair value of services to be rendered, its exercise price being nil. The excess of the number of shares to be issued in relation to free shares and options over the number of shares issued under market conditions is the number of dilutive shares. However the shares to be issued in relation to options are only taken into account in the diluted earnings per share calculation where the options are in the money, i.e. their exercise price increased by the fair value of services to be rendered is below the period average market price of the Imerys share.

4.6 Entities controlled by the Group

The entities controlled by Imerys, i.e. those over which the Group has the power to govern the financial and operating policies, are consolidated *(Note 27)*. Their assets, liabilities, revenues and expenses thus contribute to the various positions of the consolidated financial statements. Intra-group transactions are eliminated. An entity's losses are allocated to non-controlling interests proportionally to their interest, even if they finally present a negative balance. Changes in interest with no impact on control are recognized in equity. In the absence of sufficient detail of the texts, the Executive Management considers that any commitment entered into by Imerys with the intent to acquire shares from the minority interests results in the recognition of a liability measured at the fair value of the commitment against a derecognition of these interests. Any difference between the fair value of the liability and the carrying amount of the minority interests is recognized in equity.

4.7 Investments under joint control or significant influence of the Group

Imerys measures under the equity method *(Note 20)* the investments under joint control (joint ventures), i.e. those whose financial and operating policies are subject to an unanimous vote of Imerys and a third party venturer and the investments under significant influence (associates), i.e. those whose financial and operating policies are governed by the third party venturer, Imerys exercising only a participation in these policies, without controlling them. The shares held in the net assets and results of these entities are presented in distinct positions in the assets and in the operating income.

4.8 Foreign currency translation

The consolidated financial statements of Imerys are stated in Euro. The functional currencies of the main consolidated entities *(Note 27)* correspond to the local currencies. The accumulated impact of the translation of the financial statements of foreign businesses is recognized in equity. The assets and liabilities of foreign businesses are translated at the closing rate and their revenue and expenses at the average rate of the period *(Note 28)*.

The non-monetary assets and liabilities resulting from transactions in foreign currencies are measured at the rate of the day or the average rate of the month of the transaction. Except for derivative financial instruments, monetary assets and liabilities resulting from transactions in foreign currencies are measured at the closing rate. The corresponding unrealized foreign exchange differences are recognized in other financial revenue and expenses *(Note 12)* except for those generated by the monetary assets and liabilities of net investments in foreign businesses and by their hedges that are recognized in equity *(Note 25.5 - Conversion of financial statements risk)*. Upon disposal of a foreign business, the accumulated impact of the translation of its financial statements and hedges is recognized in other operating revenue and expenses with the result on disposal of the business.

4.9 Goodwill

Goodwill is the excess of the acquisition price of a business and of the amount of non-controlling interests over the fair value of the acquired identifiable assets and assumed liabilities *(Note 16)*. Goodwill is recognized at the date control is obtained. The costs of an acquisition transaction are recognized as incurred in profit or loss in other operating revenue and expenses *(Note 10)*. Any excess of the identifiable net asset of the acquired business over its acquisition price (negative goodwill) is credited to the acquirer's profit or loss on the acquisition period in other operating revenue and expenses *(Note 10).* The measurement of goodwill is finalized within the twelve months following the date at which control is obtained. The goodwill of a foreign business is measured in the functional currency of the business and translated in accordance with the rules applicable to the translation of financial statements of foreign businesses. Goodwill is not depreciable. It is allocated to the Cash-Generating Units *(Note 19)* that benefit from the synergies resulting from the acquisition. Goodwill is subject to a first impairment test before the closing date of the acquisition period and subsequently to annual or more frequent tests if there is an indication that it may be impaired. An impairment loss on goodwill is recognized in other operating revenue and expenses *(Note 10)* and cannot be reversed.

4.10 Intangible assets

Intangible assets controlled by Imerys *(Note 17)* are recognized as assets over their useful lives. They are measured at acquisition cost, decreased by accumulated amortization and any impairment loss. The expenditures incurred by the research teams of Imerys to improve the quality and properties of products generally address specific requirements of customers and are thus immediately recognized as expenses in current operating income. In the absence of any applicable text, the Executive Management considers greenhouse gases emission rights as intangible assets. Imerys holds these rights with the sole intent to justify its emissions volume and performs no trading transactions such as forward purchases or sales *(Note 17)*. The rights received free of charge are recognized for a value of zero and the rights acquired on the market are recognized at the acquisition cost. Where at the closing date the rights held are inferior to actual emissions, a provision is recognized in current operating income for the value of rights to acquire, measured at market value (net liability method). Disposals only relate to excess rights and are recognized in current operating income as assets disposals *(Note 9)*. The amortization methods of intangible assets qualify as an estimate of the Executive Management presented in *Note 17*.

4.11 Mining assets

In the absence of any specific applicable text, the Executive Management has defined the accounting recognition and measurement policies hereafter on mining assets. Prospection expenditures, i.e. the research of new knowledge on the mineral producing potential, technical feasibility and commercial viability of a geographical area, are immediately recognized as expenses in current operating income. Mining rights are recognized as intangible assets and are initially measured at acquisition cost *(Note 17)*. Mineral reserves qualify as property, plant and equipment and are initially measured at acquisition cost excluding subsoil, increased by expenditures incurred to determine the tonnage of ore present in the deposit. Overburden works, i.e. works of removal of the top soil to enable access to the deposit, qualify as a component of the mineral reserve asset. Their initial measurement incorporates their production cost and the discounted value of restoration obligations resulting from the deterioration caused by their construction. Mineral reserves and overburden assets form the position "Mining assets" of *Note 18*. Mining assets are subsequently measured at cost, decreased by accumulated amortization and any impairment loss. The depreciation methods of mining assets qualify as an estimate of the Executive Management presented in *Note 18*. Mining assets are allocated to Cash-Generating Units *(Note 19)* as the other assets of the Group and are subject to the same impairment tests.

4.12 Property, plant and equipment

Property, plant and equipment *(Note 18)* is recognized as an asset if it is controlled as a result of a title of ownership, or under a finance lease that transfers the risks and rewards incident to ownership. Property, plant and equipment is initially measured at acquisition or production cost. The initial cost of items under finance lease is the lower of the fair value of the asset and the discounted value of future minimum payments. The cost of property, plant and equipment incorporates the cost of borrowings that finance their construction or production where these require a substantial period of time. The cost of property, plant and equipment is decreased, where applicable, by the amount of government grants that finance their acquisition or construction. Maintenance and repair expenditures are immediately recognized as expenses in current operating income. The cost of property, plant and equipment incorporates, in particular for satellite industrial facilities constructed on the land of customers, the discounted value of restoration or dismantling obligations, where a present obligation exists *(Note 24.2)*. Property, plant and equipment is subsequently measured at cost, decreased by accumulated depreciation and any impairment loss. The depreciation methods of property, plant and equipment qualify as an estimate of the Executive Management presented in *Note 18*.

4.13 Impairment tests

An impairment test *(Note 19)* is performed every twelve months on all Cash-Generating Units (CGUs) at the end of the period. An impairment test consists in comparing the carrying amount of these assets to their recoverable amount. The latter is the higher between the fair value less costs to sell and the value in use. Fair value corresponds to the price of disposal. Value in use is measured by discounting the future cash flows generated by the continuous use of assets and by their final disposal. In addition to this annual test, impairment indicators may require the immediate performance of a test in case of an unfavorable trend. Furthermore, each activity manager, under the supervision of business group controllers, ensures that no individual asset within a CGU presents any impairment loss issue. An impairment loss is recognized as soon as the recoverable amount of a CGU or an individual asset becomes inferior to its carrying amount. Any improvement in the recoverable amount of a CGU or an individual asset results in the reversal of the previously recognized impairment loss in the limit of the carrying amount that would have been obtained in the absence of impairment loss. Impairment losses on goodwill cannot be reversed. The definitions of CGUs and impairment indicators qualify as judgments of the Executive Management. The duration and the amount of the future cash flows as well as the discount rates intervening in the calculation of the values in use of the CGUs qualify as estimates of the Executive Management items are presented in *Note 19*.

4.14 Non-current assets held for sale and discontinued operations

When at the closing date, it is highly probable that non-current assets or groups of directly related assets and liabilities shall be disposed of, they are designated as non-current assets or groups of assets held for sale. Their sale is considered as highly probable if, at the closing date, a plan designed to sell them at a price that is reasonable with respect to their fair value has been initiated to identify a buyer and to conclude definitively the sale within a maximum of one year. Non-current assets or groups of assets held for sale are presented in separate positions in the financial statements. They cease to be depreciated and are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets or groups of assets that are to be closed rather than sold are non-current assets that are to be abandoned and not held for sale. Where non-current assets corresponding to a disposal or held for sale or to be abandoned correspond to one or several CGUs *(Note 19)* and are to be abandoned as part of a single coordinated plan, they qualify as discontinued operations and their related flows are disclosed separately in the income statement and in the statement of cash flows.

4.15 Inventories

Inventories *(Note 21)* are recognized as assets at the date at which the risks, rewards and control are transferred to Imerys. Upon the sale, their removal is recognized against an expense in current operating income at the same date as the related revenue. Inventories are measured at the lower of the cost of production and net realizable value. Where production is inferior to normal capacity, incorporable fixed expenses specifically exclude the share corresponding to under-activity. Inventories presenting similar characteristics are measured in accordance with the same formula. The formulas used within the Group are the “First-In, First-Out” (FIFO) and the weighted average cost. Where the cost of production is not recoverable, it is written-down to its net realizable value in accordance with the conditions existing at the closing date.

4.16 Non derivative financial assets

Where the execution of a contract results in the symmetrical creation of an asset for Imerys and a liability or equity instrument for the other party, the item recognized by the Group is a financial asset. Such elements are subject to a designation that relates them to one of the following categories: “Available-for-sale financial assets”, “Financial assets at fair value through profit or loss” or “Loans and receivables”. The designation of a financial asset to a category commands its recognition and measurement mode.

Available-for-sale financial assets. Imerys holds investments in non-listed entities over which the Group has neither control, nor joint control, nor significant influence, nor intent to dispose of in the short term *(Note 22.2)*. These investments are recognized as assets at the date of the purchase commitment and are maintained at a carrying amount representative of fair value. The changes of the latter are recognized in equity except for negative changes qualifying as objective evidence of impairment which are recognized in profit or loss.

Financial assets at fair value through profit or loss. Imerys holds marketable securities with the intent to perform a result on disposal in the short-term. These investments are recognized as assets between the dates of purchase and disposal and the changes in fair value are recognized in other financial revenue and expenses *(Note 12)* in accordance with the market prices published at the closing date.

Loans and receivables. A trade receivable *(Note 22.3)* is recognized with respect to a sale of goods upon transfer of the risks, rewards and control. Sales of goods represent the greater part of revenue. Their incoterms are multiple because of the specificities of conditioning (bulk, powder, paste, slurry, etc.) and freight (sea, rail, road, etc.) and qualify as the key indicator for the recognition of sales of goods *(Note 5)*. Reinvoicing of the freight cost of the product represents the majority of rendering of services *(Note 5)* and its recognition generally derives from the sale of the transported product. Furthermore, for both sales of goods and rendering of services, a receivable is recognized only if it is recoverable and the amount of the transaction and that of the costs necessary to complete the transaction can be measured reliably. Sales of goods and rendering of services are measured at the fair value of the transaction, decreased by trade and volume rebates, as well as discounts for early payment. After their initial recognition, they are measured at their amortized cost. Where the occurrence of a credit event makes the carrying amount of a trade receivable partially or fully irrecoverable, it is individually written-down to its recoverable amount by means of a write-down in accordance with the conditions existing at the closing date *(Note 22.4)*. A receivable sold to a banking institution for financing purposes is only derecognized where the factoring contract also transfers to the factor the entire risks and rewards related to the receivable *(Note 22.3)*. The category of loans and receivables also includes cash, i.e. cash on hand, demand deposits and cash equivalents. The latter are highly liquid investments with a three-months maximum term, indexed on a monetary market rate and whose amount is known or subject to insignificant uncertainty. In the statement of cash flows, cash and cash equivalents also include the position “Bank overdrafts” presented as liabilities.

4.17 Equity instruments

Treasury shares. The repurchase by Imerys of its own shares is recognized at acquisition cost as a decrease in equity. The result performed upon any subsequent disposal is directly recognized in equity.

Share-based payments. The fair value of services rendered against the grant of Imerys share options and free shares granted after November 7, 2002 is measured using the Black & Scholes pricing model by reference to the fair value of instruments at the grant date *(Note 8)*. This measurement takes into consideration the exercise price and life of instruments, the underlying share price, the turnover rate of beneficiaries, as well as the volatility of the Imerys share. Volatility equals the standard deviation of the historical monthly returns of the Imerys share over the expected life of the instruments. In the majority of cases, the acquisition of rights is subject to a condition of duration of service and the fair value of services rendered is amortized in the position "Staff expenses" over the vesting periods of rights, against an increase in equity. The accounting treatment is identical where, in addition to the duration of service condition, the acquisition of rights is subject to the achievement of pre-determined economic performance conditions. The volatility and the assumptions related to the probability of acquisition of rights are revised at each closing date.

4.18 Provisions

A provision *(Note 24.2)* is recognized as soon as it becomes probable that a present obligation shall require a settlement whose amount can be measured reliably. Provisions are recognized against the profit or loss except for provisions for dismantling and some provisions for restoration whose counterpart is included in the cost of the assets whose construction has created the obligation. This treatment mainly applies to some satellite industrial facilities and mining overburden assets. The measurement of provisions corresponds to the best estimate of the amount required to settle the obligation. Provisions whose settlement is expected within twelve months after the end of the period or whose settlement may occur at any time are not discounted. Provisions whose settlement is expected after twelve months after the end of the period are discounted. Changes in discounted provisions due to a revision of the amount of the obligation, of its phasing or of its discount rate are recognized in profit or loss or, for provisions recognized against assets, as an adjustment of the cost of the latter. The unwinding is recognized as a debit in the other financial revenue and expenses *(Note 12)*. The assessment of the probability of settlement and amount of the obligation, of the phasing of future payments and of discount rates qualify as estimates of the Executive Management presented in *Note 24.2*.

4.19 Employee benefits

Post-employment benefits - Defined contribution plans. Imerys contributes, in accordance with the laws and customs of each country, to the constitution of reserves for the retirement of its employees by paying, either on a mandatory or voluntary basis, contributions to third parties institutions such as pension funds, insurance companies or financial institutions. These plans, without guaranteeing the level of benefits returns, are defined contribution plans. These contributions are recognized in the position "Staff expenses" *(Note 8)*.

Post-employment benefits - Defined benefit plans. Imerys may grant post-employment retirement and medical benefits whose financing is assumed by the Group or outsourced to external funds. The measurement of the obligations of these defined benefit plans *(Note 24.1)* is performed in accordance with the Projected Unit Credit Method and uses financial and demographic actuarial assumptions. These are used to measure the value of services rendered over the period on the basis of an estimated salary at retirement date. Provisions (or assets) recognized correspond to the discounted value of the obligation, decreased by the fair value of plan assets - limited to a ceiling where necessary - and unrecognized past service cost. The discount rates are fixed by reference to the rates of bonds issued by companies rated AA (high quality). Actuarial assumptions qualify as estimates of the Executive Management presented in *Note 24.1*. The net expense of post-employment plans is recognized in the position "Staff expenses" *(Note 8),* except for the unwinding of obligations and the expected return on assets that are recognized in other financial revenue and expenses *(Note 12)* and for the curtailments caused by a restructuring that are recognized in other operating revenue and expenses *(Note 10)*. Unrecognized past service cost is progressively included in the measurement of provisions (or assets) by a straight-line amortization over an estimate of the average vesting period of the rights. The actuarial differences and assets limitations of post-employment plans are entirely recognized in equity with no subsequent reclassification in profit or loss. Curtailments and settlement are recognized in profit or loss as they occur, as well as any related unrecognized past service costs.

4.20 Non derivative financial liabilities

Loans *(Note 25.2)* are initially measured at the fair value of the amount received, less transaction costs. They are subsequently measured at amortized cost by using the effective interest rate method. The Group performs purchases of raw materials and energy for its own industrial and commercial use and not for trading purposes. As a consequence, these purchases contracts are recognized as trade accounts payable and not as derivatives. Trade accounts payable and other financial liabilities are measured at amortized cost.

4.21 Derivative financial instruments

Imerys uses derivative financial instruments to reduce its exposure to currency, interest rate and energy price risks. The exclusive purpose of these instruments is to hedge economic risks to which the Group is exposed. Financial instruments are recognized at the transaction date, i.e. at the subscription date of the hedging contract. However, only financial instruments that meet the criteria of hedge accounting defined by standard IAS 39 on financial instruments follow the accounting treatment described hereafter. The changes in fair value of financial instruments that do not qualify for hedge accounting are immediately recognized in other financial revenue and expenses *(Note 11)*.

All transactions qualified as hedge accounting are documented by reference to the hedging strategy by identifying the hedged risk, the hedged item, the hedging instrument, the hedging relationship and the measurement method of the hedge relationship effectiveness. The measurement of the hedge effectiveness is reviewed at the end of each period. Derivatives are measured at fair value upon initial recognition. Subsequently, the fair value is re-measured at the end of each period by reference to market terms. Derivatives recognized as assets and liabilities are classified as non-current and current in accordance with their maturities and those of underlying transactions. Accounting for a hedge derivative depends upon its designation as either fair value hedge, or cash flow hedge or hedge of a net investment in a foreign operation *(Notes 11, 12 and 25.5)*.

Fair value hedge. Where the changes in fair value of a recognized asset or liability or a firm commitment may have an impact on the profit or loss, these changes may be hedged by a fair value hedge. The hedged item and the hedging instrument are re-measured symmetrically against the profit or loss at the end of each period. The impact in profit or loss is limited to the ineffective portion of the hedge *(Note 11)*.

Cash flow hedge. A cash flow hedge enables to hedge the unfavorable changes in cash flows related to a recognized asset or liability or a highly probable future transaction, where these changes may have an impact on the profit or loss. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. When the transaction is recognized, the effective portion in equity is reclassified in profit or loss at the same time the hedged item is recognized *(Note 11)*.

Hedge of a net investment in foreign businesses. The foreign exchange differences generated by the net assets held by the Group in foreign currencies may be hedged *(Note 25.5 - Conversion of financial statements risk)*. At the end of each period, the effective portion of the hedge is recognized in equity and the ineffective portion in profit or loss. Upon disposal of the business, the effective portion in equity is reclassified in other operating revenue and expenses with the result on disposal.

4.22 Income taxes

Current tax results in the recognition of a liability to the extent it is unpaid and of an asset where the amount already paid exceeds the amount due or if a tax loss can be carried back.

Deferred tax assets and liabilities are accounted for with respect to all temporary taxable differences between the tax and consolidated values of assets and liabilities, except mainly for differences related to the initial recognition of goodwill and, in the case of taxable temporary differences between the accounting and tax values of investments, where the Group is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future *(Note 26)*. A deferred tax asset is recognized with respect to taxable temporary differences, tax losses and tax credits only if it is probable that a future taxable profit shall be set against these elements, or there are taxable temporary differences in the same tax entity, that come to maturity over the period these elements remain recoverable. Tax rates and laws used are those that are enacted or substantively enacted at the closing date and shall be applicable over the period of reversal of the timing difference. Deferred taxes are not discounted. Deferred tax assets and liabilities are offset by tax entity, i.e. by legal entity or tax consolidation group.

Current and/or deferred taxes are recognized in the same level of profit or loss as the related losses *(Note 13)*. That principle of linking the tax to its base also applies to the transactions directly recognized in equity *(Note 13)*.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 5 Revenue

(€ millions)	**2011**	**2010**
Sales of goods	3,211.3	2,993.6
Rendering of services	463.5	353.1
Total	**3,674.8**	**3,346.7**

Revenue amounts to €3,674.8 million in 2011 (€3,346.7 million in 2010), i.e. an increase of + 9.8% (+ 20.7% in 2010), including a negative effect of - €67.1 million due to foreign currency changes (+ €134.0 million in 2010) and a positive structure impact of + €125.0 million (+ €23.9 million in 2010). At comparable structure and foreign currency rates, it increases by + 8.1% (+ 14.9% in 2010).

Note 6 Raw materials and consumables used

(€ millions)	**2011**	**2010**
Raw materials	(607.7)	(549.2)
Energy	(364.9)	(345.1)
Chemicals	(77.1)	(71.3)
Other raw materials	(177.7)	(162.6)
Merchandises	(124.1)	(111.0)
Change in inventories	49.7	56.5
Property, plant and equipment produced by the entity	7.3	4.1
Total	**(1,294.5)**	**(1,178.6)**

Note 7 External expenses

(€ millions)	**2011**	**2010**
Freight	(424.4)	(390.6)
Operating leases	(57.0)	(45.5)
Subcontracting	(125.5)	(103.6)
Maintenance and repair	(96.1)	(89.7)
Fees	(57.5)	(57.4)
Other external expenses	(180.4)	(162.7)
Total	**(940.9)**	**(849.5)**

Note 8 Staff expenses

(€ millions)	2011	2010
Salaries	(511.0)	(470.7)
Social contributions	(114.4)	(99.6)
Net change in the provisions of defined benefit plans [(1)]	14.7	23.0
Contributions to defined benefit plans	(30.2)	(37.2)
Contributions to defined contribution plans	(19.9)	(17.9)
Profit-sharing	(24.0)	(21.0)
Other employee benefits	(10.3)	(9.7)
Total	**(695.1)**	**(633.1)**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Share-based payments expense

Imerys attributes share options whose exercise results in the subscription of shares created for that purpose, as well as free shares acquired on the market.

The position "Other employee benefits" includes the cost of the corresponding plans, broken down as follows:

	Number of options [(1)]	Exercise price *(€)* [(1)]	Maturity	Volatility	Turnover rate [(2)]	Average dividend rate	Performance conditions	Fair value of the option (Black & Scholes) *(€)*	Total cost of each plan *(€M)*	2011 cost of the plans *(€M)*	2010 cost of the plans *(€M)*
Share options plans											
2007	601,832	65.61	5 years	20.0%	20.0%	3.1%	-	12.40	(5.5)	-	(0.1)
2008	535,120	54.19	5 years	19.2%	9.0%	3.0%	-	8.88	(4.0)	(0.5)	(1.3)
2009	464,000	34.54	5 years	25.3%	9.0%	3.0%	-	5.77	(2.4)	(0.8)	(0.8)
2010	422,800	46.06	5 years	28.1%	9.0%	3.0%	-	7.59	(2.9)	(1.0)	(0.6)
2010	60,000	46.06	5 years	28.1%	33.3%	3.0%	-	7.59	(0.3)	(0.1)	(0.1)
2010	82,000	44.19	5 years	31.0%	0.0%	3.0%	75.0%	9.40	(0.6)	(0.2)	-
2011	221,874	53.05	5 years	29.5%	9.0%	2.9%	-	10.52	(2.1)	(0.5)	-
2011	70,001	53.05	5 years	29.5%	9.0%	2.9%	75.0%	10.52	(0.5)	(0.1)	-
2011	40,000	53.05	5 years	29.5%	0.0%	2.9%	75.0%	10.52	(0.3)	(0.1)	-
Free shares plans											
2008	5,374	-	3 years	-	0.0%	3.0%	-	52.86	(0.2)	-	(0.1)
2008	42,984	-	2 years	-	0.0%	3.0%	-	54.44	(2.2)	-	(0.6)
2009	116,006	-	3.5 years	-	9.0%	3.0%	100.0%	29.94	(3.2)	(0.9)	(0.9)
2009	131,000	-	2 years	-	0.0%	3.0%	100.0%	31.29	(4.1)	(1.2)	(2.1)
2010	129,700	-	3.5 years	-	9.0%	3.0%	100.0%	38.33	(4.5)	(1.3)	(0.8)
2010	15,000	-	3 years	-	33.3%	3.0%	100.0%	38.90	(0.4)	(0.1)	(0.1)
2010	42,000	-	3.3 years	-	0.0%	3.0%	75.0%	39.28	(1.2)	(0.4)	(0.1)
2011	150,971	-	3.5 years	-	9.0%	2.9%	75.0%	45.23	(4.7)	(0.9)	-
2011	20,000	-	3 years	-	0.0%	2.9%	75.0%	45.91	(0.7)	(0.2)	-
2011	37,400	-	3.6 years	-	9.0%	2.9%	75.0%	38.56	(1.0)	(0.1)	-
Cost of plans recognized in the position "Staff expenses" *(€ millions)*										**(8.4)**	**(7.6)**
Weighted average exercise price *(€)*										27.1	28.5

(1) Adjusted in accordance with the capital increase of June 2009 for the plans prior to 2009. For the record, the number of options granted and their exercise prices were of 560,000 shares at €70.51 (2007 plan) and of 497,925 shares at €58.24 (2008 plan). In addition, 5,000 and 40,000 (2008 plan) free shares were originally granted.

(2) The turnover rate for 2008 has been adjusted definitively and this new rate has been applied provisionally to the plans 2009 to 2011 with the same conditions.

Share-based payments management principles

The Group's long-term retention policy comprises since 1987 the grant of share options and, since 2008, of conditional free shares. The management principles of these share-based payments are set by the Board of Directors upon the Appointments and Compensation Committee's recommendations and comprise, aside from the grants made under the Group's employee shareholding operations, the main following characteristics:

Share options. Grants take the form of share options. This form was judged preferable to share purchase options as it prevents Imerys from having to tie up its capital before the option exercise period even opens, in order to acquire on the market the number of shares needed to fulfill possible option exercises.

Conditional free shares. Free shares are in principle subordinated and proportional to the achievement of economic and/or financial performance objectives set by the Board of Directors.

Since 1999, share-based payments plans are annual and the total number of rights granted each year is adjusted in accordance with the Group's overall performance or to specific events. Grants traditionally take place on the Shareholders' General Meeting. The actual or likely beneficiaries are the Group's executives (Chief Executive Officer, Executive Committee members, business group and activity management committees, managers of the Group's main corporate departments) and, since 2001, the holders of certain key positions reporting to them, as well as high-potential managers and employees that make an outstanding contribution to the Group's performance.

The following table summarizes the history, status and main characteristics of the share options plans included in the scope of standard IFRS 2 on share-based payments, i.e. subsequent to November 7, 2002.

	May 2003	Oct. 2003	May 2004	May 2005	May 2006	Nov. 2006	May 2007	April 2008	August 2009	April 2010	Nov. 2010	April 2011	Total
Share option acquisition date	05/2006	10/2006	05/2007	05/2008	05/2009	02/2007	05/2010	04/2011	08/2012	04/2013	03/2014	04/2014	-
Share option expiration date	05/2013	10/2013	05/2014	05/2015	05/2016	11/2016	05/2017	04/2018	08/2019	04/2020	11/2020	04/2021	-
Share option exercise price	€26.34	€37.80	€45.49	€53.58	€63.53	€62.31	€65.61	€54.19	€34.54	€46.06	€44.19	€53.05	-
Number of share options as of 01/01/2010	**311,699**	**33,906**	**646,053**	**530,965**	**592,389**	**43,780**	**500,557**	**515,840**	**464,000**	**-**	**-**	**-**	**3,639,189**
Number of share options granted	-	-	-	-	-	-	-	-	-	482,800	82,000	-	564,800
Number of share options exercised	(70,684)	(1,680)	(12,029)	-	-	-	-	-	-	-	-	-	(84,393)
Number of share options cancelled	-	-	(7,749)	(15,693)	(52,820)	-	(19,615)	(22,947)	(5,000)	-	-	-	(123,824)
Number of share options as of 01/01/2011	**241,015**	**32,226**	**626,275**	**515,272**	**539,569**	**43,780**	**480,942**	**492,893**	**459,000**	**482,800**	**82,000**	**0**	**3,995,772**
Number of share options granted	-	-	-	-	-	-	-	-	-	-	-	331,875	331,875
Number of share options exercised	(129,175)	(1,383)	(6,590)	-	-	(17)	-	-	-	-	-	-	(137,165)
Number of share options cancelled	-	-	(2,150)	(4,730)	(12,415)	(17)	(8,062)	(13,170)	(9,000)	(28,100)	-	(4,668)	(82,312)
Number of share options as of 12/31/2011	**111,840**	**30,843**	**617,535**	**510,542**	**527,154**	**43,746**	**472,880**	**479,723**	**450,000**	**454,700**	**82,000**	**327,207**	**4,108,170**
Number of share options exercisable as of 12/31/2011	111,840	30,843	617,535	510,542	527,154	43,746	472,880	479,723	-	-	-	-	2,794,263
Weighted average remaining contractual life (years)													5.4

5

The following table summarizes the history, status and main characteristics of the free shares plans included in the scope of standard IFRS 2 on share-based payments, i.e. subsequent to November 7, 2002.

	April 2008 (1)	April 2008	August 2009	August 2009	August 2009	April 2010	April 2010	Nov. 2010	April 2011	April 2011	August 2011	August 2011	Total
Acquisition date	04/2011	04/2010	08/2013	08/2012	08/2011	04/2014	04/2013	02/2014	04/2015	04/2014	08/2015	08/2014	-
Number of free shares as of 01/01/2010	**58,434**	**42,984**	**58,314**	**57,692**	**131,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**348,424**
Number of shares granted	-	-	-	-	-	65,425	79,275	42,000	-	-	-	-	186,700
Number of shares acquired	-	(42,984)	-	-	-	-	-	-	-	-	-	-	(42,984)
Number of shares cancelled	(2,461)	-	(1,250)	-	-	-	-	-	-	-	-	-	(3,711)
Number of free shares as of 01/01/2011	**55,973**	**0**	**57,064**	**57,692**	**131,000**	**65,425**	**79,275**	**42,000**	**0**	**0**	**0**	**0**	**488,429**
Number of shares granted	-	-	-	-	-	-	-	-	78,730	92,241	21,175	16,225	208,371
Number of shares acquired	(5,373)	-	-	-	(131,000)	-	-	-	-	-	-	-	(136,373)
Number of shares cancelled	(50,600)	-	(2,000)	(250)	-	(1,825)	(5,200)	-	(2,335)	-	-	-	(62,210)
Number of free shares as of 12/31/2011	**0**	**0**	**55,064**	**57,442**	**0**	**63,600**	**74,075**	**42,000**	**76,395**	**92,241**	**21,175**	**16,225**	**498,217**

(1) At its meeting on April 28, 2011, the Board of Directors cancelled this free shares plan of April 2008 after having noted that its performance condition was not fulfilled. In the share-based payments expense, the probability of fulfillment of this performance condition had been considered as low since 2008 and the cost of the plan measured at zero.

Note 9 Other current revenue and expenses

(€ millions)	**2011**	**2010**
Other revenue	47.4	44.1
Income on asset disposals	3.1	5.0
Grants received	2.6	2.4
Other expenses	(54.5)	(53.0)
Net change in operating provisions	(10.2)	(13.6)
Total	**(11.6)**	**(15.1)**
Revenue	101.6	99.3
Expenses	(113.2)	(114.4)

Note 10 Other operating revenue and expenses

(€ millions)	2011	2010
Gain or loss from obtaining or losing control	**7.8**	**40.8**
Transaction costs	(6.8)	(3.2)
Changes in fair value related to obtaining or losing control	(1.0)	-
Profits resulting from bargain purchases	9.2	42.8
Changes in estimate of the contingent remuneration of the seller	(0.5)	(0.2)
Income from disposal of consolidated businesses	6.9	1.4
Other non-recurring items	**(30.9)**	**(51.6)**
Impairment losses on goodwill	(0.7)	(1.0)
Impairment losses on restructuring	(18.6)	(9.0)
Income on non-recurring asset disposals	(0.5)	(3.8)
Restructuring expenses paid	(12.5)	(31.4)
Change in provisions (1)	3.1	2.4
Share in net income of associates out of the recurring business	(1.7)	(8.8)
Other operating revenue and expenses - gross	**(23.1)**	**(10.8)**
Revenue	57.8	72.0
Expenses	(80.9)	(82.8)
Income taxes	2.0	2.3
Non-recurring foreign exchange gain related to a financial restructuring (2)	-	10.2
Other operating revenue and expenses - net, Group share	**(21.1)**	**1.7**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

(2) Note 14.

Other operating revenue and expenses of 2011

The "Other operating revenue and expenses - gross" amount to - €23.1 million: - €13.7 million in the Minerals for Ceramics, Refractories, Abrasives & Foundry business group (of which mainly - €8.4 million of impairment of assets and environmental provisions); - €7.0 million in the Pigments for Paper & Packaging business group (of which mainly + €9.1 million with respect to the finalization of the PPSA purchase accounting *(Note 16)* and - €13.8 million with respect to impairment of assets and provisions for restructuring); - €5.2 million in the Materials & Monolithics business group (of which mainly - €4.7 million of impairment of assets and provisions for restructuring); and + €2.8 million in the holdings (of which mainly + €7.5 million corresponding to the extinction of a purchase commitment of non-controlling interests and - €5.9 million of transaction costs on acquisitions of businesses). The latter mainly relate to the acquisition of the Luzenac group *(Note 16)*. The 2011 "Other operating revenue and expenses - net, Group share" amount to - €21.1 million after income taxes, of which - €35.5 million with no cash impact and + €14.4 million in cash.

Other operating revenue and expenses of 2010

The "Other operating revenue and expenses - gross" amounted to - €10.8 million: - €28.3 million in the Performance & Filtration Minerals business group (of which mainly - €17.8 million with respect to environmental provisions in Devon (United Kingdom) and in Georgia (United States) and - €8.2 million of goodwill impairment of associates in China); + €27.5 million in the Pigments for Paper & Packaging business group (of which mainly + €42.8 million of negative goodwill in Brazil and - €9.1 million of impairment of assets in China); - €2.4 million in the Materials & Monolithics business group (of which - €5.2 million related to the main restructurings); - €3.9 million in the Minerals for Ceramics, Refractories, Abrasives & Foundry business group (of which - €5.1 million related to the main restructurings); and - €3.7 million in the holdings (of which - €3.2 million of transaction costs on acquisitions of businesses). The 2010 "Other operating revenue and expenses - net, Group share" amounted to + €1.7 million after income taxes, of which + €13.7 million with no cash impact and - €12.0 million in cash. The statement of cash flows splits the latter in - €15.8 million of "Cash flow generated by other operating revenue and expenses" (operating activities) and + €3.8 million of disposals of investments in consolidated entities. The "Other operating revenue and expenses - net, Group share" comprised in particular in cash the reclassification in profit or loss of a cumulated foreign exchange gain of + €10.2 million, realized as a consequence of a restructuring of the financing of businesses in US Dollar *(Note 14)*.

Note 11 Financial instruments

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

Hedge derivatives are disclosed in a separate column since the exceptional character of hedge accounting excludes any relation to one of the above categories. *Notes 11, 12, 22.1 and 25.1* present disclosures on financial instruments in accordance with these categories. The classification logic of financial instrument assets *(Note 22.1)* and liabilities *(Note 25.1)* transversally applies to their changes in profit or loss *(Notes 11 and 12)*. For example, “Revenue” is attached to “Amortized cost” as its counterparts in “Trade receivables” or “Cash and cash equivalents” belong to that category in the assets. In addition, in order to enable the reconciliation between the disclosures and the financial statements, these notes include a column “Non IAS 39” that includes the following items:

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

The tables hereafter disclose the income and expenses before income taxes recognized in profit or loss and equity by categories of financial instruments. The balances of "Other financial revenue" and "Other financial expenses" are further analyzed in *Note 12*.

As of December 31, 2011

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

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

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

As of December 31, 2010

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow		
Operating income									
Revenue	-	-	-	3,340.4	-	-	6.3	-	3,346.7
Raw materials and consumables used	-	-	-	-	(1,241.0)	-	0.6	61.8	(1,178.6)
External expenses	-	-	-	-	(849.5)	-	-	-	(849.5)
Other current revenue and expenses	-	-	-	29.6	(47.6)	-	0.4	2.5	(15.1)
Financial income (loss)									
Income from securities	-	2.7	-	-	-	-	-	-	2.7
Gross financial debt expense	-	-	(1.2)	-	(56.5)	(2.3)	-	-	(60.0)
Other financial revenue	0.1	-	(2.1)	4.8	154.5	7.2	-	47.6	212.1
Other financial expenses	(0.1)	-	(4.1)	(0.3)	(153.2)	(7.3)	(0.3)	(54.0)	(219.3)
Equity									
Recognition in equity	-	-	-	-	-	-	18.4	-	18.4
Reclassification in profit or loss	-	-	-	-	-	-	(5.9)	-	(5.9)
Total financial instruments	**0.0**	**2.7**	**(7.4)**	**3,374.5**	**(2,193.3)**	**(2.4)**	**19.5**	**-**	**-**
of which impairment losses in profit or loss	(0.1)	(0.1)	-	(18.7)	-	-	-	(8.0)	-
of which reversals of impairment losses in profit or loss	-	0.1	-	9.7	-	-	-	9.5	-

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

(€ millions)	Fair value				Cash flow		
	Change in fair value of hedged items	Effective portion of hedges	Ineffective portion of hedges	Total	Effective portion of hedges	Ineffective portion of hedges	Total
Operating income							
Revenue	-	-	-	-	6.3	-	6.3
Raw materials and consumables used	-	-	-	-	0.6	-	0.6
Other operational revenue and expenses	-	-	-	-	(0.7)	1.1	0.4
Financial income (loss)							
Gross financial debt expense	-	(2.3)	-	(2.3)	-	-	0.0
Other financial revenue	-	7.2	-	7.2	-	-	0.0
Other financial expenses	(7.3)	-	-	(7.3)	(0.3)	-	(0.3)
Profit or loss	**(7.3)**	**4.9**	**0.0**	**(2.4)**	**5.9**	**1.1**	**7.0**
Equity							
Recognition in equity	-	-	-	-	18.4	-	18.4
Reclassification in profit or loss	-	-	-	-	(5.9)	-	(5.9)
Total financial instruments	**-**	**-**	**-**	**(2.4)**	**-**	**-**	**19.5**

Note 12 Financial income (loss)

The tables hereafter disclose the financial income (loss) by categories of financial instruments. A description of the categories of financial instruments is provided in *Note 11*.

As of December 31, 2011

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

As of December 31, 2010

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Financial liabilities at amortized cost	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives			Fair value	Cash flow		
Net financial debt expense	**0.0**	**2.7**	**(1.2)**	**0.0**	**(56.5)**	**(2.3)**	**0.0**	**0.0**	**(57.3)**
Income from securities	-	2.7	-	-	-	-	-	-	2.7
Gross financial debt expense	-	-	(1.2)	-	(56.5)	(2.3)	-	-	(60.0)
Other financial revenue and expenses	**0.0**	**0.0**	**(6.2)**	**4.5**	**1.3**	**(0.1)**	**(0.3)**	**(6.4)**	**(7.2)**
Net exchange rate differences	-	-	-	-	6.0	-	(0.2)	(0.2)	5.6
Expense and revenue on derivative instruments	-	-	(6.2)	-	-	-	-	-	(6.2)
Expected return on assets of defined benefit plans	-	-	-	-	-	-	-	47.3	47.3
Unwinding of provisions of defined benefit plans	-	-	-	-	-	-	-	(50.1)	(50.1)
Unwinding of other provisions	-	-	-	-	-	-	-	(3.4)	(3.4)
Other financial revenue and expenses	-	-	-	4.5	(4.7)	(0.1)	(0.1)	-	(0.4)
Financial income (loss)	**0.0**	**2.7**	**(7.4)**	**4.5**	**(55.2)**	**(2.4)**	**(0.3)**	**(6.4)**	**(64.5)**
Revenue	0.1	2.7	(2.1)	4.8	154.5	7.2	-	47.6	214.8
Expenses	(0.1)	-	(5.3)	(0.3)	(209.7)	(9.6)	(0.3)	(54.0)	(279.3)

Note 13 Income taxes

Tax consolidation scope

Imerys SA and the majority of its French entities are included in a tax consolidation system that notably enables the Group to offset within the consolidated group potential profits and losses. In 2011, three entities entered and two left the French tax consolidation scope. The tax consolidation scope includes twenty-nine entities as of December 31, 2011. Tax consolidations also exist in other countries, mainly in the United States, in the United Kingdom, in Spain, in Germany and in Italy.

Income taxes recognized in net income

(€ millions)	2011	2010
Payable and deferred income taxes		
Income taxes payable	**(102.6)**	**(74.7)**
Income taxes payable for the period	(96.0)	(77.7)
Income taxes payable - Prior period adjustments	(6.6)	3.0
Deferred taxes	**(18.6)**	**(23.4)**
Deferred taxes due to changes in temporary differences (1)	(18.4)	(23.0)
Deferred taxes due to changes in income tax rates	(0.2)	(0.4)
Total	**(121.2)**	**(98.1)**
Income taxes by level of income		
Income taxes on current operating and financial income (loss)	**(123.2)**	**(100.4)**
Current operating and financial income (loss) taxes payable	(105.0)	(83.4)
Current operating and financial income (loss) deferred taxes (1)	(18.2)	(17.0)
Income taxes on other operating revenue and expenses	**2.0**	**2.3**
Income taxes payable on other operating revenue and expenses	2.4	8.7
Deferred taxes on other operating revenue and expenses (1)	(0.4)	(6.4)
Total	**(121.2)**	**(98.1)**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Income taxes recognized in equity

(€ millions)	2011	2010
Actuarial differences and limitations of post-employment employee benefits (1)	**12.4**	**3.9**
Cash flow hedges	**8.0**	**0.2**
Income taxes recognized in equity	4.2	0.2
Income taxes reclassified in profit or loss	3.8	-
Translation reserve	**13.6**	**(7.8)**
Income taxes recognized in equity	13.5	(11.3)
Income taxes reclassified in profit or loss	0.1	3.5
Total	**34.0**	**(3.7)**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Income taxes paid

The amount of income taxes paid in 2011 amounts to €122.5 million (€73.9 million in 2010).

Tax reconciliation excluding non-recurring items

	2011	2010
Legal tax rate in France [(1)]	**36.1%**	**34.4%**
Impact of national rate differences	(8.0)%	(5.7)%
Impact of permanent differences and tax incentives	(2.5)%	0.1%
Impact of unrecognized tax losses utilized	(1.0)%	(2.2)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.7%	1.0%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	2.4%	1.4%
Effective tax rate on current operating and financial income (loss) [(2)]	**28.7%**	**29.0%**

(1) Including social contribution and temporary additional contribution of 5.0% (rectificative law of finance for 2011).

(2) 28.7% = €123.2 million (income taxes on current operating income) / [€487.0 million (current operating income) - €57.2 million (financial income (loss))].

Tax reconciliation including non-recurring items

	2011	2010
Legal tax rate in France [(1)]	**36.1%**	**34.4%**
Impact of national rate differences	(8.0)%	(4.5)%
Impact of permanent differences and tax incentives	(2.4)%	(2.7)%
Impact of unrecognized tax losses utilized	(1.1)%	(2.4)%
Other income taxes at different rates and bases and impact of rate changes on deferred taxes	1.9%	1.0%
Other (tax credits, tax losses created and unrecognized, tax reassessments and tax provisions, prior period adjustments)	3.3%	2.5%
Effective tax rate on operating and financial income (loss)	**29.8%**	**28.3%**

(1) Including social contribution and temporary additional contribution of 5.0% (rectificative law of finance for 2011).

Note 14 Net income, Group share

(€ millions)	2011	2010
Current operating income [(1)]	487.0	421.5
Financial income (loss)	(57.2)	(64.5)
Non-recurring foreign exchange gain related to a financial restructuring [(2)]	-	(10.2)
Income taxes on current operating income [(1)]	(123.2)	(100.4)
Non-controlling interests	(3.5)	(4.4)
Net income from current operations, Group share	**303.1**	**242.0**
Other operating revenue and expenses - gross [(1)]	(23.1)	(10.8)
Non-recurring foreign exchange gain related to a financial restructuring [(2)]	-	10.2
Income taxes [(1)]	2.0	2.3
Net income, Group share	**282.0**	**243.7**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

(2) This foreign exchange gain, realized in the 1st half of 2010 as a consequence of a reorganization of financings of businesses in US Dollar, is included in "Other financial revenue" in the income statement. In the financial communication indicator "Net income from current operations, Group share", it is reclassified in "Other net operating revenue and expenses, Group share" so as to stress its non-recurring and significant character.

Note 15 Earnings per share

(€ millions)	2011	2010
Numerator		
Net income, Group share [(1)]	282.0	243.7
Net income from current operations, Group share [(1)]	303.1	242.0
Denominator		
Weighted average number of shares used for the calculation of the basic income per share	75,272,854	75,400,253
Impact of share option conversion	722,239	267,037
Weighted average number of shares used for the calculation of the diluted income per share	75,995,093	75,667,290
Basic income per share, Group share *(in €)*		
Basic net income per share	3.75	3.23
Basic net income from current operations per share	4.03	3.21
Diluted income per share, Group share *(in €)*		
Diluted net income per share	3.71	3.22
Diluted net income from current operations per share	3.99	3.20

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

The number of potential ordinary shares taken into account in the calculation of the diluted earnings per share excludes the share options out of the money, i.e. those whose exercise price increased by the fair value of services to be rendered is superior to the period average market price of the Imerys share (€45.51 in 2011). Potentially dilutive options of the plans of May 2005 to April 2008 as well as those of April 2010 to April 2011 *(Note 8)* are thus excluded from the calculation of the diluted earnings per share as of December 31, 2011. No significant transaction has changed the number of ordinary shares and potential ordinary shares between December 31, 2011 and February 15, 2012, date of authorization of issue of the financial statements by the Board of Directors.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 16 Goodwill

Table of changes

The goodwill recognized upon acquisitions mainly represents development prospects of the acquired businesses within Imerys.

(€ millions)	2011	2010
Opening carrying amount	**950.4**	**897.5**
Gross amount	956.3	902.4
Impairment losses	(5.9)	(4.9)
Incoming entities	75.1	6.7
Outgoing entities	(1.6)	-
Impairment losses (1)	(0.7)	(1.0)
Exchange rate differences	(3.5)	47.3
Closing carrying amount	**1,019.7**	**950.4**
Gross amount	1,021.0	956.3
Impairment losses	(1.3)	(5.9)

(1) Impairment losses on goodwill are disclosed in Note 19.

The "Incoming entities" row of the above table is analyzed as follows:

(€ millions)	2011	2010
Changes related to control obtained over the period	75.5	3.1
Changes related to control obtained over prior periods	(0.4)	3.6
Incoming entities	**75.1**	**6.7**

As of December 31, 2011, the rows "Acquisitions of investments in consolidated entities" or the consolidated statement of cash flows is analyzed as follows:

(€ millions)	2011	2010
Cash paid	**(253.0)**	**(70.9)**
Cost of investments acquired	(247.3)	(67.0)
Payables on acquisitions of investments	(5.7)	(3.9)
Cash from acquired entities	**12.5**	**1.7**
Total	**(240.5)**	**(69.2)**
Acquisitions of investments in consolidated entities after deduction of cash acquired	(239.2)	(62.0)
Acquisitions of investments in consolidated entities from non-controlling interests	(1.3)	(7.2)
Incoming entities of the period - Cash paid	(250.0)	(60.5)
Incoming entities of the period - Cash from acquired entities	12.8	1.4
Incoming entities of the period - Payables on acquisitions of investments	-	0.3
Incoming entities of prior periods	(3.1)	(10.8)
Purchase price adjustments	(0.2)	(0.2)
Acquisition costs	-	0.6

5

Purchase accounting finalized in 2011

Pará Pigmentos SA (PPSA). On July 26, 2010, Imerys acquired 86.16% of the voting rights of the Brazilian group Pará Pigmentos SA (PPSA) and the remainder i.e. 13.84%, on December 31, 2010. The acquisition, paid in cash, is recognized as a single transaction. PPSA produces kaolin for the paper market. After fair value measurement of mineral reserves (revaluation of €69.1 million), property, plant and equipment (revaluation of €11.7 million) and main provisions (increase of €23.7 million), the final excess of the fair value of the assets and liabilities over the acquisition cost amounts to €51.9 million, i.e. a change of €9.1 million from the provisional measurement in 2010. This adjustment being immaterial, it is credited to other operating revenue and expenses *(Note 10)*, without restatement of comparative information.

Others. Aside from the significant acquisition of the Pigments for Paper & Packaging business group, the three other business groups performed some acquisitions, whose total amount of €6.8 million results in a final goodwill of €2.7 million.

The fair values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting has been finalized in 2011 present the following amounts:

(€ millions)	PPSA	Others	Total
Consideration transferred by the Group	**54.2**	**6.8**	**61.0**
Interest held before control was obtained	-	-	0.0
Cash remitted to the seller when control was obtained	54.2	6.8	61.0
Investment of non-controlling interests	**0.0**	**0.0**	**0.0**
Shareholders' investment	**54.2**	**6.8**	**61.0**
Assets - non-current	**138.8**	**2.4**	**141.2**
Intangible assets	-	0.4	0.4
Property, plant and equipment	118.2	2.4	120.6
Other receivables	12.1	-	12.1
Deferred tax assets	8.5	(0.4)	8.1
Assets - current	**35.5**	**3.1**	**38.6**
Inventories	18.0	0.4	18.4
Trade receivables	9.4	0.6	10.0
Other receivables	8.1	0.1	8.2
Marketable securities and other financial assets	-	0.2	0.2
Cash and cash equivalents	-	1.8	1.8
Liabilities - non-current	**(52.7)**	**(0.7)**	**(53.4)**
Provisions for employee benefits	(0.1)	(0.1)	(0.2)
Other provisions	(27.9)	(0.6)	(28.5)
Deferred tax liabilities	(24.7)	-	(24.7)
Liabilities - current	**(15.5)**	**(0.7)**	**(16.2)**
Trade payables	(7.3)	(0.2)	(7.5)
Income taxes payable	(2.5)	(0.1)	(2.6)
Other debts	(5.5)	(0.4)	(5.9)
Bank overdrafts	(0.2)	-	(0.2)
Identifiable net asset	**106.1**	**4.1**	**110.2**
Goodwill	**(51.9)**	**2.7**	**(49.2)**
Profits resulting from bargain purchases	(51.9)	-	(51.9)
Goodwill, Group share	-	2.7	2.7

Provisional purchase accounting as of December 31, 2011

Luzenac. On August 1, 2011, Imerys acquired 100.00% of the group Luzenac, world leader in talc processing, whose main technical applications are polymers, paints, ceramics and paper. This acquisition was paid in cash to the Rio Tinto group for an amount of €220.0 million. After fair value measurement of mineral reserves, property, plant and equipment and main provisions, the provisional goodwill amounts to €74.3 million. Since its acquisition, the Luzenac group has generated €119.0 million of revenue and €39.0 million of net income (€7.3 million after elimination of inter-segment transactions). If the acquisition had been performed as of January 1, 2011, revenue would have amounted to €265.2 million and the net income to €48.7 million (€17.0 million after elimination of inter-segment transactions).

Others. Besides the Group has performed son minor acquisitions, whose total amount of €8.7 million results in a provisional goodwill of €1.2 million.

The fair values of assets, liabilities and contingent liabilities of the businesses whose purchase accounting is provisional as of December 31, 2011 present the following amounts:

(€ millions)	Luzenac	Others	Total
Consideration transferred by the Group	**220.0**	**8.7**	**228.7**
Interest held before control was obtained	-	-	0.0
Cash remitted to the seller when control was obtained	220.0	8.7	228.7
Investment of non-controlling interests	**2.7**	**0.0**	**2.7**
Shareholders' investment	**222.7**	**8.7**	**231.4**
Assets - non-current	**175.1**	**0.0**	**175.1**
Intangible assets	2.8	-	2.8
Property, plant and equipment	149.3	-	149.3
Other receivables	2.7	-	2.7
Deferred tax assets	20.3	-	20.3
Assets - current	**114.9**	**9.2**	**124.1**
Inventories	54.3	-	54.3
Trade receivables	47.8	0.1	47.9
Other receivables	8.5	-	8.5
Cash and cash equivalents	4.3	9.1	13.4
Liabilities - non-current	**(91.2)**	**(1.6)**	**(92.8)**
Provisions for employee benefits	(23.4)	-	(23.4)
Other provisions	(37.5)	-	(37.5)
Loans and financial debts	(0.3)	-	(0.3)
Other debts	(3.3)	-	(3.3)
Deferred tax liabilities	(26.7)	(1.6)	(28.3)
Liabilities - current	**(50.4)**	**(0.1)**	**(50.5)**
Other provisions	(0.5)	-	(0.5)
Trade payables	(21.3)	-	(21.3)
Income taxes payable	(3.5)	-	(3.5)
Other debts	(19.1)	(0.1)	(19.2)
Loans and financial debts	(5.5)	-	(5.5)
Bank overdrafts	(0.5)	-	(0.5)
Identifiable net asset	**148.4**	**7.5**	**155.9**
Goodwill	**74.3**	**1.2**	**75.5**
Goodwill, Group share	74.3	1.2	75.5

5

Note 17 Intangible assets

Estimates

As part of its ordinary activities, Imerys uses intangible assets whose consumption is represented by amortization. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives:

- software: 1 to 5 years;
- trademarks, patents and licenses: 5 to 40 years.

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of intangible assets related to mining activity such as mining rights, prepaid leases and certain use rights. Their amortization is thus estimated in units of production on the basis of actual extraction. The rights held to justify the greenhouse gases emissions of the Group are not amortizable.

Table of changes

(€ millions)	Software	Trademarks, patents and licenses	Mining and use rights	Other	Total
Carrying amount as of January 1, 2010	**8.2**	**2.4**	**18.3**	**14.9**	**43.8**
Gross amount	52.2	11.8	18.8	28.8	111.6
Amortization and impairment losses	(44.0)	(9.4)	(0.5)	(13.9)	(67.8)
Incoming entities	-	-	(3.5)	0.4	(3.1)
Acquisitions	0.7	3.4	0.4	1.9	6.4
Disposals	-	-	-	(0.2)	(0.2)
Increases in amortization	(5.0)	(0.6)	(0.2)	(1.6)	(7.4)
Impairment losses	-	-	-	(8.9)	(8.9)
Reclassification and other	0.9	(1.9)	1.2	1.2	1.4
Exchange rate differences	0.4	0.2	0.7	1.3	2.6
Carrying amount as of January 1, 2011	**5.2**	**3.5**	**16.9**	**9.0**	**34.6**
Gross amount	55.4	13.5	20.8	33.7	123.4
Amortization and impairment losses	(50.2)	(10.0)	(3.9)	(24.7)	(88.8)
Incoming entities	0.7	-	-	2.1	2.8
Acquisitions	1.6	0.4	0.1	5.6	7.7
Increases in amortization	(3.0)	(0.4)	(0.6)	(1.2)	(5.2)
Reclassification and other	0.4	0.3	(0.1)	(1.0)	(0.4)
Exchange rate differences	-	(0.1)	(1.9)	0.2	(1.8)
Carrying amount as of December 31, 2011	**4.9**	**3.7**	**14.4**	**14.7**	**37.7**
Gross amount	62.4	14.1	15.8	41.0	133.3
Amortization and impairment losses	(57.5)	(10.4)	(1.4)	(26.3)	(95.6)

Emission rights

Imerys is concerned, mainly for its production activity of roof tiles and bricks of the business group Materials & Monolithics, by the European directive no. 2003/87/CE dated October 13, 2003 which establishes within the Community a market for emission rights of greenhouse gases. In 2011, over the fourth period of the second phase of the European market (2008 - 2012), Imerys uses 62.2% of the greenhouse gas emission quotas granted to the sites concerned in Europe (61.8% in 2010). Since the actual emissions of the Group are inferior to the authorized level, no provision is recognized as of December 31, 2011.

Note 18 Property, plant and equipment

Estimates

As part of its ordinary activities, Imerys uses property, plant and equipment whose consumption is represented by depreciation. The Executive Management estimates that for most of these assets, the best estimate of this consumption is reflected by the straight-line mode over the following useful lives, reflecting where necessary, the useful lives of the components:

- office buildings: 10 to 50 years;
- industrial buildings: 10 to 30 years;
- improvements to office and industrial buildings: 5 to 15 years;
- machinery, tooling, facilities and equipment: 5 to 20 years;
- vehicles: 2 to 5 years.

However, the Executive Management considers that straight-line depreciation is inappropriate to reflect the consumption of property, plant and equipment related to mining activity such as mineral reserves and overburden assets, as well as certain industrial assets of discontinuous use. Their depreciation is thus estimated in units of production on the basis of actual extraction for mining assets or, for these industrial assets, of operational follow-up units such as production or operating hours. A mineral reserve is depreciated over a quantity equal to the geological inventory of the deposit decreased by discounts representative of the geological uncertainty inherent to resources. Overburden assets, that qualify as a component of the mineral reserve asset, are depreciated over the quantity of reserve they specifically give access to. Subsoil, i.e. the surface of land excluding mineral deposit, is not depreciated since it is not consumed by mining activity.

Table of changes

(€ millions)	Mining assets	Land and buildings	Plant and equipment	Down payments and assets under construction	Other	Total
Carrying amount as of January 1, 2010	**377.2**	**264.7**	**873.7**	**54.4**	**31.3**	**1,601.3**
Gross amount	544.9	456.2	2,670.5	55.5	167.8	3,894.9
Depreciation and impairment losses	(167.7)	(191.5)	(1,796.8)	(1.1)	(136.5)	(2,293.6)
Incoming entities	61.0	5.4	24.0	-	1.8	92.2
Acquisitions	25.2	4.3	38.4	62.7	12.4	143.0
Disposals	(0.1)	(2.5)	(4.9)	(0.2)	(0.6)	(8.3)
Increases in depreciation	(32.2)	(12.8)	(132.0)	-	(10.8)	(187.8)
Impairment losses	(0.1)	(1.3)	(2.1)	(0.2)	-	(3.7)
Reversals of impairment losses	-	0.2	3.4	-	-	3.6
Reclassification and other	(0.9)	7.4	34.7	(51.2)	2.3	(7.7)
Exchange rate differences	23.4	19.7	59.3	4.4	1.7	108.5
Carrying amount as of January 1, 2011	**453.5**	**285.1**	**894.5**	**69.9**	**38.1**	**1,741.1**
Gross amount	655.9	497.9	2,845.5	71.1	183.1	4,253.5
Depreciation and impairment losses	(202.4)	(212.8)	(1,951.0)	(1.2)	(145.0)	(2,512.4)
Incoming entities	42.5	25.2	96.6	3.4	10.2	177.9
Acquisitions	43.3	4.2	43.1	117.6	7.2	215.4
Disposals	(0.2)	(1.8)	(2.0)	(0.5)	(0.6)	(5.1)
Increases in depreciation	(36.4)	(14.4)	(135.3)	(0.7)	(11.2)	(198.0)
Impairment losses	-	-	(18.6)	-	-	(18.6)
Reclassification and other	2.5	0.4	48.2	(66.1)	(1.7)	(16.7)
Exchange rate differences	(2.3)	(2.8)	(7.1)	3.1	0.1	(9.0)
Carrying amount as of December 31, 2011	**502.9**	**295.9**	**919.4**	**126.7**	**42.1**	**1,887.0**
Gross amount	725.2	543.2	3,156.9	128.7	219.9	4,773.9
Depreciation and impairment losses	(222.3)	(247.3)	(2,237.5)	(2.0)	(177.8)	(2,886.9)

Finance leases

Property, plant and equipment controlled under finance lease are recognized as assets for an amount of €2.8 million as of December 31, 2011 (€3.3 million as of December 31, 2010). It essentially relates to freight material. Commitments for future finance lease rent payments amount to €2.7 million, of which €0.3 million for 2012, €1.4 million from 2013 to 2017 and €1.0 million beyond.

5

Note 19 Impairment tests

Judgments

Cash-Generating Units (CGUs). The definition of CGUs qualifies as a judgment of the Executive Management that meets, at the level of the smallest ensemble of assets possible, the three following criteria:

- a homogeneous production process in terms of portfolio of minerals, transformation processes and applications;
- an active market presenting homogeneous macroeconomic characteristics; and
- a level of operating power in terms of continuation, restructuring or discontinuation of mining, industrial and commercial activity.

The validation of these three criteria for each CGU guarantees the independence of their respective cash flows. CGUs directly result from the analysis structure followed each month by the Executive Management in its business reporting. All assets within the Group including mining assets and goodwill, are allocated to a CGU. The grouping of CGUs forms the reported segments of the *Information by Segments* except for the CGU Pigments for Paper & Packaging (PPP) that forms in itself a reported segment. In the following table, the carrying amount and the impairment loss of the goodwill is presented by CGU (PPP) or groups of CGUs (CRAF, PFM and M&M).

	2011		2010	
(€ millions)	**Carrying amount**	**Impairment loss of the period**	**Carrying amount**	**Impairment loss of the period**
Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF)	448.4	-	438.0	(1.0)
Performance & Filtration Minerals (PFM)	221.9	-	147.0	-
Pigments for Paper & Packaging (PPP)	161.5	-	164.9	-
Materials & Monolithics (M&M)	187.1	-	199.8	-
Goodwill of the CGUs	**1,018.9**	**0.0**	**949.7**	**(1.0)**
Holdings	0.8	(0.7)	0.7	-
Total	**1,019.7**	**(0.7)**	**950.4**	**(1.0)**

Impairment loss indicators. The trigger events of an impairment test qualify as judgments of the Executive Management. These are mainly significant changes in business, interest rates, technological level, obsolescence and level of performance of assets. The adverse evolution of one of these indices requires the immediate performance of an impairment test, either on a CGU, or on an individual asset.

Estimates

Recoverable amount. The recoverable amount of a CGU or individual asset is the higher between the fair value less costs to sell and the value in use. In practice, fair value is reliably determinable only for individual assets and then corresponds to prices of recent transactions on disposals of similar assets. The value in use qualifies as the most frequently used measurement basis for both CGUs and individual assets.

Forecasted cash flows. The forecasted cash flows used to estimate the value in use result from the 2012 budget extrapolated in a perpetual growth model. Future cash flows correspond to current free operating cash flow *(Reconciliation of the net financial debt / Current free operating cash flow)* adjusted by the position "Change in other items of working capital" *(Reconciliation of the net financial debt / Change in net financial debt).*

Discount rate. The discount rate used to calculate the value in use is determined from the weighted average cost of capital of groups comparable to Imerys present of the industrial minerals sector. This rate, of 8.00% in 2011 (8.00% in 2010), is adjusted in accordance with the tested assets by a country-market risk premium of - 50 to + 275 basis points (0 to + 150 basis points in 2010). The average discount rate after income taxes amounts to 8.38% in 2011 (8.28% in 2010). The calculations performed after income taxes are identical to those that would be performed with cash flows and rates before income taxes, as required by applicable texts.

In the following table, the weighted average discount and perpetual growth rates used in the calculation of the value in use are presented by CGU (PPP) or groups of CGUs (CRAF, PFM and M&M). The increase to 2.37% in 2011 of the perpetual growth rate assumption of the CRAF groups of CGUs (2.08% in 2010) is due to the presence of some of them on high growth emerging markets like China.

	2011		2010	
(€ millions)	**Discount rate**	**Perpetual growth rate**	**Discount rate**	**Perpetual growth rate**
Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF)	8.55%	2.37%	8.36%	2.08%
Performance & Filtration Minerals (PFM)	8.47%	2.00%	8.00%	2.00%
Pigments for Paper & Packaging (PPP)	8.50%	2.00%	8.50%	2.00%
Materials & Monolithics (M&M)	7.63%	2.00%	8.05%	2.00%
Total	**8.38%**	**2.07%**	**8.28%**	**2.03%**

Annual test of CGUs

The systematic performance of this annual test on each of the CGUs is mandatory as a consequence of the presence of goodwill in all CGUs. In 2011, this test requires the recognition of an impairment loss of goodwill of €0.7 million in the holdings. This impairment loss is recognized in "Other operating revenue and expenses" *(Note 10)*.

In 2010, this test had required the recognition of an impairment loss of goodwill of €1.0 million in the CGU Minerals for Ceramics of the business group Minerals for Ceramics, Refractories, Abrasives & Foundry.

Sensitivity of the annual test of CGUs to the changes in forecasted cash flows and discount rates.

Scope. Assets of the CGUs net of accumulated depreciation and impairment losses recognized up to December 31, 2011.

Variables. Decrease of 5.0% in forecasted cash flows, increase of 100 basis points in discount rates and decrease of 100 basis points in perpetual growth rates.

Results. A decrease of 5.0% in forecasted cash flows would require the recognition of an impairment loss of €9.3 million on the goodwill of CGU Fused Zirconia of the Minerals for Ceramics, Refractories, Abrasives & Foundry business group. An increase of 100 basis points in discount rates would require the recognition of an impairment loss of €22.7 million on the goodwill of the same CGU. A decrease of 100 basis points in perpetual growth rates would require the recognition of an impairment loss of €16.3 million on the goodwill of the same CGU.

Tests of individual assets

Impairment indicators may require the immediate performance of this test in case of an unfavorable evolution, in addition to the test carried out on CGUs. The resulting impairment losses recognized in 2011 amount to €18.6 million, of which €10.6 million on the business group Pigments for Paper & Packaging, €2.5 million on the business group Materials & Monolithics and €5.5 million on the business group Minerals for Ceramics, Refractories, Abrasives & Foundry. These impairment losses, recognized in "Other operating revenue and expenses" *(Note 10)*, have an impact on the industrial tool of the business groups. No impairment loss reversal is recognized in 2011. In 2010, the tests of individual assets had required the recognition of impairment losses for an amount of €12.6 million, of which €1.0 million in the holdings, €9.9 million on the business group Pigments for Paper, €1.0 million on the business group Materials & Monolithics and €0.7 million on the business group Minerals for Ceramics, Refractories, Abrasives & Foundry. The reversals of impairment losses recognized in 2010 amounted to €3.6 million. The impairment losses net of reversals thus resulted in an amount of - €9.0 million in "Other operating revenue and expenses".

Note 20 Joint ventures and associates

(€ millions)	2011	2010
Opening carrying amount	**54.4**	**50.0**
of which carrying amount of goodwill	3.9	7.1
Acquisitions	20.8	-
Disposals	(0.5)	-
Income	8.6	(3.1)
Dividends paid out	(2.2)	(2.3)
Other	1.3	9.8
Closing carrying amount	**82.4**	**54.4**
of which carrying amount of goodwill	5.0	3.9

The €20.8 million presented above in the line "Acquisitions" correspond to the inflow of the joint venture The Quartz Corporation. The table below presents the shares of Imerys in the voting rights, the equity and the net income of the main investments over which the Group exercises joint control (joint ventures) or significant influence (associates).

	2011			2010		
	Share of interest *(%)*	**Share in equity** *(€M)*	**Share in net income** *(€M)*	**Share of interest** *(%)*	**Share in equity** *(€M)*	**Share in net income** *(€M)*
Main joint ventures						
The Quartz Corporation	50.0%	25.5	4.3	-	-	-
Main associates						
MST Mineralien Schiffahrt	50.0%	32.8	4.4	50.0%	30.0	5.4
Calderys Iberica Refractarios	49.9%	6.5	0.7	49.9%	6.1	0.5
Other equity investments						
Other joint ventures and associates	-	17.6	(0.8)	-	18.3	(9.0)
Total	**-**	**82.4**	**8.6**	**-**	**54.4**	**(3.1)**

The table below presents the key figures of the main investments over which the Group exercises joint control (joint ventures) or significant influence (associates). These data are closed as of December 31, except for those of MST Mineralien Schiffahrt, that stem from the most recent financial statements to which the Group has access, i.e. those of the September 30, annual closing. No significant even has occurred between September 30, and December 31, 2011.

	2011		2010	
(€ millions)	**Assets**	**Revenue**	**Assets**	**Revenue**
Main joint ventures				
The Quartz Corporation	72.1	57.5	-	-
Main associates				
MST Mineralien Schiffahrt	182.1	101.2	143.2	95.7
Calderys Iberica Refractarios	16.3	20.2	16.5	20.8

Note 21 Inventories

	2011			2010		
(€ millions)	Gross amount	Write-down	Carrying amount	Gross amount	Write-down	Carrying amount
Raw materials	287.5	(15.7)	271.8	223.0	(10.8)	212.2
Work in progress	64.9	(0.5)	64.4	59.8	(0.3)	59.5
Finished goods	278.2	(13.5)	264.7	246.8	(9.3)	237.5
Merchandises	46.8	(1.8)	45.0	37.4	(1.5)	35.9
Total	**677.4**	**(31.5)**	**645.9**	**567.0**	**(21.9)**	**545.1**

Note 22 Financial assets

22.1 Categories of financial assets

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated assets. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. These carrying amounts are representative of fair value.

As of December 31, 2011

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

As of December 31, 2010

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives		Fair value	Cash flow		
Non-current assets								
Available-for-sale financial assets	7.4	-	-	-	-	-	-	7.4
Other financial assets [(1)]	-	-	-	6.5	-	-	14.6	21.1
Other receivables	-	-	-	42.0	-	-	3.0	45.0
Derivative financial assets	-	-	-	-	24.8	-	-	24.8
Current assets								
Trade receivables	-	-	-	446.5	-	-	-	446.5
Other receivables	-	-	-	93.3	-	-	34.7	128.0
Derivative financial assets	-	-	-	-	-	12.2	-	12.2
Marketable securities and other financial assets	-	6.0	-	-	-	-	-	6.0
Cash and cash equivalents	-	-	-	352.1	-	-	-	352.1
Total financial assets	**7.4**	**6.0**	**0.0**	**940.4**	**24.8**	**12.2**	**-**	**-**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

As of January 1, 2010

(€ millions)	Available-for-sale financial assets	Fair value through profit or loss		Loans and receivables	Hedge derivatives		Non IAS 39	Total
		Non derivative	Non hedge derivatives		Fair value	Cash flow		
Non-current assets								
Available-for-sale financial assets	7.5	-	-	-	-	-	-	7.5
Other financial assets [(1)]	-	-	-	6.4	-	-	9.7	16.1
Other receivables	-	-	-	43.5	-	-	0.2	43.7
Derivative financial assets	-	-	-	-	17.6	-	-	17.6
Current assets								
Trade receivables	-	-	-	364.4	-	-	-	364.4
Other receivables	-	-	-	69.2	-	-	41.5	110.7
Derivative financial assets	-	-	2.1	-	-	2.9	-	5.0
Marketable securities and other financial assets	-	5.6	-	-	-	-	-	5.6
Cash and cash equivalents	-	-	-	264.6	-	-	-	264.6
Total financial assets	**7.5**	**5.6**	**2.1**	**748.1**	**17.6**	**2.9**	**-**	**-**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

22.2 Available-for-sale financial assets

(€ millions)	2011	2010
Opening balance	**7.4**	**7.5**
Changes in the scope of consolidation	(0.1)	(0.1)
Disposals	(2.1)	-
Exchange rate differences	(0.4)	-
Closing balance	**4.8**	**7.4**

22.3 Receivables and other financial assets

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Carrying amount as of January 1, 2010	**23.2**	**43.7**	**364.4**	**110.7**	**542.0**
Gross amount	25.4	76.0	402.2	120.8	624.4
Write-down	(2.2)	(32.3)	(37.8)	(10.1)	(82.4)
Change in accounting method (1)	(7.1)	-	-	-	(7.1)
Changes in the scope of consolidation	-	1.0	10.7	9.0	20.7
Net change (1)	(3.3)	2.4	39.1	33.9	72.1
Write-down	(0.2)	(9.3)	8.3	(21.0)	(22.2)
Other (1)	7.5	2.7	-	(13.1)	(2.9)
Exchange rate differences (1)	0.9	4.5	24.0	8.5	37.9
Carrying amount as of January 1, 2011	**21.0**	**45.0**	**446.5**	**128.0**	**640.5**
Gross amount	23.4	114.5	473.9	152.9	764.7
Write-down	(2.4)	(69.5)	(27.4)	(24.9)	(124.2)
Changes in the scope of consolidation	-	13.8	45.5	7.8	67.1
Net change	0.1	17.3	30.3	18.9	66.6
Write-down	(0.2)	2.5	(0.8)	(7.7)	(6.2)
Other	(1.7)	1.1	2.0	(5.5)	(4.1)
Exchange rate differences	(0.7)	(5.1)	3.4	(0.5)	(2.9)
Carrying amount as of December 31, 2011	**18.5**	**74.6**	**526.9**	**141.0**	**761.0**
Gross amount	21.1	135.9	557.4	143.3	857.7
Write-down	(2.6)	(61.3)	(30.5)	(2.3)	(96.7)

(1) Voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Other non-current financial assets correspond to loans and deposits for €8.0 million as of December 31, 2011 (€6.5 million as of December 31, 2010) and to assets related to employee benefits for €10.5 million as of December 31, 2011 (€14.5 million as of December 31, 2010) *(Note 24.1)*. The greater part of other non-current receivables and related write-down corresponds to tax receivables other than income taxes in Brazil. Other current receivables also mainly correspond to tax receivables other than income taxes.

In addition, the Group has set up in September 2009 a factoring contract without recourse for an unlimited duration. Since the object of this contract is to transfer the trade receivables of certain customers to the factor as well as the entire related risks and rewards, including the risks of default and late payment, these receivables are derecognized. As of December 31, 2011, they represent an amount of €73.9 million (€71.0 million as of December 31, 2010).

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22.4 Management of risks arising from financial assets

Credit risk

Description of the risk. The credit risk is the risk that a debtor of Imerys does not reimburse his debt at the due date. This risk mainly has an impact on the category of loans and receivables.

Management of the risk. The credit risk is followed at the level of each entity. This follow up mainly bases on the analysis of past due receivables and can be extended to a more detailed solvency investigation. The Group entities may hedge the credit risk through credit insurance contracts or warranties *(Note 30)*. At the closing date, loans and receivables are reduced to their recoverable amount by an individual write-down. As of December 31, 2011, loans and receivables are written-down by €96.7 million (€124.2 million as of December 31, 2010). The maximum exposure of Imerys to credit risk before credit insurance and warranties, i.e. the carrying amount of its receivables, thus amounts to €761.0 million (€640.5 million as of December 31, 2010).

The table hereafter presents the change in write-down of loans and receivables:

(€ millions)	Other non-current financial assets	Other non-current receivables	Trade receivables	Other current receivables	Total
Balance as of January 1, 2010	**(2.2)**	**(32.3)**	**(37.8)**	**(10.1)**	**(82.4)**
Changes in the scope of consolidation	-	(23.0)	-	-	(23.0)
Increases	(0.3)	(11.4)	(1.3)	(20.9)	(33.9)
Utilizations	0.1	2.1	9.6	0.1	11.9
Other	-	-	4.4	7.6	12.0
Exchange rate differences	-	(4.9)	(2.3)	(1.6)	(8.8)
Balance as of January 1, 2011	**(2.4)**	**(69.5)**	**(27.4)**	**(24.9)**	**(124.2)**
Changes in the scope of consolidation	-	-	(1.7)	0.8	(0.9)
Increases	(0.3)	(0.8)	(6.1)	(9.9)	(17.1)
Utilizations	0.1	3.3	5.2	2.3	10.9
Other	-	0.3	(0.3)	28.6	28.6
Exchange rate differences	-	5.4	(0.2)	0.8	6.0
Balance as of December 31, 2011	**(2.6)**	**(61.3)**	**(30.5)**	**(2.3)**	**(96.7)**

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)	2011	2010
Past due trade receivables that are not impaired	**74.8**	**73.6**
Since less than 30 days	51.7	42.5
Since 30 to 89 days	14.4	14.1
Since 90 days and more	8.7	17.0
Undue trade receivables and past-due and impaired trade receivables	**452.1**	**372.9**
Total	**526.9**	**446.5**

Transactional currency risk

Description of the risk. The transactional currency risk is the risk whereby a cash flow labeled in foreign currency may be subject to a deterioration caused by an unfavorable change in its counterpart in functional currency. In the assets, the transactional currency risk has an impact mainly on trade receivables.

Management of the risk. In the assets, the transactional currency risk is managed in accordance with the same principles as the transactional currency risk related to financial liabilities *(Note 25.5 - Transactional currency risk)*.

Note 23 Capital

Capital management principles

The management of capital presents three main fields: consolidated equity, share-based payments and share repurchases. The management of consolidated equity pursues the objective to maintain a stable financial structure so as to generate dividends for shareholders through a regular and steady growth of results. The share options and free shares granted to certain key employees aim at promoting their loyalty to reach this objective *(Note 8)*. The objective of share repurchases is to foster the liquidity of transactions and regularity of quotation of the Imerys share, to make certain share-based payments and to perform the cancellations necessary to offset the dilution impact on the shareholders of share options and free shares grants.

Consolidated equity corresponds to the capital and premiums of Imerys SA and consolidated income and reserves. There are no hybrid instruments combining the characteristics of liabilities and equity instruments. As of December 31, 2011:

- consolidated equity amounts to €2,210.9 million (€2,131.8 million as of December 31, 2010) on the basis of which the Board of Directors proposes a dividend per share of €1.50 (€1.20 in 2010);
- 4,202,766 share options, of which 4,108,170 attributed after November 7, 2002 and included in this respect in the scope of standard IFRS 2 on share-based payments *(Note 8)* and 498,217 free shares representing 5.89% of the capital of Imerys SA after dilution are attributed and not exercised or acquired (5.81% of the capital after dilution as of December 31, 2010);
- Imerys SA holds, at the end of the purchase, sale, cancellation and transfer transactions of the period 57,442 Imerys shares (136,373 as of December 31, 2010).

The capital of Imerys SA is subject to several mandatory requirements of the French Code of Commerce. These requirements do not have any significant impact on the financial statements. However their compliance is subject to specific verifications whose conclusions are disclosed in the Statutory Auditors' Report. Furthermore, part of the Group's financing is ensured through liabilities instruments whose external issuers impose the compliance to ratios, some of which using the amount of consolidated equity. These ratios as well as their amounts at the closing date are presented in *Note 25.5 - Borrower's liquidity risk*.

Period activity

	2011			2010		
(€ millions)	Issued shares	Treasury shares	Outstanding shares	Issued shares	Treasury shares	Outstanding shares
Number of shares at the opening	**75,474,155**	**(136,373)**	**75,337,782**	**75,389,496**	**(250)**	**75,389,246**
Capital increases	201,172	-	201,172	256,286	-	256,286
Capital decreases	(532,811)	-	(532,811)	(171,627)	-	(171,627)
Transactions on treasury shares	-	78,931	78,931	-	(136,123)	(136,123)
Number of shares at the closing	**75,142,516**	**(57,442)**	**75,085,074**	**75,474,155**	**(136,373)**	**75,337,782**

The main causes of changes in capital in 2011 are as follows:

- on December 14, 2011, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2010 and April 28, 2011, cancelled 532,811 treasury shares directly acquired on the market and totally allocated to the cancellation objective. This cancellation of treasury shares lead to a capital decrease of a nominal amount of €1,065,622.
- on January 10, 2012, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 14, 2011, noted that, on December 31, 2011, the share capital had been increased by a nominal amount of €402,344 as a result of the exercise during the 2011 period of 201,172 share options and of the creation of the same number of new Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as on December 31, 2011 totaled €150,285,032; it was made up of 75,142,516 shares with €2 par value of which 23,641,102 enjoyed double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 98,783,618. Share capital did not change and the number of voting rights did not change significantly between December 31, 2011 and the date of the present Registration Document. No directly registered shares have been pledged by Imerys SA.

Note 24 Provisions

24.1 Provisions for employee benefits

(€ millions)	2011	2010	01/01/2010
Retirement plans [(1)]	200.0	148.6	143.9
Medical plans [(1)]	20.2	11.0	11.0
Other long-term benefits	7.8	7.3	6.0
Termination benefits	3.3	3.0	8.4
Total	**231.3**	**169.9**	**169.3**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Description of the main defined benefit plans

United Kingdom. 63.2% of the obligations as of December 31, 2011 (66.0% as of December 31, 2010). The main plan – Imerys Minerals Limited Pension Scheme – is closed to the employees hired after January 1, 2005. Employees hired before that date may continue to acquire rights by year of service to the extent of 1/80 of the average of the 3 last annual salaries. Employees hired after January 1, 2005 benefit from a defined contributions plan.

United States. 22.9% of the obligations as of December 31, 2011 (20.7% as of December 31, 2010). Most of the employees may take part to a defined benefit plan whose specificities are defined by category of employees and by activity. A significant part of the defined benefits retirement plans has been closed to the employees hired after January 1, 2010. Besides, the majority of the employees may take part to a 401(k) defined contributions plan.

Euro Zone. 9.5% of the obligations as of December 31, 2011 (9.0% as of December 31, 2010), of which 42.7% in France, 29.3% in Germany and 19.8% in Austria (respectively 46.9%, 32.0% and 13.1% as of December 31, 2010). The defined benefit plans mainly correspond for one part to the retirement indemnities provided by the collective labor agreements and for the other to supplementary retirement plans, of which the French plan for key management personnel *(Note 29)*.

Estimates

The actuarial assumptions used to measure defined benefit plans (retirement plans, medical plans and other long-term benefits) qualify as estimates of the Executive Management. On the major monetary zones, the assumptions hereafter are weighted by the amounts of obligations or assets, depending upon the item to which they apply. The discount rate of the Euro zone is a unique rate, applicable to the obligations of all countries of the zone.

	2011			2010			01/01/2010		
	United Kingdom	United States	Euro zone	United Kingdom	United States	Euro zone	United Kingdom	United States	Euro zone
Discount rates	4.8%	4.5%	4.4%	5.5%	5.5%	4.2%	5.7%	5.7%	4.6%
Expected rates of return:									
▮ on plan assets	5.5%	7.9%	3.8%	6.1%	8.0%	3.7%	6.0%	8.0%	3.6%
▮ on reimbursement rights	-	-	3.9%	-	-	4.4%	-	-	3.9%
Expected rates of salary increases	2.6%	1.9%	2.7%	3.7%	2.1%	2.9%	3.6%	4.1%	2.7%
Medical cost trend rates	-	8.1%	3.5%	-	8.0%	-	-	8.2%	-

Sensitivity of the total of current service cost and interest cost on the one hand and the obligation on the other hand to a change in discount rate on the plans in Pound Sterling.

Scope. Entirety of plans in Pound Sterling, i.e. 63.2% of the Group's obligations at the closing date.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Decrease of €0.9 million (respectively decrease of €2.0 million) of the total of current service cost and interest cost and decrease of €45.9 million (respectively increase of €51.3 million) on the obligation of the plans in Pound Sterling. The counterintuitive character of the results obtained on the sensitivity of current service cost and interest cost (decrease of the result irrespective of the adjustment of the variable) is explained by the opposite changes in the two aggregates over the maturity of the plans.

Sensitivity of the total of current service cost and interest cost on the one hand and the obligation on the other hand to a change in discount rate on the plans in US Dollar.

Scope. Entirety of plans in US Dollar, i.e. 22.9% of the Group's obligations at the closing date.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Increase of €1.7 million (respectively increase of €1.1 million) of the total of current service cost and interest cost and decrease of €14.7 million (respectively increase of €16.2 million) on the obligation of the plans in US Dollar. The counterintuitive character of the results obtained on the sensitivity of current service cost and interest cost (increase of the result irrespective of the adjustment of the variable) is explained by the opposite changes in the two aggregates over the maturity of the plans.

Sensitivity of the total of current service cost and interest cost on the one hand and the obligation on the other hand to a change in discount rate on the plans in Euro.

Scope. Entirety of plans in Euro, i.e. 9.5% of the Group's obligations at the closing date.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) in the discount rate.

Results. Increase of €0.5 million (respectively increase of €0.5 million) of the total of current service cost and interest cost and decrease of €5.0 million (respectively increase of €5.4 million) on the obligation of the plans in Euro. The counterintuitive character of the results obtained on the sensitivity of current service cost and interest cost (increase of the result irrespective of the adjustment of the variable) is explained by the opposite changes in the two aggregates over the maturity of the plans.

Sensitivity of the total of current service cost and interest cost on the one hand and the obligation of medical defined benefit plans on the other hand to the change in the medical cost trend rates.

Scope. Entirety of medical defined benefit plans, i.e. 1.8% of the Group's obligations at the closing date.

Variables. Increase of 100 basis points (respectively decrease of 100 basis points) in the medical cost trend rates.

Results. Increase of €0.2 million (respectively decrease of €0.1 million) of the total of current service cost and interest cost and increase of €1.5 million (respectively decrease of €1.3 million) on the obligation of medical defined benefit plans.

Tables of changes

The effective return on plan assets (respectively on reimbursement rights) amounts to €42.7 million (respectively to - €0.1 million) as of December 31, 2011 and €76.1 million (respectively to €0.7 million) as of December 31, 2010. The amount recognized in profit or loss corresponds to the expected return, as disclosed in the tables hereafter. The difference between expected and effective return contributes to the assets' actuarial gains and losses recognized in equity. The employer contributions are estimated at €28.7 million for 2012.

As of December 31, 2011

			Unrecognized items			
(€ millions)	Obligations	Assets	Actuarial gains and (losses)	Past services	Assets limitation	Asset (provision)
Balances as of January 1, 2011	**(985.2)**	**827.8**	**0.0**	**(5.5)**	**0.5**	**(152.4)**
Plan assets	-	-	-	-	-	7.9
Reimbursement rights	-	-	-	-	-	6.6
Provisions	-	-	-	-	-	(166.9)
Unwinding	(50.6)	-	-	-	-	(50.6)
Current service cost	(14.0)	-	-	-	-	(14.0)
Expected return on plan assets	-	50.4	-	-	-	50.4
Expected return on reimbursement rights	-	0.3	-	-	-	0.3
Plan amendments	(0.3)	-	-	1.9	-	(2.2)
Actuarial gains and (losses) of other employee benefits	0.7	-	-	-	-	0.7
Changes recognized in profit or loss	**-**	**-**	**-**	**-**	**-**	**(15.4)**
Actuarial gains and (losses) of post-employment benefits	(42.2)	(8.1)	-	-	-	(50.3)
Assets limitation	-	-	-	-	0.1	(0.1)
Changes recognized in equity	**-**	**-**	**-**	**-**	**-**	**(50.4)**
Incoming entities	(37.7)	15.7	-	-	-	(22.0)
Benefit payments	57.5	(51.8)	-	-	-	5.7
Employer contributions	-	24.8	-	-	-	24.8
Employee contributions	(1.3)	1.3	-	-	-	0.0
Reclassification	-	(2.0)	-	-	-	(2.0)
Exchange rate differences	(30.4)	24.9	-	0.1	0.2	(5.8)
Balances as of December 31, 2011	**(1,103.5)**	**883.3**	**0.0**	**(3.5)**	**0.8**	**(217.5)**
Plan assets	-	-	-	-	-	3.9
Reimbursement rights	-	-	-	-	-	6.6
Provisions	-	-	-	-	-	(228.0)

The line "Changes recognized in profit or loss" of the above table is analyzed as follows:

	Asset (provision)
Current operating income	**(15.5)**
Net change in the provisions of defined benefit plans	14.7
Contributions to defined benefit plans	(30.2)
Other operating revenue and expenses	**0.0**
Net change in the provisions of defined benefit plans	0.3
Contributions to defined benefit plans	(0.3)
Financial income (loss)	**0.1**
Expected return on assets of defined benefit plans	50.7
Unwinding of provisions of defined benefit plans	(50.6)
Changes recognized in profit or loss	**(15.4)**

As of December 31, 2010

(€ millions)	Obligations	Assets	Unrecognized items: Actuarial gains and (losses)	Unrecognized items: Past services	Unrecognized items: Assets limitation	Asset (provision)
Balances as of January 1, 2010	**(888.7)**	**733.0**	**(72.5)**	**(6.5)**	**2.0**	**(78.7)**
Plan assets	-	-	-	-	-	10.9
Reimbursement rights	-	-	-	-	-	5.9
Provisions	-	-	-	-	-	(95.5)
Change in accounting method [(1)]	-	-	72.5	-	-	(72.5)
Balances as of January 1, 2010 after change in accounting method	**(888.7)**	**733.0**	**0.0**	**(6.5)**	**2.0**	**(151.2)**
Plan assets	-	-	-	-	-	3.8
Reimbursement rights	-	-	-	-	-	5.9
Provisions	-	-	-	-	-	(160.9)
Unwinding	(50.1)	-	-	-	-	(50.1)
Current service cost	(11.1)	-	-	-	-	(11.1)
Expected return on plan assets	-	47.1	-	-	-	47.1
Expected return on reimbursement rights	-	0.2	-	-	-	0.2
Plan amendments	(1.4)	-	-	0.9	-	(2.3)
Curtailments	0.5	-	-	0.1	-	0.4
Settlements	0.6	(1.0)	-	-	-	(0.4)
Actuarial gains and (losses) of other employee benefits	(0.9)	-	-	-	-	(0.9)
Changes recognized in profit or loss	**-**	**-**	**-**	**-**	**-**	**(17.1)**
Actuarial gains and (losses) of post-employment benefits	(46.3)	29.5	-	-	-	(16.8)
Assets limitation	-	-	-	-	(1.6)	1.6
Changes recognized in equity	**-**	**-**	**-**	**-**	**-**	**(15.2)**
Incoming entities	(0.3)	0.2	-	-	-	(0.1)
Benefit payments	53.0	(46.9)	-	-	-	6.1
Employer contributions	-	32.0	-	-	-	32.0
Employee contributions	(1.8)	1.8	-	-	-	0.0
Exchange rate differences	(38.7)	31.9	-	-	0.1	(6.9)
Balances as of December 31, 2010 after change in accounting method	**(985.2)**	**827.8**	**0.0**	**(5.5)**	**0.5**	**(152.4)**
Plan assets	-	-	-	-	-	7.9
Reimbursement rights	-	-	-	-	-	6.6
Provisions	-	-	-	-	-	(166.9)

(1) Voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

The line "Changes recognized in profit or loss" of the above table is analyzed as follows:

	Asset (provision)
Current operating income	**(14.2)**
Net change in the provisions of defined benefit plans [(1)]	23.0
Contributions to defined benefit plans	(37.2)
Other operating revenue and expenses	**(0.1)**
Net change in the provisions of defined benefit plans [(1)]	0.9
Contributions to defined benefit plans	(1.0)
Financial income (loss)	**(2.8)**
Expected return on assets of defined benefit plans	47.3
Unwinding of provisions of defined benefit plans	(50.1)
Changes recognized in profit or loss	**(17.1)**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

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Assets allocation

	2011	2010
Shares	45.0%	41.5%
Bonds	52.4%	51.5%
Monetary	2.1%	3.9%
Real estate	0.5%	3.1%
Total	**100.0%**	**100.0%**

Funding of obligations and experience adjustments in the long term

The table below analyzes the obligations in accordance with their financing modes: by assets specific to the plans (plan assets), by the Group's own resources (unfunded obligations) and by assets non-specific to the plans (reimbursement rights). Besides, this table splits the actuarial gains (losses) generated over the period between experience adjustments (difference between the previous actuarial assumptions and what has actually occurred, for example between the expected and actual returns on assets) and changes in assumptions (changes in certain actuarial assumptions without possible comparison with any actual value, for example for the change in the discount rate).

(€ millions)	2011	2010	2009	2008	2007
Funding of obligations					
Obligations funded by plan assets	(1,007.3)	(904.0)	(817.4)	(674.3)	(886.9)
Plan assets	876.6	821.2	727.1	620.4	858.6
Funded status	**(130.7)**	**(82.8)**	**(90.3)**	**(53.9)**	**(28.3)**
Unfunded obligations	(75.7)	(61.6)	(52.3)	(57.6)	(64.6)
Obligations funded by reimbursement rights	(20.4)	(19.6)	(19.0)	(18.1)	(18.0)
Reimbursement rights	6.6	6.6	5.9	5.6	5.3
Experience adjustments and changes in assumptions					
Experience adjustments on obligations	0.3	1.5	-	-	-
Experience adjustments on plan assets	(7.7)	29.0	-	-	-
Experience adjustments on reimbursement rights	(0.4)	0.5	-	-	-
Experience adjustments	**(7.8)**	**31.0**	**-**	**-**	**-**
Changes in assumptions	(41.8)	(48.7)	-	-	-
Actuarial gains (losses) of the period	**(49.6)**	**(17.7)**	**(77.0)**	**(42.2)**	**13.5**
Actuarial gains (losses) recognized in equity	(50.3)	(16.8)	-	-	-
Actuarial gains (losses) recognized in profit or loss	0.7	(0.9)	-	-	-

Changes recognized in equity

	2011			2010		
(€ millions)	Actuarial gains and (losses)	Assets limitation	Total	Actuarial gains and (losses)	Assets limitation	Total
Opening balance	**(93.7)**	**1.7**	**(92.0)**	**-**	**-**	**0.0**
Change in accounting method [(1)]	-	-	-	(72.5)	-	(72.5)
Opening balance after change in accounting method	**(93.7)**	**1.7**	**(92.0)**	**(72.5)**	**-**	**(72.5)**
Changes related to obligations	(42.2)	-	(42.2)	(46.3)	-	(46.3)
Changes related to assets	(8.1)	(0.1)	(8.2)	29.5	1.6	31.1
Changes recognized in equity	**(50.3)**	**(0.1)**	**(50.4)**	**(16.8)**	**1.6**	**(15.2)**
Exchange rate differences	(6.3)	-	(6.3)	(4.4)	0.1	(4.3)
Closing balance	**(150.3)**	**1.6**	**(148.7)**	**(93.7)**	**1.7**	**(92.0)**

(1) Voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

24.2 Other provisions

(€ millions)	2011	2010
Other non-current provisions	265.2	189.6
Other current provisions	19.2	14.4
Total	**284.4**	**204.0**

Estimates

Probability of settlement and amount of the obligation. The probabilities of settlement and the amounts of the obligations are estimated by the Executive Management with the support of external counsels for the significant litigation and claims. These relate to allegations of personal or financial injury implicating the civil liability of Imerys and the potential breach of contractual obligations or regulations on employee, property and environmental issues.

Estimated phasing of future payments

(€ millions)	2012 - 2016	2017 - 2026	2027 and later	Total
Management risks	60.0	-	-	60.0
Environment, dismantling and restoration	41.4	41.0	75.1	157.5
Legal and social litigation	66.9	-	-	66.9
Other provisions	**168.3**	**41.0**	**75.1**	**284.4**

Discount rates. These rates integrate the time value of money and monetary inflation over the timeline of future payments. For the main discounted provision (mine sites restoration), the assumptions of the major monetary zones are the following:

	2011			2010		
	Euro zone	United Kingdom	United States	Euro zone	United Kingdom	United States
Time value of money	3.3%	3.2%	3.5%	3.4%	4.4%	3.6%
Monetary inflation	2.5%	4.2%	2.9%	1.9%	3.7%	1.3%

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Table of changes

(€ millions)	Management risks	Environment, dismantling and restoration	Legal and social litigation	Total
Balance as of January 1, 2010	**38.6**	**92.7**	**45.0**	**176.3**
Changes in the scope of consolidation	-	5.5	5.1	10.6
Increases	0.9	28.5	16.4	45.8
Utilizations	(4.8)	(7.5)	(13.8)	(26.1)
Non-utilized decreases	(3.4)	(1.6)	(7.4)	(12.4)
Unwinding expense	-	3.2	0.2	3.4
Reclassification and other	-	(0.8)	(0.6)	(1.4)
Exchange rate differences	1.0	3.9	2.9	7.8
Balance as of January 1, 2011	**32.3**	**123.9**	**47.8**	**204.0**
Changes in the scope of consolidation	12.7	31.3	11.9	55.9
Increases	21.7	5.8	26.6	54.1
Utilizations	(4.1)	(9.9)	(15.7)	(29.7)
Non-utilized decreases	(1.6)	(1.7)	(1.3)	(4.6)
Unwinding expense	-	3.1	-	3.1
Reclassification and other	(0.5)	1.6	(1.5)	(0.4)
Exchange rate differences	(0.5)	3.4	(0.9)	2.0
Balance as of December 31, 2011	**60.0**	**157.5**	**66.9**	**284.4**

Note 25 Financial liabilities

25.1 Categories of financial liabilities

The tables hereafter enable to evaluate the significance of financial instruments with respect to consolidated liabilities. The categories used to present the carrying amounts of financial instruments are explained in *Note 11*. These carrying amounts are representative of fair value for all instruments except for bonds.

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

As of December 31, 2011

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

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

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

As of December 31, 2010

(€ millions)	Financial liabilities at amortized cost	Fair value through profit or loss	Hedge derivatives			
		Non hedge derivatives	Fair value	Cash flow	Non IAS 39	Total
Non-current liabilities						
Loans and financial debts	996.1	(6.9)	24.9	-	2.7	1,016.8
Other debts	6.9	-	-	-	3.3	10.2
Derivative financial liabilities	-	5.5	-	9.8	-	15.3
Current liabilities						
Trade payables	317.1	-	-	-	-	317.1
Other debts	123.3	-	-	-	116.5	239.8
Derivative financial liabilities	-	1.2	-	0.1	-	1.3
Loans and financial debts	217.1	-	-	1.9	0.5	219.5
Bank overdrafts	4.7	-	-	-	-	4.7
Total financial liabilities	**1,665.2**	**(0.2)**	**24.9**	**11.8**	**-**	**-**

The fair value of fixed rate bonds included in the position "Loans and financial debts" is superior to their carrying amount by €59.0 million:

Nominal amount *(in millions)*		Maturity	Quotation	Interest rate		Carrying amount	Fair value	Difference
				Nominal	Effective			
JPY	7,000.0	9/16/2033	Unlisted	3.40%	3.47%	65.1	84.0	18.9
USD	140.0	8/6/2013	Unlisted	4.88%	4.98%	106.8	117.1	10.3
USD	30.0	8/6/2018	Unlisted	5.28%	5.38%	22.9	26.6	3.7
EUR	300.0	4/25/2014	Listed	5.13%	5.42%	310.6	327.7	17.1
EUR	500.0	4/18/2017	Listed	5.00%	5.09%	517.7	526.7	9.0
Total as of December 31, 2010 *(€ millions)*						**1,023.1**	**1,082.1**	**59.0**

25.2 Financial debt

The net financial debt is used in the management of the financial resources of Imerys. This indicator is used in particular in the calculation of financial ratios that the Group has to comply with under financing agreements entered into with financial markets *(Note 25.5 - Borrower's liquidity risk)*. The following table presents the link between the net financial debt and the consolidated statement of financial position with a distinction between non-derivative and derivative financial instruments. Derivative financial instruments included in the calculation of the net financial debt correspond to financing hedge instruments assets and liabilities since they are part of the future cash outflows of this aggregate *(Note 25.5 - Borrower's liquidity risk)*. The operational hedge instruments *(Note 25.4 - Derivative instruments in the financial statements)* are not included in the calculation of the net financial debt.

(€ millions)	Notes	2011	2010
Non-derivative financial liabilities		**1,463.1**	**1,241.0**
Loans and financial debts - non-current		1,028.4	1,016.8
Loans and financial debts - current		422.0	219.5
Bank overdrafts		12.7	4.7
Non-derivative financial assets		**(430.6)**	**(358.1)**
Marketable securities and other financial assets		(6.4)	(6.0)
Cash and cash equivalents		(424.2)	(352.1)
Hedge derivatives		**(1.4)**	**(10.1)**
Financing hedge instruments - liabilities	21.3	12.6	16.7
Financing hedge instruments - assets	21.3	(14.0)	(26.8)
Net financial debt		**1,031.1**	**872.8**

5

25.3 Other debts

(€ millions)	2011	2010
Non-current liabilities		
Income taxes payable	1.9	2.3
Social debts	2.8	-
Other	7.5	7.9
Total	**12.2**	**10.2**
Current liabilities		
Capital expenditure payables	39.7	43.8
Tax debts	29.7	20.3
Social debts	135.3	114.0
Other	57.0	61.7
Total	**261.7**	**239.8**

25.4 Derivative instruments

Derivative instruments management principles

The use of derivative instruments is framed by a policy defined and operated by the Group Treasury Department and periodically presented to the Board of Directors. In accordance with this policy, derivative instruments are exclusively used to hedge risks related to operating transactions (transactional foreign exchange and energy price risks), to foreign investments (conversion of financial statements risk) and to financing (transactional currency and interest rate risks). Imerys is not taking any speculative position. Derivative instruments are negotiated centrally by the Group Treasury Department on over-the-counter markets with first-rank banking institutions. Imerys proscribes to its entities to subscribe derivative instruments outside the Group. The implementation of this policy to the foreign exchange (transactional currency and conversion of financial statements), interest rate and energy price risks is developed in *Note 25.5*.

Derivative instruments in the financial statements

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

	2011			2010		
(€ millions)	Assets	Liabilities	Net	Assets	Liabilities	Net
Foreign exchange risk	**1.7**	**14.4**	**(12.7)**	**6.6**	**1.4**	**5.2**
Forward derivative instruments	0.2	12.1	(11.9)	6.6	0.1	6.5
Optional derivative instruments	1.5	2.3	(0.8)	-	1.3	(1.3)
Interest rate risk	**12.7**	**9.1**	**3.6**	**24.8**	**15.3**	**9.5**
Forward derivative instruments	12.7	5.8	6.9	24.8	9.8	15.0
Optional derivative instruments	-	3.3	(3.3)	-	5.5	(5.5)
Energy price risk	**0.3**	**4.6**	**(4.3)**	**5.6**	**0.0**	**5.6**
Forward derivative instruments	-	-	-	-	-	-
Optional derivative instruments	0.3	4.6	(4.3)	5.6	-	5.6
Total	**14.7**	**28.1**	**(13.4)**	**37.0**	**16.7**	**20.3**
Non-current	12.7	9.1	3.6	24.8	15.3	9.5
Current	2.0	19.0	(17.0)	12.2	1.4	10.8
Operational hedge instruments	0.7	15.5	(14.8)	10.2	-	10.2
Financing hedge instruments	14.0	12.6	1.4	26.8	16.7	10.1

Equity. As part of its policy of management of the foreign exchange, interest rate and energy price risks, Imerys holds derivative instruments intended to hedge certain future purchases and sales in foreign currencies, a portion of its floating rate financing and part of its future energy consumption in the United States, in the United Kingdom and in France. These positions qualify as cash flow hedges.

The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss. The detail of these reclassifications at the level of the underlying revenue and expenses is presented in *Note 11*. These cash flow hedges are further outlined in the context of the management of foreign exchange, interest rate and energy price risks in *Note 25.5*.

(€ millions)	Foreign exchange rate risk	Interest rate risk	Energy price risk	Total
Balance as of January 1, 2010	**(0.7)**	**(13.9)**	**1.5**	**(13.1)**
Recognition in equity	10.6	4.1	3.7	18.4
Reclassification in profit or loss	(6.0)	-	0.1	(5.9)
Balance as of January 1, 2011	**3.9**	**(9.8)**	**5.3**	**(0.6)**
Recognition in equity	(11.9)	3.9	(4.6)	(12.6)
Reclassification in profit or loss	(6.0)	0.1	(5.2)	(11.1)
Balance as of December 31, 2011	**(14.0)**	**(5.8)**	**(4.5)**	**(24.3)**
of which reclassification to profit or loss expected in 2012	(14.0)	(5.8)	(4.5)	(24.3)

25.5 Management of risks arising from financial liabilities

Transactional currency risk

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

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

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

(€ millions)	2011	2010
Opening balance	**3.9**	**(0.7)**
Recognition in equity	(11.9)	10.6
Reclassification in profit or loss	(6.0)	(6.0)
Closing balance	**(14.0)**	**3.9**
of which reclassification to profit or loss expected in 2012	(14.0)	3.9

Sensitivity of derivative instruments to changes in foreign exchange rates.

Scope. Portfolio of foreign exchange derivative instruments held as of December 31, 2011 with respect to highly probable future purchases and sales transactions in foreign currencies.

Variables. + 10.0% (respectively - 10.0%) on the exchange rates of all foreign currencies of the derivative instruments of the portfolio as of December 31, 2011.

Results. Decrease in equity of €12.0 million (respectively increase of €12.2 million) corresponding to the change in the effective portion of the derivative instruments qualified as cash flow hedges and decrease of €0.5 million (respectively increase of €0.7 million) in profit or loss corresponding to the change in the ineffective portion of the derivative instruments qualified as cash flow hedges and to the change in fair value of non-hedge derivative instruments.

Interest rate risk

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

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

As of December 31, 2011, Imerys holds a certain number of derivative instruments intended to hedge a portion of its debt at floating rate. These instruments include interest rate swaps, options - including caps, floors, swaptions and futures. These instruments qualify as cash flow hedges. The following table presents the amounts before income taxes recognized in equity in this respect as well as the reclassifications in profit or loss.

(€ millions)	2011	2010
Opening balance	**(9.8)**	**(13.9)**
Recognition in equity	3.9	4.1
Reclassification in profit or loss	0.1	-
Closing balance	**(5.8)**	**(9.8)**
of which reclassification to profit or loss expected in 2012	(5.8)	(9.8)

Furthermore, Imerys holds as of December 31, 2011 interest rate swaps intended to hedge the exposure to changes in fair value of the different loans. These instruments qualify as fair value hedges. They hedge the risk of change in the risk-free rate and not the differential corresponding to the credit risk of the Group. The hedged loans and the derivative instruments present the same characteristics.

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

The table hereafter provides a breakdown of the financial net debt between floating and fixed rate by currency as of December 31, 2011.

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Debt at fixed rate	**828.1**	**25.8**	**0.7**	**0.0**	**854.6**
Debt at fixed rate on issue	828.1	134.0	70.6	-	1,032.7
Swap fixed rate into floating rate	-	(108.2)	(69.9)	-	(178.1)
Debt at floating rate	**(211.8)**	**474.7**	**36.7**	**(123.1)**	**176.5**
Debt at floating rate on issue	105.3	271.2	15.2	24.6	416.3
Net cash and marketable securities	(221.5)	(56.7)	(11.3)	(128.4)	(417.9)
Swap fixed rate into floating rate	-	108.2	69.9	-	178.1
Exchange rate swap	(95.6)	152.0	(37.1)	(19.3)	0.0
Net financial debt as of December 31, 2011	**616.3**	**500.5**	**37.4**	**(123.1)**	**1,031.1**

The following table provides a breakdown of interest rate hedging transactions by foreign currency as of December 31, 2011:

(€ millions)	Euro	US Dollar	Japanese Yen	Other foreign currencies	Total
Exposure at floating rate before hedging	**(211.8)**	**474.7**	**36.7**	**(123.1)**	**176.5**
Fixed rate hedges	(100.0)	(170.0)	-	-	(270.0)
Swap at average rate of	4.99%	3.82%	-	-	-
Exposure at floating rate after hedging	**(311.8)**	**304.7**	**36.7**	**(123.1)**	**(93.5)**

The following table presents an evolution of interest rate hedging transactions as of December 31, 2011 and after by maturity dates:

(€ millions)	2011	2012-2016	2017 and later
Total exposure before hedging	**176.5**	**176.5**	**176.5**
Fixed rate hedges	(270.0)	(138.6)	-
Swap at average rate of	4.25%	4.68%	-
Total exposure after hedging	**(93.5)**	**37.9**	**176.5**

Sensitivity of financial instruments to changes in interest rates.

Scope. Net financial debt after interest rate derivative instruments as of December 31, 2011.

Variables. Increase of 50 basis points (respectively decrease of 50 basis points) of interest rates, assuming that the net financial debt remains constant and that each fixed rate debt (respectively floating rate debt) is replaced upon settlement date by a floating rate debt (respectively fixed rate debt).

Results. Increase in equity of €0.6 million (respectively decrease of €0.7 million) corresponding to the change in the effective portion of the derivative instruments qualified as cash flow hedges and increase in the financial income (loss) of €1.3 million (respectively decrease of €1.5 million).

Energy price risk

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

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

(€ millions)	2011	2010
Opening balance	**5.3**	**1.5**
Recognition in equity	(4.6)	3.7
Reclassification in profit or loss	(5.2)	0.1
Closing balance	**(4.5)**	**5.3**
of which reclassification to profit or loss expected in 2012	(4.5)	5.3

The following table summarizes the main positions taken as of December 31, 2011 to hedge the energy price risk.

	Net notional amounts *(in MWh)*	Maturities
Underlying position	3,787,165	< 12 months
Management transactions	1,625,381	< 12 months

Sensitivity of derivative instruments to the change in the prices of natural gas and Brent.

Scope. Portfolio of derivative instruments qualified as cash flow hedges held as of December 31, 2011 with respect to the price risk of natural gas and Brent.

Variables. + 10.0% (respectively - 10.0%) on the natural gas and Brent indices as of December 31, 2011.

Results. Increase in equity of €2.6 million (respectively decrease of €2.6 million) corresponding to the change in the effective portion of the derivative instruments qualified as cash flow hedges. The change in the ineffective portion recognized in profit or loss is immaterial.

Borrower's liquidity risk

Description of the risk. The borrower's liquidity risk is the risk whereby Imerys would not be in a position to meet the repayment obligations of its financial liabilities. The maturity on issue as of December 31, 2011 presented hereafter enables to assess the exposure of the Group to this risk. In this table, the utilizations of the syndicated credit are posted in 2012 as well as the foreign exchange swaps included in the financing hedge instruments. It must be noted that the maturity of the syndicated credit is in July 2013.

	2012		2013 - 2017		2018 and later		
(€ millions)	Capital	Interests	Capital	Interests	Capital	Interests	Total
Non-derivative financial liabilities	**415.7**	**52.4**	**911.2**	**176.8**	**93.0**	**43.7**	**1,692.8**
Eurobond / EMTN	-	40.9	108.2	132.9	93.0	-	375.0
Private placements	-	11.5	803.0	43.9	-	43.7	902.1
Commercial paper issues	98.0	-	-	-	-	-	98.0
July 2013 syndicated credit	249.6	-	-	-	-	-	249.6
Bilateral facilities	-	-	-	-	-	-	0.0
Facilities due within one year	68.1	-	-	-	-	-	68.1
Hedge derivatives	**(1.4)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(1.4)**
Financing hedge instruments - liabilities	12.6	-	-	-	-	-	12.6
Financing hedge instruments - assets	(14.0)	-	-	-	-	-	(14.0)
Future cash outflows with respect to gross financial debt	**414.3**	**52.4**	**911.2**	**176.8**	**93.0**	**43.7**	**1,691.4**
Non-derivative financial liabilities	**12.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**12.7**
Bank overdrafts	12.7	-	-	-	-	-	12.7
Non-derivative financial assets	**(430.6)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(430.6)**
Marketable securities and other financial assets	(6.4)	-	-	-	-	-	(6.4)
Cash and cash equivalents	(424.2)	-	-	-	-	-	(424.2)
Future cash outflows with respect to net financial debt	**(3.6)**	**52.4**	**911.2**	**176.8**	**93.0**	**43.7**	**1,273.5**
of which items recognized as of December 31, 2011 (net financial debt)	(3.6)	30.5	911.2	-	93.0	-	1,031.1
Non-derivative financial liabilities	**621.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**621.7**
Trade payables	360.0	-	-	-	-	-	360.0
Other debts	261.7	-	0.0	-	-	-	261.7
Hedge derivatives	**14.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**14.8**
Operational hedge instruments - liabilities	15.5	-	-	-	-	-	15.5
Operational hedge instruments - assets	(0.7)	-	-	-	-	-	(0.7)
Future cash outflows	**632.9**	**52.4**	**911.2**	**176.8**	**93.0**	**43.7**	**1,910.0**

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

(€ millions)	2012	2013 - 2017	2018 and later	Total
Debt at fixed rate	**31.5**	**800.0**	**23.1**	**854.6**
Debt at fixed rate on issue	31.5	908.2	93.0	1,032.7
Swap fixed rate into floating rate	-	(108.2)	(69.9)	(178.1)
Debt at floating rate	**(4.6)**	**111.2**	**69.9**	**176.5**
Debt at floating rate on issue	413.3	3.0	-	416.3
Net cash and marketable securities	(417.9)	-	-	(417.9)
Swap fixed rate into floating rate	-	108.2	69.9	178.1
Net financial debt	**26.9**	**911.2**	**93.0**	**1,031.1**

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

- purpose: general corporate financing requirement;
- obligations in terms of financial ratio compliance:
  - the ratio consolidated net financial debt / consolidated equity shall, in accordance with the financing contracts concerned, be inferior or equal to 1.50 or 1.60 at each half-year or annual closing of consolidated financial statements. As of December 31, 2011, the ratio amounts, after voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits *(Note 2.2)*, to 0.47 (0.41 as of December 31, 2010);
  - the ratio consolidated net financial debt / consolidated EBITDA of the last 12 months shall, in accordance with the financing contracts concerned, be inferior or equal to 3.75 or 3.80 at each half-year or annual closing of consolidated financial statements. As of December 31, 2011, the ratio amounts, after voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits *(Note 2.2)*, to 1.50 (1.41 as of December 31, 2010).
- absence of any lien in favor of lenders.

The failure to comply with the above obligations on one of the financing contracts concerned could lead to the cancellation of its available amount and, upon demand of the creditor(s) concerned, make the amount of the corresponding financial debt immediately callable. Apart from two exceptions, the financing contracts of the Group do not provide for any cross default with each other in case of breach of a mandatory covenant applicable to one of these contracts. As of December 31, 2011, Imerys has a long-term rating of Baa2 Outlook Stable by Moody's (Baa3 Outlook Positive as of December 31, 2010).

As of May 25, 2011, Imerys has updated its new Euro Medium Term Note program (EMTN) with the Commission de Surveillance du Secteur Financier (Luxemburg). The program amounts to €1.0 billion and enables the issue of notes considered as ordinary bonds of a maturity of one month to thirty years. As of December 31, 2011, outstanding securities total €69.9 million (€64.4 million as of December 31, 2010). Imerys also has a French commercial paper program limited to €800.0 million (€800.0 million as of December 31, 2010) rated P-2 by Moody's (P-3 as of December 31, 2010).

As of December 31, 2011, outstanding securities total €98.0 million (€18.5 million as of December 31, 2010). As of December 31, 2011, Imerys has access to €1,505.4 million of bank facilities (€1,086.6 million as of December 31, 2010) part of which secures the issued commercial paper in accordance with the financial policy of the Group.

Market liquidity risk

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

Management of the risk. Financial resources are the main adjustment variable of the financing capacities available to Imerys. These capacities exist either as drawn financial debt or as financing commitments granted by first-rank banking institutions. Medium-term financial resources provided by the bilateral facilities or the syndicated credit may be used over very short drawing periods (from 1 to 12 months) while remaining available over longer maturities (5 years). Over the second half of 2011, the Group has secured around €1.0 billion of bilateral bank facilities with a maturity towards 2015-2016, so as to increase and diversify its financial resources and lengthening their maturity. The financial resources of the Group amount to €2,759.2 million as of December 31, 2011 (€2,231.7 million as of December 31, 2010). Imerys manages the amount of its financial resources by comparing it regularly with the amount of its utilizations in order to measure by difference the financial liquid borrowings to which the Group may have access.

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

(€ millions)	2011	2010
Financial resources by maturity *(€ millions)*		
Maturity less than one year	50.0	167.0
Maturity from one to five years	2,116.2	1,474.8
Maturity beyond five years	593.0	589.9
Total	**2,759.2**	**2,231.7**
Financial resources by nature *(€ millions)*		
Bond resources	**1,004.2**	**994.7**
Eurobond / EMTN	803.0	803.0
Private placements	201.2	191.7
Bank resources	**1,755.0**	**1,237.0**
Syndicated credit	750.0	750.0
Miscellaneous bilateral facilities	1,005.0	487.0
Total	**2,759.2**	**2,231.7**
Average maturity of financial resources *(in years)*		
Bond resources	5.2	6.1
Bank resources	3.0	2.0
Total	**3.8**	**3.8**

The table below measures the available financial resources after the repayment of financing from uncommitted resources. It measures the real exposure of Imerys to an illiquidity crisis on both financial and banking markets. As of December 31, 2011, available financial resources, after repayment of uncommitted resources, total €1,310.2 million (€1,005.5 million as of December 31, 2010), which gives the Group substantial room to maneuver and a guarantee of financial stability.

	2011			2010		
(€ millions)	Resources	Utilization	Available	Resources	Utilization	Available
Bonds	1,004.2	1,004.2	0.0	994.7	994.7	0.0
Commercial papers	-	98.0	(98.0)	-	18.5	(18.5)
Committed bank facilities	1,755.0	249.6	1,505.4	1,237.0	150.4	1,086.6
Bank facilities and accrued interests	-	34.4	(34.4)	-	35.6	(35.6)
Other debts and facilities	-	62.8	(62.8)	-	27.0	(27.0)
Total	**2,759.2**	**1,449.0**	**1,310.2**	**2,231.7**	**1,226.2**	**1,005.5**

Conversion of financial statements risk

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

Management of the risk. Imerys hedges part of its net investments in foreign businesses through loans specifically allocated to their long term financing and by the proportion of its financial debt stated in foreign currencies. The foreign exchange differences generated by these loans and financings qualified as hedges of net investments in foreign entities, are recognized in equity so as to neutralize, to a certain extent, the gains or losses of translation of the hedged net investments. As of December 31, 2011, the loans and exchange rate swaps hedging net investments in foreign entities are the following: USD632.9 million, JPY1,000.0 million, CHF35.0 million, GBP34.3 million and SGD5.5 million (USD379.8 million, JPY1,000.0 million, CHF35.0 million, GBP0.0 million and SGD5.5 million as of December 31, 2010).

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

	2011			2010		
(€ millions)	Before exchange rate swap	Exchange rate swap	After exchange rate swap	Before exchange rate swap	Exchange rate swap	After exchange rate swap
Euro	933.4	(95.6)	837.8	931.4	(51.6)	879.8
US Dollar	405.2	152.0	557.2	198.7	121.9	320.6
Japanese Yen	85.8	(37.1)	48.7	79.5	(32.0)	47.5
Other foreign currencies	24.6	(19.3)	5.3	16.6	(38.3)	(21.7)
Total	**1,449.0**	**0.0**	**1,449.0**	**1,226.2**	**0.0**	**1,226.2**

As of December 31, 2011, 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	837.8	557.2	48.7	5.3	1,449.0
Net cash and marketable securities	(221.5)	(56.7)	(11.3)	(128.4)	(417.9)
Net financial debt as of December 31, 2011	**616.3**	**500.5**	**37.4**	**(123.1)**	**1,031.1**

Sensitivity of foreign exchange swaps to changes in foreign exchange rates.

Scope. Portfolio of foreign exchange swaps qualified as hedges of net investments in foreign entities held as of December 31, 2011.

Variables. + 10.0% (respectively - 10.0%) on the exchange rates of all foreign currencies of the foreign exchange swaps of the portfolio as of December 31, 2011.

Results. Decrease in equity of €18.1 million (respectively increase of €18.1 million).

5

Note 26 Deferred taxes

Change in deferred taxes

As of December 31, 2011

(€ millions)	2010	Profit or loss	Translation, scope and reclassification	2011
Deferred tax assets	68.7	(35.1)	39.0	72.6
Deferred tax liabilities	(81.8)	16.5	(29.7)	(95.0)
Net deferred tax position	**(13.1)**	**(18.6)**	**9.3**	**(22.4)**

As of December 31, 2010

(€ millions)	01/01/2010	Profit or loss	Translation, scope and reclassification	2010
Deferred tax assets [(1)]	75.4	(23.5)	16.8	68.7
Deferred tax liabilities	(63.6)	0.1	(18.3)	(81.8)
Net deferred tax position	**11.8**	**(23.4)**	**(1.5)**	**(13.1)**

(1) After voluntary change in accounting method on the recognition of actuarial differences of post-employment employee benefits (Note 2.2).

Deferred tax breakdown by nature

(€ millions)	2010	Profit or loss	Translation, scope and reclassification	2011
Deferred tax assets	**173.9**	**(2.3)**	**39.1**	**210.7**
Provision for employee benefits	28.5	(1.7)	12.4	39.2
Other provisions	27.0	3.1	2.9	33.0
Property, plant and equipment	59.7	(1.4)	2.5	60.8
Intangible assets	(0.5)	-	(0.4)	(0.9)
Financial assets	(4.4)	1.1	8.3	5.0
Current assets and liabilities	21.4	(0.7)	0.5	21.2
Tax losses carried forward	30.3	(3.2)	0.4	27.5
Other	11.9	0.5	12.5	24.9
Deferred tax liabilities	**(187.0)**	**(16.3)**	**(29.8)**	**(233.1)**
Property, plant and equipment	(157.2)	(19.0)	(21.4)	(197.6)
Intangible assets	(0.5)	(0.6)	-	(1.1)
Financial assets	(8.2)	5.4	(0.2)	(3.0)
Current assets and liabilities	(6.1)	(0.1)	(1.2)	(7.4)
Other	(15.0)	(2.0)	(7.0)	(24.0)
Net deferred tax position	**(13.1)**	**(18.6)**	**9.3**	**(22.4)**

Carried forward tax losses

Deferred tax assets are recognized as carried forward tax losses when they are assessed as being recoverable and over a recovery expected time frame not exceeding 5 years. The measurement of the deferred tax assets recognized in this respect take into account the national legislations limiting the use of carried forward tax losses, in particular in Germany and Brazil. The provisions of this type adopted in France in 2011 have no impact on the measurement of deferred tax assets as a result of the beneficiary position of the French tax consolidation scope. As of December 31, 2011, these deferred tax assets amount to €27.5 million (€30.3 million as of December 31, 2010). 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, 2011 to respectively €308.3 million (€303.8 million as of December 31, 2010) and €20.2 million (€20.8 million as of December 31, 2010), of which respectively €275.8 million and €19.9 million expire after 2016 or can be carried forward without any time limit. Deferred taxes are calculated by using effective rates over the period in question in accordance with the tax laws in force in each concerned country.

Temporary differences controlled by the Group

No deferred tax liability is recognized with respect to temporary taxable differences between the accounting and tax values of investments where Imerys is in a position to control the date of reversal of the temporary difference and it is probable that the temporary difference shall not reverse in a foreseeable future. The Group assesses that the related deferred tax liability unrecognized as of December 31, 2011 amounts to €14.2 million (€11.6 million as of December 31, 2010).

OTHER INFORMATION

Note 27 Main consolidated entities

Changes in the scope of consolidation

Minerals for Ceramics, Refractories, Abrasives & Foundry (CRAF). The Minerals for Ceramics, Refractories, Abrasives & Foundry have created over the 1st half of 2011 with the Norwegian group Norsk Minerals a joint-venture specialized in the extraction and transformation of high purity quartz. The American entity KT Feldspar Corporation, contributed to the joint-venture by the Group, thus flows out of the scope of consolidation. As a counterpart for this contribution, the Business Group receives an interest in the resulting joint-venture. The transaction is thus neutral in profit or loss and in cash. The joint-venture is recognized under the equity method *(Note 20)*.

Performance & Filtration Minerals (PFM). Over the 2nd half of 2011, the Performance & Filtration Minerals acquired the Luzenac group, world leader in talc processing, thus strengthening its leadership and product offering *(Note 16)*.

Pigments for Paper & Packaging (PPP). The last significant change in the scope of consolidation of the acquisition of the Pigments for Paper & Packaging business group was represented by the acquisition of the Brazilian group PPSA over the 2nd half of 2010 *(Note 16)*.

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

Scope of consolidation as of December 31, 2011

In the following table, the percentages of interest are identical to the percentages of control, unless otherwise indicated.

Countries Entities	Business groups	% of interest	Countries Entities	Business groups	% of interest
France					
AGS	CRAF	100.00	Imerys Minéraux France	PFM	100.00
Ardoisières d'Angers	M&M	100.00	Imerys Services	Holding	100.00
Calderys France	M&M	100.00	Imerys Talc Luzenac France	PFM	100.00
Charges Minérales du Périgord	PPP	100.00	Imerys TC	M&M	100.00
Damrec	CRAF	100.00	Mircal	Holding	100.00
Imerys	Holding	Parent	Mircal Europe	Holding	100.00
Imerys Ceramics France	CRAF/PFM	99.99	World Minerals France	PFM	100.00
Europe					
Austria					
Calderys Austria	M&M	100.00	Treibacher	CRAF	100.00
Imerys Talc Austria	PFM	100.00			
Belgium					
Calderys Belgium	M&M	100.00	Imerys Talc Belgium	PFM	100.00
Imerys Minéraux Belgique	PFM/PPP	100.00	Timcal Belgium	CRAF	100.00
Finland					
Calderys Finland	M&M	100.00	Imerys Minerals	PPP	100.00
Germany					
Calderys Deutschland	M&M	100.00	Treibacher	CRAF	100.00
Imerys Tableware Deutschland	CRAF	100.00	Treibacher Zschornewitz	CRAF	100.00
Hungary					
Imerys Kiln Furniture Hungary	M&M	100.00			
Italy					
Calderys Italia	M&M	100.00	Imerys Tiles Minerals Italia	CRAF	100.00
Imerys Minerali	PPP	100.00	Treibacher	CRAF	100.00

5

Countries Entities	Business groups	% of interest	Countries Entities	Business groups	% of interest
Luxembourg					
World Minerals International Sales	PFM	100.00			
Netherlands					
Calderys The Netherlands	M&M	100.00			
Russia					
Calderys	M&M	100.00			
Spain					
Celite Hispanica	PFM	100.00	Imerys Tiles Minerals Espana	CRAF	100.00
Sweden					
Calderys Nordic	M&M	100.00	Imerys Mineral	PPP	100.00
Switzerland					
Timcal	CRAF	100.00			
Ukraine					
Calderys Ukraine	M&M	74.90			
United Kingdom					
Calderys UK	M&M	100.00	Imerys UK	Holding	100.00
Imerys Minerals	CRAF/PFM/PPP	100.00	UCM Magnesia	CRAF	100.00
United States					
Americarb	PPP	100.00	Imerys Marble	PFM	100.00
Celite Corporation	PFM	100.00	Imerys Paper Carbonates	PPP	100.00
C-E Minerals	CRAF	100.00	Imerys Talc America	PFM	100.00
Ecca Calcium Products	PFM/PPP	100.00	Imerys USA	Holding	100.00
Harborlite Corporation	PFM	100.00	Kentucky Tennessee Clay Company	CRAF	100.00
Imerys Carbonates	PFM/PPP	100.00	Treibacher North America	CRAF	100.00
Imerys Clays	PFM/PPP	100.00	UCM Zirconia	CRAF	100.00
Rest of the World					
Brazil					
Imerys Do Brasil Comercio	PFM/PPP	100.00	Pará Pigmentos	PPP	100.00
Imerys Rio Capim Caulim	PPP	100.00	Treibacher Brasil	CRAF	100.00
Canada					
Imerys Canada	PPP	100.00	Timcal Canada	CRAF	100.00
Chile					
Celite Chile	PFM	100.00			
China					
Imerys Astron Advanced Materials	CRAF	100.00	Yingkou Imerys Astron Chemical	CRAF	100.00
Imerys Pigments Wuhu	PPP	100.00			
India					
Ace Calderys	M&M	99.91	Imerys Newquest (India)	PPP	74.00
Indonesia					
PT ECC	PPP	51.00			
Japan					
Calderys Japan	M&M	100.00	Imerys Refractory Minerals Japan	CRAF	100.00
Imerys Minerals Japan	PPP	100.00	Niigata GCC	PPP	60.00
Malaysia					
Imerys Minerals Malaysia	PPP	100.00			
Mexico					
Imerys Diatomita Mexico	PFM	100.00	KT Clay de Mexico	CRAF	100.00
Singapore					
Imerys Asia Pacific	PPP	100.00			

Countries Entities	Business groups	% of interest	Countries Entities	Business groups	% of interest
South Africa					
Calderys South Africa	M&M	73.97 (1)	Ecca Holdings	CRAF	73.97 (1)
Taiwan					
Calderys Taiwan	M&M	100.00			

(1) Percentage of control: 100.00%.

Note 28 Currency rates

(€)	Foreign currencies	2011		2010	
		Closing	Average	Closing	Average
Brazil	BRL	2.4271	2.3280	2.2264	2.3323
Canada	CAD	1.3215	1.3758	1.3322	1.3655
Chile	CLP (100)	6.7328	6.7267	6.2565	6.7570
China	CNY	8.1588	8.9935	8.8220	8.9753
Hungary	HUF (100)	3.1458	2.7941	2.7795	2.7540
India	INR	68.8252	64.8708	59.5835	60.5943
Indonesia	IDR (100)	117.3147	122.0615	120.0214	120.4659
Japan	JPY (100)	1.0020	1.1095	1.0865	1.1632
Malaysia	MYR	4.1055	4.2554	4.0950	4.2691
Mexico	MXN	18.0512	17.2913	16.5475	16.7425
Russia	RUB	41.7650	40.8906	40.8200	40.2623
Singapore	SGD	1.6819	1.7488	1.7136	1.8066
South Africa	ZAR	10.4830	10.0979	8.8625	9.7013
Sweden	SEK	8.9120	9.0292	8.9655	9.5387
Switzerland	CHF	1.2156	1.2331	1.2504	1.3807
Taiwan	TWD	39.2618	40.9176	38.9779	41.7606
Ukraine	UAH	10.3682	11.1150	10.6580	10.5477
United Kingdom	GBP	0.8353	0.8678	0.8608	0.8520
United States	USD	1.2939	1.3916	1.3362	1.3262

Note 29 Related parties

External related parties of Imerys

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

Key management personnel of Imerys

The managers qualifying as related parties as of December 31, 2011 are the sixteen members of the Board of Directors (sixteen members as of December 31, 2010) and the seven members of the Executive Committee (ten members as of December 31, 2010).

Remuneration and assimilated benefits granted to these related parties are disclosed in the table hereafter:

		2011		2010	
(€ millions)	Notes	Expense	Liability	Expense	Liability
Short-term benefits	1	(6.0)	2.6	(5.6)	2.3
Long-term benefits		-	-	-	-
Directors' attendance fees	2	(0.7)	-	(0.6)	0.3
Defined benefit plans	3	(3.3)	0.6	(3.3)	1.9
Contributions to defined contribution plans		(0.3)	-	(0.4)	-
Termination benefits		-	-	-	-
Share-based payments	4	(4.0)	-	(4.3)	-
Total		**(14.3)**	**3.2**	**(14.2)**	**4.5**

Note 1. Short-term benefits. These amounts include the fixed part of the remuneration paid for the period as well as the variable part due for the same period, but paid over the subsequent period.

Note 2. Directors' attendance fees. These amounts correspond to the fees paid to the members of the Board of Directors.

Note 3. Post-employment benefits. These amounts correspond to the post-employment defined benefit plans allowed to the main executives of the Group's French entities who meet the required conditions of eligibility. These amounts are recognized for the beneficiaries qualifying as related parties, among which some of the above mentioned executives (nine in 2011, eight in 2010). The maximum amount of the life annuity that can be paid to the beneficiaries of these plans as from the liquidation of their retirement rights is calculated in order to guarantee a life annuity:

- of a total gross annual amount (after recognition of pensions from obligatory and complementary retirement plans) of 60.0% of their salary of reference, this salary of reference being capped to 22 times the annual ceiling of the French Social Security;
- subject to a payment ceiling of 25.0% of the above mentioned salary of reference of the last 12 calendar months preceding the withdrawal from the Group's headcount.

Note 4. Share-based payments. This amount corresponds to expenses recognized with respect to the Imerys share options and the free shares attributed to the related parties.

Post employment benefits for Imerys employees

The post-employment benefit plans for the benefit of Imerys employees are related parties. The amount of the contributions to external funds recognized as an expense in 2011 amounts to €24.8 million (€32.0 million in 2010), of which mainly €14.2 million to Imerys UK Pension Fund Trustees Ltd., United Kingdom (€13.9 million in 2010) and €6.4 million to Sun Trust Bank, United States (€9.8 million in 2010).

FCPE Imerys Actions

The FCPE Imerys Actions is managed by BNP Paribas Asset Management SAS. Its management is controlled by a Supervisory Board of 14 members, equally made up of shareholders' and Imerys representatives. As Imerys exercises together with the shareholders a joint control over the FCPE Imerys Actions, the FCPE Imerys Actions is a related party. The amounts recognized in 2011 (and 2010) for the FCPE Imerys Actions are insignificant.

Note 30 Commitments

In the course of its activities, Imerys is liable towards third parties for obligations, often subordinated to conditions or subsequent events, that do not (or partially) meet the recognition criteria of liabilities, but may have an impact on the future financial position.

The unrecognized portion of the obligation is designated hereafter by the term commitment. Identified in accordance with applicable accounting standards, the significant commitments, given and received, are presented hereafter.

Commitments given

(€ millions)	Notes	2011	2010
Operating lease	1	144.9	134.3
Site restoration	2	25.5	15.5
Commitments related to operating activities	3	280.0	328.7
Commitments related to treasury	4	38.2	42.9
Other commitments	5	19.2	19.5
Total		**507.8**	**540.9**

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts of real estate, equipment, rail cars, trucks and vehicles, in which Imerys is the lessee. These commitments amount to €144.9 million, of which €23.1 million for 2012, €64.5 million for the period 2013 to 2016 and €57.3 million beyond.

Note 2. Site restoration. These amounts correspond to sureties and guarantees obtained from financial institutions in accordance with legal requirements, decreased by recognized provisions *(Note 24.2)*.

Note 3. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by Imerys as part of purchase contracts of goods, services, energy and freight. These commitments comprise in particular two commitments of purchase of services that aim at guaranteeing the shipping logistics of the Group until 2017 (chartering contract) and 2022 (storage and handling contract) for a total amount of €121.5 million as of December 31, 2011 (€124.9 million as of December 31, 2010). The energy supply commitments (mainly electricity and gas) amount to €111.9 million as of December 31, 2011 (€111.6 million as of December 31, 2010).

Note 4. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by Imerys from financial institutions in order to guarantee operating treasury requirements in favor of customers.

Note 5. Other commitments. This position encompasses the whole of the commitments given not mentioned above, among which the seller warranties and the price adjustment clauses given by the Group upon disposals of businesses.

Commitments received

(€ millions)	Notes	2011	2010
Operating lease	1	1.5	1.6
Commitments related to operating activities	2	77.5	28.5
Commitments related to treasury	3	0.9	1.6
Other commitments	4	100.4	13.2
Total		**180.3**	**44.9**

Note 1. Operating lease. The operating lease commitments correspond to commitments to pay future rent as part of lease contracts in which Imerys is the lessor.

Note 2. Commitments related to operating activities. These commitments correspond to firm purchase commitments taken by customers in favor of Imerys as part of sales contracts of goods and services.

Note 3. Commitments related to treasury. These commitments correspond to letters of credit as well as to sureties, guarantees, mortgages and pledges obtained by certain suppliers from their financial institutions, in order to guarantee their operating treasury requirements in favor of Imerys.

Note 4. Other commitments. This position encompasses the whole of the commitments received not mentioned above, among which the seller warranties and the price adjustment clauses in favor of the Group upon acquisitions of businesses. Imerys thus benefits from a seller warranty of €97.0 million received from the Rio Tinto group related to the acquisition in 2011 of the Luzenac group *(Note 16)*.

Note 31 Events after the end of the period

The annual consolidated financial statements as of December 31, 2011 were closed by the Board of Directors at its meeting on February 15, 2012. No significant event is to be reported between the closing date and that of the Board of Directors.

Unless otherwise indicated, all values in the tables are in thousands of Euros.

5.2 STATUTORY FINANCIAL STATEMENTS

FINANCIAL COMMENTARY

The financial statements of Imerys (or the "Company") only provide a very partial view of the Group's economic and financial position, which is reflected only in the consolidated financial statements.

In 2011, the net income of the Company amounts to €9.6 million whereas the 2010 net income reached €83.6 million.

The main factors for 2011 were:

The acquisition of the Luzenac group by the Imerys group on August 1, 2011. Imerys financed the acquisition of five entities by Mircal SA for USD243.4 million and by Imerys Talc Holding US for USD79.1 million by using available bilateral financing facilities.

The evolution of financial resources. Mainly due to this acquisition, the financial debts of Imerys SA increase by €245.1 million in 2011.

Investments slightly increase by €1.0 million due to the subscription to the capital increase of Imerys Services for an amount of €1.0 million and to the disposal of The Quartz Corp SA shares to Mircal SA. The loans related to direct investments and other subsidiaries of the Group increase by a net amount of €91.3 million in 2011.

In 2011, the Company secured almost one billion of bilateral financing facilities with maturities reaching 2015 - 2016, thus increasing and diversifying its financial resources which amount to €2,759.2 million as of December 31, 2011.

The increase in the operating loss. Sales increase by €4.2 million due to the rise in services invoiced to subsidiaries. Other revenue decreases by €5.4 million due to a decrease in 2010 in a retirement provision of €5.6 million further to the payment of an amount of €5.0 million for a retirement plan in order to hedge the commitments related to this plan by financial assets.

The operating expenses of the Company increase by €4.5 million in 2011. This rise is due to staff expenses increasing by €2.0 million due to the constitution of a provision of €1.4 million corresponding to the future transfer of treasury shares of the Company as part of a free shares plan. It also comprises the grant of free treasury shares for €5.9 million for which a provision had been partially constituted in 2010 for an amount of €4.1 million.

Purchases and external services also increase by 6.8% in order to reach - €38.4 million due to the increase in external services related to the acquisition projects. The increases in provisions are stable.

In total, the operating loss increases by €5.7 million.

The decrease in the financial income. A financial income of €9.7 million was posted in 2011, compared with €101.3 million in 2010. In 2011, the Company collected €103.4 million in dividends, which is the same amount as in 2010. The Company also recognized a net exchange rate loss of - €16.1 million in 2011 against a net gain of + €10.8 million in 2010; at the same time net provisions for foreign exchange rate risks had been decreased in 2010 by + €41.6 million and are increased in 2011 by - €23.9 million. The foreign exchange impacts net of provisions thus decrease from + €52.4 million in 2010 to - €40.0 million in 2011 and mainly explain the decrease in the financial income. Finally, net financial expenses decrease by + €14.5 million due to the settlement of two rate hedge instruments for a total amount of + €14.6 million.

The decrease in the net income. The net income amounts to + €9.6 million. Its decrease of - €74.0 million compared to the 2010 period is mainly due to the decrease of the current income explained above (operating and financial) for - €97.3 million, partially compensated by the gain achieved through the allocation of the tax credit of Imerys SA to the positive incomes of the Group's subsidiaries within the framework of the French tax consolidation.

5.2.1 FINANCIAL STATEMENTS

INCOME STATEMENT

(€ thousands)	Notes	2011	2010
Operating revenue		**23,402**	**24,597**
Rendering of services		23,102	18,874
Other revenue and decreases in provisions		300	5,723
Operating expenses		**(72,325)**	**(67,840)**
Purchases and external services		(38,412)	(35,955)
Taxes and duties		(915)	(624)
Staff expenses		(27,757)	(25,799)
Amortization, depreciation, write-downs and provisions		(4,303)	(4,462)
Other expenses		(938)	(1,000)
Operating income		**(48,923)**	**(43,243)**
Financial income	10	**9,670**	**101,269**
Revenue from subsidiaries and affiliates		103,410	103,384
Net financial expenses		(40,123)	(54,590)
Increases and decreases in write-downs and provisions		(37,565)	41,635
Exchange rate gains and losses		(16,052)	10,840
Current income		**(39,253)**	**58,026**
Exceptional income (loss)	11	**(516)**	**2,825**
Exceptional revenue		4,257	5,880
Exceptional expenses		(4,773)	(3,055)
Income taxes	12	**49,412**	**22,794**
Net income		**9,643**	**83,645**

BALANCE SHEET

(€ thousands)	Notes	2011	2010
Net intangible assets		**1,073**	**1,337**
Intangible assets	13	9,151	8,708
Accumulated amortization	13	(8,078)	(7,371)
Net property, plant and equipment		**2,037**	**2,005**
Property, plant and equipment	13	6,870	6,284
Accumulated depreciation	13	(4,833)	(4,279)
Net investments		**3,308,178**	**3,307,210**
Investments	14	3,311,181	3,310,213
Write-downs	14 - 20	(3,003)	(3,003)
Loans related to direct investments and other subsidiaries - net value		**608,083**	**516,812**
Loans related to direct investments and other subsidiaries	15 - 17	608,083	516,812
Other financial investments	16 - 17	**172**	**2,263**
Non-current assets		**3,919,543**	**3,829,627**
Other receivables	17	40,432	13,261
Derivative financial assets		958	179
Marketable securities	18	190,508	164,620
Cash and cash equivalents		1,257	2,596
Current assets		**233,155**	**180,656**
Regularization accounts	17	56,165	35,736
Assets		**4,208,863**	**4,046,019**
Share capital		150,285	150,948
Additional paid-in capital		319,580	338,358
Reserves		959,048	959,031
Retained earnings		362,061	369,030
Net income of the period		9,643	83,645
Shareholders' equity	19	**1,800,617**	**1,901,012**
Provisions for risks and charges	20	**77,245**	**43,878**
Financial debts	21	2,292,865	2,047,756
Other debts	21	16,232	25,429
Derivative financial liabilities	21	707	138
Debts		**2,309,804**	**2,073,323**
Regularization accounts	21	21,197	27,806
Shareholders' equity and liabilities		**4,208,863**	**4,046,019**

CASH FLOW STATEMENT

(€ thousands)	2011	2010
Cash flow from operating activities		
Net income	**9,643**	**83,645**
Expenses and revenue with no impact on cash flow		
Amortization and depreciation	1,976	2,234
Write-downs and provisions	36,138	(43,783)
Income on disposal of assets	1,215	5
Current operating cash flow before working capital changes	**48,972**	**42,101**
Change in the working capital requirement	(36,588)	(6,277)
Cash flow from operating activities	**12,384**	**35,824**
Cash flow from investing activities		
Acquisitions of assets		
Intangible assets and property, plant and equipment	(1,115)	(1,340)
Financial (investments and related assets)	(1,000)	(15,654)
Disposals of assets		
Financial (investments and related assets)	909	-
Cash flow from investing activities	**(1,206)**	**(16,994)**
Cash flow from financing activities		
Change in financial debts	214,681	90,480
Change in loans and other financial assets	(91,270)	31,652
Cash flow from financing activities	**123,411**	**122,132**
Capital operations		
Capital increase	5,453	6,090
Capital decrease by cancellation of treasury shares	(24,894)	(7,062)
Dividends paid	(90,599)	(75,505)
Cash flow from transactions on equity	**(110,040)**	**(76,477)**
Change in cash and cash equivalents	**24,549**	**64,485**

(€ thousands)	2011	2010
Cash and cash equivalents at the beginning of the period	**167,216**	**102,731**
Change in cash and cash equivalents	24,549	64,485
Cash and cash equivalents at the end of the period	**191,765**	**167,216**

DETAIL OF MOVEMENTS ON TREASURY SHARES

(€ thousands)	2011	2010
Gross amount of treasury shares booked as investments as of January 1	**5,938**	**6**
Purchases of treasury shares	27,004	12,994
Sales of treasury shares	-	-
Transfer of treasury shares (free shares)	(5,938)	-
Capital decrease by cancellation of treasury shares	(24,894)	(7,062)
Gross amount of treasury shares booked as investments as of December 31	**2,110**	**5,938**

5.2.2 NOTES TO THE STATUTORY 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.

The statutory financial statements provide comparative information with respect to period N-1. Comparative information with respect to period N-2 is incorporated by reference to the financial statements included in the registration document of period N-2 *(chapter 8, section 8.4 of the Registration Document)*.

Note 1 Intangible assets and property, plant and equipment

Intangible assets

Intangible assets are valued at acquisition cost. Software is amortized over 3 years using the straight-line method.

Property, plant and equipment

Property, plant and equipment are assessed at acquisition cost or at their contribution value.

The depreciation methods used are representative of economic depreciation; therefore, no excess tax depreciation was recognized under liabilities in the balance sheet.

Depreciation methods and periods are as follows:

- machinery and equipment: straight-line method, over 10 years;
- equipment and office furniture: straight-line method, over 5 and 10 years;
- office equipment: straight-line method, over 5 years;
- IT equipment: straight-line method, over 3 years.

Note 2 Long-term investments

The long-term investments are valued at acquisition cost, excluding ancillary expenses.

Investments and other long-term investments are estimated at their value in use. The value in use is evaluated according to the value of the Company, based notably on its previous results and its profitability prospects, to the portion of converted equity owned for these investments and to the net asset value. When this value is higher than the carrying amount recognized in the balance sheet, the latter is not modified. On the contrary, a write-down of the investment is recognized.

Unrealized losses generated from the fluctuations of foreign currencies in which the long-term investments are denominated are not aimed to realize. Therefore, unrealized exchange losses do not constitute in themselves sufficient criteria to justify systematically a provision for depreciation.

Note 3 Receivables and debts in foreign currencies

Receivables and debts in foreign currencies are converted at closing rate.

Note 4 Foreign currency exposure

Where, for transactions presenting sufficiently close maturities, the unrealized gains and losses may be considered as contributory to a global foreign exchange position, the amount of the increase in the provision for exchange rate losses is limited to the excess of unrealized losses over unrealized gains.

Note 5 Marketable securities

Their value in use is assessed at their average market price of the last month of the period for listed stocks, at the last known redemption price for the SICAVs (money market funds) and at their net asset value for the FCPs (equity funds). Unrealized losses of value are subject to a write-down, unrealized gains are not recognized.

Note 6 Provisions

Provisions for risks

Provisions for risks cover identified risks and are determined in accordance with the following method:

- provisions for operational risks include mainly litigation in progress related to the current activities;
- provisions for restructuring relate to reorganization plans officially decided and initiated before the end of the period;
- provisions pertaining to changes in the value of certain equity interests are determined in accordance with the last financial information available and the evolution prospects.

Provisions for charges

They mainly include:

- provisions for supplementary pension plans and pensions for former employees;
- retirement indemnities expense calculated in accordance with the Projected Unit Credit Method.

Imerys applies the recommendation no. CNC 2003-R01 applicable to the valuation and accounting for pension commitments and similar advantages.

Note 7 Risks pertaining to financial markets

As a holding company and head of the Group, the Company implements the management of financial market risks identified within the Group (foreign exchange rate risk, interest rate risk, energy price risk).

The main instruments and risks are described hereafter:

- the derivative instruments used to hedge the foreign exchange rate risk are mainly forward buying and selling foreign currency contracts as well as change options. A global foreign exchange position is established when transactions in foreign currencies (hedged items and hedging instruments) result in the symmetrical recognition of an asset and a liability presenting close characteristics. For those options complying with the Group's risk management policy, but not qualified as hedging options, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized;
- the Company implements swaps and options in order to hedge the interest rate risk. The expenses and revenue related to the hedging instruments are recognized in profit or loss symmetrically to the expenses and revenue of hedged items;
- in order to hedge the energy price risk which affects its subsidiaries, the Company uses option contracts as well as forward buying and selling contracts. The expenses and revenue related to hedging instruments of the Company's risks are recognized in profit or loss symmetrically to the expenses and revenue of hedged items. For those options and contracts related to the hedging of risks affecting the Company's subsidiaries which comply with the Group's risk management policy, but which are not qualified as hedging options in the financial statements of the Company, a provision for risks and charges is recognized where the market value is inferior to the original contractual value. Unrealized gains are not recognized.

Note 8 Tax consolidation

Since 1993, Imerys and some of its French subsidiaries have been assessed under Article 223 A of the French Tax Code in respect of group taxation. Two entities left the tax consolidation perimeter in 2011: The Quartz Corp SA (formerly Parnasse 28) and Rieux Réfractaires, and three joined it: Doyet Terre Cuite, La Française des Tuiles et Briques and Parnasse 30. As of December 31, 2011, the tax consolidation perimeter includes the twenty-nine entities mentioned below:

AGS	KPCL KVS
Ardoisières d'Angers	La Française des Tuiles et Briques
Calderys France	Mircal
Charges Minérales du Périgord	Mircal Brésil
Damrec	Mircal Chili
Doyet Terre Cuite	Mircal China
IGM For Fibre Glass	Mircal Europe
Imerys	Parimetal
Imerys Ceramics France	Parnasse 22
Imerys Foundry Minerals Europe	Parnasse 25
Imerys Kiln Furniture France	Parnasse 27
Imerys Minéraux France	Parnasse 30
Imerys Services	PLR Réfractaires SAS U
Imerys Tableware France	World Minerals France
Imerys TC	

Within the fiscal group headed by Imerys, the relationships are governed by a convention whose principles are summarized below:

- the tax consolidated entities benefit from a situation identical to the one that they would have had in the absence of tax consolidation;
- all additional expenses are recognized at Imerys which benefits in counterpart from any potential savings generated by this system.

Note 9 Transfer of expenses

The transfer of expenses positions mainly correspond to:

- the transfer of expenses to balance sheet accounts (loan issuance costs, capital increase costs);
- the transfer from one category of expenses to another (operating expenses transferred to exceptional or financial expenses or vice versa).

NOTES TO THE INCOME STATEMENT

Note 10 Financial income

(€ thousands)	2011	2010
Financial revenue	**299,267**	**307,334**
Revenue from subsidiaries and affiliates [(1)]	103,410	103,384
Other investment income - net [(1)]	51,087	29,513
Decreases in provisions and transfer of expenses	29,680	72,665
Exchange rate gains	115,090	101,772
Financial expenses	**289,597**	**206,065**
Financial interests and expenses on financial instruments [(2)]	91,210	84,103
Increases in financial amortization and provisions	67,245	31,030
Exchange rate losses	131,142	90,932
Financial income	**9,670**	**101,269**
(1) Of which revenue related to controlled entities	*112,295*	*112,479*
(2) Of which expenses related to controlled entities	*16,264*	*9,948*

In 2011, the Company received €103.4 million of dividends.

As a holding company, Imerys manages its balance sheet foreign exchange rate risk, notably linked to the foreign net assets held directly or indirectly by the Company and also resulting from the loans and advances granted to the subsidiaries and entities controlled by the Company in accordance with the intra-group treasury contracts. Therefore, the proportion of the financial indebtedness drawn in foreign currencies is adjusted. In relation to this adjustment, Imerys recognized in 2011 a net foreign exchange loss of €16.1 million (a gain of €10.8 million was realized in 2010) mainly due to the hedging of foreign investments by Imerys.

For the record, at the same time, assets held by subsidiaries are not subject to revaluation of investments in the balance sheet.

Note 11 Exceptional income (loss)

(€ thousands)	2011	2010
Gains and losses on disposals of assets	(1,215)	(5)
Other exceptional revenue	13	61
Decreases in provisions and transfer of expenses	3,334	3,279
Increases in provisions	(2,542)	(508)
Other exceptional expenses	(106)	(2)
Exceptional income (loss)	**(516)**	**2,825**

The gains and losses on disposals of assets in 2011 relate to the disposal of non-significative investments which Imerys held in Eramet, the disposal of The Quartz Corp SA shares to Mircal SA and the disposal of Quadrem shares resulting in a loss of €1.3 million.

The decreases in provisions as of December 31, 2011 relate to a provision for Group restructuring (€1.6 million), a provision for staff-related risks (€0.3 million) and a provision for exceptional expenses (€1.5 million).

A provision for Group restructuring (€2.0 million) and a provision for staff-related risks for an amount of €0.5 million were constituted in 2011.

Note 12 Income taxes

(€ thousands)	2011	2010
Taxes on long-term capital gains	-	-
Income taxes	49,412	22,794
Total	**49,412**	**22,794**

Breakdown of the tax expense of the Company

(€ thousands)	Result before taxes	Taxes	Result after taxes
Current income	(39,253)	-	(39,253)
Exceptional income (loss)	(516)	-	(516)
Impact of the tax consolidation	-	49,412	49,412
Total	**(39,769)**	**49,412**	**9,643**

In accordance with the terms of the tax consolidation conventions signed by each company of the Group, the tax expense or credit recognized in the accounts of Imerys is composed of:

- the tax expense of the Company, calculated as if it was not fiscally consolidated;
- the net amount of additional expenses and credits resulting from the tax consolidation.

In this context, Imerys recognized a credit of €49.4 million for the 2011 period.

As regards Imerys, the Company recognizes in 2011 a loss of €125.9 million that has been used by the consolidated group in accordance with the rules of tax consolidation. At the end of 2011, the balance of carried forward short-term losses amounts to €656.8 million.

Change in deferred taxes (deferred tax basis)

Description	As of December 31, 2011		As of December 31, 2010	
(€ thousands)	Assets	Liabilities	Assets	Liabilities
Temporary differences	**52,994**	**92,554**	**29,059**	**60,738**
Deductible next year	-	67,132	-	30,163
Deductible later	-	4,225	-	2,769
Deducted expenses or taxed revenue not yet recognized	52,994	21,197	29,059	27,806
Potentially taxable items	**-**	**273,471**	**-**	**273,471**
Special reserve for long-term capital gains	-	273,471	-	273,471
Other	-	-	-	-

NOTES TO THE BALANCE SHEET

Note 13 Changes in intangible assets and property, plant and equipment

(€ thousands)	Gross amount 12/31/2010	Acquisitions	Disposals	Gross amount 12/31/2011
Intangible assets	8,708	443	-	9,151
Property, plant and equipment	6,284	587	1	6,870
Total gross intangible assets and property, plant and equipment	**14,992**	**1,030**	**1**	**16,021**

(€ thousands)	Amortization and depreciation 12/31/2010	Increases	Decreases	Amortization and depreciation 12/31/2011
Amortization of intangible assets	7,371	707	-	8,078
Depreciation of property, plant and equipment	4,279	554	-	4,833
Total amortization and depreciation of intangible assets and property, plant and equipment	**11,650**	**1,261**	**0**	**12,911**

Note 14 Changes in the value of investments

The gross amount of investments increases by €1.0 million due to the subscription to the capital increase of Imerys Services.

Write-down allowances remain unchanged since 2005. They amount to €3.0 million and relate to investments in a subsidiary whose activity has ceased.

Note 15 Loans related to investments

The amount of loans related to investments increases by €91.3 million. These receivables related to investments correspond to loan contracts and intra-group credit agreements aimed at optimizing the cash management.

Note 16 Other financial investments

The other financial investments included 19,797 Quadrem shares held by Imerys since October 11, 2000 for a gross amount of €2.1 million. Imerys disposed of this equity interest in January 2011. As of December 31, 2011, the other financial investments mainly include given deposits.

Note 17 Other receivables

(€ thousands)	Gross amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Loans and receivables related to investments	**608,083**	**510,021**	**71,437**	**26,625**
Loans and receivables related to direct investments	253,372	253,372	-	-
Loans and receivables related to other Group subsidiaries	354,711	256,649	71,437	26,625
Other financial investments	**172**	**-**	**-**	**172**
Other receivables	**40,432**	**39,607**	**784**	**41**
Operating receivables	39,300	39,300	-	-
Bond issuance premium	1,132	307	784	41
Regularization account	**56,165**	**54,575**	**1,090**	**500**
Prepaid expenses [(1)]	1,411	1,173	238	-
Bond issuance cost	1,761	409	852	500
Unrealized foreign exchange rate losses	52,993	52,993	-	-
Total	**704,852**	**604,203**	**73,311**	**27,338**

(1) Prepaid expenses mainly comprise expenses on the syndicated credit and purchases of external services.

Note 18 Marketable securities

Net values

(€ thousands)	2011	2010
SICAVs and mutual funds	188,398	158,682
Treasury shares	2,110	5,938
Total	**190,508**	**164,620**

As of December 31, 2011, the gross amount of marketable securities amounts to €190.5 million. No impairment loss has been recognized in 2010 and 2011.

Measurement of marketable securities as of December 31, 2011

Nature	Quantity	Average cost price per unit *(€)*	Closing price December 2011 *(€)*
SICAV BNP	1	56,739.28	56,740.54
SICAV BNP	663	56,740.54	56,740.54
SICAV Calyon	163	230,894.68	230,894.68
SICAV Natixis	667	56,540.58	56,540.58
SICAV SG	1	23,500.01	23,500.85
SICAV SG	1,603	23,500.85	23,500.85
SICAV HSBC	12,120	3,108.77	3,108.77
Treasury shares	57,442	36.73	35.59

Note 19 Breakdown of changes in shareholders' equity

(€ thousands)	Capital	Premiums	Reserves [1] legal	Reserves [1] regulated	Reserves [1] other	Retained earnings	Income of the period	Total
Shareholders' equity as of 01/01/10 before allocation of net income	**150,779**	**339,413**	**12,725**	**273,471**	**670,482**	**375,039**	**71,935**	**1,893,844**
Allocation of 2009 income	-	-	2,353	-	-	(5,923)	(71,935)	(75,505)
Movements of the 2010 period								
Cancellation of 171,627 shares of €2	(343)	(6,719)	-	-	-	-	-	(7,062)
Capital increase by creation of 42,984 shares	86	-	-	-	-	(86)	-	0
Subscription of 213,302 shares by exercise of options	426	5,664	-	-	-	-	-	6,090
Net income as of 12/31/10	-	-	-	-	-	-	83,645	83,645
Shareholders' equity as of 01/01/11 before allocation of net income	**150,948**	**338,358**	**15,078**	**273,471**	**670,482**	**369,030**	**83,645**	**1,901,012**
Allocation of 2010 income	-	-	17	-	-	(6,969)	(83,645)	(90,597)
Movements of the 2011 period								
Cancellation of 532,811 shares of €2	(1,065)	(23,829)	-	-	-	-	-	(24,894)
Subscription of 201,172 shares by exercise of options	402	5,051	-	-	-	-	-	5,453
Net income as of 12/31/11	-	-	-	-	-	-	9,643	9,643
Shareholders' equity as of 01/01/12 before allocation of net income	**150,285**	**319,580**	**15,095**	**273,471**	**670,482**	**362,061**	**9,643**	**1,800,617**
Proposal for allocation of income [2]	-	-	-	-	-	(103,071)	(9,643)	(112,714)
Shareholders' equity as of 01/01/12 with proposal for allocation of income	**150,285**	**319,580**	**15,095**	**273,471**	**670,482**	**258,990**	**0**	**1,687,903**

(1) Shareholders' equity of Imerys does not include revaluation differences.
(2) Proposed to the Shareholders' General Meeting on April 26, 2012.

Number of shares

	2011	2010
Number of shares outstanding at the opening	**75,474,155**	**75,389,496**
Capital increases	201,172	256,286
Capital decreases	(532,811)	(171,627)
Number of shares outstanding at the closing	**75,142,516**	**75,474,155**

For 2011, the capital movements are the following:

- on December 14, 2011, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2010 and April 28, 2011, cancelled 532,811 treasury shares directly acquired on the market by the Company and totally allocated to the cancellation objective. This cancellation of treasury shares lead to a capital decrease of the Company of a nominal amount of €1,065,622.
- on January 10, 2012, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 14, 2011, noted that, on December 31, 2011, the share capital had been increased by a nominal amount of €402,344 as a result of the exercise during the 2011 period of 201,172 share options and of the creation of the same number of new Imerys shares.

Detailed information concerning share capital is available in *chapter 6, paragraph 6.2.1 of the Registration Document.*

Note 20 Write-downs and provisions

(€ thousands)	Amount at the beginning of the period	Increases			Decreases [1]			Amount at the end of the period
		Operating	Financial	Exceptional	Operating	Financial	Exceptional	
Write-downs								
Investments	3,003	-	-	-	-	-	-	3,003
Trade receivables	19	-	-	-	-	-	-	19
Loans related to investments	-	-	-	-	-	-	-	-
Non-consolidated investments	-	-	-	-	-	-	-	-
Bond issuance premium	1,764	-	306	-	-	-	-	2,070
Marketable securities	-	-	-	-	-	-	-	-
Prepaid expenses - future employee benefits	(2,812)	2,772	-	-	-	-	-	(40)
Total assets	**1,974**	**2,772**	**306**	**-**	**-**	**-**	**-**	**5,052**
Provisions								
Provisions for risks	**42,214**	**1,440**	**65,792**	**2,542**	**(4,169)**	**(29,059)**	**(3,334)**	**75,426**
Management risks	7,933	1,440	36	2,000	(4,169)	-	(1,597)	5,643
Provisions for exchange rate losses	29,059	-	52,993	-	-	(29,059)	-	52,993
Staff-related risks	500	-	-	531	-	-	(300)	731
Environmental risks	3,921	-	19	-	-	-	(1,437)	2,503
Financial instruments	-	-	12,744	-	-	-	-	12,744
Risks on subsidiaries and investments	801	-	-	11	-	-	-	812
Provisions for charges	**1,664**	**270**	**738**	**-**	**(232)**	**(621)**	**-**	**1,819**
Pensions	-	-	-	-	-	-	-	-
Future employee benefits	1,664	270	738	-	(232)	(621)	-	1,819
Other social contributions and tax expenses	-	-	-	-	-	-	-	-
Total liabilities	**43,878**	**1,710**	**66,530**	**2,542**	**(4,401)**	**(29,680)**	**(3,334)**	**77,245**
Grand Total	**45,852**	**4,482**	**66,836**	**2,542**	**(4,401)**	**(29,680)**	**(3,334)**	**82,297**

(1) Provisions decreased in accordance with used amounts for €4,402 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, 2011, the provision for financial risks is constituted for an amount of €12.7 million. This provision relates to hedging transactions on foreign currencies and on energy prices.

In 2011, a provision for risks has been increased by an amount of €1.4 million corresponding to the future free grant of 57,442 treasury shares of the Company. As of December 31, 2011, these treasury shares are measured at a total amount of €2.1 million. The provision for risks increased in 2010 by an amount of €4.1 million is completely decreased in 2011 due to the grant over the period of 136,373 treasury shares of the Company.

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, 2011 are described in *Note 25* and following.

Future employee benefits

The concerned retirement plans correspond to basic and complementary plans applicable to the metalworking industry.

The provision for future employee benefits is calculated in accordance with the following assumptions:

	Retirement	Other long-term employee benefits
Discount rates	3.8%	4.5%
Expected rates of return on plan assets	4.0%	-
Expected rates of salary increases	3.5%	3.5%
Annual turnover rates:		
■ Executives and non-executives until 30 years	20.0%	20.0%
■ Executives and non-executives between 30 and 40 years	15.0%	15.0%
■ Executives and non-executives between 40 and 50 years	10.0%	10.0%
■ Executives and non-executives between 50 and 55 years	5.0%	5.0%
■ Executives and non-executives after 55 years	-	-

Actuarial differences are recognized according to the corridor method.

Net expense

	2011			2010		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Interest cost	(726)	(12)	(738)	(781)	(12)	(793)
Current service cost	(1,196)	(37)	(1,233)	(1,113)	(30)	(1,143)
Expected return on assets	621	-	621	513	-	513
Past service cost	(1,992)	-	(1,992)	(2,133)	-	(2,133)
Actuarial (gains) and losses	166	17	183	254	(114)	140
Curtailments and settlements	-	-	-	210	-	210
Recognized net expense	**(3,127)**	**(32)**	**(3,159)**	**(3,050)**	**(156)**	**(3,206)**
Assets' effective return	677	-	677	816	-	816

Change in the discounted value of obligations

	2011			2010		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Opening obligations	**(20,551)**	**(435)**	**(20,986)**	**(19,415)**	**(307)**	**(19,722)**
Interest cost	(726)	(12)	(738)	(781)	(12)	(793)
Current service cost	(1,196)	(37)	(1,233)	(1,113)	(30)	(1,143)
Benefit payments	4,676	2	4,678	931	28	959
Plan amendments	-	-	-	(1,106)	-	(1,106)
Curtailments and settlements	-	-	-	386	-	386
Actuarial (gains) and losses	1,636	17	1,653	547	(114)	433
Closing obligations (1)	**(16,161)**	**(465)**	**(16,626)**	**(20,551)**	**(435)**	**(20,986)**
Funded by plan assets	(14,845)	-	(14,845)	(18,828)	-	(18,828)
Unfunded	(1,316)	(465)	(1,781)	(1,722)	(435)	(2,157)

(1) Of which retirement obligations to the benefit of the Executive Management and of members of the Board of Directors: €2,502 thousand in 2011, €7,683 thousand in 2010.

Change in fair value of plan assets

	2011			2010		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Opening assets	**18,926**	**-**	**18,926**	**13,430**	**-**	**13,430**
Expected return on assets	621	-	621	513	-	513
Benefit payments	(4,445)	-	(4,445)	(319)	-	(319)
Employer contributions	-	-	-	5,000	-	5,000
Actuarial gains and (losses)	56	-	56	302	-	302
Closing assets	**15,158**	**-**	**15,158**	**18,926**	**-**	**18,926**

Assets / liabilities in the balance sheet

	2011			2010		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Funded obligations	(14,845)	-	(14,845)	(18,828)	-	(18,828)
Fair value of assets	15,158	-	15,158	18,927	-	18,927
Funded status	**313**	**-**	**313**	**99**	**-**	**99**
Unfunded obligations	(1,316)	(465)	(1,781)	(1,722)	(435)	(2,157)
Unrecognized past service cost	3,428	-	3,428	5,420	-	5,420
Net unrecognized actuarial differences	(3,739)	-	(3,739)	(2,214)	-	(2,214)
Assets (provisions) in the balance sheet	**(1,314)**	**(465)**	**(1,779)**	**1,583**	**(435)**	**1,148**
Provisions for retirement	-	-	-	-	-	-
Provisions for future employee benefits	(1,314)	(465)	(1,779)	1,583	(435)	1,148

Change in assets (provisions) in the balance sheet

	2011			2010		
(€ thousands)	Retirement	Other	Total	Retirement	Other	Total
Opening assets (provisions)	**1,583**	**(435)**	**1,148**	**(980)**	**(307)**	**(1,287)**
Current service cost after curtailments / settlements	(3,127)	(32)	(3,159)	(3,050)	(156)	(3,206)
Contributions	230	2	232	5,613	28	5,641
Closing assets (provisions)	**(1,314)**	**(465)**	**(1,779)**	**1,583**	**(435)**	**1,148**

Note 21 Debts and regularization accounts as of December 31, 2011

(€ thousands)	Amount	Maturity less than one year	Maturity from one to five years	Maturity beyond five years
Financial debts	2,292,865	1,288,637	411,182	593,046
Other debts	16,939	16,939	-	-
Deferred revenue	-	-	-	-
Unrealized exchange rate gains	21,197	21,197	-	-
Total	**2,331,001**	**1,326,773**	**411,182**	**593,046**

The various bank overdrafts and the syndicated credit do not include any grants or guarantees from the Company to the benefit of the lending banks.

The financial debts by foreign currency share out as follows:

(€ thousands)	**Amount**
Euro	1,644,775
US Dollar	446,219
Pound Sterling	62,831
Japanese Yen	73,206
Other foreign currencies	65,834
Total	**2,292,865**

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	1,004,228	-	411,182	593,046
Commercial papers	98,000	98,000	-	-
Bank loans	249,633	249,633	-	-
Subsidiary loans	222,071	222,071	-	-
Group financial current accounts	678,400	678,400	-	-
Bank overdrafts and accrued interests	40,533	40,533	-	-
Total	**2,292,865**	**1,288,637**	**411,182**	**593,046**

Note 22 Accrued receivables and payables

(€ thousands)	**Accrued receivables**	**Accrued payables**
Operating	-	1,883
Financial	2,509 (1)	1,606
Total	**2,509**	**3,489**

(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. As of December 31, 2011 it is utilized up to €248.6 million.

As of December 31, 2011, the amount of bilateral multi-currencies credit lines confirmed, non-utilized and available for the benefit of Imerys is €1,005.0 million.

Commitments given

	For the benefit of				
(€ thousands)	**Subsidiaries**	**Equity interests**	**Other controlled entities**	**Other**	**Total**
Avals, sureties, guarantees	86,946	-	46,380	17,735	151,061

Commitments received

No commitments were received over 2011.

Note 24 Other commitments in relation to subsidiaries

Considering the commitments which came to maturity in 2011, the amount of the global commitment amounts to €91.2 million as of December 31, 2011.

Note 25 Commitments on the foreign exchange rate risk

As of December 31, 2011, the Company has net commitments regarding forward purchases and sales against Euros divided up by foreign currencies as follows:

	(foreign currency thousands)		*(€ thousands)*	
	Forward purchases	**Forward sales**	**Forward purchases**	**Forward sales**
Australian Dollar	3,500	3,430	2,751	2,696
Canadian Dollar	14,650	10,845	11,086	8,207
Swiss Franc	7,840	36,600	6,449	30,109
Pound Sterling	39,375	34,276	47,139	41,034
Japanese Yen	3,950,610	235,385	39,427	2,349
Mexican Peso	41,280	-	2,287	-
Norwegian Krone	-	340	-	44
New Zealand Dollar	6,690	-	3,997	-
Swedish Krona	22,000	4,610	2,469	517
Thai Baht	-	360,876	-	8,804
US Dollar	33,605	230,275	25,972	177,970
South African Rand	9,700	-	925	-
Czech Koruna	49,820	-	1,932	-
Danish Krone	-	5,120	-	689
Hungarian Forint	240,395	233,725	764	743
Singapore Dollar	58,360	5,490	34,699	3,264
Polish Zloty	4,030	-	904	-
Total			**180,801**	**276,426**

These transactions have been carried out in order to hedge the foreign exchange rate risk generated by intra-group financing and investments in foreign currencies. They also include the net positions between internal and external derivatives on transactions carried out in accordance with the Group's management policy of the foreign exchange rate risk.

Note 26 Commitments on the interest rate risk

In accordance with its policy to manage the interest rate risk, the Group has, as of December 31, 2011, different hedging transactions (interest rate swaps and caps). These transactions are in line with its management policy.

The nominal amount of derivative instruments at the end of the period amounts to €100.0 million, JPY7,000.0 million and USD360.0 million.

Note 27 Commitments on the energy price risk

The following table summarizes the positions taken as of December 31, 2011 to hedge the energy price risk:

	Net notional amounts in MWh	Maturities
Underlying position	3,787,165	< 12 months
Management transactions	1,625,381	< 12 months

Note 28 Elements recognized under more than one balance sheet item (net value)

(€ thousands)	Total	Of which controlled entities [(1)]
Investments	3,308,178	3,307,874
Loans related to direct investments and other subsidiaries	608,083	607,301
Other financial investments	172	-
Operating receivables	39,299	18,694
Financial debts	2,292,865	900,472
Other debts	16,939	5,213

(1) The controlled entities are those that can be consolidated by full integration into the same group.

Note 29 Main shareholders

	Number of shares	% of interest	% of voting rights [(1)]
Pargesa Netherlands BV [(2)]	-	-	-
Belgian Securities BV [(3)]	42,851,473	57.03%	66.78%
M&G Investment Management Ltd [(4)]	5,217,507	6.94%	5.28%
Vanguard Precious Metal and Mining Funds [(5)]	3,650,000	4.86%	3.69%
Group employees	197,924	0.26%	0.40%
Self-holding	57,442	0.08%	0.06%
Public	23,168,170	30.83%	23.79%
Total as of December 31, 2011	**75,142,516**	**100.00%**	**100.00%**

(1) Total theoretical voting rights: 98,783,618.

(2) On April 8, 2011, Pargesa Netherlands BV disposed of its entire investment in Imerys to Belgian Securities BV (for more details, see chapter 6, paragraphs 6.3.2 and 6.3.5 of the Registration Document).

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

(4) M&G Investment Management Limited belongs to the Prudential Plc group (United Kingdom).

(5) Vanguard Precious Metal and Mining Funds belongs to The Vanguard Group, Inc. (United States).

The consolidated financial statements of Imerys are included in the scope of consolidation of the Belgian group GBL.

Note 30 Headcount as of December 31, 2011

	Non-executives	Executives	Total
Full-time	26	116	142
Part-time	4	2	6
Total employees of the entity	**30**	**118**	**148**

Note 31 Individual training rights as of December 31, 2011

As of December 31, 2011 the total number of training hours corresponding to the acquired rights in the framework of the individual training right amounts to 9,087 hours.

The number of hours not having been requested amounts to 7,744 hours.

Note 32 Compensation of directors and executive managers

(€ thousands)	**2011**	**2010**
Board of Directors [(1)]	748	642
Executive Management	2,226	2,341
Total	**2,974**	**2,983**

(1) Directors' attendance fees.

The global amount of retirement obligations contracted for the benefit of members of the Board of Directors and of the Executive Management is presented in *Note 20 to the statutory financial statements.*

Note 33 Post closing events

No significant post closing event has to be notified for the Company.

Note 34 Allocation of earnings (pursuant to the provisions of article L. 232-7 of the French Code of Commerce) [(1)]

(€)	
Income for the period	9,643,393.91
Increase in legal reserve in order to reach 10% of the share capital	-
Retained earnings	362,060,679.92
Distributable income	**371,704,073.83**
Dividend of €1.50 to each of the 75,142,516 shares existing as of January 1, 2012	(112,713,774.00)
Retained earnings	**258,990,299.83**

(1) Which will be proposed to the Shareholders' General Meeting on April 26, 2012.

Note 35 Table of subsidiaries and equity interests as of December 31, 2011

	Local units (thousands)			
	Capital	**Shareholders' equity other than share capital**	**Number of shares held by Imerys**	**Type of securities**
Subsidiaries (at least 50% of equity held by Imerys)				
Imerys TC	161,228	719,626	80,613,850	shares of €2
Mircal	1,034,653	276,912	68,976,891	shares of €15
Imerys USA	526,005	490,167	1,000	shares of USD1
Imerys Services	371	966	24,700	shares of €15
Mircal Europe	56,365	558,913	56,365,195	shares of €1
Mircal China	12,937	(3,175)	1,293,700	shares of €10
Mircal Chili	1,554	13,943	1,554,000	shares of €1
Imerys (SHANGHAI) Investment Management Company Limited	14,404	7,090	1	share of CNY14,404,000

		(€ thousands)							
	% of interest held by Imerys	**Gross amount of securities held**	**Net amount of securities held**	**Loans and advances granted by Imerys and not repaid**	**Borrowings taken up by Imerys and not repaid**	**Sureties, avals given by Imerys**	**Dividends collected by Imerys in 2011**	**2011 sales**	**2011 net income or loss**
Subsidiaries (at least 50% of equity held by Imerys)									
Imerys TC	100.00	758,369	758,369	-	242,407	-	83,032	433,737	87,765
Mircal	100.00	1,289,076	1,289,076	116,756	-	-	-	-	2,933
Imerys USA	100.00	663,837	663,837	-	13,656	86,946	-	-	(1,364)
Imerys Services	100.00	1,043	1,043	-	1,005	-	-	15,076	929
Mircal Europe	100.00	565,483	565,483	133,438	-	-	20,292	-	24,048
Mircal China	100.00	12,937	12,937	1,736	-	-	-	-	(2,083)
Mircal Chili	100.00	15,540	15,540	-	525	-	-	-	-
Imerys (SHANGHAI) Investment Management Company Limited	100.00	1,359	1,359	660	-	-	-	5,244	374
Equity interests									
10 to 50% of equity held by Imerys		10	10	-	-	-	86	-	-
Miscellaneous equity interests									
Non-significant French entities		3,527	524	782	298	-	-	-	-
Total		**3,311,181**	**3,308,178**	**253,372**	**257,891**	**86,946**	**103,410**	**454,057**	**112,602**

5.3 AUDIT FEES

Terms of service of Auditors

The Shareholders' General Meeting of April 29, 2010 approved the renewal of the term of office of ERNST & YOUNG et Autres and Deloitte & Associés for another 6 years.

Organization of the audit of Imerys subsidiaries

For numerous years, the Group has primarily asked, in an equal standing, the two Imerys Statutory Audit firms to conduct the audit of the subsidiaries throughout the world. However, for practical or historical reasons, other audit firms intervened; the quantitative details were as follows:

Periods	2011	2010	2009	2008	2007
Audit fees *(€ millions)*	6.2	6.1	6.4	7.1	6.9
Distribution					
ERNST & YOUNG et Autres	51%	50%	53%	55%	53%
Deloitte & Associés	45%	46%	43%	40%	43%
Other firms	4%	4%	4%	5%	4%

Fees as of December 31, 2011

The total fees paid in 2011 to the two Statutory Audit firms of the parent company Imerys, ERNST & YOUNG et Autres (EY) and Deloitte & Associés (DA), are as follows:

	2011				2010			
	EY		DA		EY		DA	
	(€M)	*(%)*	*(€M)*	*(%)*	*(€M)*	*(%)*	*(€M)*	*(%)*
Audit								
Certification and auditing of individual and consolidated accounts	**3.0**		**2.7**		**2.8**		**2.3**	
Imerys SA	0.8		0.7		0.8		0.6	
Fully integrated subsidiaries	2.2		2.0		2.0		1.7	
Other duties and services directly related to the audit mission	**0.2**		**0.2**		**0.2**		**0.5**	
Imerys SA	0.2		0.1		-		0.3	
Fully integrated subsidiaries	-		0.1		0.2		0.2	
Subtotal	**3.2**	**100.0%**	**2.9**	**93.5%**	**3.0**	**93.7%**	**2.8**	**93.3%**
Other services rendered by the network to fully integrated subsidiaries								
Legal, fiscal, social	-		0.2		0.2		0.2	
Other (to specify if > 10% of audit fees)	-		-		-		-	
Subtotal	**-**		**0.2**	**6.5%**	**0.2**	**6.3%**	**0.2**	**6.7%**
Total	**3.2**	**100.0%**	**3.1**	**100.0%**	**3.2**	**100.0%**	**3.0**	**100.0%**

ADDITIONAL INFORMATION

6

6.1 INFORMATION ABOUT THE COMPANY

CORPORATE NAME: IMERYS

This name was adopted by the Ordinary and Extraordinary Shareholders' Meeting of September 22, 1999. Until then, the Company's corporate name was Imetal.

REGISTERED OFFICE

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REGISTRATION

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N.A.F. (code of main activity): 7010Z

LEGAL STATUS AND LAW OF INCORPORATION

Imerys is a French Limited Liability Company (Société Anonyme) with Board of Directors (Conseil d'Administration) governed by French law.

DATE OF INCORPORATION – HISTORY - DURATION

Imerys was incorporated on April 22, 1880.

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

In 1974, federated under the name Imetal, the Group acquired the French company Huguenot Fenal, an event which marked its entry into the clay roof tiles market. The following year, it purchased Copperweld Corporation (United States), a company specialized in steel production and metals processing. The first significant investment in minerals for 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 gave significant emphasis to the development of industrial minerals [(1)]. It acquired significant positions in the white pigments sector: 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 related divestment of Copperweld (United States) and ECC's specialty chemicals business (Calgon, United States), the Group focused on Industrial Minerals Processing exclusively. To reflect this development, Imetal changed its name to **Imerys**.

The Group completed this 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 transforms industrial minerals into specialties with high added value for its customers. Organized into business groups that correspond to the sectors it serves, the Group constantly broadens its product range, extends its geographic representation in high-growth regions 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. In 2011, Imerys (Minerals for Ceramics) was associated to the Norwegian group Norsk Mineral AS, through the joint venture "The Quartz Corp SAS", to serve the increasing demand of high purity quartz in semiconductor and photovoltaic markets.
- The **Minerals for Refractories** activity expanded its offering for the refractory and sanitaryware markets and enhanced its geographic presence with the acquisition of AGS (2006 – France) and Vatutinsky (2007 – Ukraine), both companies specializing in calcined clays. The purchase of a 65% stake in Yilong (2007 – China) and the acquisition of the remaining 35% in 2011, gave Imerys access to an excellent quality andalusite reserve in order to serve the local refractories market. In 2010, the commissioning of a new plant increased andalusite production capacity in China. The Oilfield Minerals Department, created in 2009 to serve the Oil and Gas markets, joined Minerals for Refractories activity.

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

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

In 2011, it inaugurates a ceramic proppant production unit in Andersonville (Georgia, United States), used to keep fractures open in non-conventional oil and gas exploration.

- The **Minerals for Abrasives** activity was created in 2000 with the takeover of the world's leading producer of corundum (fused alumina and bauxite), Treibacher Schleifmittel (Austria), of which the remaining shares were acquired in July 2002. A succession of corundum acquisitions were made in the Czech Republic (2001), Germany (2001), Brazil (2002) and China, where a third joint venture was created in 2007 with ZAF. Imerys added fused zircon, a mineral for the refractory, technical ceramics and automotive markets to its portfolio, becoming the world leader with the successive acquisitions of UCM Group PLC (United Kingdom, 2007), the European leader in fused zircon, and Astron China, the leading Chinese zircon product manufacturer (2008). The Minerals for Abrasives division was then renamed **Fused Minerals**.
- **Minerals for Filtration** joined the Group in 2005 with the acquisition of the world leader in the sector, World Minerals (United States). This acquisition contributed new minerals (diatomite and perlite) and a global presence, while following a model that is consistent with Imerys' business and skills. Perlite activities were bolstered in South America in 2007 with the acquisition of Perfiltra in Argentina.
- **Performance Minerals** developed with the extension of calcium carbonate capacities in Central and South America (Quimbarra, chiefly Brazil – 2000), Asia (Honaik, mainly in Malaysia – 2000) and France (AGS-BMP's carbonates activities – 2000). The Group strengthened its positions in Southern Europe (Gran Bianco Carrara, Italy and Blancs Minéraux de Tunisie, Tunisia – 2005) and Turkey (Mikro Mineral, wholly-owned since 2008). In 2008, the acquisitions of Kings Mountain Minerals, Inc. (North Carolina, United States) and Suzorite Mining, Inc. (Quebec, Canada) added high quality mica to the minerals portfolio. In 2011, Imerys acquires the Luzenac Group and becomes the world leader in talc processing.
- In **Pigments for Paper**, development focused on ground and precipitated calcium carbonates, which now account for more than half the Group's sales to the paper industry. Nine new production units have been built since 2004, mainly in the Asia-Pacific zone (India, China, Indonesia and Japan). To support the development of activities in Asia, extensive reserves of high quality white marble have been acquired in Malaysia, China and Vietnam in recent years. In Brazil, the business group strengthened and secured its kaolin supply with the acquisition of Pará Pigmentos S.A. in July 2010.
- The Group's **Building Materials** activity was strengthened in clay bricks in France with the acquisition of Marcel Rivereau (2004). Clay roof tiles and bricks activities in Spain and Portugal were divested in 2007. In late 2008, Imerys TC created CapteliaTM, a joint venture [(1)] with EDF ENR (Énergies Renouvelables Réparties – distributed renewable energies), whose objective is developing and manufacturing integrated photovoltaic roof tiles to extend energy generation to traditional roofing. In 2009, Planchers Fabre, an activity specializing in concrete joists, was sold to the French leader in the sector.

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

- In **Refractory Solutions**, the acquisition of Lafarge Refractories (2005) made Imerys the European leader in the sector and gave it a foothold in Asia. The merger of these activities with Plibrico led to the creation of a new entity, Calderys. ACE, the Indian leader in monolithic refractories, became part of the Group in 2007, giving Calderys a new dimension in this fast-growing country. Calderys developed in South Africa (B&B – 2007) and Scandinavia (Svenska Silika Verken AB – Sweden – 2008). These operations established Imerys as a world leader in monolithic refractories. In refractory Kiln Furniture, Imerys is also building front-rank positions in Asia (Siam Refractory Industry Co, Ltd, Thailand – 2002) and Europe (Burton Apta, Hungary – 2004).

The Company's term of incorporation, initially set at fifty years, was extended until June 30, 2024 (article 5 of the by-laws).

CORPORATE PURPOSE *(ARTICLE 3 OF THE BY-LAWS)*

Imerys is the parent 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:

- the search for, acquisition, leasing, sale and operation of any mines and quarries, of any kind whatsoever;
- the processing and transformation of, and trading in, any minerals, metals, organic or non-organic materials and mineral substances, as well as their by-products and alloys;
- the manufacturing of any processed products in which minerals, metals, organic or non-organic materials and mineral substances are used;
- the purchase, obtaining, operation, concession and sale, in whole or in part, on a temporary or permanent basis, of any patents, certificates or licenses pertaining to the above-mentioned purposes;
- the creation, acquisition, sale, concession of any buildings and plants, of any means of transportation and energy sources;
- the participation in any country, in any mining, quarrying, commercial, industrial and maritime operations aimed at favoring or developing the Company's own industries and businesses, through the creation of new companies, alliances, holding companies or otherwise; and, generally, any mining, quarrying, commercial, industrial, maritime, real estate, personal property and financial operations relating directly or indirectly, in whole or in part, to any of the above-specified purposes or any other similar or related purposes."

FINANCIAL YEAR *(ARTICLE 28 OF THE BY-LAWS)*

The financial year is 12 months. It begins on January 1 and ends on December 31 of each year.

BOARD OF DIRECTORS *(ARTICLES 12 AND 13 OF THE BY-LAWS)*

The Company is managed by a Board of Directors of at least three members and no more than eighteen members, except for any dispensation provided by law.

Directors are appointed or renewed by the Ordinary General Meeting of the shareholders, which may remove them at any time. The term of office of the Directors is three years. The term of office of a Director shall expire at the close of the Ordinary General Meeting of the Shareholders that rules on the financial statements for the previous financial year and held in the year during which the term of office expires.

For more details regarding the composition, powers and functioning of the Board of Directors, *please see chapter 3, section 3.1 of the Registration Document*.

SHAREHOLDERS' GENERAL MEETINGS *(ARTICLES 21 AND 22 OF THE BY-LAWS)*

Convening

Shareholders' General Meetings are convened under the terms and conditions provided by current legal provisions and are held either at the registered office or in any other place specified on the Notice of Meeting.

Conditions for admission

All shareholders have the right to take part in Shareholders' General Meetings – whether in person, via a proxy or by correspondence – subject to the obligation to prove their identity and their share ownership in the format, either registered in the name of the holder, or by transmission of a certificate of holding proving the recording in the case of holders of bearer shares. Registration or deposit formalities must be completed no later than three business days prior to the meeting. 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 can only be validly taken into account if 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 voting form 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 which 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 of the Special General Meeting of the holders of this right.

Restriction of voting rights

None.

ALLOCATION OF PROFITS *(ARTICLE 30 OF THE BY-LAWS)*

Income for each financial year is determined in accordance with legal and regulatory provisions in force, as follows:

- at least 5% of net earnings for the financial year, less any prior losses, where applicable, are withheld to make up the legal reserve. This withholding ceases to be obligatory when the reserve reaches 10% of the share capital;
- earnings for the financial year, less any prior losses and increased by any earnings carried over, subject to deduction of any retained earnings carried forward by the Shareholders' General Meeting or assigned by it to one or more reserves, are allocated among shares, without distinction;
- the Shareholders' General Meeting may grant to each shareholder, for all or part of the dividend being distributed, or for advances on dividends, an option between payment of the dividend 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 of them and, as the case may be, any restrictions that may apply to these securities.

DISCLOSURE OF THRESHOLD CROSSINGS

Imerys' by-laws do not contain any clause imposing disclosure requirements in the case of holdings that cross certain thresholds, other than those set down by the law.

Any shareholder, whether acting alone or with others, whose holding rises above or passes below one of the holding thresholds for the Company's capital and/or voting rights provided by legislation in force must comply with the provisions of articles L. 233-7 and seq. of the French Code of Commerce and, more specifically, notify the Company (or, as the case may be, any person that the Company may have designated for that purpose) and the Autorités des marchés financiers (AMF), within four trading days of their holding crossing the threshold in question. In the event of failure to comply with this obligation, the provisions of article L. 233-14 of the French Code of Commerce shall apply.

DOCUMENTS ACCESSIBLE TO THE PUBLIC

The by-laws, minutes of Shareholders' General Meetings, statutory and consolidated financial statements, Statutory Auditors' Reports and all documents made available to the shareholders may be consulted at the Company's registered office or on the Company's website (*www.imerys.com* – section regulated information).

6.2 INFORMATION ABOUT THE SHARE CAPITAL

6.2.1 SHARE CAPITAL AS OF DECEMBER 31, 2011

On December 14, 2011, the Board of Directors, as part of the share buy-back programs authorized by the Shareholders' General Meetings of April 29, 2010 and April 28, 2011, and according to the authorization granted by the Shareholders' General Meeting of April 28, 2011, cancelled 532,811 treasury shares acquired directly on the market by the Company and totally allocated to the cancellation objective. This cancellation of shares led to a share capital decrease of the Company by a nominal amount of €1,065,622.

On January 10, 2012, the Chairman and Chief Executive Officer, pursuant to the delegation of powers given to him by the Board of Directors on December 14, 2011, acknowledged that, on December 31, 2011, the share capital had been increased by a nominal amount of €402,344 as a result of the exercise in 2011 of 201,172 stock options and consequently the creation of an equivalent number of new Imerys shares.

As a result of those operations, Imerys' fully-paid up share capital as of December 31, 2011 totaled €150,285,032; it was made up of 75,142,516 shares with a €2 par value of which 23,641,102 benefited from double voting rights pursuant to article 22 of Imerys' by-laws. Finally, the total number of theoretical voting rights attached to existing shares was 98,783,618.

Taking into account the 4,202,766 stock options and 498,217 free shares granted to certain employees and executive corporate officers and not yet exercised or acquired on December 31, 2011, the maximum potential dilution of the Company's share capital was 5.89% as on this date (i.e. a nominal amount of €159,686,998).

No directly registered shares have been pledged by the Company.

Share capital did not change and the number of voting rights did not change significantly between December 31, 2011 and the date of the Registration Document.

6.2.2 CHANGES IN SHARE CAPITAL OVER THE PAST FIVE YEARS

Changes in the number of shares and in the Company's share capital over the past five years are as follows:

Year	Operation	Nominal amount of change in capital *(in €)*	Issue premium *(in €)*	Number of shares created	Par value of shares *(in €)*	Successive amounts of the Company's capital *(in €)*	Number of shares that make up capital
	Cancellation of shares	(1,213,086)	(40,885,873)	(606,543)	2	125,456,154	62,728,077
2007	Exercise of stock options	797,558	13,645,455	398,779	2	126,253,712	63,126,856*
	Cancellation of shares	(740,000)	(16,782,710)	(370,000)	2	125,513,712	62,756,856
2008	Exercise of stock options	59,468	882,325	29,734	2	125,573,180	62,786,590*
	Exercise of stock options	2,000	26,310	1,000	2	125,575,180	62,787,590
	Share capital increase	25,115,036	226,035,324	12,557,518	2	150,690,216	75,345,108
2009	Exercise of stock options	88,776	1,207,985	44,388	2	150,778,992	75,389,496*
	Capital increase by incorporation of reserves	85,968	0	42,984	2	150,864,960	75,432,480
	Cancellation of shares	(343,254)	(6,719,326)	(171,627)	2	150,521,706	75,260,853
2010	Exercise of stock options	426,604	5,663,150	213,302	2	150,948,310	75,474,155*
	Cancellation of shares	(1,065,622)	(23,828,533)	(532,811)	2	149,882,688	74,941,344
2011	Exercise of stock options	402,344	5,050,706	201,172	2	150,285,032	75,142,516*

* *As on December 31.*

6.2.3 FINANCIAL AUTHORIZATIONS

SECURITIES REPRESENTING SHARE CAPITAL

General authorizations

A set of financial authorizations was renewed in favour of the Board of Directors, in accordance with the provisions of articles L. 225-129 et seq. of the French Code of Commerce, for a twenty-six months period, by the Ordinary and Extraordinary Shareholders' General Meeting of April 28, 2011. These financial authorizations are intended to allow the Company, if necessary, to increase its share capital at the appropriate time either by capitalization of reserves, income and issue, share or other premiums, or by the issue of various securities granting access, immediately or in the future, to Imerys' share capital with or without preemptive subscription rights. The opportunities offered by these authorizations 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.

The maximum nominal amount [(1)] of the capital increases that may be carried out in this way was set at:

- €80 million for the issues carried out with Shareholders' preemptive subscription right;
- €37 million for the issues carried out with cancellation of Shareholders' preemptive subscription right;
- €80 million cumulative total for all these issues.

Furthermore, the maximum global nominal amount of debt securities that may be issued under these authorizations was set at €1 billion.

According to the opportunity given by the French Order no. 2009-80 of January 22, 2009, the Shareholders' General Meeting of April 28, 2011 also delegated its authority to the Board of Directors in order to carry out capital increases through issue of shares or securities giving access to the Company's share capital, by private investments with cancellation of preemptive subscription rights in favour of qualified investors or a limited circle of investors as defined in article L. 411-2 of the French Monetary and Financial Code. The annual global ceiling of such capital increases would be set at 20% of the share capital according to the applicable law. It is specified that the nominal amount of the securities to be issued pursuant to this delegation would be charged to the nominal amount of €37 million set for the share capital increases that may be carried out with cancellation of preemptive subscription rights.

Issues made with cancellation of the preemptive subscription right that might be decided pursuant to these delegations would be carried out pursuant to the provisions of article L. 225-136 1° of the French Code of Commerce. As a result, the rules for the calculation of the price shall be set in accordance with the provisions of article R. 225-119 of the French Code of Commerce (price at least equal to the weighted average price of the three most recent trading sessions preceding the determination of such price, potentially reduced by a maximum discount of 5%).

The Ordinary and Extraordinary Shareholders' General Meeting of April 28, 2011 also authorized the Board of Directors to:

- set, in accordance with provisions of article L. 225-136 of the French Code of Commerce, the issue price of the various securities that may be issued in the event of cancellation of shareholders' preemptive subscription rights, within the limit of 10% of the Company's share capital per year. It is specified that this issue price would be at least equal to the closing price for Imerys shares on the trading day before the date of setting the issue price, less, if appropriate, a discount of 10%;
- carry out, pursuant to provisions of article L. 225-147 of the French Code of Commerce, one or more share 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 whose shares are not listed on a regulated market.

Finally, pursuant to the powers granted by the Shareholders' General Meeting, the Board of Directors of April 28, 2011 delegated to the Chairman and 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.

None of the delegations of authority and financial authorizations described above were used in financial 2011. Granted for a period of twenty-six months, they will expire on June 27, 2013.

Specific authorizations in favor of the Group's employees and/or corporate officers with cancellation of shareholders' preemptive subscription rights

Capital increases reserved for Group employees

The Shareholders' General Meeting held on April 28, 2011 delegated to the Board of Directors its authority to carry out capital increases reserved for employees that join the Group Savings Plan adopted on September 1, 2000, as last amended on September 21, 2006. The maximum nominal amount of capital increases that may be carried out in this way by the issue of shares is set at €1.6 million, i.e. a maximum of 800,000 shares; the price of the shares to be issued must be determined in accordance with the provisions of article L. 3332-19 of the Labor Code.

This delegation, which was not used in the 2011 financial year, will expire on June 27, 2013.

(1) *To this amount shall be added, if necessary, the additional amount of any shares to be issued to maintain, in accordance with the law, the rights of holders of securities or rights giving access to capital.*

Stock options and free shares

The Shareholders' General Meeting of April 28, 2011 authorized the Board of Directors to grant to employees and corporate officers of the Group, or to certain categories of them:

- options for the subscription of new shares or the purchase of existing shares of the Company in accordance with articles L. 225-177 et seq. of the French Code of Commerce; and
- free shares of the Company pursuant to the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.

The Board of Directors was also authorized to:

- set the terms and conditions under which the share subscription or purchase options would be granted;
- set the conditions, and as the case may be, the criteria for the grant of free shares and determine the acquisition and conservation periods of these shares, in compliance with the minimum times required by the regulation in force.

The Shareholders' General Meeting of April 28, 2011 expressly decided that:

- in the event of stock subscription options, the subscription price shall be equal to 100% of the average of the first prices listed for the share on the twenty stock market trading days leading up to the grant date, thus excluding any possibility for the Board to apply a discount;
- in the event of stock purchase options, the purchase price of the shares shall be equal to 100% of the average purchase price of the shares held by the Company with respect to articles L. 225-208 and L. 225-209 of the French Code of Commerce, also excluding any possibility for the Board to apply a discount;
- grants of stock subscription or purchase options to executive corporate officers or acquisition by them of free shares shall be necessarily subject to the achievement of one or more performance criteria determined by the Board of Directors.

It is specified that the total number of shares that may be the subject of share subscription or acquisition options or free grants could not exceed an overall ceiling of 5% of the Company's capital on the day of the Board's granting decision, this ceiling being common to share subscription and/or acquisition warrants that may be issued *(see paragraph below)*.

To date, the Board of Directors has used these two authorizations to grant to employees and executive corporate officers of the Group in 2011 a total number of 331,875 stock options and 208,371 conditional free shares *(for more details regarding all these grants, see chapter 3, sections 3.4 and 3.5 of the Registration Document)*.

Granted for a period of thirty-eight months, these two authorizations will expire on June 27, 2014.

Share subscription and/or acquisition warrants

The Shareholders' General Meeting of April 28, 2011 delegated to the Board of Directors its authority to carry out capital increases, without shareholders' preemptive subscription rights, by the issue of share subscription and/or acquisition warrants ("BSA"), whether or not redeemable by the Company, that are reserved for the employees and corporate officers of the Group, or to certain categories of them.

This Shareholders' General Meeting also authorized the Board of Directors to set the issue price of the BSA in accordance with regulations in force on the day of issue; the subscription for the shares to which the warrants would give the right would be equal to the average closing price for shares in the Company for the twenty stock market trading days prior to the day of the decision to issue the warrants.

This delegation, which was not used in financial 2011, will expire on June 27, 2013.

Share buyback authorization

The Shareholders' General Meeting of April 28, 2011 renewed, for a further eighteen-month period, i.e. until October 27, 2012, the authorization previously granted to the Board of Directors by the Shareholders' General Meeting of April 29, 2010 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, 2011, i.e. 7,547,415 shares, and within the limit of a total purchase volume of €603.8 million. This Shareholders' General Meeting also decided that the number of shares that may be held, whether directly or indirectly, at any time whatsoever, shall not exceed 10% of the shares making the capital. Finally, the maximum purchase price was set at €80 per share.

The objective of this authorization is to enable the Company to make purchases of its own shares:

- for the purpose of the subsequent cancellation of the shares acquired by reducing the Company's capital, in particular in order to offset the dilution impact on the shareholders likely to result from the grant of stock options and/or free shares;
- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a code of conduct recognized by the AMF;
- with respect to employees' participation in shareholding plans set up by the Company or for the purposes of delivery to certain employees and corporate officers of the Group of the shares resulting from the exercise of stock purchase options or free shares allotment; and

- for the delivery or exchange of shares, in particular with respect to external growth operations.

The acquisition, sale, transfer or exchange of the shares may be carried out, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks and the use or exercise of any financial instrument or derivative.

For details of the operations carried out under the share buyback programs in force during the past financial year, please *see paragraph 6.2.4. of this chapter*.

As this authorization will expire on October 27, 2012, its renewal on a similar basis will be proposed at the next General Meeting *(see chapter 7, paragraph 7.1.4 and section 7.3 of the Registration Document)*.

Cancellation of Company shares

The Ordinary and Extraordinary Shareholders' General Meeting of April 28, 2011 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 the share capital per 24-month period and to reduce the share capital accordingly.

The Board of Directors used this authorization to cancel on December 14, 2011, 532,811 treasury shares acquired during the 2011 financial year.

This authorization will expire on June 27, 2013.

OTHER SECURITIES

As the decision to issue ordinary bonds is within the competence of the Board of Directors in accordance with article L. 228-40 of the French Code of Commerce, the Board of Directors delegated on April 28, 2011 full powers to the Chairman and Chief Executive Officer for the purposes of carrying out such issues and deciding their conditions, within the period of one year and the initial limit of a maximum annual nominal amount of €1.5 billion and a maximum nominal amount per operation of €350 million. This authorization was not used in financial 2011.

Moreover, the Shareholders' General Meeting of April 28, 2011 authorized the Board of Directors to issue, in accordance with the provisions of article L. 228-91 of the French Code of Commerce, in one or more times, any securities giving entitlement to an allotment of debt instruments of the Company (compound securities comprising a primary security and a secondary security) within the global limit of €1 billion, it being specified that the nominal amount of the securities that may be issued pursuant to this authorization shall be charged to the maximum global nominal amount of the debt securities that may be issued pursuant to the authorizations and delegations of authorities granted to the Board of Directors and mentioned above.

This delegation, which was not used in the 2011 financial year, will expire on June 27, 2013.

An overview of all the financial authorizations and delegations of authority granted to the Board of Directors by the Shareholders' General Meeting of April 28, 2011 and existing at the date of this Registration Document is set out in the table below.

Table summarizing existing financial authorizations and delegations of authority

Type of financial authorizations or delegations of authority	Date of the Shareholders' General Meeting	Expiry and duration of the authorization or delegation	Maximum nominal amount	Use in 2011	Maximum amount of issue of debt instruments [(1)]
General authorizations					
Issue of shares or securities giving access to the share capital with preemptive subscription right [(2)]	April 28, 2011	June 27, 2013 (26 months)	€80 million	None	€1 billion
Issue of shares or securities giving access to the share capital without preemptive subscription right, and, as the case maybe, a priority period granted by the Board of Directors [(3)]	April 28, 2011	June 27, 2013 (26 months)	€37 million	None	€1 billion
Issue of shares or securities giving access to the share capital, by private investments with cancellation of preemptive subscription right in favor of qualified investors or a limited circle of investors [(4)]	April 28, 2011	June 27, 2013 (26 months)	20% of the share capital existing on the issue date	None	-
Authorization to set the issue price of shares or securities giving access to the share capital in the event of cancellation of preemptive subscription right [(5)]	April 28, 2011	June 27, 2013 (26 months)	10% of the share capital per year	None	n/a
Issue of shares or securities giving access to the share capital in compensation for contributions in kind made of shares or securities giving access to the share capital [(6)]	April 28, 2011	June 27, 2013 (26 months)	10% of the share capital per year	None	€1 billion
Issue of securities giving entitlement to an allotment of debt instruments [(7)]	April 28, 2011	June 27, 2013 (26 months)	n/a	None	€1 billion
Increase of share capital by capitalization of reserves, earnings and issue or share premiums [(8)]	April 28, 2011	June 27, 2013 (26 months)	€80 million	None	n/a
Overall limit of general authorizations			**€80 million**	**None**	**€1 billion**
Share buy-back and cancellation of shares					
Repurchase by the Company of its own shares [(9)]	April 28, 2011	October 27, 2012 (18 months)	10% of the existing shares as of January 1, 2011	570,253 shares repurchased	n/a
Decrease of share capital by cancellation of self-held shares	April 28, 2011	June 27, 2013 (26 months)	10% of the share capital per 24-month period	532,811 cancelled shares	n/a
Specific authorizations in favor of employees and corporate officers with cancellation of preemptive subscription right					
Issue of shares or securities giving access to the share capital reserved for Group employees that joined a company or Group savings plan [(10)]	April 28, 2011	June 27, 2013 (26 months)	€1,6 million	None	n/a
Grant of Imerys share subscription and/or acquisition options to employees and corporate officers, or certain categories of them [(11)]	April 28, 2011	June 27, 2014 (38 months)	Common ceiling: 5% of the share capital on the day of the Board's decision to grant share subscription and/or acquisition options or free shares or to issue share subscription and/or acquisition	0.44%	n/a
Grant of Imerys free shares to employees and corporate officers, or certain categories of them [(12)]	April 28, 2011	June 27, 2014 (38 months)		0.28%	n/a
Issue of share subscription and/or acquisition warrants to employees and corporate officers, or certain categories of them [(13)]	April 28, 2011	June 27, 2013 (26 months)		None	n/a

(1) Maximum nominal amount of securities representing debts of the Company that may give access to the share capital.
(2) In accordance with the provisions of articles L. 225-129 et seq. and L. 228-91 et seq. of the French Code of Commerce.
(3) In accordance with the provisions of articles L. 225-129 et seq., L. 225-135 et seq., L. 225-136 and L. 228-91 et seq. of the French Code of Commerce.
(4) In accordance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. of the French Code of Commerce and L. 411-2 of the French Monetary and Financial Code.
(5) In accordance with the provisions of articles L. 225-129-2 and L. 225-136, 1° al. 2 of the French Code of Commerce.
(6) In accordance with the provisions of articles L. 225-147 and L. 228-91 et seq. of the French Code of Commerce.
(7) In accordance with the provisions of articles L. 225-129-2, L. 225-129-6 and L. 228-91 et seq. of the French Code of Commerce.
(8) In accordance with the provisions of articles L. 225-129 et seq. and L. 225-130 of the French Code of Commerce.
(9) In accordance with the provisions of articles L. 225-209 et seq. of the French Code of Commerce and 241-1 à 241-6 of the general regulations of Autorité des Marchés Financiers.
(10)In accordance with the provisions of articles L. 225-129 et seq. and L. 225-138 of the French Code of Commerce and L. 3332-1 et seq. of the French Labor Code.
(11)In accordance with the provisions of articles L. 225-177 et seq. of the French Code of Commerce.
(12)In accordance with the provisions of articles L. 225-197-1 et seq. of the French Code of Commerce.
(13)In accordance with the provisions of articles L. 225-129 et seq, L. 225-138 and L. 228-91 et seq. of the French Code of Commerce.

6.2.4 SHARE BUYBACK PROGRAMS

LEGAL FRAMEWORK OF SHARE BUYBACK PROGRAMS IMPLEMENTED IN 2011

As described in *paragraph 6.2.3. of this chapter*, the Ordinary and Extraordinary Shareholders' General Meeting of April 28, 2011 renewed in favor of the Board of Directors and for a period of 18 months, i.e. until October 27, 2012, the authorization previously granted by the Ordinary and Extraordinary Shareholders' General Meeting held on April 29, 2010 for the Company to buy back its own shares, in accordance with articles L. 225-209 et seq. of the French Code of Commerce. In accordance with articles L. 225-209 al. 3 of the French Code of Commerce, the Board of Directors delegated to the Chairman and Chief Executive Officer on April 28, 2011 all powers for the purposes of purchasing the Company's shares, in the conditions and within the limits set by the Shareholders' General Meeting.

OPERATIONS CARRIED OUT IN 2011 *

In accordance with article L. 225-211 of the French Code of Commerce, the following operations were carried out with respect to the Company's share buyback programs in force in 2011.

It is reminded that the share purchases made under share buyback programs implemented by the Company are carried out directly and exclusively on the market by the latter.

Transactions completed from January 1 until April 28, 2011 within the frame of the previous share buyback program

20,000 shares were purchased by the Company on the market at an average price of €53.96 and fully allocated for the purpose of subsequent cancellation.

Transactions completed between April 29, 2011 and December 31, 2011 within the frame of the current share buyback program

Under the new share buyback program approved by the Ordinary and Extraordinary Shareholders' General Meeting of April 28, 2011, 570,253 shares were acquired directly by the Company on the market at an average price of €45.46.

512,811 shares were allocated for the purpose of subsequent cancellation, the balance of 57,442 shares being allocated for the purpose of the future grant of free shares.

Number of treasury shares held as of December 31, 2011

Taking into account:

- the remaining number of treasury shares as on January 1, 2011, i.e. 136,373;
- the number of shares acquired directly on the market in 2011, i.e. 590,253;
- the grant in 2011 of 136,373 shares to the beneficiaries of April 2008 and August 2009 conditional Free Share Plans;
- the cancellation of 532,811 treasury shares on December 14, 2011,

57,442 shares with a par value of €2 and acquired on the market at an average price of €36.73 were self-held by the Company at the end of the year, representing 0.08% of share capital as on December 31, 2011.

It is stipulated that:

- all transactions made out in 2011 by the Company with respect to its share buyback programs were made on a spot basis without any open purchasing or selling position being taken;
- the Company does not use derivatives with respect to its share buyback programs;
- the bank fees relating to the buyback transactions made directly on the market by the Company in 2011 amounted to €27,000.

RENEWAL OF THE SHARE BUYBACK PROGRAM

As the authorization granted by the Shareholders' General Meeting of April 28, 2011 expires on October 27, 2012, its renewal in favor of the Board of Directors, on a similar basis, will be proposed at the General Meeting of April 26, 2012, for a further period of 18 months, i.e. until October 25, 2013.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (*www.imerys.com* – Regulated Information section) and sent to the AMF. A copy of this description can also be obtained on request from the Company's head office.

6.2.5 EMPLOYEE SHAREHOLDER PLANS

As of December 31, 2011, 0.26% of the share capital and 0.40% of the voting rights in the Company were held, either directly or through a mutual fund, by Group employees under the Group Savings Plan *(see chapter 1, paragraph 1.9.7 of the Registration Document)*.

* *All prices and amounts are given excluding fees and commissions.*

6.3 SHAREHOLDING

6.3.1 DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS OVER THE PAST THREE YEARS

Changes in the share capital and voting rights structure over the past three years are as follows:

	As of 12/31/2009				As of 12/31/2010				As of 12/31/2011			
	Number of shares held	**% of share capital**	**Voting rights attached (1)**	**% of voting rights (2)**	**Number of shares held**	**% of share capital**	**Voting rights attached (1)**	**% of voting rights (2)**	**Number of shares held**	**% of share capital**	**Voting rights attached (1)**	**% of voting rights (2)**
Pargesa Netherlands BV	19,702,842	26.14	36,899,304	33.64	19,348,412	25.64	36,544,874	32.52	- (3)	-	-	-
Belgian Securities BV	23,114,711	30.66	39,858,739	36.33	23,201,353	30.74	42,378,539	37.71	42,851,473	57.03	65,966,184	66.78
Sub-total	42,817,553	56.80	76,758,043	69.97	42,549,765	56.38	78,923,413	70.23	-	-	-	-
M&G Investment Management Ltd. (4)	5,186,214	6.88	5,186,214	4.73	4,890,722	6.48	4,890,722	4.35	5,217,507	6.94	5,217,507	5.28
Vanguard Precious Metals and Mining Funds (5)	4,056,000	5.38	4,056,000	3.70	3,900,000	5.17	3,900,000	3.47	3,650,000	4.86	3,650,000	3.69
Group employees (6)	223,793	0.30	314,761	0.29	210,215	0.28	402,611	0.36	197,924	0.26	395,258	0.40
Self-held shares	250	ns	250	ns	136,373	0.18	136,373 (7)	0.12 (7)	57,442	0.18	57,442 (7)	0.06 (7)
Public	24,565,017	30.65	23,394,002	21.32	23,787,080	31.51	24,118,100	21.46	23,168,170	30.83	23,497,227	23.79
Total	**75,389,496**	**100.00**	**109,709,020**	**100.00**	**75,474,155**	**100.00**	**112,234,846**	**100.00**	**75,142,516**	**100.00**	**98,783,618**	**100.00**

(1) According to article 22 of the by-laws, nominal shares registered for at least two years carry a double voting right.
(2) The percentages are calculated on the basis of the theoretical voting rights existing as of December 31 of each year.
(3) It is reminded that Pargesa Netherlands BV sold all its shares in Imerys to Belgian Securities BV on April 8, 2011 (for more details, see paragraphs 6.3.2 and 6.3.5 of this chapter).
(4) M&G Investment Management Limited is part of the Prudential Plc group (United Kingdom).
(5) Vanguard Precious Metals and Mining Funds is part of the Vanguard group (United States).
(6) 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.
(7) These are theoretical voting rights, as treasury shares do not benefit from voting rights at the shareholders' general meetings.

As of December 31, 2011 the members of the Board of Directors and the Chairman and Chief Executive Officer together held, on a personal basis, 0.38% of the Company's share capital and 0.40% of its voting rights *(for more details, see chapter 3, paragraph 3.1.2 of the Registration Document)*.

6.3.2 CROSSING OF THRESHOLDS

- On April 8, 2011, further to the reclassification of Imerys shares inside the Pargesa-GBL group, Pargesa Netherlands BV sold to Belgian Securities BV all Imerys shares it held on that date. As a consequence, it was declared to AMF (AMF Decision and Notice 211C0433 of April 12, 2011) that:
  - Pargesa Netherlands BV had crossed down individually the thresholds of 30% of the voting rights and 25%, 20%, 15%, 10% and 5% of the Company's share capital and voting rights;
  - Belgian Securities BV exceeded individually the thresholds of one third of the share capital and 50% of the voting rights in the Company, and at that date, held 42,549,765 Imerys shares representing 61,726,951 voting rights, i.e. 56.34% of the share capital and 64.83% of the voting rights of Imerys.
- On May 2, 2011, further to a sale of shares on the market, the Vanguard Group, Inc, acting on behalf of Vanguard Precious Metals and Mining Fund, declared to AMF that, on April 27, 2011, it had passed below the 5% thresholds of the Company's share capital and voting rights with 3,770,284 shares representing the same number of attached voting rights, held in the name of Vanguard Precious Metals and Mining Fund and representing 4.99% of the capital and 3.35% of Imerys voting rights (AMF decision and Notice 211C0566 of May 3, 2011).
- On May 12, 2011, following a change in the number of voting rights in Imerys, Prudential Plc stated, for the purposes of regularization, that on May 4, 2011 it had exceeded, directly and indirectly through the management companies under its control, the 5% threshold in the Company's voting rights and that it held, directly or indirectly, on that date, 4,996,865 shares representing as many voting rights, i.e. 6.61% of Imerys' share capital and 5.24% of its voting rights (AMF Decision and Notice 211C0699 of May 17, 2011).
- Last, further to the reduction in the Company's voting rights, Belgian Securities BV declared to AMF on January 10, 2012 that on January 5, 2012 it had exceeded the threshold of 2/3 of the voting rights of Imerys and that it held 42,851,473 shares to which 65,966,184 voting rights were attached, i.e. 57.03% of the Company's share capital and 66.78% of its voting rights (AMF Decision and Notice 212C0060 of January 10, 2012).

No other threshold crossing was brought to the attention of the Company during the 2011 financial year and up to the date of the Registration Document.

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 the share capital and the voting rights of the Company.

6.3.3 CONTROL OF THE COMPANY AND SHAREHOLDERS' AGREEMENT

Because of the number of voting rights held by Belgian Securities BV which is directly controlled by Groupe Bruxelles Lambert and indirectly by Pargesa Holding SA, the Pargesa-GBL concert has controlling rights over the Company. Nevertheless, the Company judges that there is no risk of such control being exercised abusively. Actually, the Company and its Board of Directors have always been extremely attentive to the respect of all shareholders' interests and have always striven to comply with the best Governance rules and practices in this field, as shown, in particular, by the number of independent members of the Board of Directors and its specialized Committees (for more information on the composition of the Board of Directors and its Committees*, see chapter 3, paragraph 3.1.2 of the Registration Document).*

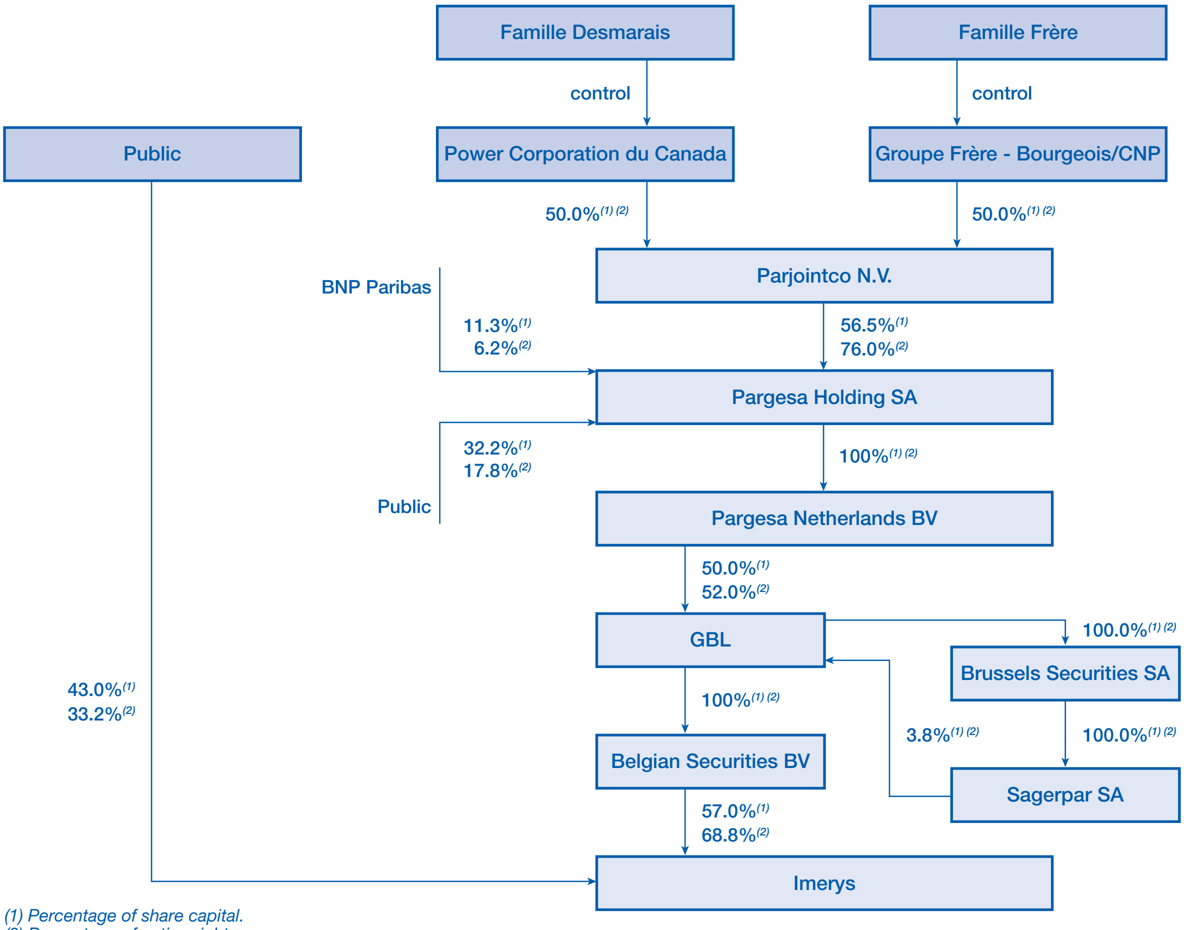
As of the date of this Registration Document, the Company has not been informed of any agreement between the Company's shareholders, nor of any agreement that, if implemented, could lead to a change of control.

6.3.4 IDENTIFICATION OF BEARER SHAREHOLDERS

In 2011, Imerys asked Euroclear France to conduct a survey of identifiable bearer shares in the Company among financial intermediaries with holding thresholds over 30,000 shares. Except for the controlling shareholder (Belgian Securities BV), this survey identified 3,957 bearer shareholders with over 200 shares that together represented 40.1% of share capital as of May 31, 2011 (of which 270 institutional investors holding 37.95% of share capital).

6.3.5 GROUP SHAREHOLDING STRUCTURE

The organizational chart showing the relationships between Imerys shareholders as regards share capital and voting rights as of December 31, 2011 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 whose registered office is located at 11 Grand-rue, CH 1204 Geneva (Switzerland). Pargesa Netherlands BV is a company organized under the laws of the Netherlands, whose registered office is located at Herengracht 483, 1017 BT Amsterdam (Netherlands). Groupe Bruxelles Lambert (GBL) is a company organized under the laws of Belgium, whose registered office is located at Avenue Marnix 24, 1000 Brussels (Belgium). Belgian Securities BV is a company organized under the laws of the Netherlands, whose registered office is 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 with the Company, completed 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, whose registered office is located at Veerkade 5, 3016 DE-Rotterdam, Netherlands. It is held 50% equally, and jointly controlled by both 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 with the Company, the Pargesa-GBL group, then the majority shareholder of Parfinance, declared on July 6, 1998 that, with respect to the concerted action linking them, it exceeded the thresholds of one-third and one-half of share capital and voting rights in the Company. The "Conseil des Marchés Financiers" (CMF) acknowledged that these thresholds were exceeded as a result of the Company's merger with Parfinance and granted the Pargesa-GBL concert a dispensation from the obligation to file a take-over bid plan, pursuant to the provisions of article 5-4-6 of its General Rules (notice 198C0696 of July 23, 1998).

On December 20, 2006, the Pargesa-GBL group notified the AMF that, following the allocation of double voting rights to the Imerys shares held by Belgian Securities BV resulting from their holding in a registered account for more than two years on December 15, 2006, the Pargesa-GBL group had exceeded the two-third threshold of voting rights in the Company and Belgian Securities BV had directly exceeded the one-third threshold of voting rights (AMF Decision and Notice 207C0012). On January 9, 2007, the AMF, at the request of Belgian Securities BV and based on article 234-9 6° of its general regulations, granted the latter company an exemption from the obligation to file a take-over bid plan for the Company, as provided by article 234-2 of said regulations (AMF Decision and Notice 207C0065).

On January 27, 2010, further to a sale of Imerys shares on the market, Pargesa Netherlands BV individually crossed below the one-third threshold of voting rights in the Company, the number of shares being held by the latter at that date amounting to 19,368,012 i.e. 25.68% of the share capital and 33.28% of the voting rights (AMF decision and notice no 210C0475).

On March 21, 2011, the Pargesa-GBL group notified to the AMF its intention to reclassify Imerys shares, at the end of which Belgian Securities BV would acquire all of the Imerys shares held by Pargesa Netherlands BV. This reclassification gave rise to a direct crossing by Belgian Securities BV and an indirect one by Groupe Bruxelles Lambert (holding 100% of Belgian Securities BV) of the one-third threshold of the Company's share capital and the increase by more than 2% of their direct and indirect stake in less than a twelve-month period, Belgian Securities BV and Groupe Bruxelles Lambert requested an exemption from the AMF from the obligation to file a take-over bid plan for the Company's shares. Such exemption being granted on March 29, 2011 (AMF Decision and Notice no 211C0389 of March 31, 2011), the share transfer occured on April 8, 2011 (for more details, *see paragraph 6.3.2 above*). This transaction, with no impact on the ultimate control of the Company, has resulted in the loss of double voting rights attached to Pargesa Netherlands BV's stake and has similarly reduced the total number of voting rights of the Company.

6.4 ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

Pursuant to article L. 225-100-3 of the French Code of Commerce, elements which could have an impact in the event of a takeover bid for the securities of the Company are as follows, it being specified that no specific mechanism has been set up by the Company:

Structure of the share capital - direct or indirect investments in the share capital - Shareholders' agreements

Information regarding the shareholding of the Company (structure of the share capital, thresholds crossings and control of the Company) appear in *section 6.3 of this chapter*.

Restrictions to the exercise of voting rights and to the transfer of shares or agreements known by the Company

None.

Holders of securities granting specific rights of control

The Company's by-laws provide for that shares registered in the name of the same shareholder for at least two years carry a double voting right *(see section 6.1 of this chapter)*.

Mechanisms of control existing in employee shareholding scheme

None.

Specific rules governing the appointment or replacement of Directors and the modification of the Company's by-laws

None.

Powers of the Board of Directors regarding the issue or buyback of shares

The terms and conditions for the buyback of the Company's shares are set out in *paragraphs 6.2.3 and 6.2.4 of this chapter*.

Agreements that may be amended or terminated in the event of a change of control of the Company

Some of the main financing agreements of the Company *(see Note 25.5 to the consolidated financial statements)* contain a clause which provides for their early reimbursement, under certain conditions and on the Company's initiative, in the event of a change of control.

Joint venture agreements concluded by the Company's subsidiaries generally provide for an exit clause in the event of a change of control of the said subsidiaries.

Agreements providing indemnities to be paid to members of the Board of Directors or employees if they resign or are dismissed without genuine and serious cause or if their employment ends because of a takeover bid

Terms and conditions of the indemnity that may be owed to executive corporate officers in case of end of their duties are detailed in *chapter 3, paragraph 3.3.2 of the Registration Document*.

6.5 IMERYS STOCK EXCHANGE INFORMATION

Imerys shares are listed on Euronext Paris and are eligible for the deferred settlement system ("Système à Règlement Différé" - SRD) (ISIN FR code 0000120859-Mnemo NK). Imerys is part of the index CAC MD (mid 60) within SBF 120 which represents the 120 biggest stocks listed on Euronext Paris (in terms of float and capital flow). The Imerys shares are also part of the"Dow Jones Euro Stoxx", the benchmark index for the euro area, comprising 309 shares selected from the 12 member countries in this area. Within these indexes (SBF 120 and Dow Jones Euro Stoxx 600), Imerys shares have been listed, since November 2, 2009, under the general mining sector ("1775 General Mining Activities" according to ICB classification). They were previously listed under the ICB classification 2353 – "Building Materials and Fixtures".

Imerys shares are also included in the "FTSE4Good" and "ASPI Eurozone® [(1)]" indexes that identify companies that meet globally recognized standards in the field of Sustainable Development and corporate social responsability (respect for human rights and the environment, development of relationships with shareholders). Imerys also features in Ethibel's "Excellence" investment register.

No securities in any Imerys subsidiary are listed on a stock exchange.

6.5.1 HIGHEST AND LOWEST MARKET PRICES FROM 2007 TO 2011 [(1)]

Year	Highest Market price [(2)] *(€)*	Lowest Market price [(2)] *(€)*	final market closing price of the year
2007	72.61	48.83	52.16
2008	55.36	23.44	30.14
2009	44.35	21.58	42.01
2010	51.00	36.75	49.89
2011	55.00	31.87	35.59

(1) Prices given for 2007 and 2008 have been restated in line with the adjustment arising from the share capital increase of June 2, 2009.
(2) Market prices observed during trading.
(Source: Bloomberg)

(1) Advanced Sustainable Performance Indices – Index managed by the rating agency Vigeo.

6.5.2 TRADES SINCE JANUARY 2010

	Highest price * (€)	Lowest price * (€)	Total monthly trading volume		Average daily trading		
			Number of shares	Capital (€M)	Number of shares	Capital (€M)	Number of trades
2010							
January	43.32	39.46	2,702,488	110.51	135,124	5.53	1,215
February	41.27	36.75	2,190,167	84.78	109,508	4.24	1,075
March	45.64	37.93	2,563,377	109.16	111,451	4.75	1,195
April	48.95	44.54	2,526,422	117.33	126,321	5.87	1,478
May	46.50	39.23	3,709,598	162.17	176,648	7.72	1,495
June	47.10	39.24	2,553,164	109.21	116,053	4.96	1,234
July	46.50	40.32	1,994,940	86.88	90,679	3.95	1,019
August	46.12	38.00	1,465,580	61.33	66,617	2.79	744
September	44.74	39.11	1,840,213	77.82	83,646	3.54	852
October	45.35	42.88	1,989,490	88.12	94,738	4.20	1,181
November	48.00	43.05	1,905,634	87.09	86,620	3.96	1,164
December	51.00	44.21	1,372,283	67.48	59,664	2.93	802
Total 2010			**26,813,356**	**1,161.88**			
2011							
January	52.65	47.61	1,446,035	73.05	68,859	3.48	1,052
February	52.60	47.92	1,344,911	67.83	67,246	3.39	1,077
March	52.48	44.80	2,098,387	103.88	91,234	4.52	1,337
April	55.00	51.40	1,766,699	93.94	92,984	4.94	1,237
May	52.86	48.65	8,306,128	420.45	377,551	19.11	1,246
June	51.19	45.82	2,094,555	100.84	95,207	4.58	1,094
July	50.49	44.66	2,018,933	95.83	96,140	4.56	1,179
August	50.82	38.97	2,967,749	129.19	129,033	5.62	1,530
September	46.77	36.36	2,911,134	121.31	132,324	5.51	1,654
October	43.65	35.85	2,144,062	84.94	102,098	4.04	1,287
November	43.33	32.61	2,260,670	84.06	102,758	3.82	1,336
December	37.51	31.88	1,780,128	61.40	84,768	2.92	1,026
Total 2011			**31,139,391**	**1,436.72**			

* *Market prices observed during trading.*
(Source: Bloomberg and Euronext)

6.6 DIVIDENDS

Imerys' policy with regard to distribution of dividends is based on earnings recorded for the considered financial year.

In accordance with the provisions of article 243 bis of the French General Tax Code:

- the dividends distributed with respect to the last three financials were as follows:

	2010	2009	2008
Net income per share	€3.19	€1.66	€3.96 *
Net dividend per share	€1.20	€1.00	€1.00
Gross dividend per share	€1.20	€1.00	€1.00
Number of shares entitled to dividend	75,497,951	75,505,458	62,787,810
Total net distribution	**€90.6 M**	**€75,5 M**	**€62.8 M**

* *The 2008 amount has been restated and adjusted following the share capital increase of June 2, 2009.*

- in accordance with article 158-3-2° of the French General Tax Code, the total dividend paid to natural persons resident in France is subject to income tax at graduated rate and is eligible for the 40% tax credit in accordance with article 158-3-2° of the French General Tax Code as well as the flat annual deduction. However, pursuant to article 117 quarter of the French General Tax Code, private individuals domiciled in France for tax purposes may, prior to the dividend payment date, opt for liability to the 21% 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. Unclaimed amounts are deposited with the French State in the first 20 days of January of the year following the expiry of the limitation period.

6.7 SHAREHOLDER RELATIONS

Imerys seeks to establish a relationship of trust and openness with its shareholders and has created several communication tools (paper and web) for informing them about the Group's business, strategy, earnings and outlook:

- an annual Registration Document (Document de Référence) registered with AMF including the Financial Annual Report of the considered financial year;
- a corporate brochure, published at the same time as the Registration Document giving the key facts about the Group's business, its development during the financial year and its financial results;
- a half-yearly Financial Report on the financial statements to June 30;
- a Letter to shareholders reviewing the Group's news and financial performance;
- a Sustainable Development Report, published every two years, that gives shareholders additional information on non-financial items.

All these documents are published in English and French and are sent to every registered shareholder and to the bearer shareholders who wish to receive them regularly.

The financial community and individual shareholders are also informed on the Company's business through financial announcements published in the press (paper and web format) each time results are published and when annual Shareholders' General Meetings are convened.

The website *www.imerys.com* includes a specific section for individual shareholders; it also presents the Group's activities and enables users to follow results presentation meetings and the annual Shareholders' General Meeting live. The online financial library groups together the documents that provide regulated information and all the Group's publications (results' presentations, press releases, brochures and annual reports, semi-annual reports, letters to shareholders and Sustainable Development reports).

Imerys also provides its registered shareholders with an online service for consulting their securities account through the secure Internet site *www.nomi.olisnet.com*. This site gives shareholders access to the value of their securities account, their latest security transactions and their availability, their voting rights as well as the prices and characteristics of the securities in their portfolio. It also contains all documentation concerning the Company's annual Shareholders' General Meetings and allows them to vote on line.

Meetings and conference calls are held regularly s in the major financial markets with financial analysts and institutional and socially responsible investors. Individual or group meetings are organized with investors in France, the United Kingdom and the United States as well as in Canada, Germany, Italy, Switzerland and The Netherlands. In 2011, 250 meetings and interviews were organized with analysts and fund managers. Imerys attends also regularly thematic conferences organized by brokerage firms.

Finally, 2011 was devoted to organizing the Investor Day held on January 12, 2012 during which the Group has presented its strategic development orientations to the financial community (analysts, investors and bankers). Presentations from that day are available on the Group's website.

The Group's desire for transparency towards its shareholders was recognized and resulted in two honors in 2011:

- the jury's special prize for shareholder relations from the newspapers "Les Echos" and "Investir-Le Journal des Finances" and the audit firm Mazars, in the mid-cap category, acknowledging the efforts made in investor, analyst and shareholder relations. This rewarded Imerys for:
  - broadening communication with individual shareholders through accurate identification,
  - extending the shareholding base with roadshows in less well-known financial marketplaces: Montreal, Toronto, Amsterdam, Frankfurt and Milan,
  - the quality of information published in the annual Registration Document and on the Group's website;
- Imerys also places great importance on Sustainable Development issues and their consideration by investors and rating agencies. The Group regularly reports to investors on processes and performance improvement in terms of environmental management, safety, community relations and ethics. This desire for transparency was rewarded in late 2011 by the third prize in the "Trophée des Meilleures Relations Investisseurs" (best investor relations trophy) for Sustainable Development by the "Forum des Relations Investisseurs" (investor relations forum).

Financial Communication is part of the Group Finance Function:

- Telephone: + 33 (0) 1 49 55 66 55
- Fax: + 33 (0) 1 49 55 63 98
- e-mail: actionnaires@imerys.com

Registry services for Imerys shares are provided by the following bank:

CACEIS Corporate Trust
14. rue Rouget de Lisle
92862 Issy les Moulineaux Cedex 9
France

- 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.

6.8 PARENT COMPANY/SUBSIDIARIES ORGANIZATION

As of December 31, 2011, the Group was made up of 316 companies in 48 countries *(the main consolidated entities of the Group are listed in Note 27 to the consolidated financial statements)*. The Group operational structure is based on four business groups which are detailed in *chapter 1, paragraph 1.2.5 of the Registration Document*.

Imerys is the Group's holding company. In that respect it does not directly carry out any industrial or commercial activity. The Company's assets are mainly comprised of the investments it directly holds in some Group subsidiaries. For more information about the subsidiaries held directly by the Company, see the Company financial statements *in Note 35 to the statutory financial statements*.

Imerys as well as some of its local holding companies (Belgium, Brazil, China, Singapore, United Kingdom, United States) provide all its subsidiaries with general assistance and expertise in particular 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.

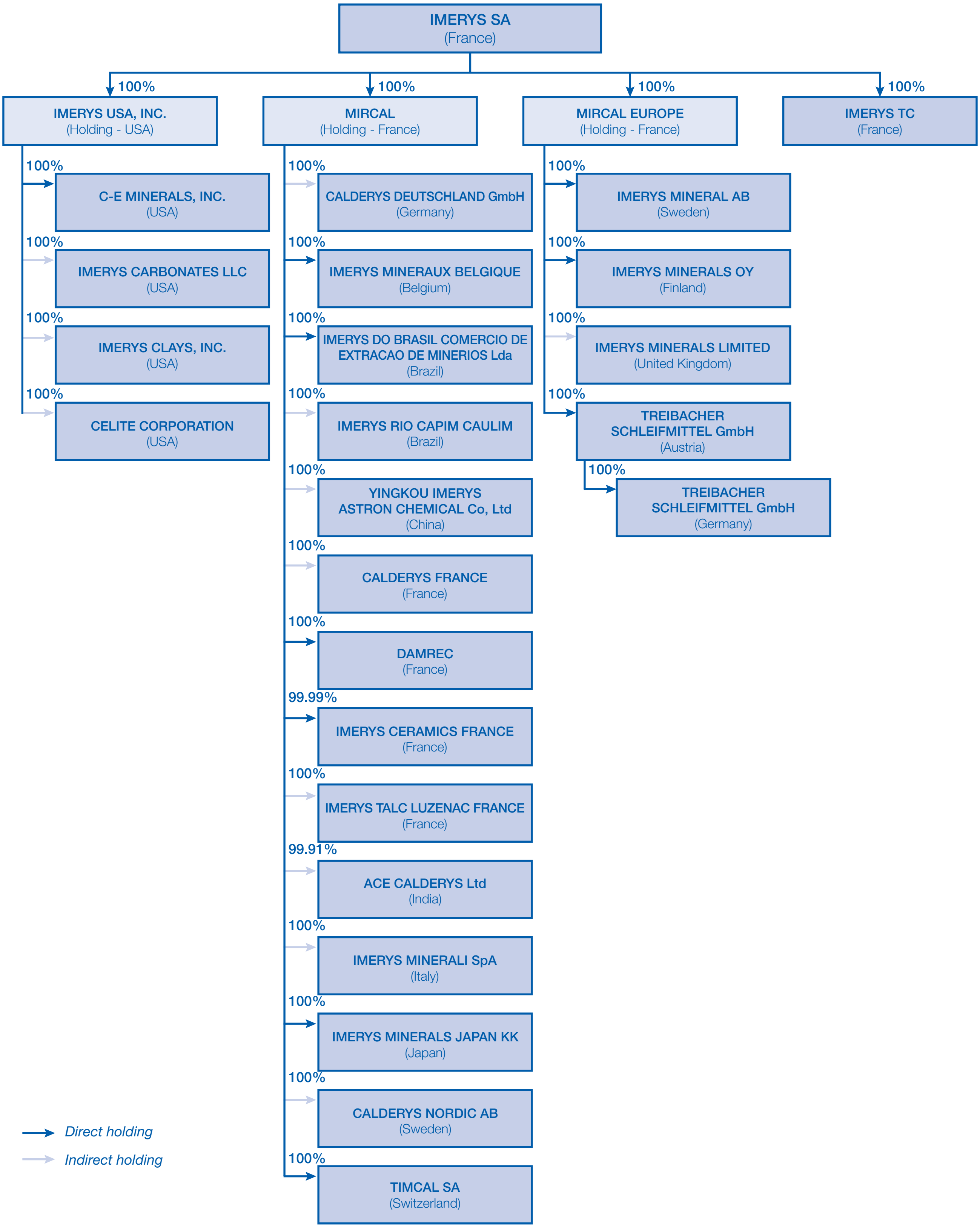
These services include, notably: assistance and advice in response to case-by-case requests from its subsidiaries, as well as more general studies and analyses or even recommendations or proposed actions as preventive measures.

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 compared to the total sales of the division they belong to or in proportion to the number of their employees. In addition, external costs incurred specifically on behalf of a subsidiary and the costs of employees seconded to a subsidiary are allocated separately to that subsidiary.

The Company invoiced a net total amount of €20.6 million in 2011 for services provided to its subsidiaries.

Imerys is also the parent company of the tax consolidation group for the Group's French companies whose the share capital is more than 95% held by Imerys *(see Note 8 to the statutory financial statements)*.

The simplified organizational chart presented below shows the main operating entities of the Group whose turnover exceeded €50.0 million as of December 31, 2011.



ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF APRIL 26, 2012

7

7.1 PRESENTATION OF THE RESOLUTIONS BY THE BOARD OF DIRECTORS

The resolutions that the Board of Directors drew up at its February 15, 2012 meeting and submit for your approval, fall within the scope of the Ordinary part of the Shareholders' General Meeting for resolutions 1 to 10 and 12 and within the scope of the Extraordinary part of the Shareholders' General Meeting for resolution 11.

7.1.1 FINANCIAL YEAR 2011 - ANNUAL FINANCIAL STATEMENTS AND ALLOCATION OF EARNINGS

(Three resolutions within the scope of the Ordinary Shareholders' General Meeting)

We first submit for your approval the Company's financial statements (*first resolution*) and the Group's consolidated financial statements (*second resolution*) for the 2011 financial year.

The presentation of these financial statements and the description of the financial situation, business and results of the Group and the Company for the financial year just ended, as well as the various items of information required by current legal and regulatory provisions, appear in *chapters 2 and 5 of the Registration Document*.

You are then called upon to decide on the allocation of the Company's 2011 earnings (*third resolution*).

The Company's net income in 2011 totaled €9,643,393.91 to which we propose that retained earnings appearing in the balance sheet of €362,060,679.92 be added in order to give a total distributable amount of €371,704,073.83.

We propose you to allocate an amount of €112,713,774 for the payment of a dividend of €1.50 per share for the 75,142,516 shares comprising the share capital as of January 1, 2012 *(see chapter 6, paragraph 6.2.1 of the Registration Document)* and to allocate the balance to the "Retained earnings" account. It is specified that the total amount of dividend paid out would be adjusted according to the number of shares to be issued following the exercise of stock options as from January 1, 2012 and which would be entitled to the 2011 dividend as of the date of payment of that dividend. Consequently, the amount allocated to retained earnings would be determined on the basis of the total amount of dividend actually paid. Finally, if the Company were to hold treasury shares on the date of payment of the dividend, the sums corresponding to the dividends that would be not paid out as a result would be allocated to retained earnings. The dividend would be paid as from May 9, 2012.

In accordance with the provisions of article 243 bis of the French General Tax Code, you are reminded that the entire proposed dividend with respect to 2011 is eligible for the 40% tax credit provided for by article 158-3-2° of the French General Tax Code, which natural persons resident in France for tax purposes may benefit from. However, in accordance with article 117 quater of the French General Tax Code, natural persons resident in France for tax purposes may, prior to the dividend payment date, elect for a 21% withholding tax to be deducted at source with no further tax liability.

We also remind you that the dividends paid out with respect to the previous three financial years were as follows:

Financial year ending:	**12/31/2010**	**12/31/2009**	**12/31/2008**
Net dividend per share	€1.20 *	€1.00 *	€1.00 *
Number of shares entitled to dividend	75,497,951	75,505,458	62,787,810

* *Dividend eligible for the 40% tax credit.*

With a net amount of €1.50 per share, the proposed dividend for this year represents a 25% increase compared with the dividend paid with respect to the previous financial year.

7.1.2 REGULATED AGREEMENTS AND COMMITMENTS

(Two resolutions within the scope of the Ordinary Shareholders' General Meeting)

You are also called upon to approve 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 and concluded in 2012, provided that no new regulated agreement or commitment was concluded during the 2011 financial year.

We inform you that at its meeting of February 15, 2012, the Board of Directors on the recommendations of the Appointments and Compensation Committee, amended the collective supplementary defined-benefit pension scheme in which Mr. Gilles Michel, Chairman and Chief Executive Officer and sole executive corporate officer, is a beneficiary and which henceforth provides that:

- eligible persons to this plan are as follows: any senior manager or executive of Imerys and a member of the Executive Committee, with at least a 8-year seniority within the Group (previously set at 10 years) including 4 years as a member of such Committee (previously set at 2 years);
- the maximum reference salary applicable to the calculation of the life annuity that may be paid to the beneficiaries is increased from 22 to 30 times the annual French social security ceilings.

At the same meeting, the Board of Directors also expressed its intention to keep the duties of Chairman of the Board and Chief Executive Officer combined and to re-elect Gilles Michel in those functions subject to the renewal of his term of office as Director by the Shareholders' General Meeting of April 26, 2012.

As a consequence and pursuant to the provisions of articles L. 225-38, L. 225-40, L. 25-42-1 and L. 225-42-1 al. 4 of the French Code of Commerce, we request that you consider the Statutory Auditors' special report and approve:

- the amendments made to the collective supplementary pension plan with defined benefits in which Mr. Gilles Michel, Chairman and Chief Executive Officer, is a beneficiary (*fourth resolution*); as well as
- the continuation of the commitments undertaken by the Company in favor of Mr. Gilles Michel regarding the severance indemnity that would be owed to him in the event that his corporate office is terminated at the Company's initiative or in the event of forced departure linked to a change of control or strategy of the Company (*fifth resolution*), subject to his reappointment as a Director by the Shareholders' General Meeting of April 26, 2012 (*eight resolution*) and its re-election as Chairman and Chief Executive Officer by the Board of Directors, those commitments having been already approved by the Shareholders' General Meeting of April 28, 2011.

These regulated commitments are detailed in the Statutory Auditors' special report which is reproduced *in chapter 2, paragraph 2.2.3 of the Registration Document*. This report also mentions agreements and commitments authorized and concluded during previous financial years and which continued in 2011.

7.1.3 COMPOSITION OF THE BOARD OF DIRECTORS

(Fourth resolutions within the scope of the Ordinary Shareholders' General Meeting)

A second set of resolutions concerns the composition of the Board of Directors. The term of office of the Directors is three years.

The terms of office of Messrs. Jacques Drijard, Jocelyn Lefebvre, Gilles Michel and Eric Le Moyne de Sérigny will expire at the end of this Meeting.

In accordance with the recommendations of the Appointments and Compensation Committee, you are asked to renew the terms of office of Messrs. Jacques Drijard, Jocelyn Lefebvre and Gilles Michel for a further three years, i.e. until the close of the Shareholders' General Meeting that will be called in 2015 to rule on the management and financial statements for the 2014 financial year (*sixth to eight resolutions*). It is specified that, given his age and pursuant to article 12 of the by-laws, the term of office of Mr. Jacques Drijard will expire ipso jure at the end of the Shareholders' General Meeting that will be called in 2013 to rule on the management and financial statements for the 2012 financial year.

Mr. Eric Le Moyne de Sérigny has informed the Board that he would not seek the renewal of his office and we propose you, with the recommendations of the Appointments and Compensation Committee, to appoint Mr. Xavier Le Clef as a new Director in succession to the latter for the statutory duration of three years, i.e. until the Shareholders' General Meeting that will be called in 2015 to rule on the management and financial statements for the 2014 financial year (*ninth resolution*).

We advise you that professional information about the Directors whose term of office is proposed for renewal, is included in *chapter 3, paragraph 3.1.3 of the Registration Document*, those concerning Mr. Xavier Le Clef, who is candidate for election as a director, is provided below.

Professional information about Mr. Xavier Le Clef (born on August 4, 1976, Belgian nationality): A graduate of the Solvay Business School of the Université Libre de Bruxelles and holder of a MBA from the Business School Vlerick Leuven in Gent, Xavier Le Clef began his career in 2000 as an Associate of the international consulting firm in Strategy, Technology and Innovation, Arthur D. Little, where he held various positions in Belgium, France and Germany until 2006. At that date, he joined Compagnie Nationale à Portefeuille (CNP) where he is currently the Chief Financial Officer. in this role, Mr. Xavier Le Clef holds various corporate mandates in subsidiaries of CNP.

In accordance with the principles used by the Company to determine the independent status of its Directors, and after examining their personal situation, the Appointments and Compensation Committee did not recognize that status neither to Messrs. Jacques Drijard, Jocelyn Lefebvre and Xavier Le Clef who represent the Company's controlling shareholders nor to Mr. Gilles Michel, Chairman and Chief Executive Officer.

Following the Shareholders' General Meeting of April 26, 2012 and subject to its approval of the propositions above, the Board of Directors will be made up as follows:

Year of end of term of office	Name	Independent member
2013	Jean MONVILLE	Yes
	Ian GALLIENNE	No
	Fatine LAYT	Yes
	Robert PEUGEOT	Yes
	Olivier PIROTTE	No
	Amaury de SÈZE	No
	Pierre-Jean SIVIGNON	Yes
2014	Aimery LANGLOIS-MEURINNE	No
	Gérard BUFFIERE	No
	Aldo CARDOSO	Yes
	Arielle MALARD de ROTHSCHILD	Yes
	Jacques VEYRAT	Yes
2015	Jacques DRIJARD	No
	Xavier Le CLEF	No
	Jocelyn LEFEBVRE	No
	Gilles MICHEL	No

7.1.4 SHARE BUYBACK PROGRAM

(One resolution within the scope of the Ordinary Shareholders' General Meeting)

The authorization to buy back the Company's shares on the market, given to the Board of Directors for a period of 18 months by the Ordinary and Extraordinary Shareholders' General Meeting of April 28, 2011, expires prior to the 2013 Shareholders' General Meeting. It is therefore proposed that you 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 about the Company's implementation of its share buyback programs in 2011, see *chapter 6, paragraph 6.2.4. of the Registration Document*.

You are reminded that the new authorization requested is intended to enable the Company to make purchases of its own shares:

- with a view to the subsequent cancellation of the shares acquired by reducing the Company's capital, in particular in order to offset the dilutive impact on shareholders that is likely to result from the grant of stock options and/or free shares;
- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company, under a liquidity contract in accordance with a code of conduct recognized by AMF;
- with respect to employees' participation in shareholding plans set up by the Company or for the purposes of delivery to certain employees and corporate officers of the Group of the shares resulting from the exercise of stock purchase options or free shares allotment; and
- for the delivery or exchange of shares, in particular with respect to issue of shares or securities giving access immediately or in the future to capital, or within the frame of external growth operations.

The maximum number of shares that may be purchased under this new authorization shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2012, that is 7,514,251 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. Finally, the maximum purchase price would be €80 per share, representing a maximum total investment of €601.1 million.

The description of this new program, drawn up in accordance with the provisions of articles 241-1 to 242-6 of AMF's General Regulations, will be available on the Company's website (*www.imerys.com* – Regulated Information section) prior to the Shareholders' General Meeting of April 26, 2012. A copy of this description can also be obtained on request from the Company's head office.

7.1.5 AMENDMENTS OF THE BY-LAWS

(One resolution within the scope of the Extraordinary Shareholders' General Meeting)

The eleventh resolution is intended to amend, add to or delete certain statutory provisions concerning the composition and functioning of the Board of Directors, and the holding of General Meetings, so that they reflect, in particular, changes in the Law and current regulations, and to make them clearer.

As a consequence, you are asked to approve the new wording of articles 12, 13, 14, 15, 16, 18, 19, 21, 22, 24 and 26 presented below and more generally the by-laws' wording as a whole. It is specified that amendments or additions appear in bold.

Article 12

In order to comply with rules and regulations, reference to the 3-month period in paragraph 2 would be deleted and replaced by the following mention:

"Each Director shall own at least one hundred (100) shares for the entire duration of his or her term of office. If, on the day of his or her appointment, a Director does not own the required number of shares or if, during his or her term of office, he or she ceases to own said number, he or she shall be deemed to have resigned if he or she does not remedy this situation ***within the term provided by the applicable regulations****."*

The rest of article 12 would remain unchanged.

Article 13

In order to promote an effective staggered renewal of Directors' mandate, it is proposed to modify paragraph 3 which would be henceforth worded as follows:

"As from the appointment of the first members of the Board of Directors, one-third of the Board of Directors shall be renewed by the Annual General Meeting of the Shareholders every year. ***The duration of the first term of office of a Director may be set for less than three*** *(3) years* ***by the Shareholders' General Meeting*** *in order to take into account the effect of the one-third renewal of the Board of Directors."*

The rest of article 13 would remain unchanged.

Article 14

- For the sake of consistency with other provisions of article 14, the second sentence of paragraph 2 would be deleted.
- Paragraph 3 would be added to and updated in order to reflect current regulations, as follows:

"The Chairman of the Board of Directors organizes and supervises the work of the Board, on which he or she reports to the General Meeting of the Shareholders. He or she ensures that the Company's bodies function correctly and makes sure, in particular, that the Directors are able to perform their duties. Every year, he or she shall draw up a report on the conditions under which the Board's work is prepared and organized, and on ***the risk management and*** *internal control procedures set up by the Company,* ***as well as on any other subject that would be expressly required by the law****. This report shall be attached to the management report drawn up by the Board of Directors, as described in article 29 of the present articles of association and by-laws."*

- The current paragraph 4 would be deleted for the sake of simplification and consistency with article 15.
- Consequently, the current paragraph 6 would become paragraph 5. For the sake of harmony with the provisions concerning Directors, the new paragraph 5 would henceforth be worded as follows:

"Regardless of the period for which they are assigned, the offices of the Chairman and those of the Vice-Chairman or Vice-Chairmen of the Board of Directors shall end ipso jure following the ***General Meeting called to rule on the financial statements for the financial year during which he, she or they reach*** *the age of seventy (70)".*

The rest of article 14 would remain unchanged.

Article 15

- In order to simplify the functioning of the Board of Directors, it is proposed to modify the first paragraph that would be henceforth worded as follows:

"The Board of Directors shall meet as and when the interests of the Company require. Meetings shall be called by the Chairman, ***the Secretary of the Board or one of the Vice-Chairmen****, at the registered office or at any other place indicated in the notice of meeting. Meetings shall be called by any means,* ***even verbally****."*

- Paragraph 5 would also be added to as follows:

"The meetings of the Board of Directors may take place either at the registered office or in any other place indicated in the notice of meeting, and by videoconferencing ***or telecommunication****, in the conditions provided* ***by applicable regulations****. They are chaired by the Chairman of the Board or, failing that, by one of the Vice-Chairmen* ***or any attending member*** *designated for that purpose by the Board of Directors. The members of the Board of Directors may have themselves represented at any meeting by one of their colleagues through proxy given by letter, fax or any other means of telecommunication, in the conditions provided by the law."*

The rest of article 15 would remain unchanged.

Article 16

For the sake of simplification and consistency with other provisions of article 16, paragraph 3 would be deleted and the paragraphs 4 to 9 would become paragraphs 3 to 8.

Article 18

For the sake of simplification and consistency, paragraph 7 would be added to as follows:

"In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers given to the

Delegate Chief Executive Officers. With respect to third parties, the Delegate Chief Executive Officers shall have the same powers as the Chief Executive Officer. ***The Board of Directors may limit the powers of the Delegate Chief Executive Officers but such limitation is void with respect to third parties.****"*

Consequently, paragraph 9 would be deleted.

Paragraphs 10 to 15 would become paragraphs 9 to 14; they would remain unchanged except for paragraph 14 in which the reference to "article 706-43 of the French Code of Criminal Procedure" would be deleted and replaced by the words "*applicable regulations"*.

Article 19

Paragraph 6 ("**Usual operations**") would be abolished in accordance with provisions of the law of May 17, 2011 ("loi de simplification du droit").

The rest of article 19 would remain unchanged.

Article 21

- With a view to the harmonization and simplification of the statutory provisions:
  - paragraphs 4 and 5 - section "calling of meetings" – would be deleted and replaced by a new paragraph 4 that would be worded as follows:

"General meetings are convened under terms and conditions provided by the applicable regulations; notices of meeting shall be given to Shareholders, notably by data transmission or any other means of telecommunication";

  - a new paragraph 5 would be introduced in section "calling of meetings"; it would be drafted as follows:

"General Meetings shall be called by the Board of Directors and shall be held at the registered office or any other place indicated in the notice of meeting. Failing that, they may also be called:

- ***by the Statutory Auditors under the conditions set forth by the applicable regulations,***
- ***by a representative appointed by the courts following an application by any interested party or the works council if the matter is urgent, or by one or more shareholders representing the percentage of capital required by the applicable regulations, or by any group of shareholders which complies with the conditions provided by law."***

- In order to reflect the legal provisions that apply to the holding of Shareholders' General Meetings in force since 2011, the current paragraph 10 –"Participation" section – would be added to as follows:

*"**Shareholders may be represented at Shareholders' General Meetings under the conditions set down by the applicable regulations**. Shareholders may also take part and vote in Meetings by sending a proxy or postal vote form, either in paper form or, on the decision of the Board of Directors, by **electronic** data transmission and/or any other means of telecommunications, in the **time limits** and conditions provided by law."*

The rest of article 21 would remain unchanged.

Article 22

- For the sake of simplicity and consistency with the changes proposed in article 21 above, the first paragraph would henceforth be simplified as follows:

"The Board of Directors may decide to broadcast the Meetings in their entirety by videoconference and/or any other means of telecommunications, under the conditions provided by law."

- Pursuant to legal provisions in force since 2011, paragraph 8 would be modified as follows:

*"The agenda shall in principle be fixed by the person calling the meeting. However, one or more shareholders representing **the percentage of capital required by the applicable regulations** or a group of shareholders complying with the conditions provided by law shall be entitled to request the inclusion of any **items or** draft resolutions on the agenda."*

The rest of article 22 would remain unchanged.

Article 24

According to legal provisions, the first sentence would be amended as follows:

*"When first called, the Ordinary General Meeting of the Shareholders, may only deliberate validly if the shareholders present, including, as the case may be, by data transmission and/or any other means of telecommunication under the conditions provided by law, or represented, hold **the minimum percentage of shares with voting rights required by the applicable regulations**. When called a second time, decisions shall be valid irrespective of the number of shares represented. Decisions shall be made by a majority of votes held by the shareholders present, including, as the case may be, by data transmission and/or any other means of telecommunication under the conditions provided by law, or represented".*

The rest of article 24 would remain unchanged.

Article 26

In accordance with applicable regulations:

- the first paragraph would be amended as follows:

*"The Extraordinary General Meeting of the Shareholders many only deliberate validly if the shareholders present, including, as the case may be, by data transmission and/or any other means of telecommunication under the conditions provided by law, or represented, hold, **on first or second call, the minimum percentage of shares with voting rights required by the applicable regulations**";*

- paragraph 3 would be modified as follows:

*"By way of a legal exception to the above, when the meeting is called to decide upon or to authorize the Board of Directors to carry out a capital increase by the capitalization of reserves, profits or issue premiums, **the required quorum and majority shall be those of the Ordinary Shareholders' General Meetings**". Consequently, paragraph 4 would be deleted.*

The rest of article 26 would remain unchanged.

It is specified that all the other statutory provisions, particularly those relating to the name, purpose, registered office and share capital of the Company would be unchanged; we ask you to kindly take due note.

7.1.6 POWERS

(One resolution within the scope of the Ordinary Shareholders' General Meeting)

The last resolution is intended, as usual practice, to facilitate corporate formalities with the Commercial Register.

7.2 AGENDA

ORDINARY PART

1. Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2011;
2. approval of the Group's consolidated financial statements for the financial year ended on December 31, 2011;
3. allocation of earnings and determining of dividend with respect to the financial year ended on December 31, 2011;
4. Statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce and approval, pursuant to articles L. 225-38 and L. 225-42-1 of the French Code of Commerce, of the amendments made to the collective supplementary defined-benefit pension scheme of which Mr. Gilles Michel, Chairman and Chief Executive Office is a beneficiary;
5. Statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce and approval, pursuant to paragraph 4 of article L. 225-42-1 of the French Code of Commerce, of the commitments made by the Company in favor of Mr. Gilles Michel, Chairman and Chief Executive Officer concerning severance indemnity for his corporate office;
6. renewal of the term of office as Director of Mr. Jacques Drijard;
7. renewal of the term of office as Director of Mr. Jocelyn Lefebvre;
8. renewal of the term of office as Director of Mr. Gilles Michel;
9. appointment of Mr. Xavier Le Clef as a new Director in replacement of Mr. Eric Le Moyne de Sérigny;
10. repurchase by the Company of its own shares.

EXTRAORDINARY PART

11. Modifications of the by-laws;
12. powers.

7.3 DRAFT RESOLUTIONS

ORDINARY PART

FIRST RESOLUTION

Approval of the Company's management and annual financial statements for the financial year ended on December 31, 2011

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Auditors' report relating to the Company's financial statements for the financial year ended on December 31, 2011 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, 2011

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Auditors' report relating to the Group's consolidated financial statements for the financial year ended on December 31, 2011 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, 2011

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report:

acknowledges that the Company's profit for the past financial year is:	€9,643,393.91
increased by the retained earnings amounting to:	€362,060,679.92
represents a total distributable amount of:	€371,704,073.83
resolves to pay in respect of financial 2011 a dividend of €1.50 to each of the 75,142,516 shares that make up the share capital as on January 1, 2012, which represents a distribution of:	€(112,713,774.00)
and allocates the remaining amount to retained earnings which now amount to:	€258,990,299.83

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 2011 as on the payment date of that dividend. The amount allocated to retained earnings shall be determined on the basis of the total amount of dividend effectively paid out.

The Shareholders' General Meeting decides that the dividend will be paid as from May 9, 2012.

If the Company were to be holding some of its own shares on the date of payment of the dividend, the sums corresponding to the dividends that would not have been paid out as a result would be allocated to retained earnings.

In accordance with article 243 bis of the French General Tax Code, the proposed dividend is eligible for the 40% allowance provided for by 2° of 3 of article 158 of the French General Tax Code, from which private individuals domiciled in France for tax purposes may benefit; this allowance shall not apply if the beneficiary have opted for liability to the withholding governed by article 117 quarter of the French General Tax Code.

The Shareholders' General Meeting acknowledges that the sums paid out as dividends with respect to the previous three financial years were as follows:

	Financial 2010	Financial 2009	Financial 2008
Net dividend per share	€1.20 *	€1.00 *	€1.00 *
Number of shares compensated	75,497,951	75,505,458	62,787,810
Total net distribution	€90.6 M	€75.5 M	€62,8 M

* *Dividend eligible for the 40% allowance.*

FOURTH RESOLUTION

Statutory Auditors' special report referred to in article L. 225-40 of the French Code of Commerce and approval, pursuant to articles L. 225-38 and L. 225-42-1 of the French Code of Commerce, of the amendments made to the collective supplementary defined-benefit pension scheme of which Mr. Gilles Michel, Chairman and Chief Executive Officer, is a beneficiary

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Statutory Auditors' special report drawn up pursuant to the provisions of article L. 225-40 of the French Code of Commerce, and ruling on that report, approves in accordance with the provisions of articles L. 225-38 and L. 225-42-1 of the French Code of Commerce, the amendments made to the collective supplementary defined-benefit pension scheme of which Mr. Gilles Michel, Chairman and Chief Executive Officer, is a beneficiary, as authorized by the Board of Directors at its meeting of February 15, 2012.

FIFTH RESOLUTION

Statutory Auditors' special report referred to in article L. 225-40 of the Code of Commerce and approval, pursuant to paragraph 4 of article L. 225-42-1 of the Code of Commerce, on the commitments made by the Company in favor of Mr. Gilles Michel, Chairman & Chief Executive Officer, concerning severance indemnity for his corporate office

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report and the Statutory Auditors' special report drawn up pursuant to the provisions of article L. 225-40 of the Code of Commerce, and ruling on that report, again approves, in accordance with the provisions of paragraph 4 of article L. 225-42-1 of the French Code of Commerce, the commitments made by the Company in favor of Mr. Gilles Michel, Chairman and Chief Executive Officer, concerning the severance indemnity that would be owed to him in the event that his corporate office were terminated on the initiative of the Company or in the event of his forced departure as a result of a change of control or strategy, subject to the renewal of his term of office as Director by the present Meeting (8th resolution) and the renewal of his office as Chairman and Chief Executive Officer by the Board of Directors.

SIXTH RESOLUTION

Renewal of Mr. Jacques Drijard's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Jacques 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 expire at the end of the Shareholders' General Meeting called upon in 2015 to rule on the management and financial statements for financial year 2014.

SEVENTH RESOLUTION

Renewal of Mr. Jocelyn Lefebvre's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. 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 expire at the end of the Shareholders' General Meeting called upon in 2015 to rule on the management and financial statements for financial year 2014.

EIGHTH RESOLUTION

Renewal of Mr. Gilles Michel's term of office as Director

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, acknowledging that Mr. Gilles Michel's term of office as Director expires following the present General Meeting, resolves to renew such term for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2015 to rule on the management and financial statements for financial year 2014.

NINTH RESOLUTION

Appointment of Mr. Xavier Le Clef as new Director in replacement of Mr. Eric Le Moyne de Sérigny

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report, resolves to appoint as from this day as a new Director, in replacement of Mr. Eric Le Moyne de Sérigny who did not seek for the renewal of his term of office which is expiring, Mr. Xavier Le Clef, for a period that, pursuant to statutory provisions, will expire at the end of the Shareholders' General Meeting called upon in 2015 to rule on the management and financial statements for financial year 2014.

TENTH RESOLUTION

Repurchase by the Company of its own shares

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, having considered the Board of Directors' report pursuant to the provisions of article L. 225-209 et seq. of the French Code of Commerce and articles 241-1 to 241-6 of the General Regulations of Autorité des marchés financiers (AMF):

1) authorizes the Board of Directors, with the possibility of sub-delegating under the conditions provided by law, to make purchases of the Company's own shares:
   - for the cancellation of the shares thus bought and, as the case may be, any shares bought under previous buyback authorizations provided that the twenty-fifth resolution be approved by the present Shareholders' General Meeting,

- in order to ensure the liquidity of the market through an investment services firm acting in the name and on behalf of the Company on a fully independent basis without being influenced by the Company, under a liquidity contract in accordance with a code of conduct recognized by AMF, or in any other manner agreed by the applicable regulations,
- in order to grant or transfer some shares to employees, former employees or corporate officers of the Company and companies that are affiliated pursuant to articles L. 225-180 and L. 233-3 of the French Code of Commerce, in particular employee shareholding plans, stock purchase options plans, or grants of free shares plans, under the conditions provided by law and provided that the twenty-first, the twenty-second and the twenty-third resolutions be approved by the present Shareholders' General Meeting, and
- 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.

The acquisition, sale, transfer or exchange of the shares may be carried out, in compliance with the regulations in force, on the market or by mutual agreement and by any means, including the transfer of blocks and the use or exercise of any financial instrument or derivative;

2) sets the following limits for the use of the present authorization by the Board of Directors:
   - the maximum number of shares that may be purchased shall not exceed 10% of the total number of shares issued and outstanding as of January 1, 2011, that is 7,514,251 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 €601,1 million;
3) resolves that, in the event that the par value of the stock is modified, the capital is increased by the capitalization of reserves or free shares are granted, or in the event of a stock split or consolidation, the above-stated maximum amount devoted to these buybacks and the maximum number of shares to be repurchased will be adjusted accordingly by a multiplier equal to the ratio between the number of shares that made up the capital before the operation and the resulting number after the operation;
4) sets at eighteen months from the date of this General Meeting the term of this authorization, which renders null and void, for the unused part, any previous authorizations granted to the Board of Directors with regard to the Company's repurchase of its shares;
5) grants full powers to the Board of Directors, with the authority to delegate such powers under the conditions provided by law, to implement this authorization and, in particular, to sign any stock purchase, sale, exchange or transfer agreements, file any statements with Autorité des marchés financiers or any other agency, proceed with the adjustments set forth above, complete any formalities and, generally, do what is necessary.

EXTRAORDINARY PART

ELEVENTH RESOLUTION

Modifications of the by-laws

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for extraordinary Shareholders' General Meetings, having considered the Board of Directors' report, resolves to modify or complete some statutory provisions relating to the composition and functioning of the Board of Directors as well as the holding of General Meetings and consequently approves the by-laws' wording as a whole and in particular the new wording of articles 12, 13, 14, 15, 16, 18, 19, 21, 22, 24 and 26 modified as follows:

Article 12

Reference to the 3-month period in paragraph 2 is be deleted and replaced by the following mention:

"Each Director shall own at least one hundred (100) shares for the entire duration of his or her term of office. If, on the day of his or her appointment, a Director does not own the required number of shares or if, during his or her term of office, he or she ceases to own said number, he or she shall be deemed to have resigned if he or she does not remedy this situation ***within the term provided by the applicable regulations****."*

The rest of article 12 remains unchanged.

Article 13

Paragraph 3 is henceforth worded as follows:

"As from the appointment of the first members of the Board of Directors, one-third of the Board of Directors shall be renewed by the Annual General Meeting of the Shareholders every year. ***The duration of the first term of office of a Director*** *may be set for less than three (3) years* ***by the Shareholders' General Meeting*** *in order to take into account the effect of the one-third renewal of the Board of Directors."*

The rest of article 13 remains unchanged.

Article 14

The 2nd sentence of paragraph 2 is deleted.

Paragraph 3 is completed and updated as follows:

"The Chairman of the Board of Directors organizes and supervises the work of the Board, on which he or she reports to the General Meeting of the Shareholders. He or she ensures that the Company's bodies function correctly and makes sure, in particular, that the Directors are able to perform their duties. Every year, he or she shall draw up a report on the conditions under which the Board's work is prepared and organized, and on ***the risk management and*** *internal control procedures set up by the Company,* ***as well as on any other subject that would be expressly required by the law****. This report shall be attached to the management report drawn up by the Board of Directors, as described in article 29 of the present articles of association and by-laws."*

The current paragraph 4 is deleted.

Consequently, the current paragraph 6 becomes paragraph 5 which is henceforth worded as follows:

"Regardless of the period for which they are assigned, the offices of the Chairman and those of the Vice-Chairman or Vice-Chairmen of the Board of Directors shall end ipso jure following the ***General Meeting called to rule on the financial statements for the financial year during which he, she or they reach*** *the age of seventy (70)".*

The rest of article 14 remains unchanged.

Article 15

First paragraph is modified and worded as follows:

"The Board of Directors shall meet as and when the interests of the Company require. Meetings shall be called by the Chairman, ***the Secretary of the Board or one of the Vice-Chairmen****, at the registered office or at any other place indicated in the notice of meeting. Meetings shall be called by any means,* ***even verbally****."*

Paragraph 5 is modified and completed as follows:

"The meetings of the Board of Directors may take place either at the registered office or in any other place indicated in the notice of meeting, and by videoconferencing ***or telecommunication****, in the conditions provided* ***by applicable regulations****. They are chaired by the Chairman of the Board or, failing that, by one of the Vice-Chairmen* ***or any attending member*** *designated for that purpose by the Board of Directors. The members of the Board of Directors may have themselves represented at any meeting by one of their colleagues through proxy given by letter, fax or any other means of telecommunication, in the conditions provided by the law."*

The rest of article 15 remains unchanged.

Article 16

Paragraph 3 is deleted and the paragraphs 4 to 9 become paragraphs 3 to 8.

Article 18

Paragraph 7 is completed as follows:

"In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers given to the Delegate Chief Executive Officers. With respect to third parties, the Delegate Chief Executive Officers shall have the same powers as the Chief Executive Officer. ***The Board of Directors may limit the powers of the Delegate Chief Executive Officers but such limitation is void with respect to third parties.****"*

Consequently, paragraph 9 is deleted.

Paragraphs 10 to 15 become paragraphs 9 to 14; paragraphs 9 to 13 remain unchanged.

Reference in paragraph 14 to "article 706-43 of the French Code of Penal Procedure" is deleted and replaced by the mention "*applicable regulations*".

Article 19

Paragraph 6 ("**Usual operations**") is deleted in accordance with provisions of the law of May 17, 2011 ("loi de simplification du droit").

The rest of article 19 remains unchanged.

Article 21

Paragraphs 4 and 5 - section "calling of meetings" – are deleted and replaced by a new paragraph 4 that is worded as follows:

"General meetings are convened under terms and conditions provided by the applicable regulations; notices of meeting shall be given to shareholders, notably by data transmission or any other means of telecommunication."

A new paragraph 5 is introduced in section "calling of meetings"; it is drafted as follows:

"General Meetings shall be called by the Board of Directors and shall be held at the registered office or any other place indicated in the notice of meeting. Failing that, they may also be called:

- ***by the Statutory Auditors under the conditions set forth by the applicable regulations;***
- ***by a representative appointed by the courts following an application by any interested party or the works council if the matter is urgent, or by one or more shareholders representing the percentage of capital required by the applicable regulations, or by any group of shareholders which complies with the conditions provided by law."***

Paragraph 10 – section "Attendance" – is completed as follows:

*"**Shareholders may be represented at Shareholders' General Meetings under the conditions provided by the applicable regulations**. Shareholders may also take part and vote in Meetings by sending a proxy or postal vote form, either in paper form or, on the decision of the Board of Directors, by **electronic** data transmission and/or any other means of telecommunications, in the **time limits** and conditions provided by law."*

The rest of article 21 remains unchanged.

Article 22

The first paragraph is henceforth drafted as follows:

"The Board of Directors may decide to broadcast the Meetings in their entirety by videoconference and/or any other means of telecommunications, under the conditions provided by law."

Paragraph 8 is modified as follows:

*"The agenda shall in principle be fixed by the person calling the meeting. However, one or more shareholders representing **the percentage of capital required by the applicable regulations** or a group of shareholders complying with the conditions provided by law shall be entitled to request the inclusion of any **items** or draft resolutions on the agenda."*

The rest of article 22 remains unchanged.

Article 24

The first sentence is amended as follows:

*"When first called, the Ordinary General Meeting of the Shareholders, may only deliberate validly if the shareholders present, including, as the case may be, by data transmission and/or any other means aof telecommunication under the conditions provided by law, or represented, hold **the minimum percentage of shares with voting rights required by the applicable regulations**. When called a second time, decisions shall be valid irrespective of the number of shares represented. Decisions shall be made by a majority of votes held by the shareholders present, including, as the case may be, by data transmission and/or any other means of telecommunication under the conditions provided by law, or represented".*

The rest of article 24 remains unchanged.

Article 26

The 1st paragraph is amended as follows:

*"The Extraordinary General Meeting of the Shareholders many only deliberate validly if the shareholders present, including, as the case may be, by data transmission and/or any other means of telecommunication under the conditions provided by law, or represented, hold, **on first or second call, the minimum percentage of shares with voting rights required by the applicable regulations**."*

Paragraph 3 is modified as follows:

*"By way of a legal exception to the above, when the meeting is called to decide upon or to authorize the Board of Directors to carry out a capital increase by the capitalization of reserves, profits or issue premiums, **the required quorum and majority shall be those of the Ordinary Shareholders' General Meetings**". Consequently, paragraph 4 is deleted.*

The rest of article 26 remains unchanged.

The Shareholders' General Meeting take due note that all other statutory provisions, particularly those concerning the name, purpose, registered office and capital of the Company are unchanged.

■ TWELFTH RESOLUTION

Powers

The Shareholders' General Meeting, ruling in the quorum and majority conditions required for ordinary Shareholders' General Meetings, fully empowers the bearer of a duplicate or an extract of the minutes of the present Meeting to carry out any formalities with respect to registration or publication.

PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF ACCOUNTS

8

8.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Gilles Michel, Chairman and Chief Executive Officer

8.2 CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I certify, after taking every reasonable measure for that purpose, that the information contained in the present Registration Document is, to the best of my knowledge, accurate and does not contain any omission that could make it misleading.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and profit and loss of the Company and all undertakings included in the consolidation, and that the Board of Directors' Management's discussion and analysis appearing on pages 66 to 76 presents a fair picture of the development and performance of the business and financial position of the Company and all undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter of completion from the Statutory Auditors in which they state that they have checked the information on the financial position and the financial statements given in this Registration Document and that they have read the Document in its entirety.

The financial information presented in the Registration Document is the subject of the Statutory Auditors' Reports appearing on pages 77 to 79. The report on the consolidated statements for the period ending December 31, 2011 contains an observation concerning the financial year's changes of method. The reports on the consolidated statements for the period ending December 31, 2010 and December 31, 2009, incorporated by reference to the corresponding historical financial statements as specified on page 264 of the present Registration Document, respectively contain an observation concerning the financial year's changes of method.

Paris, March 22, 2012

Gilles Michel
Chairman and Chief Executive Officer

8.3 AUDITORS

STATUTORY AUDITORS

Deloitte & Associés

represented by Arnaud de Planta
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex - France

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of May 5, 2003 and renewed by the Extraordinary and Ordinary Shareholders' General Meeting of April 29, 2010

ERNST & YOUNG et Autres

represented by François Carrega
1/2, place des Saisons
92400 Courbevoie -Paris La Défense 1 - France

first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of Arpil 29, 2010 in replacement of Ernst & Young Audit

ERNST & YOUNG et Autres and Deloitte & Associés are members of the Auditors' Regional Company of Versailles.

ALTERNATE AUDITORS

BEAS

7-9 Villa Houssay
92524 Neuilly-sur-Seine Cedex - France
part of the Deloitte network
first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of May 5, 2003

Auditex

1/2, place des Saisons
92400 Courbevoie -Paris La Défense 1 - France
part of the Ernst & Young network
first appointed at the Extraordinary and Ordinary Shareholders' General Meeting of April 29, 2010
in replacement of Mr. Jean-Marc Montserrat

8.4 INFORMATION INCLUDED IN THE REGISTRATION DOCUMENT BY REFERENCE

Pursuant to article 28 of EC Regulation 809/2004 of April 29, 2004, the following information is included in the present Registration Document by Registration:

- with respect to the financial year ending on December 31, 2010, the consolidated financial statements, annual financial statements, the related Auditors' reports, the Auditors' special report on regulated agreements and the Board of Directors' management report appearing respectively on pages 126 to 190, 191 to 211, 70 to 72, 73 and 74 and 60 to 69 of the 2010 Registration Document filed with Autorité des marchés financiers (French Securities Regulator) on March 31, 2011 under number D. 11-0205;
- with respect to the financial year ending on December 31, 2009, the consolidated financial statements, annual financial statements, the related Auditors' reports, the Auditors' special report on regulated agreements and the Board of Directors' management report appearing respectively on pages 120 to 181, 182 to 203, 64 to 66, 67 and 54 to 63 of the 2009 Registration Document filed with Autorité des marchés financiers (French Securities Regulator) on April 1, 2010 under number D. 10-0205.

Any other information that is not included in the present Document is either of no relevance to investors or mentioned in another part of the Registration Document.

8.5 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Michel Deville
Group Chief Financial Officer
Telephone: +33 (0) 1 49 55 66 55 – 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 Registration Document, the subject index can be used to identify the main information required by the Autorité des marchés financiers (the French Securities Regulator) with respect to its regulations and instructions.

Items of Annex 1 to the EC Regulations 809/2004 of April 29, 2004		References	Pages
1	**Persons responsible**	**Chapter 8**	
1.1	All persons responsible for the information given in the Registration Document	8	262; 264
1.2	Declaration by those responsible for the Registration Document	8	262
2	**Statutory Auditors**	**Chapter 8**	
2.1	Name and address	8	263
2.2	Statutory Auditors having resigned or not renewed		n.a..
3	**Selected financial information**	**Chapter 1**	
3.1	Selected historical financial information	1	4
3.2	Selected historical financial information for interim periods		n.a.
4	**Risk Factors**	**Chapter 4**	**120-125**
5	**Information about the Issuer**	**Chapters 2; 5; 6**	
5.1	History and development	2; 6	69-72; 228-229
	5.1.1 Legal and commercial name	6	228
	5.1.2 Place and number of registration	6	228
	5.1.3 Date of incorporation and length of life	6	228-229
	5.1.4 Domicile and legal form, legislation under which the Issuer operates	6	228
	5.1.5 Important events in the development of the Issuer's business	2	69-72
5.2	Investments	2; 5	69-72; 138; 140-141; 169-173
	5.2.1 Main investments for each financial year of the period covered by the historical financial information up to the date of the Registration Document	5	138; 140-141; 169-173
	5.2.2 Issuer's main investments that are in progress	2	69-72
	5.2.3 Issuer's main future investments		n.a.
6	**Business overview**	**Chapters 1; 4; 6**	
6.1	Main activities	1	10-47
	6.1.1 Description of main activities	1	10-42
	6.1.2 New products or services that have been introduced	1	43-47
6.2	Main markets	1	18; 20; 22-25; 27; 29-30; 33-34; 37-39; 41-42
6.3	Exceptional factors having influenced information given pursuant to items 6.1 and 6.2		n.a.
6.4	Issuer's dependence on patents, licenses or industrial, commercial or financial contracts or new manufacturing techniques	1; 4	47; 121; 123
6.5	Basis for any statement made by the Issuer regarding its competitive position	6	228
7	**Organizational structure**	**Chapters 5; 6**	
7.1	Brief description of the Group and the Issuer's position within the Group	6	238-241
7.2	Main subsidiaries	5; 6	199-201; 224; 245-246
8	**Properties, plants and equipment**	**Chapter 5**	
8.1	Information regarding any existing or planned material tangible fixed assets	5	173
8.2	Environmental issues that may affect the Issuer's utilization of the tangible fixed assets		n.a.

Items of Annex 1 to the EC Regulations 809/2004 of April 29, 2004		References	Pages
9	**Operating and financial review**	**Chapters 1; 2; 5**	
9.1	Financial position	5	134-139
9.2	Operating results	1; 2; 5	5-6; 66-68; 179-180; 191-197
	9.2.1 Information regarding significant factors materially affecting the Issuer's income from operations	5	179-180; 191-197
	9.2.2 Reasons for material changes in net sales or revenues	2	66-68
	9.2.3 Strategy and external factors	1	5-6
10	**Capital resources**	**Chapter 5**	
10.1	Information concerning the Issuer's capital resources	5	181
10.2	Explanation of the source and amounts of the Issuer's cash flows	5	138-139
10.3	Borrowing and funding structure of the Issuer	5	188-191
10.4	Restriction on use of capital resources	5	195
10.5	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1	5	188-191; 196
11	**Research and development, patents and licenses**	**Chapter 1**	**43-47**
12	**Information on trends**	**Chapter 2**	
12.1	Most significant recent trends in production, sales, inventory, costs and selling prices	2	66-72
12.2	Information on any known trends that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year	2	73
13	**Profit forecasts or estimates**	**n.a.**	
13.1	A statement setting out the main assumptions upon which the Issuer has based its forecast, or estimate		n.a.
13.2	A report prepared by independent accountants or Auditors		n.a.
13.3	Profit forecast or estimate prepared on a basis comparable with the historical financial information		n.a.
13.4	Statement setting out whether or not that forecast is still correct as at the time of the Registration Document		n.a.
14	**Management and supervisory bodies**	**Chapter 3**	
14.1	Names, business address and functions in the Issuer, and indication of the main activities performed outside the Issuer; nature of any family relationship, details of relevant management expertise; any convictions in relation to fraudulent offences; bankruptcies, receiverships or liquidations; public incriminations, sanctions by statutory or regulatory authorities	3	85-96; 103-104
14.2	Conflict of interests	3	95
15	**Remuneration and benefits**	**Chapters 3; 5**	
15.1	Amount of remuneration paid and benefits in kind granted to such persons by the Issuer and its subsidiaries	3	105-109
15.2	Total amount set aside or accrued to provide pensions, retirements or similar benefits	3; 5	108-109; 201-202
16	**Management and supervisory body practices**	**Chapter 3**	
16.1	Date of expiration of the current term of office	3	85; 103
16.2	Information about members of the management and supervisory bodies' service contracts with the Issuer or any of its subsidiaries	3	96
16.3	Audit Committee and Remuneration Committee	3	99-103
16.4	A statement on Corporate Governance	3	84
17	**Employees**	**Chapters 1; 3; 6**	
17.1	Number of employees	1	60
17.2	Shareholdings and stock-options	1; 3; 6	63; 85; 109-116; 237
17.3	Description of any arrangement for involving the employees in the capital of the Issuer	1; 6	63; 237
18	**Major shareholders**	**Chapter 6**	
18.1	Name of any person who has an interest in the Issuer's capital or voting rights which is notifiable under the Issuer's national law	6	238-239
18.2	Whether the Issuer's major shareholders have different voting rights	6	230
18.3	State whether the Issuer is directly or indirectly owned or controlled	6	238-240
18.4	Description of any arrangement, known to the Issuer, the operation of which may at a subsequent date result in a change of control of the Issuer	6	239

Items of Annex 1 to the EC Regulations 809/2004 of April 29, 2004		References	Pages
19	**Related party transactions**	**Chapter 5**	**201-202**
20	**Financial information concerning the Company's assets and liabilities, financial positions, profits and losses**	**Chapters 1; 2; 4; 5; 6; 8**	
20.1	Historical financial Information	1; 8	4; 262; 264
20.2	Pro forma financial Information		n.a.
20.3	Statutory and consolidated financial statements	5	134-224
20.4	Auditing of historical annual information	2; 8	77-79; 262; 264
	20.4.1 Statement that the historical financial information has ben audited	8	262
	20.4.2 Indication of other information in the Registration Document which has been audited by the Auditors		n.a.
	20.4.3 Source and nature of the financial data stated in the Registration Document but not extracted from the Issuer's audited financial statements		n.a.
20.5	Age of latest audited financial information	2; 8	77-79; 262
20.6.	Interim and other information		n.a.
20.7	Dividend policy	6	244
	20.7.1 Dividend per share	1; 2; 5; 6	4; 66; 137; 244
20.8	Legal and arbitration proceedings	4; 5	123; 187
20.9	Significant change in the Issuer's financial or trading position	5	203
21	**Additional information**	**Chapters 3; 6**	
21.1	Share capital	6	232-237
	21.1.1 Amount of issued capital, number of shares, par value per share, reconciliation of the number of shares outstanding at the beginning and end of the year	6	232
	21.1.2 Shares not representing capital		n.a.
	21.1.3 Shares owned by the Issuer itself	6	237
	21.1.4 Convertible securities, exchangeable securities or securities with warrants	6	232; 236
	21.1.5 Information about and terms of any acquisition rights and or obligation over authorized but non issued capital or an undertaking to increase the capital	6	233-235
	21.1.6 Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option		n.a.
	21.1.7 History of share capital	6	232
21.2	Memorandum and articles of association	6	228-231
	21.2.1 The Issuer's scope of business	6	229
	21.2.2 Members of the management and supervisory bodies	3	85-95; 103-104
	21.2.3 Description of rights, preferences and restrictions attaching to the existing shares	6	230
	21.2.4 Changes of the rights of holders of the shares	6	230
	21.2.5 Description of the conditions governing the manner in which Annual General Meeting of Shareholders are called including the conditions of admission	6	230
	21.2.6 Change in control of the Issuer		n.a.
	21.2.7 An indication of the articles of association provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed	6	231; 239
	21.2.8 Changes in the capital		n.a.
22	**Material contracts**	**Chapter 4**	**123**
23	**Third party information and statement by experts and declaration of any interest**	**n.a.**	
23.1	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the Issuer		n.a.
23.2	Confirmation that this information has been accurately reproduced		n.a.
24	**Documents on display**	**Chapter 6**	**231; 244-245**
25	**Information on holdings**	**Chapter 5**	**199-201; 224**

9.2 TABLE OF RECONCILIATION WITH THE ANNUAL FINANCIAL REPORT

This Registration Document includes all information of the Annual Financial Report provided for in I of article L. 451-1-2 of the French Monetary and Financial Code and in article 222-3 of the general regulations of the Autorité des marchés financiers.

The table below sets out the references to the extracts from the Registration Document that correspond to the various items comprising the Annual Financial Report.

Sections	Pages
Statutory financial statements	204-224
Consolidated financial statements	134-203
Statutory Auditors' Report on the financial statements	78-79
Statutory Auditors' Report on the Consolidated financial statements	77-78
Board of Directors' Management Report	66-76
Certificate of the person responsible for the Board of Directors' Management Report	262
Audit fees	225
Report of the Chairman of the Board of Directors on the conditions for preparing and organizing the Board's work and on the risk management and internal control procedures set up by the Company	125-131
Statutory Auditors' Report on the Report of the Chairman of the Board of Directors	132

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